



Board of Governors Risk Management & Audit Committee Meeting

Robert W. Plaster Student Union, Ballroom East

Thursday, 12/15/2022

8:30 - 9:15 AM CT

I. Roll Call Presented By: Governor Chris Waters

II. Approval of Minutes Presented By: Governor Chris Waters

A. Approval of the Risk Management and Audit Committee Open and Closed Meetings of October 17, 2022

II.A. October 17, 2022 Risk Management & Audit Committee Meeting Open Minutes - Page 2

III. Fiscal year 2022 Independent Financial Statement Audit and Management Letter Presented By: Matt Cash, FORVIS Managing Director, and Kyle Miller, FORVIS Assurance Director

III.A. Independent Auditor's Reports and Financial Statements - Page 4

III.B. Management Letter - Page 109

IV. Fiscal year 2022 Independent Single Audit of Federal Awards Presented By: Matt Cash, FORVIS Managing Director, and Kyle Miller, FORVIS Assurance Director

Included in agenda item III.A. Refer to agenda pages 83-100.

V. Resolution Authorizing Closed Meeting, Pursuant to Sections 610.021(1), (2), (3), (6), (9), (11), (12), (13), (14) and/or (17) of the Revised Statutes of Missouri

V. Closed Meeting Resolution - RMAC - Page 122

VI. Adjournment Presented By: Governor Chris Waters

II.A.

**MINUTES OF THE
BOARD OF GOVERNORS RISK MANAGEMENT AND AUDIT COMMITTEE
MISSOURI STATE UNIVERSITY
MONDAY, OCTOBER 17, 2022**

Governor Chris Waters, Chair of the Risk Management and Audit Committee, called the meeting to order at 3:00 p.m. via Zoom Webinar.

Roll Call

Present – Chris Waters, Committee Chair
Amelia “Amy” Counts, Committee Member
Carol Silvey, Committee Member

Also present – Clif Smart, President
Jeff Coiner, Chief Information Officer
Ryan DeBoef, Chief of Staff and Assistant to the President for
Governmental Relations
Rachael Dockery, General Counsel and Chief Compliance Officer
Anson Elliott, Governor
Steve Foucart, Chief Financial Officer
Algerian Hart, Interim Chief Diversity Officer and Assistant to the
President
John Jasinski, Interim Provost
Kyle Moats, Director of Athletics
Natalie McNish, Director of Internal Audit and Risk Management
Zora Mulligan, Executive Vice President
Lynn Parman, Governor
Suzanne Shaw, Vice President for Marketing and Communications
Dee Siscoe, Vice President for Student Affairs
Rowena Stone, Secretary to the Board of Governors

Approval of Minutes

Governor Waters called for a motion to approve the open and closed minutes of the June 23, 2022, Risk Management and Audit Committee meeting. Governor Carol Silvey provided a motion, receiving a second from Governor Amy Counts.

Motion passed 3-0.

Inventory and Cash Count Letters Issued

Natalie McNish, Director of Internal Audit and Risk Management, reviewed the inventory and cash count letters issued. She shared that twenty-five departmental inventories and six cash counts were completed and documented within the nine letters issued. The work was completed in conjunction with the external financial audit and with the audit intern. The letters included twenty departmental commendations, seven inventories were within tolerable ranges, and seven recommendations were issued. Ms. McNish commented that the outcome was very favorable, and the recommendations made were minor in nature and did not warrant any additional audit activity. She shared that follow-up will take place in the regular audit cycles moving forward.

Audit Alerts Issues

Ms. McNish reviewed an audit alert that was issued on August 25, 2022, related to a cybersecurity concern with targeting direct deposit information in an effort to redirect payments. There was one instance that was identified and reported to information security and immediately controlled. There was enough considerable risk to alert employees and students via email instructing them to contact Financial Services if they received a communication about changes to their direct deposit information. She reported that few accounts had been manipulated and all known instances have been corrected.

Closed Session

It was determined that the Board of Governors needed to meet in a closed session to consider items of business provided in the Revised Statutes of Missouri. Governor Waters asked if a resolution authorizing a closed meeting of the Board was prepared. Thereupon, the following resolution was presented for consideration:

BE IT RESOLVED by the Risk Management and Audit Committee of the Board of Governors for Missouri State University that a closed meeting, with closed records and closed vote, be held during a recess of the Risk Management and Audit Committee meeting of the Board of Governors to consider items pursuant to:

- R.S.Mo. 610.021 (17). “Confidential or privileged communications between a public governmental body and its auditor,....”

Governor Silvey moved the approval of the resolution and Governor Counts provided a second. A roll-call vote on the motion was as follows: those voting in favor – Governors Counts, Silvey, and Waters; those voting against – none.

The open meeting recessed at 3:05 p.m. to go into closed session.

The open meeting reconvened at 3:41 p.m.

Adjournment

With no additional information needing to be discussed, Governor Waters called for a motion to adjourn the meeting. Governor Silvey provided a motion; Governor Counts provided a second.

Motion passed 3-0.

Meeting adjourned at 3:41 p.m.

Chris Waters
Committee Chair

Passed at the meeting of
December 15, 2022

Rowena Stone
Secretary to the Board

Missouri State University
A Component Unit of the State of Missouri
Independent Auditor's Reports and Financial Statements
June 30, 2022 and 2021

Missouri State University
A Component Unit of the State of Missouri
June 30, 2022 and 2021

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Independent Auditor's Report

Board of Governors
Missouri State University
Springfield, Missouri

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Missouri State University (the "University"), collectively a component unit of the state of Missouri, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying 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 the Missouri State University, as of June 30, 2022 and 2021, 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.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the University, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2022 the University adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Missouri State University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Missouri State University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension information, and other postemployment benefit information 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Condensed Schedules by Campus as listed in the table of contents are presented for the 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2022, on our consideration of Missouri State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Missouri State University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Missouri State University's internal control over financial reporting and compliance.

FORVIS, LLP

Springfield, Missouri
December 7, 2022

Missouri State University

A Component Unit of the State of Missouri

Management's Discussion and Analysis

Years Ended June 30, 2022 and 2021

We are providing Missouri State University's (the "University") discussion and analysis of our financial statements and related notes as of June 30, 2022 and 2021, 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 24,000 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, 2022, 2021, and 2020. 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. The University implemented GASB 87 *Leases* in fiscal year 2022 and restated fiscal year 2021. Under the new reporting requirements, a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction will now be classified as intangible right-to-use lease asset and a lease liability.

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, OPEB, and lease items required to be reported under GASB Statement Nos. 68, 75, and 87, 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, 2022, 2021, and 2020:

Statements of Net Position
As of June 30, 2022, 2021, and 2020
(In Millions)

| | <u>June 30, 2022</u> | <u>June 30, 2021 (Restated)</u> | <u>June 30, 2020</u> |
|--|----------------------|-------------------------------------|----------------------|
| Current Assets | \$ 255.9 | \$ 269.7 | \$ 220.9 |
| Noncurrent Assets | 612.9 | 579.5 | 563.9 |
| Deferred Outflows of Resources | <u>48.7</u> | <u>50.1</u> | <u>61.2</u> |
| Total Assets and Deferred Outflows of Resources | <u>917.5</u> | <u>899.3</u> | <u>846.0</u> |
| Current Liabilities | 65.2 | 62.4 | 60.6 |
| Noncurrent Liabilities | 437.2 | 506.2 | 491.3 |
| Deferred Inflows of Resources | <u>67.7</u> | <u>12.6</u> | <u>4.9</u> |
| Total Liabilities and Deferred Inflows of Resources | <u>570.1</u> | <u>581.2</u> | <u>556.8</u> |
| Net Position | | | |
| Net investment in capital assets | 397.3 | 382.2 | 382.2 |
| Restricted | 12.7 | 20.2 | 15.2 |
| Unrestricted | <u>(62.6)</u> | <u>(84.3)</u> | <u>(108.2)</u> |
| Total Net Position | <u>\$ 347.4</u> | <u>\$ 318.1</u> | <u>\$ 289.2</u> |

Comparative Analysis of Fiscal Years 2022, 2021, and 2020

Current Assets – Current assets for Fiscal Year 2022 totaled \$255.9 million which is a decrease of \$13.8 million from Fiscal Year 2021. The decrease is primarily the result of decreased cash offset by increased short-term investments. Current assets for Fiscal Year 2021 totaled \$269.7 million which is an increase of \$48.8 million from Fiscal Year 2020. The increase is primarily the result of increased cash and short-term investments.

Noncurrent Assets – Noncurrent assets for Fiscal Year 2022 totaled \$612.9 million which is an increase of \$33.4 million from Fiscal Year 2021. The increase is primarily the result of increased long-term investments. Noncurrent assets for Fiscal Year 2021 totaled \$579.5 million which is an increase of \$15.6 million from Fiscal Year 2020. The increase is primarily the result of GASB 87 and the additions of lease assets.

Deferred Outflows of Resources – Deferred outflows of resources for Fiscal Year 2022 totaled \$48.7 million which is a decrease of \$1.4 million from Fiscal Year 2021 deferred outflows of resources. The decrease is primarily the result of GASB 68 in the amount of \$1.0 million. Deferred outflows of resources for Fiscal Year 2021 totaled \$50.1 million which is a decrease of \$11.1 million from Fiscal Year 2020 deferred outflows of resources. The decrease is primarily the result of GASB 68 in the amount of \$10.2 million.

Current Liabilities – Current liabilities for Fiscal Year 2022 totaled \$65.2 million which is an increase of \$2.8 million from Fiscal Year 2021. The increase is primarily the result of an increase in unearned revenue. Current liabilities for Fiscal Year 2021 totaled \$62.4 million which is an increase of \$1.8 million from Fiscal Year 2020 current liabilities. This increase is primarily the result of GASB 87 leases.

Noncurrent Liabilities – Noncurrent liabilities for Fiscal Year 2022 totaled \$437.2 million which is a decrease of \$69.0 million from Fiscal Year 2021 noncurrent liabilities. The decrease is primarily the result of the decrease in the accrued pension liability of \$48.9 million and decreased revenue bonds payable of \$19.4 million. Noncurrent liabilities for Fiscal Year 2021 totaled \$506.2 million which is an increase of \$14.9 million from Fiscal Year 2020 noncurrent liabilities. The increase is primarily the result of GASB 87 leases.

Deferred Inflows of Resources – Deferred inflows of resources for Fiscal Year 2022 totaled \$67.7 million, an increase of \$55.1 million from Fiscal Year 2021. The result is primarily the result of GASB 68 and postemployment benefits. Deferred inflows of resources for Fiscal Year 2021 totaled \$12.6 million, an increase of \$7.7 million from Fiscal Year 2020. The increase is primarily the result of GASB 87 leases.

Net Position – Net Position totaled \$347.4 million for Fiscal Year 2022, \$318.1 million for Fiscal Year 2021, and \$289.2 million for Fiscal Year 2020.

Overall, two significant noncash items have impacted the Fiscal Years 2022, 2021, and 2020 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, 2022, 2021, and 2020
(In Millions)

| | June 30, 2022 | June 30, 2021 (Restated) | June 30, 2020 |
|---|---------------|-----------------------------|---------------|
| Income (Loss) Before Other Revenues, Expenses, Gains, or Losses | \$ 18.3 | \$ 7.4 | \$ (44.8) |
| Noncash Items Impacting Results | | | |
| GASB 68 Unfunded Pension Expense | 4.7 | 23.7 | 39.1 |
| Depreciation | 31.6 | 31.6 | 28.5 |
| Adjusted Income (Loss) Before Other Revenues, Expenses, Gains, or Losses | \$ 54.6 | \$ 62.7 | \$ 22.8 |

In addition, the University received federal and state funds for institutional purposes related to the impact of COVID-19. The institutional funds received were \$23.9 million, \$37.5 million, and \$4.7 million, respectively, for fiscal years 2022, 2021, and 2020.

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, 2022, 2021, and 2020, are as follows:

Operating Results Years Ended June 30, 2022, 2021, and 2020 (In Millions)

| | June 30, 2022 | June 30, 2021 (Restated) | June 30, 2020 |
|--|---------------|-----------------------------|---------------|
| Operating Revenue | | | |
| Tuition and fees | \$ 168.9 | \$ 169.0 | \$ 170.0 |
| Scholarship allowances | (39.8) | (38.0) | (38.7) |
| Net tuition and fees | 129.1 | 131.0 | 131.3 |
| Sales and services | 10.4 | 9.6 | 13.3 |
| Grants and contracts | 40.8 | 38.2 | 42.6 |
| Auxiliary enterprises | 36.9 | 31.6 | 33.6 |
| Other | 4.4 | 3.6 | 4.8 |
| Total Operating Revenues | 221.6 | 214.0 | 225.6 |
| Operating Expenses | 379.5 | 363.5 | 394.7 |
| Operating Loss | (157.9) | (149.5) | (169.1) |
| Nonoperating Revenue (Expenses) | | | |
| State appropriations | 94.6 | 83.0 | 79.3 |
| Federal grants and contracts | 70.4 | 70.2 | 39.7 |
| Other nonoperating expenses and losses | 0.9 | (0.5) | 0.1 |
| Gifts | 9.9 | 4.8 | 6.9 |
| Investment income | 5.2 | 5.0 | 5.6 |
| Interest on capital asset – related debt | (4.8) | (5.6) | (7.3) |
| Net Nonoperating Revenues | 176.2 | 156.9 | 124.3 |
| Capital Grants, Gifts, and Appropriations | 11.0 | 21.5 | 6.6 |
| Increase (Decrease) in Net Position | 29.3 | 28.9 | (38.2) |
| Net Position, Beginning of Year | 318.1 | 289.2 | 327.4 |
| Net Position, End of Year | \$ 347.4 | \$ 318.1 | \$ 289.2 |

Comparative Analysis of Fiscal Years 2022, 2021, and 2020

Operating Revenues – Operating Revenues for Fiscal Year 2022 totaled \$221.6 million which is an increase of \$7.6 million from Fiscal Year 2021 operating revenues. The increase in operating revenues is caused primarily by an increase in Federal Grant and Auxiliary revenue. Operating Revenues for Fiscal Year 2021 totaled \$214.0 million which is a decrease of \$11.6 million from Fiscal Year 2020 operating revenues. The decrease in operating revenues is caused primarily by lost revenue as a result of the COVID-19 pandemic.

Nonoperating Revenues – Nonoperating Revenues for Fiscal Year 2022 totaled \$176.2 million which is an increase of \$19.3 million from Fiscal Year 2021 nonoperating revenues. State appropriations increased \$11.6 million while gifts increased \$5.1 million. Nonoperating Revenues for Fiscal Year 2021 totaled \$156.9 million which is an increase of \$32.6 million from Fiscal Year 2020 nonoperating revenues. Included in Nonoperating Revenue for Fiscal Year 2020 is \$45.1 million of federal/state/county grants related to COVID-19 relief for student grants, COVID-19 expenses, and lost revenue.

Operating Expenses Years Ended June 30, 2022, 2021, and 2020

| | June 30, 2022 | June 30, 2021 (Restated) | June 30, 2020 |
|------------------------------|-----------------|-----------------------------|-----------------|
| Salaries | \$ 155.4 | \$ 148.7 | \$ 155.8 |
| Benefits | 66.7 | 81.9 | 98.0 |
| Scholarships and fellowships | 49.4 | 34.3 | 38.0 |
| Utilities | 8.5 | 7.1 | 7.1 |
| Supplies and other services | 67.9 | 59.9 | 67.3 |
| Depreciation | 31.6 | 31.6 | 28.5 |
| Total | <u>\$ 379.5</u> | <u>\$ 363.5</u> | <u>\$ 394.7</u> |

Operating Expenses – Operating Expenses for Fiscal Year 2022 totaled \$379.5 million which is an increase of \$16.0 million from Fiscal Year 2021 operating expenses. Operating Expenses for Fiscal Year 2021 totaled \$363.5 million which is a decrease of \$31.2 million from Fiscal Year 2020 operating expenses. Included in benefits are the GASB 68 unfunded pension expense of \$4.7 million, \$23.7 million, and \$39.1 million for Fiscal Years 2022, 2021, and 2020, respectively. Scholarships provided from Federal CARES/HEERF funds totaled \$22.5 million in fiscal year 2022, \$7.5 million in fiscal year 2021, and \$7.4 million in fiscal year 2020.

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, 2022, 2021, and 2020, are as follows:

Cash Flows
Years Ended June 30, 2022, 2021, and 2020
(In Millions)

| | June 30, 2022 | June 30, 2021 (Restated) | June 30, 2020 |
|---|----------------------|-------------------------------------|----------------------|
| Cash Provided By (Used In) | | | |
| Operating activities | \$ (122.1) | \$ (94.1) | \$ (102.0) |
| Noncapital financing activities | 175.3 | 158.0 | 126.1 |
| Capital and related financing activities | (37.8) | (17.5) | (34.4) |
| Investing activities | <u>(70.2)</u> | <u>(34.6)</u> | <u>97.2</u> |
| Increase (Decrease) in Cash and Cash Equivalents | (54.8) | 11.8 | 86.9 |
| Cash and Cash Equivalents, Beginning of Year | <u>172.1</u> | <u>160.3</u> | <u>73.4</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 117.3</u> | <u>\$ 172.1</u> | <u>\$ 160.3</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 2022, the University issued \$17.7 million education bonds to refund the 2014A bonds. The University also entered into a \$5.6 million finance purchase agreement for expansion of the chilled water loop utility system. During Fiscal Year 2021, the University restructured the outstanding \$14.1 million 2019 educational bonds with a lower interest rate with the existing private placement bank. The University also issued \$33.9 million of auxiliary enterprise system bonds to advance refund the 2015A bonds. During Fiscal Year 2020 the University issued \$6.8 million of educational bonds 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.

The following table summarizes the construction in progress and capital assets, net as of June 30, 2022, 2021, and 2020.

Capital Assets
As of June 30, 2022, 2021, and 2020
(In Millions)

| | June 30, 2022 | June 30, 2021 (Restated) | June 30, 2020 |
|--------------------------|----------------------|-------------------------------------|----------------------|
| Capital Assets | | | |
| Construction in progress | \$ 32.4 | \$ 9.9 | \$ 21.0 |
| Capital assets, net | 522.3 | 543.5 | 542.7 |

On June 30, 2022, the University had 32 construction projects in progress with costs totaling approximately \$32.4 million incurred to date. The project costs budgeted for these projects totals \$66.0 million. These projects are being funded by pledged gifts, restricted and unrestricted net position, and capital appropriations.

| Project Name | Project Budget (Not Previously Capitalized) | Amount Expended (Construction in Progress) | Project Balance |
|--------------------------------------|--|---|------------------------|
| Intrsectn Imprv Broadmoor & Ks Expwy | \$ 132,121 | \$ 115,538 | \$ 16,583 |
| Res Hall 2020 Infill | 4,925,000 | 4,195,207 | 729,793 |
| IPTV | 2,515 | - | 2,515 |
| Outdoor Arts Pavillion | 6,400,000 | 4,564,143 | 1,835,857 |
| JVIC CYBER Building #4 | 492,682 | 246,240 | 246,442 |
| Ozarks Educational Ctr Bull Shoals | 51,750 | - | 51,750 |
| Greenwood Multi-Purpose | 632,252 | - | 632,252 |
| McQueary Classroom Addition | 223,221 | - | 223,221 |
| Plaster Ctr Ph II & III | 26,292 | - | 26,292 |
| Indoor Practice Facility | 172,000 | 131,294 | 40,706 |
| Darr Agri Magnet School | 6,700,000 | 6,383,892 | 316,108 |
| Glass Hall Elevators | 12,490 | 13,035 | (545) |
| Kampeter Health Sciences | 10,000,000 | 7,019,766 | 2,980,234 |
| Multicultural Resource Center | 354,729 | - | 354,729 |
| Foster Gym Floor | 56,638 | - | 56,638 |
| Tunnel Lid Renovation | 146,559 | - | 146,559 |
| Grand Street Underpass | 6,625,000 | 2,095,728 | 4,529,272 |
| Parking Lots, IDEA Commons | 729,072 | 202,835 | 526,237 |
| Chiller Station 6 Expansion | 5,900,000 | 1,426,621 | 4,473,379 |
| Woods/ Wells Ledge Repairs | 820,000 | 493,657 | 326,343 |
| Student Exhibition Booneville | 245,000 | 223,508 | 21,492 |
| Precision Agr Facility | 148,000 | 53,700 | 94,300 |
| Small Animal Facility | 5,200,000 | 388,930 | 4,811,070 |
| Temple Hall Ph I Reno | 4,238,300 | 1,070,068 | 3,168,232 |
| Repair Façade Pummill | 430,000 | 84,969 | 345,031 |
| HVAC – Telecom/ Blair Shannon | 216,000 | 145,476 | 70,524 |
| JVIC Building 4 Brewer Infill | - | 127,926 | (127,926) |
| JVIC Bldg 6 Braider | 4,738,200 | 137,385 | 4,600,815 |
| Heitz House FFE | 302,919 | 302,919 | - |
| WP – Welding Lab Reno | 3,250,000 | 1,826,458 | 1,423,542 |
| WP – Looney Lecture Hall | 2,600,000 | 953,942 | 1,646,058 |
| WP – Looney Nursing Simulator Lab | 273,200 | 148,200 | 125,000 |
| | <u>\$ 66,043,940</u> | <u>\$ 32,351,437</u> | <u>\$ 33,692,503</u> |

Key Events Related to COVID-19

Since the inception of COVID-19, the University has been awarded the following grants through Fiscal Year 2021 for: support to students, reimbursement of COVID-19 related expenses, and reimbursement of lost revenues. The Federal HEEF III awarded funds have been utilized in Fiscal Year 2022 with the exception of less than \$100,000 at the West Plains campus, which will be utilized in Fiscal Year 2023.

| Title | HEERF I Awarded | HEERF II Awarded | HEERF III/ARPA Awarded | Total Awarded |
|--|----------------------|----------------------|------------------------------|-----------------------|
| Federal Funds | | | | |
| SPFD – CARES ACT (Student) | \$ 6,927,837 | \$ 6,927,837 | \$ 20,758,527 | \$ 34,614,201 |
| SPFD – CARES ACT PT2 (Institutional) | 6,927,837 | 16,513,523 | 20,459,545 | 43,900,905 |
| SPFD – CARES ACT PT3 (SIP) | 691,590 | 1,004,057 | 1,843,516 | 3,539,163 |
| WP – CARES ACT (Student) | 480,083 | 480,083 | 1,770,064 | 2,730,230 |
| WP – CARES ACT PT2 (Institutional) | 480,083 | 1,602,801 | 1,603,285 | 3,686,169 |
| WP – CARES ACT PT3 (SIP) | 46,891 | 85,941 | 144,292 | 277,124 |
| Subtotal | 15,554,321 | 26,614,242 | 46,579,229 | 88,747,792 |
| State/County Federal Funds | | | | |
| CARES STATE GEER | 2,164,761 | - | - | 2,164,761 |
| CARES STATE CRF | 8,278,784 | - | - | 8,278,784 |
| CARES STATE CRF REMOTE | 1,079,963 | - | - | 1,079,963 |
| CARES STATE CRF Round 2 | 1,760,054 | - | - | 1,760,054 |
| CARES – STATE GREENE CTY | 845,165 | - | - | 845,165 |
| EFACT – CARES GREENE CTY | 300,000 | - | - | 300,000 |
| EFACT – CARES Economic Development | 250,000 | - | - | 250,000 |
| WP – CARES – STATE HOWELL CTY | 194,080 | - | - | 194,080 |
| Subtotal | 14,872,807 | - | - | 14,872,807 |
| Broadcast Services/CPB Funds/Stabilization Grants | | | | |
| KSMU | 75,000 | - | 148,356 | 223,356 |
| KOZK | 260,205 | - | 493,147 | 753,352 |
| | 335,205 | - | 641,503 | 976,708 |
| Grand Total | \$ 30,762,333 | \$ 26,614,242 | \$ 47,220,732 | \$ 104,597,307 |

HEERF III Reporting on Evidence-Based Practices to Monitor and Suppress COVID-19

Missouri State University has implemented a wide array of practices to keep the campus open and students in classes during 2020 and 2021. While the University has rolled back many of these practices in 2022 to follow current recommendations based upon the risk level, the list below is an overview of those practices that were put in place centrally. Additional practices may have been implemented at the departmental/unit level.

- **Increased the number of individuals staying home.** In the initial stage of the pandemic, the University extended the spring break by an additional week to reduce the spread on campus and to allow faculty time to transition courses to online formats. This coincided with the City's stay at home order. Noncritical workers were not allowed to come to campus. Those that could work remotely began working from home. For those that were unable to work remotely due to their specific job duties but lacked work due to not having students on campus, were placed on reduced pay and remained at home, suppressing the spread of COVID-19.

- **Reduced the number of students in seated classes.** The University expanded its technology to support online instruction and courses were moved to remote learning for the duration of the 2020 spring semester and moved all summer 2020 classes online. The University expanded the number of online and blended courses during the Fall 2020 and Spring 2021 semesters. This reduced the number of students on campus and allowed greater social distancing for those in seated courses by reducing the number of students in a seated course at one time and by allowing courses to be moved to larger classrooms. As infections were detected, classes were moved to an online format for short periods of time to stop the spread.
- **Implemented travel restrictions.** The University implemented a policy restricting travel. Initially, it limited travel only to the local area, later it was expanded to limit travel to within the state. Now, all travel is potentially allowed, but is evaluated on a case-by-case basis and mitigation efforts are required.
- **Reduced the risk for major events.** Activities and events, such as commencement and concerts, were cancelled to reduce the spread of COVID-19 through large groups. Once infection rates allowed for their resumption, mitigation strategies were implemented, including masking, social distancing, limited attendance, and increased cleaning. Athletic schedules were altered to reduce the number of games that were played and strict protocols were established for students and athletic staff to reduce COVID-19 transmission.
- **Implemented social distancing.** The University implemented social distancing requirements throughout the campus using signage, markings, and by reducing the amount of seating within areas.
- **Increased the number of private rooms on campus.** The University expanded the amount of on-campus housing available for single occupancy to reduce transmission to roommates. The University also relaxed restrictions requiring all freshman students to live on-campus.
- **Implemented masking, PPE, and barriers.** The University reduced the spread by implementing masking requirements in all University buildings and installed barrier/shielding where contact was required in offices. The University was able to acquire 70,000 cloth face coverings to give to students, employees, and guests. In addition, KN95/N95 masks were acquired for use as well as face shields.
- **Implemented food service practices.** Food services were altered to prevent eat-in dining, removing self-service buffets, requiring employees to be masked and adding shielding between the workers and customers. Food service moved to noncash operations to reduce the need for passing money between individuals. When indoor dining was available, tables and chairs were removed to reduce occupancy and increase social distancing.
- **Improved cleaning and maintenance.** The University increased its cleaning procedures, focusing on high-touch surfaces to reduce the transmission of COVID-19. Cleaning products designed to be more effective on COVID-19 were purchased and used. The cleaning/disinfection of classroom desks was increased to three times per day. Water fountains were taken off-line to reduce transmission of COVID-19. MERV filters were purchased and placed in the HVAC systems to help reduce airborne transmission. Hand sanitizer stations were installed in public areas and personal size hand sanitizer bottles were distributed to every on-campus student, to everyone getting vaccinated, and to offices throughout the University.
- **Conducted contact tracing.** The University worked with the local public health department and entered into an agreement to provide contact tracing for students and employees, which allowed faster and more effective case investigation and contact tracing for those that contracted COVID-19 or were exposed to someone with COVID-19. The University hired and trained a cadre of contact tracers, including nurses and a physician assistant to provide monitoring of students in on-campus quarantine or isolation housing and employees at home.

- **Provided quarantine/isolation housing.** The University maintained quarantine and isolation housing for those testing positive or having had close contact with a positive individual. This was done by holding an entire residence hall offline, contracting with a hotel to use the entire facility for the University, leasing an entire apartment building, and entering into contracts with hotels to use rooms on an as-needed basis. Having quarantine/isolation housing available allowed the University to move students out of the congregate living of the residence halls, fraternities, and sororities. In support of the housing, the University created a wraparound system to support the housing, such as a process for moving COVID-19 positive/exposed students to the housing, providing contactless food deliveries and cleaning/disinfection procedures once rooms were vacated.
- **Implemented a broad COVID-19 testing strategy.** In addition to the labs already providing COVID-19 testing to the University's student health center, the University contracted with a local medical laboratory with FDA approval for COVID-19 PCR testing of nasopharyngeal samples. The lab was able to provide same day, or one-day, turnaround time while our normal labs were taking three to five days for results. This testing was used for testing of certain high-risk groups such as athletics, student orientation leaders coming to campus, band, etc. The University also contracted with a company to provide saliva-based PCR testing, which was easier to collect and typically had results within two days. The University hired individuals to assist with the testing where they provided free testing to anyone that was asymptomatic. They were set up at locations across campus to make it convenient for students and employees. This testing also included data collection to allow for evidence-based decision-making by understanding the asymptomatic infection rate on campus. Lastly, the University hired a physician, obtained its CLIA certification, and developed the ability to perform antigen tests. These tests were used to allow serial testing of high-risk groups at an affordable cost. In addition, students living on-campus were required to be tested prior to moving in during the Spring 2021 semester. For Fall 2021, they were required to be tested if they were not vaccinated.
- **Implemented sewer shed monitoring.** The University worked with the city of Springfield and the State's department of health and senior services to monitor the sewer shed that covers about half of the campus as well as areas to the west, which includes many apartments used by students. The University then decided to sample each residence hall to reduce the amount of time between collection and results and to narrow the source of the virus to a single building. Autosamplers were purchased to allow for sampling over time rather than a point-in-time collection method. University faculty then tested the samples and provided the results to leadership to determine whether an outbreak was occurring, and additional testing was required.
- **Provided detailed, actionable information.** The University created an extensive website on COVID-19 to provide timely and accurate information to students and employees, including information on quarantine, isolation, symptoms, and University policies. The website provided an automated form to be completed for those testing positive or having been exposed. The information went directly to the COVID-19 Response Team to facilitate case investigation and contact tracing. The University also established a COVID-19 telephone and email hotline to provide answers to specific situations and to assist them with the resources they needed, such as testing.

- **Provided widespread vaccination access.** The University worked to provide vaccinations not only to the campus, but to the community at large. The University's student wellness center became an approved vaccination site early. The University had ultra-cold storage capabilities to allow us to store larger quantities of vaccine and was designated as a backup storage site for the region. The University received a tray of Pfizer vaccine and was able to support those designated as eligible within the campus with vaccinations, as well as area healthcare providers. The University worked with the local public health department and one of the major hospital systems to obtain additional vaccine. The University worked with the other local institutions of higher ed, public schools, and the chamber of commerce to get all individuals vaccinated as they became eligible. The University co-sponsored a Mega Mass Vaccination Event to provide vaccinations to the general public, resulting in the most doses given in a single day of a mass vaccination event in Missouri.
- **Provided incentives to increase vaccination rates.** The University implemented incentive programs to encourage vaccinations. A student vaccination program was developed and funded by private funds. It used a drawing system to incentivize vaccinations prior to arrival on campus and included prizes such as free tuition, personal parking spaces, computers, etc. The total cost of the program was expected to cost over \$150,000. The program also included prizes to nudge students to get vaccinated when they were on campus for orientation and registration. An incentive program was created for all benefit-eligible employees where they would receive \$240 per year reduction on their health insurance. Lastly, an incentive was created where weekly drawings are being held for any employee that is vaccinated. This includes part time, per course, as well as regular full-time employees.

Missouri State University
A Component Unit of the State of Missouri
Statements of Net Position
June 30, 2022 and 2021

Assets

| | University 2022 | University 2021 (Restated – Note 1) | Component Unit Foundation 2022 | Component Unit Foundation 2021 |
|--|--------------------|--|---|---|
| Current Assets | | | | |
| Cash and cash equivalents | \$ 88,307,136 | \$ 169,315,764 | \$ 1,908,080 | \$ 21,752,613 |
| Restricted cash and cash equivalents | 29,030,683 | 2,782,507 | - | - |
| Short-term investments | 104,926,402 | 40,942,988 | - | 4,998,000 |
| Restricted short-term investments | - | 24,000,000 | - | - |
| Accounts and other receivables, net | 19,095,607 | 16,597,655 | 74,008 | 36,717 |
| Pledges receivable | - | - | 7,459,569 | 10,048,766 |
| Lease receivable | 532,204 | 572,804 | - | - |
| Grants receivable | 4,435,714 | 8,190,235 | - | - |
| Accrued interest receivable | 370,442 | 86,192 | 109,006 | 136,706 |
| Inventories | 5,067,715 | 4,925,874 | - | - |
| Prepaid expenses | 4,092,525 | 2,310,042 | 1,323,213 | 2,278,522 |
| Assets held for sale | - | - | 151,234 | 133,734 |
| Total current assets | <u>255,858,428</u> | <u>269,724,061</u> | <u>11,025,110</u> | <u>39,385,058</u> |
| Noncurrent Assets | | | | |
| Pledges receivable, net | - | - | 19,558,851 | 17,907,931 |
| Long-term investments | 34,916,823 | - | - | - |
| Restricted long-term investments | - | - | 146,486,743 | 129,734,941 |
| Investments held in trust | - | - | 1,769,210 | 2,176,599 |
| Cash value of life insurance | - | - | 405,641 | 410,847 |
| Lease receivable | 6,577,752 | 7,109,956 | - | - |
| Note receivable | 4,687,297 | 4,640,889 | - | - |
| Due from Missouri State University | - | - | - | 1,600,000 |
| Due from Foundation | 199,762 | 199,762 | - | - |
| Construction in progress | 32,351,437 | 9,878,508 | - | 71,165 |
| Capital assets, net | 522,312,238 | 543,453,687 | 1,802,731 | 1,722,684 |
| Lease assets, net | 11,895,901 | 14,245,144 | - | - |
| Total noncurrent assets | <u>612,941,210</u> | <u>579,527,946</u> | <u>170,023,176</u> | <u>153,624,167</u> |
| Total assets | <u>868,799,638</u> | <u>849,252,007</u> | <u>181,048,286</u> | <u>193,009,225</u> |
| Deferred Outflows of Resources | | | | |
| Loss on refunding of bonds | 1,590,748 | 1,902,379 | - | - |
| Deferred outflows of resources related to pensions | 45,875,343 | 46,819,867 | - | - |
| Deferred outflows of resources related to other postemployment benefits | 1,280,706 | 1,392,538 | - | - |
| Total deferred outflows of resources | <u>48,746,797</u> | <u>50,114,784</u> | <u>-</u> | <u>-</u> |

Liabilities

| | University 2022 | University 2021 (Restated – Note 1) | Component Unit Foundation 2022 | Component Unit Foundation 2021 |
|--|-----------------------|--|---|---|
| Current Liabilities | | | | |
| Accounts payable and accrued expenses | \$ 16,145,801 | \$ 16,852,204 | \$ 1,279,423 | \$ 2,582,967 |
| Accrued compensated absences – current | 6,102,078 | 6,027,822 | - | - |
| Accrued payroll | 6,882,590 | 6,778,381 | - | - |
| Unearned revenue | 19,760,323 | 16,802,296 | 620,392 | 805,002 |
| Deposits | 401,152 | 458,015 | - | - |
| Accrued interest payable | 1,227,807 | 1,369,825 | - | - |
| Financed purchases – current | 1,097,573 | 1,066,909 | - | - |
| Lease liability – current | 2,027,673 | 2,039,582 | - | - |
| Revenue bonds payable – current | 9,563,035 | 8,896,053 | - | - |
| Annuity obligations – current | - | - | 64,254 | 84,428 |
| Insurance claims payable | 1,980,421 | 2,114,515 | - | - |
| Total current liabilities | <u>65,188,453</u> | <u>62,405,602</u> | <u>1,964,069</u> | <u>3,472,397</u> |
| Noncurrent Liabilities | | | | |
| Accrued compensated absences | 6,748,751 | 6,700,805 | - | - |
| Annuity obligations | - | - | 199,480 | 264,158 |
| Financed purchases | 7,986,667 | 3,484,240 | - | - |
| Lease liability | 10,456,577 | 12,484,250 | - | - |
| Revenue bonds payable | 140,052,425 | 159,439,696 | - | - |
| Net pension liability | 264,162,359 | 313,080,782 | - | - |
| Total other postemployment benefits liability | 7,746,094 | 11,014,582 | - | - |
| Due to Missouri State University | - | - | 199,762 | 199,762 |
| Total noncurrent liabilities | <u>437,152,873</u> | <u>506,204,355</u> | <u>399,242</u> | <u>463,920</u> |
| Total liabilities | <u>502,341,326</u> | <u>568,609,957</u> | <u>2,363,311</u> | <u>3,936,317</u> |
| Deferred Inflows of Resources | | | | |
| Deferred inflows of lease receivable | 6,728,699 | 7,513,747 | - | - |
| Deferred inflows of resources related to other postemployment benefits | 3,492,556 | 232,187 | - | - |
| Deferred inflows of resources related to pensions | 57,535,724 | 4,892,137 | - | - |
| Total deferred inflows of resources | <u>67,756,979</u> | <u>12,638,071</u> | <u>-</u> | <u>-</u> |
| Net Position | | | | |
| Net investment in capital assets | 397,347,630 | 382,238,001 | 1,802,731 | 1,793,849 |
| Restricted for | | | | |
| Nonexpendable | | | | |
| Scholarships and fellowships | 199,762 | 199,762 | 58,559,951 | 52,906,009 |
| Other | - | - | 22,325,945 | 21,006,516 |
| Expendable | | | | |
| Scholarships and fellowships | - | - | 35,371,240 | 45,428,676 |
| Loans | 607,437 | 607,687 | - | - |
| Capital projects | 11,863,957 | 19,417,019 | - | - |
| Other | - | - | 51,580,947 | 58,966,425 |
| Unrestricted | <u>(62,570,656)</u> | <u>(84,343,706)</u> | <u>9,044,161</u> | <u>8,971,433</u> |
| Total net position | <u>\$ 347,448,130</u> | <u>\$ 318,118,763</u> | <u>\$ 178,684,975</u> | <u>\$ 189,072,908</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, 2022 and 2021

| | University 2022 | University 2021 (Restated – Note 1) | Component Unit Foundation 2022 | Component Unit Foundation 2021 |
|--|----------------------|--|---|---|
| Operating Revenues | | | | |
| Student tuition and fees | \$ 168,933,702 | \$ 169,043,994 | \$ - | \$ - |
| Less scholarship allowances | (39,780,685) | (38,055,964) | - | - |
| Total net student tuition and fees | 129,153,017 | 130,988,030 | - | - |
| Sales and services of educational departments | 10,422,896 | 9,568,485 | - | - |
| Federal grants and contracts | 24,038,080 | 21,946,036 | - | - |
| State and local grants and contracts | 11,262,041 | 10,116,462 | - | - |
| Nongovernmental grants and contracts | 5,515,618 | 6,175,355 | - | - |
| Gifts and contributions | - | - | 17,883,491 | 5,011,062 |
| Auxiliary enterprises | | | | |
| Residential life (net of scholarship allowances of \$6,883,911 in 2022 and \$6,211,219 in 2021) | 23,645,220 | 22,432,844 | - | - |
| Bookstore (net of scholarship allowances of \$1,480,182 in 2022 and \$1,471,911 in 2021) | 1,334,935 | 1,069,151 | - | - |
| Parking (net of scholarship allowances of \$303,553 in 2022 and \$248,613 in 2021) | 1,600,840 | 1,266,696 | - | - |
| Magers Health and Wellness Center | 2,201,628 | 1,899,279 | - | - |
| Athletics | 4,986,690 | 3,657,971 | - | - |
| Recreational facilities | 2,308,928 | 472,846 | - | - |
| Student union | 842,006 | 803,286 | - | - |
| Other operating revenues | 4,239,337 | 3,681,081 | 2,779,926 | 2,955,596 |
| Total operating revenues | <u>221,551,236</u> | <u>214,077,522</u> | <u>20,663,417</u> | <u>7,966,658</u> |
| Operating Expenses | | | | |
| Salaries | 155,399,726 | 148,723,416 | - | - |
| Benefits | 66,721,881 | 81,883,796 | - | - |
| Scholarships and fellowships | 49,365,576 | 34,260,450 | 3,999,259 | 2,294,623 |
| Utilities | 8,518,804 | 7,121,725 | 122,502 | 116,655 |
| Supplies and other services | 67,867,069 | 59,903,475 | 3,295,690 | 3,075,203 |
| Depreciation and amortization | 31,627,978 | 31,601,853 | 182,494 | 162,857 |
| Total operating expenses | <u>379,501,034</u> | <u>363,494,715</u> | <u>7,599,945</u> | <u>5,649,338</u> |
| Operating Income (Loss) | <u>(157,949,798)</u> | <u>(149,417,193)</u> | <u>13,063,472</u> | <u>2,317,320</u> |
| Nonoperating Revenues (Expenses) | | | | |
| State appropriations | 94,554,726 | 83,000,925 | - | - |
| Federal grants and contracts | 70,437,764 | 70,156,099 | - | - |
| Gifts | 9,920,955 | 4,804,126 | - | - |
| Investment income (loss) | 5,147,653 | 5,075,090 | (9,844,635) | 23,431,281 |
| Interest on capital asset-related debt | (4,803,382) | (5,771,347) | - | - |
| Gain (loss) on assets held in trust | - | - | (174,459) | 324,433 |
| Other nonoperating revenues and expenses | 625,922 | 46,800 | (4,947,987) | (193,973) |
| Expenditures to Missouri State University | - | - | (9,920,955) | (4,804,126) |
| Gain (loss) on disposal of capital assets | 405,529 | (484,649) | - | - |
| Net nonoperating revenues (expenses) | <u>176,289,167</u> | <u>156,827,044</u> | <u>(24,888,036)</u> | <u>18,757,615</u> |
| Income (Loss) Before Other Revenues, Expenses, Gains, or Losses | <u>18,339,369</u> | <u>7,409,851</u> | <u>(11,824,564)</u> | <u>21,074,935</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, 2022 and 2021

| | University 2022 | University 2021 (Restated – Note 1) | Component Unit Foundation 2022 | Component Unit Foundation 2021 |
|---|-----------------------|--|---|---|
| Other Revenues, Expenses, Gains, or Losses | | | | |
| Capital gifts | \$ 6,752,177 | \$ 10,825,152 | \$ 1,215,437 | \$ 4,810,274 |
| Expenditures for capital projects to Missouri State University | - | - | (6,752,177) | (10,825,152) |
| Capital grants and contracts | 109,834 | 1,467,447 | - | - |
| Capital appropriations | 4,127,987 | 9,227,130 | - | - |
| Additions to permanent endowments | - | - | 6,973,371 | 8,418,370 |
| | <u>10,989,998</u> | <u>21,519,729</u> | <u>1,436,631</u> | <u>2,403,492</u> |
| Total other revenues, expenses, gains, or losses | | | | |
| | <u>10,989,998</u> | <u>21,519,729</u> | <u>1,436,631</u> | <u>2,403,492</u> |
| Increase (Decrease) in Net Position | 29,329,367 | 28,929,580 | (10,387,933) | 23,478,427 |
| Net Position, Beginning of Year | <u>318,118,763</u> | <u>289,189,183</u> | <u>189,072,908</u> | <u>165,594,481</u> |
| Net Position, End of Year | <u>\$ 347,448,130</u> | <u>\$ 318,118,763</u> | <u>\$ 178,684,975</u> | <u>\$ 189,072,908</u> |

Missouri State University
A Component Unit of the State of Missouri
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

| | 2022 | 2021 (Restated – Note 1) |
|---|----------------------|---|
| Operating Activities | | |
| Tuition and fees | \$ 129,556,229 | \$ 129,903,509 |
| Sales and services of educational departments | 10,422,896 | 9,568,485 |
| Federal grants and contracts | 27,792,601 | 16,792,948 |
| State and local grants and contracts | 11,262,041 | 10,116,462 |
| Nongovernmental grants and contracts | 5,515,618 | 6,175,355 |
| Payments to suppliers | (129,768,263) | (94,364,706) |
| Payments to employees | (217,121,795) | (206,801,478) |
| Auxiliary enterprise charges | | |
| Residential Life | 23,645,220 | 22,432,844 |
| Bookstore | 1,334,935 | 1,069,151 |
| Parking | 1,600,840 | 1,266,696 |
| Magers Health and Wellness Center | 2,201,628 | 1,899,279 |
| Athletics | 4,986,690 | 3,657,971 |
| Recreational facilities | 2,308,928 | 472,846 |
| Student union | 842,006 | 803,286 |
| Other receipts | 3,320,195 | 2,843,319 |
| | <u>(122,100,231)</u> | <u>(94,164,033)</u> |
| Noncapital Financing Activities | | |
| State appropriations | 94,554,726 | 83,000,925 |
| Federal grants and contracts | 70,437,764 | 70,156,099 |
| Other nonoperating revenues and expenses | 430,422 | 46,800 |
| Gifts and grants received for other than capital purposes | 9,920,955 | 4,804,126 |
| | <u>175,343,867</u> | <u>158,007,950</u> |
| Capital and Related Financing Activities | | |
| Purchase of capital assets | (3,866,975) | (7,185,581) |
| Construction in progress | (24,756,124) | (13,872,671) |
| Capital appropriations | 4,127,987 | 9,227,130 |
| Gifts and grants received for capital purposes | 6,862,011 | 12,292,599 |
| Principal paid on capital debt and leases | (19,596,909) | (10,617,194) |
| Principal paid on lease liabilities | (2,039,582) | (2,071,056) |
| Principal received on lease receivables | 572,804 | 616,035 |
| Proceeds from issuance of new capital debt | 6,045,000 | 1,444,000 |
| Interest paid on capital debt and leases | (5,077,424) | (7,183,062) |
| Interest paid on lease liabilities | (191,634) | (159,105) |
| Interest received on lease receivables | 112,686 | 52,813 |
| | <u>(37,808,160)</u> | <u>(17,456,092)</u> |
| Investing Activities | | |
| Proceeds from sales and maturities of investments | 154,431,184 | 99,982,478 |
| Purchases of investments | (230,179,394) | (139,543,770) |
| Interest on investments | 5,552,282 | 5,010,442 |
| Net cash provided (used in) by investing activities | <u>(70,195,928)</u> | <u>(34,550,850)</u> |

Missouri State University
A Component Unit of the State of Missouri
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

| | 2022 | 2021 (Restated – Note 1) |
|--|------------------|---|
| Increase in Cash and Cash Equivalents | \$ (54,760,452) | \$ 11,836,975 |
| Cash and Cash Equivalents, Beginning of Year | 172,098,271 | 160,261,296 |
| Cash and Cash Equivalents, End of Year | \$ 117,337,819 | \$ 172,098,271 |
| Reconciliation of Cash and Cash Equivalents to the Statements of Net Position | | |
| Cash and cash equivalents | \$ 88,307,136 | \$ 169,315,764 |
| Restricted cash and cash equivalents | 29,030,683 | 2,782,507 |
| Total cash and cash equivalents | \$ 117,337,819 | \$ 172,098,271 |
| Reconciliation of Operating Loss to Net Cash Used in Operating Activities | | |
| Operating loss | \$ (157,949,798) | \$ (149,417,193) |
| Adjustments to reconcile operating loss to net cash used in operating activities | | |
| Depreciation and amortization expense | 31,627,978 | 31,601,853 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (2,497,952) | 3,071,129 |
| Federal and state grants receivable | 3,754,521 | (5,153,088) |
| Inventories | (141,841) | 743,137 |
| Prepaid expenses | (1,782,483) | (108,524) |
| Accounts payable and accrued expenses | (2,092,490) | 6,286,331 |
| Accrued compensated absences | 122,202 | (246,727) |
| Accrued payroll | 104,209 | 515,419 |
| Unearned revenue | 2,958,027 | (4,142,179) |
| Deposits | (56,863) | (13,471) |
| Insurance claims payable | (134,094) | (52,714) |
| Total other postemployment benefits | (3,268,488) | (152,008) |
| Deferred outflows of resources | 1,056,356 | 10,209,033 |
| Deferred inflows of resources | 55,118,908 | (618,751) |
| Net pension liability | (48,918,423) | 13,313,720 |
| Net Cash Used in Operating Activities | \$ (122,100,231) | \$ (94,164,033) |
| Supplemental Cash information | | |
| Noncash Investing, Capital, and Financing Activities | | |
| Accounts payable incurred for purchase of capital assets | \$ 3,552,535 | \$ 2,166,448 |

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2022 and 2021

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, 2022 and 2021, the Foundation provided \$16,673,132 and \$15,629,278, 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 the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from 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 owned three unimproved lots and one warehouse in downtown Springfield with a value of \$1,067,280 and \$1,693,869 as of June 30, 2022 and 2021, respectively.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2022 and 2021

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.

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 considers all liquid investments with original maturities of three months or less to be cash equivalents. The University does consider uninvested cash held in investment accounts as cash or cash equivalents. At June 30, 2022, cash equivalents consisted primarily of depository accounts and money market accounts with brokers.

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.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2022 and 2021

Accounts and Notes Receivable

Student accounts receivable consists of fees charged to students and charges for auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts of \$3,710,543 and \$3,546,351 at June 30, 2022 and 2021, 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.

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.

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.

Missouri State University
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Notes to Financial Statements
June 30, 2022 and 2021

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. 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 |

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Capital and Lease Asset Impairment

The University evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital (lease) asset historical cost and related accumulated depreciation (amortization) are decreased proportionately such that the net decrease equals the impairment loss.

No asset impairment was recognized during the years June 30, 2022 and 2021.

Missouri State University
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Notes to Financial Statements
June 30, 2022 and 2021

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.

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.

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 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

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2022 and 2021

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 Nontrusted Single Employer

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.

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.

Missouri State University
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Notes to Financial Statements
June 30, 2022 and 2021

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.

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 \$48,448,331 and \$45,987,707 at June 30, 2022 and 2021, 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 \$2,186,481 and \$1,394,580 for the years ended June 30, 2022 and 2021, respectively, and is netted against tuition and fee revenues.

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.

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.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2022 and 2021

New Accounting Pronouncements Adopted in Fiscal Year 2022

The University adopted the following new accounting pronouncements during the year ended June 30, 2022:

GASB Statement No. 87, Leases

In 2022, the University adopted GASB Statement No. 87, *Leases*. Under the standard, the lessees will now be required to recognize substantially all long-term leases on the statement of net position as both a right-to-use asset and a lease liability. In addition, lessors will be required to recognize a lease receivable and a deferred inflow of resources. The new standard also requires leases to be evaluated for identification of lease and nonlease components in a contract. As a result of the implementation, the following financial statement line items for fiscal year 2021 were restated:

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2022 and 2021

| Statement of Net Position | As Restated | As Previously Reported | Effect of Change |
|--------------------------------------|--------------------|-------------------------------|-------------------------|
| Current Assets | | | |
| Accrued interest receivable | \$ 86,192 | \$ 20,333 | \$ 65,859 |
| Lease receivable | 572,804 | - | 572,804 |
| Total current assets | 269,724,061 | 269,085,398 | 638,663 |
| Noncurrent Assets | | | |
| Lease receivable | 7,109,956 | - | 7,109,956 |
| Lease assets, net | 14,245,144 | - | 14,245,144 |
| Total noncurrent assets | 579,527,946 | 558,172,846 | 21,355,100 |
| Total assets | 849,252,007 | 827,258,244 | 21,993,763 |
| Current Liabilities | | | |
| Accrued interest payable | 1,369,825 | 1,318,734 | 51,091 |
| Lease liability – current | 2,039,582 | - | 2,039,582 |
| Total current liabilities | 62,405,602 | 60,314,929 | 2,090,673 |
| Noncurrent Liabilities | | | |
| Lease liability | 12,484,250 | - | 12,484,250 |
| Total noncurrent liabilities | 506,204,355 | 493,720,105 | 12,484,250 |
| Total liabilities | 568,609,957 | 554,035,034 | 14,574,923 |
| Deferred Inflows of Resources | | | |
| Leases | 7,513,747 | - | 7,513,747 |
| Total deferred inflows of resources | 12,638,071 | 5,124,324 | 7,513,747 |
| Net Position | | | |
| Net investment in capital assets | 382,238,001 | 382,347,676 | (109,675) |
| Unrestricted | (84,343,706) | (84,358,474) | 14,768 |
| Total net position | 318,118,763 | 318,213,670 | (94,907) |

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2022 and 2021

| | As Restated | As Previously Reported | Effect of Change |
|---|----------------------|-------------------------------|-------------------------|
| Statement of Revenues, Expenses, and Changes in Net Position | | | |
| Operating Revenues | | | |
| Other operating revenues | \$ 3,681,081 | \$ 3,564,881 | \$ 116,200 |
| Total operating revenues | 214,077,522 | 213,961,322 | 116,200 |
| Operating Expenses | | | |
| Supplies and other services | 59,903,475 | 62,133,636 | (2,230,161) |
| Depreciation and amortization | 31,601,853 | 29,252,109 | 2,349,744 |
| Total operating expenses | 363,494,715 | 363,375,132 | 119,583 |
| Operating Income (Loss) | (149,417,193) | (149,413,810) | (3,383) |
| Nonoperating Revenues (Expenses) | | | |
| Investment income | 5,075,090 | 4,956,419 | 118,671 |
| Interest on capital asset-related debt | (5,771,347) | (5,561,152) | (210,195) |
| Total nonoperating revenues (expenses) | 156,827,044 | 156,918,568 | (91,524) |
| Income (Loss) Before Other Revenues, Expenses, Gains, or Losses | 7,409,851 | 7,504,758 | (94,907) |
| Increase (Decrease) in Net Position | 28,929,580 | 29,024,487 | (94,907) |
| Net Position, End of Year | 318,118,763 | 318,213,670 | (94,907) |
| Statement of Cash Flows | | | |
| Operating Activities | | | |
| Payments to suppliers | (94,364,706) | (96,594,867) | 2,230,161 |
| Other receipts | 2,843,319 | 3,512,167 | (668,848) |
| Net cash used in operating activities | (94,164,033) | (95,725,345) | 1,561,312 |
| Capital and Related Financing Activities | | | |
| Principal paid on lease liabilities | (2,071,056) | - | (2,071,056) |
| Principal received on lease receivables | 616,035 | - | 616,035 |
| Interest paid on lease liabilities | (159,105) | - | (159,105) |
| Interest received on lease receivables | 52,813 | - | 52,813 |
| Net cash used in capital and related financing activities | (17,456,092) | (15,894,781) | (1,561,311) |
| Reconciliation of Operating Revenues (Expenses) to Net Cash Used in Operating Activities | | | |
| Operating loss | (149,417,193) | (149,413,810) | (3,383) |
| Depreciation and amortization expense | 31,601,853 | 29,252,109 | 2,349,744 |
| Deferred inflows of resources | (618,751) | 166,297 | (785,048) |
| Net Cash Used in Operating Activities | (94,164,033) | (95,725,345) | 1,561,312 |

Missouri State University
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Notes to Financial Statements
June 30, 2022 and 2021

Note 2: Deposits, Investments, and Investment Income

Deposits

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

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities, or the state of Missouri; bonds of any city having a population of not less than 2,000, county, school district, or special road district of the state of Missouri; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At June 30, 2022 and 2021, 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 2022 and 2021. 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:

| | 2022 | 2021 |
|--------------------------------|-------------|-------------|
| Uninsured and uncollateralized | \$ 129,068 | \$ 136,063 |

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 \$129,068 and \$136,063 of foreign deposits denominated in Chinese Yuan at June 30, 2022 and 2021, 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.

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Notes to Financial Statements
June 30, 2022 and 2021

At June 30, 2022, the University had the following investments and maturities:

| Type | June 30, 2022 | | | |
|--|-----------------------|-----------------------|----------------------|-------------|
| | Fair Value | Maturities in Years | | |
| | | Less than 1 | 1–5 | 6–10 |
| Government-sponsored enterprises obligations | \$ 21,992,043 | \$ - | \$ 21,992,043 | \$ - |
| U.S. Treasury obligations | 117,851,182 | 104,926,402 | 12,924,780 | - |
| | <u>\$ 139,843,225</u> | <u>\$ 104,926,402</u> | <u>\$ 34,916,823</u> | <u>\$ -</u> |

At June 30 2021, the University had the following investments and maturities:

| Type | June 30, 2021 | | | |
|---------------------------|----------------------|----------------------|-------------|-------------|
| | Fair Value | Maturities in Years | | |
| | | Less than 1 | 1–5 | 6–10 |
| U.S. Treasury obligations | \$ 64,942,988 | \$ 64,942,988 | \$ - | \$ - |
| | <u>\$ 64,942,988</u> | <u>\$ 64,942,988</u> | <u>\$ -</u> | <u>\$ -</u> |

Interest Rate Risk. As a means of limiting its exposure to fair value losses, the University’s investment policy limits the type of investments to those which are not exposed to fair value losses arising from increasing interest rates. The maturities are structured to meet the cash flow needs of the University.

The prohibition of speculative investments precludes pursuit of gain or profit through unusual risk. Investment trading in response to changes in market value or market direction is warranted under active portfolio managements. Interest rate risk is not specifically discussed in the University’s investment policy.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The University uses nationally recognized rating organizations to evaluate credit risk for non-U.S. governmental agency investments. Minimums are established for each investment type.

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.

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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, 2022 and 2021, because there were no foreign investments in the University’s investment portfolio at any time during these two fiscal years.

Summary of Carrying Values

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

| | 2022 | 2021 |
|----------------|----------------|----------------|
| Carrying value | | |
| Deposits | \$ 117,337,819 | \$ 172,098,271 |
| Investments | 139,843,225 | 64,942,988 |
| | \$ 257,181,044 | \$ 237,041,259 |

Included in the following statements of net position captions:

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| | 2022 | 2021 |
|---|----------------|----------------|
| Cash and cash equivalents | \$ 88,307,136 | \$ 169,315,764 |
| Restricted cash and cash equivalents | 29,030,683 | 2,782,507 |
| Short-term investments | 104,926,402 | 40,942,988 |
| Restricted short-term investments | - | 24,000,000 |
| Long-term investments | 34,916,823 | - |
| Cash, cash equivalents, and investments total | \$ 257,181,044 | \$ 237,041,259 |

Investment Income

Investment income for the years ended June 30, 2022 and 2021, consisted of:

| | 2022 | 2021 |
|------------------------------|--------------|--------------|
| Interest and dividend income | \$ 5,420,638 | \$ 5,044,630 |
| Fair value adjustment | (272,985) | (88,211) |
| | \$ 5,147,653 | \$ 4,956,419 |

Note 3: Lease Receivables

The University leases a portion of its property to various third parties, the terms of which expire August 2022 through June 2044. Payments increase annually based on the terms of the contract (*i.e.*, fixed rate increases of a defined percentage or increases based on the Consumer Price Index). The leases were measured based upon the payment rate increases at lease commencement.

Revenue recognized under lease contracts during the year June 30, 2022 and 2021, were \$211,664 and \$234,871, respectively, which includes both lease revenue and interest revenue.

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Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

| | Beginning Balance | 2022 | | | Ending Balance |
|------------------------------------|-----------------------|---------------------|---------------------|-------------|-----------------------|
| | | Additions | Retirements | Transfers | |
| Land | \$ 43,481,206 | \$ - | \$ (626,590) | \$ - | \$ 42,854,616 |
| Infrastructure | 93,754,944 | - | - | 1,464,952 | 95,219,896 |
| Buildings | 742,189,061 | - | (271,219) | 2,069,668 | 743,987,510 |
| Furniture, fixtures, and equipment | 62,105,083 | 3,549,111 | (2,971,003) | 134,663 | 62,817,854 |
| Library materials | 71,318,365 | 1,659,979 | - | - | 72,978,344 |
| Capitalized collections | 2,202,048 | 32,664 | - | - | 2,234,712 |
| Construction in progress | 9,878,508 | 26,142,212 | - | (3,669,283) | 32,351,437 |
| | <u>1,024,929,215</u> | <u>31,383,966</u> | <u>(3,868,812)</u> | <u>-</u> | <u>1,052,444,369</u> |
| Less accumulated depreciation | | | | | |
| Infrastructure | 55,475,569 | 4,945,599 | - | - | 60,421,168 |
| Buildings | 305,475,442 | 18,788,662 | (189,368) | - | 324,074,736 |
| Furniture, fixtures, and equipment | 48,979,087 | 3,263,203 | (2,905,693) | - | 49,336,597 |
| Library materials | 60,617,485 | 2,099,384 | - | - | 62,716,869 |
| Capitalized collections | 1,049,437 | 181,887 | - | - | 1,231,324 |
| Total accumulated depreciation | <u>471,597,020</u> | <u>29,278,735</u> | <u>(3,095,061)</u> | <u>-</u> | <u>497,780,694</u> |
| Net capital assets | <u>\$ 553,332,195</u> | <u>\$ 2,105,231</u> | <u>\$ (773,751)</u> | <u>\$ -</u> | <u>\$ 554,663,675</u> |

Capital asset activity for the year ended June 30, 2021, was as follows:

| | Beginning Balance | 2021 | | | Ending Balance |
|------------------------------------|-----------------------|-----------------------|---------------------|--------------|-----------------------|
| | | Additions | Retirements | Transfers | |
| Land | \$ 41,867,565 | \$ - | \$ (134,161) | \$ 1,747,802 | \$ 43,481,206 |
| Infrastructure | 86,110,662 | 969,941 | - | 6,674,341 | 93,754,944 |
| Buildings | 726,934,050 | 411,554 | (32,890) | 14,876,347 | 742,189,061 |
| Furniture, fixtures, and equipment | 63,713,019 | 3,768,903 | (5,371,439) | (5,400) | 62,105,083 |
| Library materials | 69,069,049 | 2,249,316 | - | - | 71,318,365 |
| Capitalized collections | 2,160,277 | 41,771 | - | - | 2,202,048 |
| Construction in progress | 20,989,760 | 12,181,838 | - | (23,293,090) | 9,878,508 |
| | <u>1,010,844,382</u> | <u>19,623,323</u> | <u>(5,538,490)</u> | <u>-</u> | <u>1,024,929,215</u> |
| Less accumulated depreciation | | | | | |
| Infrastructure | 50,549,069 | 4,926,500 | - | - | 55,475,569 |
| Buildings | 286,546,467 | 18,955,347 | (26,372) | - | 305,475,442 |
| Furniture, fixtures, and equipment | 50,667,817 | 3,092,492 | (4,781,222) | - | 48,979,087 |
| Library materials | 58,509,571 | 2,107,914 | - | - | 60,617,485 |
| Capitalized collections | 869,924 | 179,513 | - | - | 1,049,437 |
| Total accumulated depreciation | <u>447,142,848</u> | <u>29,261,766</u> | <u>(4,807,594)</u> | <u>-</u> | <u>471,597,020</u> |
| Net capital assets | <u>\$ 563,701,534</u> | <u>\$ (9,638,443)</u> | <u>\$ (730,896)</u> | <u>\$ -</u> | <u>\$ 553,332,195</u> |

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Note 5: Lease Assets

Lease asset activity for the year ended June 30, 2022, was as follows:

| | Beginning Balance | 2022 | | | Ending Balance |
|--------------------------------|----------------------|-----------------------|-------------|-------------|----------------------|
| | | Additions | Retirements | Transfers | |
| Infrastructure | \$ 7,692,881 | \$ - | \$ - | \$ - | \$ 7,692,881 |
| Buildings | 8,902,007 | - | - | - | 8,902,007 |
| | <u>16,594,888</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>16,594,888</u> |
| Less accumulated amortization | | | | | |
| Infrastructure | 1,745,899 | 1,745,898 | - | - | 3,491,797 |
| Buildings | 603,845 | 603,345 | - | - | 1,207,190 |
| Total accumulated amortization | <u>2,349,744</u> | <u>2,349,243</u> | <u>-</u> | <u>-</u> | <u>4,698,987</u> |
| Net leased assets | <u>\$ 14,245,144</u> | <u>\$ (2,349,243)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 11,895,901</u> |

Lease asset activity for the year ended June 30, 2021, was as follows:

| | Beginning Balance | 2021 | | | Ending Balance |
|--------------------------------|----------------------|-----------------------|-------------|-------------|----------------------|
| | | Additions | Retirements | Transfers | |
| Infrastructure | \$ 7,692,881 | \$ - | \$ - | \$ - | \$ 7,692,881 |
| Buildings | 8,902,007 | - | - | - | 8,902,007 |
| | <u>16,594,888</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>16,594,888</u> |
| Less accumulated amortization | | | | | |
| Infrastructure | - | 1,745,899 | - | - | 1,745,899 |
| Buildings | - | 603,845 | - | - | 603,845 |
| Total accumulated amortization | <u>-</u> | <u>2,349,744</u> | <u>-</u> | <u>-</u> | <u>2,349,744</u> |
| Net leased assets | <u>\$ 16,594,888</u> | <u>\$ (2,349,744)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 14,245,144</u> |

Note 6: Risk Management

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

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

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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, 2022 and 2021, are summarized as follows:

| | <u>2022</u> | <u>2021</u> |
|------------------------------|----------------------------|----------------------------|
| Balance at beginning of year | \$ 2,114,515 | \$ 2,167,229 |
| Health and dental claims | 24,822,721 | 24,668,817 |
| Health insurance payments | <u>(24,956,815)</u> | <u>(24,721,531)</u> |
| Balance at end of year | <u><u>\$ 1,980,421</u></u> | <u><u>\$ 2,114,515</u></u> |

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Note 7: Long-Term Liabilities

Long-term debt and other obligations consist of the following as of June 30, 2022:

| | Bond Series | Interest Rate | Maturity | Beginning Balance | 2022 | | Ending Balance | Current Portion |
|--|-------------|---------------|----------|-----------------------|----------------------|----------------------|-----------------------|----------------------|
| | | | | | Additions | Reductions | | |
| Auxiliary Enterprise System | | | | | | | | |
| Revenue Bonds* | | | | | | | | |
| Auxiliary enterprise system | | | | | | | | |
| 2015 | A | 2.00%-5.00% | 2032 | \$ 2,610,000 | \$ - | \$ 2,610,000 | \$ - | \$ - |
| 2016 | A | 2.00%-3.25% | 2039 | 11,295,000 | - | 430,000 | 10,865,000 | 450,000 |
| 2017 | A | 2.15%-2.63% | 2036 | 30,815,000 | - | 2,485,000 | 28,330,000 | 2,550,000 |
| 2018 | A | 3.35% | 2037 | 17,330,000 | - | 830,000 | 16,500,000 | 865,000 |
| 2019 | A | 4.00%-5.00% | 2035 | 15,980,000 | - | - | 15,980,000 | 645,000 |
| 2021 | A | 1.61%-2.04% | 2032 | 33,874,000 | - | 10,000,000 | 23,874,000 | 2,218,000 |
| | | | | <u>111,904,000</u> | <u>-</u> | <u>16,355,000</u> | <u>95,549,000</u> | <u>6,728,000</u> |
| MOHEFA Bonds** | | | | | | | | |
| 2014 | A | 2.00% -4.00% | 2039 | 17,940,000 | - | 17,940,000 | - | - |
| 2015 | | 1.625%-3.80% | 2041 | 14,290,000 | - | 530,000 | 13,760,000 | 545,000 |
| 2019 | B | 2.375%-4.00% | 2035 | 6,780,000 | - | 100,000 | 6,680,000 | 290,000 |
| 2021 | A | 2.15% | 2033 | 14,080,000 | - | 870,000 | 13,210,000 | 900,000 |
| 2021 | B | 2.69% | 2040 | - | 17,710,000 | - | 17,710,000 | 770,000 |
| | | | | <u>53,090,000</u> | <u>17,710,000</u> | <u>19,440,000</u> | <u>51,360,000</u> | <u>2,505,000</u> |
| Total bonds and notes payable | | | | 164,994,000 | 17,710,000 | 35,795,000 | 146,909,000 | 9,233,000 |
| Unamortized premium on bond issues | | | | <u>3,341,749</u> | <u>-</u> | <u>635,289</u> | <u>2,706,460</u> | <u>330,035</u> |
| Total bonds and notes payable including unamortized premiums | | | | <u>168,335,749</u> | <u>17,710,000</u> | <u>36,430,289</u> | <u>149,615,460</u> | <u>9,563,035</u> |
| Compensated absences | | | | 12,728,627 | 7,059,426 | 6,937,224 | 12,850,829 | 6,102,078 |
| Lease liability | | | | 14,523,832 | - | 2,039,582 | 12,484,250 | 2,027,673 |
| Financed purchases | | | | 4,551,149 | 5,600,000 | 1,066,909 | 9,084,240 | 1,097,573 |
| Other postemployment benefits | | | | 11,014,582 | - | 152,008 | 10,862,574 | - |
| Net pension liability | | | | <u>313,080,782</u> | <u>-</u> | <u>48,918,423</u> | <u>264,162,359</u> | <u>-</u> |
| Total other obligations | | | | <u>355,898,972</u> | <u>12,659,426</u> | <u>59,114,146</u> | <u>309,444,252</u> | <u>9,227,324</u> |
| Total long-term debt and other obligations | | | | <u>\$ 524,234,721</u> | <u>\$ 30,369,426</u> | <u>\$ 95,544,435</u> | <u>\$ 459,059,712</u> | <u>\$ 18,790,359</u> |

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Long-term debt and other obligations consist of the following as of June 30, 2021:

| | Bond Series | Interest Rate | Maturity | Beginning Balance | 2021 Additions | 2021 Reductions | Ending Balance | Current Portion |
|--|-------------|---------------|----------|-----------------------|----------------------|----------------------|-----------------------|----------------------|
| Auxiliary Enterprise System Revenue Bonds* | | | | | | | | |
| Auxiliary enterprise system | | | | | | | | |
| 2010 | B | 4.25%-6.25% | 2035 | \$ 850,000 | \$ - | \$ 850,000 | \$ - | \$ - |
| 2015 | A | 2.00%-5.00% | 2032 | 37,530,000 | - | 34,920,000 | 2,610,000 | 2,610,000 |
| 2016 | A | 2.00%-3.25% | 2039 | 11,715,000 | - | 420,000 | 11,295,000 | 430,000 |
| 2017 | A | 2.15%-2.63% | 2036 | 33,240,000 | - | 2,425,000 | 30,815,000 | 2,485,000 |
| 2018 | A | 3.35% | 2037 | 18,135,000 | - | 805,000 | 17,330,000 | 830,000 |
| 2019 | A | 4.00%-5.00% | 2035 | 15,980,000 | - | - | 15,980,000 | - |
| 2021 | A | 1.61%-2.04% | 2032 | - | 33,874,000 | - | 33,874,000 | - |
| | | | | <u>117,450,000</u> | <u>33,874,000</u> | <u>39,420,000</u> | <u>111,904,000</u> | <u>6,355,000</u> |
| MOHEFA Bonds** | | | | | | | | |
| 2010 | B | 4.25%-6.25% | 2036 | 340,000 | - | 340,000 | - | - |
| 2014 | A | 2.00% -4.00% | 2039 | 18,590,000 | - | 650,000 | 17,940,000 | 675,000 |
| 2015 | | 1.625%-3.80% | 2041 | 14,810,000 | - | 520,000 | 14,290,000 | 530,000 |
| 2019 | A | 3.53% | 2034 | 14,920,000 | - | 14,920,000 | - | - |
| 2019 | B | 2.375%-4.00% | 2035 | 6,780,000 | - | - | 6,780,000 | 100,000 |
| 2021 | A | 2.15% | 2033 | - | 14,080,000 | - | 14,080,000 | 870,000 |
| | | | | <u>55,440,000</u> | <u>14,080,000</u> | <u>16,430,000</u> | <u>53,090,000</u> | <u>2,175,000</u> |
| Total bonds and notes payable | | | | 172,890,000 | 47,954,000 | 55,850,000 | 164,994,000 | 8,530,000 |
| Unamortized premium on bond issues | | | | <u>5,529,420</u> | <u>-</u> | <u>2,187,671</u> | <u>3,341,749</u> | <u>366,053</u> |
| Total bonds and notes payable including unamortized premiums | | | | <u>178,419,420</u> | <u>47,954,000</u> | <u>58,037,671</u> | <u>168,335,749</u> | <u>8,896,053</u> |
| Compensated absences | | | | 12,975,354 | 6,776,155 | 7,022,882 | 12,728,627 | 6,027,822 |
| Lease liability | | | | 16,594,888 | - | 2,071,056 | 14,523,832 | 2,039,582 |
| Financed purchases | | | | 5,828,345 | - | 1,277,196 | 4,551,149 | 1,066,909 |
| Other postemployment benefits | | | | 11,166,590 | - | 152,008 | 11,014,582 | - |
| Net pension liability | | | | <u>299,767,062</u> | <u>13,313,720</u> | <u>-</u> | <u>313,080,782</u> | <u>-</u> |
| Total other obligations | | | | <u>346,332,239</u> | <u>20,089,875</u> | <u>10,523,142</u> | <u>355,898,972</u> | <u>9,134,313</u> |
| Total long-term debt and other obligations | | | | <u>\$ 524,751,659</u> | <u>\$ 68,043,875</u> | <u>\$ 68,560,813</u> | <u>\$ 524,234,721</u> | <u>\$ 18,030,366</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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2021 MOHEFA Revenue Bonds Payable – Series B

On July 6, 2021, the University issued \$17,710,000 Series B bonds through a private placement with Capital One. The bonds bear interest payable semiannually at 2.69 percent. Principal maturity begins October 1, 2022, and continues until October 1, 2039. Proceeds from the issuance of these bonds was used to advance refund the Series 2014A bonds with maturities commencing October 1, 2022, through October 1, 2039.

2021 MOHEFA Revenue Bonds Payable – Series A

On April 1, 2021, the University restructured the Series 2019A bonds with Capital One. The Bonds will now bear interest payable semiannually at 2.15 percent commencing April 1, 2021, with maturity remaining until October 1, 2033.

2021 Auxiliary Enterprise System Revenue Bonds Payable – Series A

On April 29, 2021, the University issued \$33,874,000 Series A bonds through a private placement with Kansas City Financial Corporation. The bonds bear interest payable semiannually at 2.04 percent until conversion to a tax-exempt rate of 1.61 percent. Principal maturity begins April 1, 2023, and continues until April 1, 2032. Proceeds from the issuance of these bonds was used to advance refund the Series 2015A bonds with maturities commencing April 1, 2023, through April 1, 2032.

Notes from Direct Borrowings and Direct Placements

The University's outstanding notes from direct borrowings and direct placements of \$99,624,000 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 \$30,920,000 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 \$68,704,000 are secured by the net revenues pledged of the auxiliary enterprise system.

Financed Purchases

As of June 30, 2022, the University is obligated under three agreements accounted for as financed purchase arrangements (agreements). One agreement provided financing primarily for utility system improvements to the Springfield campus. The second agreement entered into in July 2018 financed the purchase of 52 Steinway pianos for the College of Arts and Letters music department. The third agreement is for an expansion for the utility system improvements to the Springfield campus. Assets under these agreement at June 30, 2022 and 2021, totaled \$4,281,715 and

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\$4,602,401, respectively, net of accumulated depreciation of \$1,597,708 in 2022 and \$1,277,022 in 2021.

The principal and interest requirements on notes and bonds payable to maturity at June 30, 2022, are as follows:

| Year Ending June 30, | Bonds | | Direct Placement | | Financed Purchases | | Total to be Paid |
|-------------------------|----------------------|----------------------|----------------------|----------------------|---------------------|-------------------|-----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | |
| 2023 | \$ 1,930,000 | \$ 1,787,696 | \$ 7,303,000 | \$ 2,419,773 | \$ 1,097,573 | \$ 148,151 | \$ 14,686,193 |
| 2024 | 2,285,000 | 1,705,049 | 7,483,000 | 2,249,921 | 1,123,869 | 146,912 | 14,993,751 |
| 2025 | 2,380,000 | 1,611,178 | 7,026,000 | 2,069,005 | 1,150,811 | 119,889 | 14,356,883 |
| 2026 | 2,480,000 | 1,512,103 | 6,935,000 | 1,906,850 | 1,022,917 | 92,203 | 13,949,073 |
| 2027 | 2,580,000 | 1,407,609 | 7,124,000 | 1,743,242 | 908,377 | 75,808 | 13,839,036 |
| 2028–2032 | 14,565,000 | 5,298,093 | 38,513,000 | 6,098,971 | 3,780,693 | 154,046 | 68,409,803 |
| 2033–2037 | 15,410,000 | 2,271,901 | 21,660,000 | 1,888,031 | - | - | 41,229,932 |
| 2038–2042 | 5,655,000 | 369,745 | 3,580,000 | 146,336 | - | - | 9,751,081 |
| | <u>\$ 47,285,000</u> | <u>\$ 15,963,374</u> | <u>\$ 99,624,000</u> | <u>\$ 18,522,129</u> | <u>\$ 9,084,240</u> | <u>\$ 737,009</u> | <u>\$ 191,215,752</u> |

Note 8: Lease Liabilities

The University leases various assets, the terms of which expire in various years through 2040. Variable payments of certain leases are based upon the Consumer Price Index (Index). The leases were measured based upon the Index at lease commencement. Variable payments based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance.

During the years ended June 30, 2022 and 2021, the University did not recognize rental expense for variable payments not previously included in the measurement of the lease liability.

The following is a schedule by year of payments under the leases as of June 30, 2022:

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| Year Ending June 30, | Principal | Interest | Total to be Paid |
|-------------------------|----------------------|---------------------|----------------------|
| 2023 | \$ 2,027,673 | \$ 162,717 | \$ 2,190,390 |
| 2024 | 2,045,693 | 137,987 | 2,183,680 |
| 2025 | 1,391,123 | 114,360 | 1,505,483 |
| 2026 | 646,676 | 101,810 | 748,486 |
| 2027 | 665,540 | 91,613 | 757,153 |
| 2028–2032 | 2,914,357 | 304,142 | 3,218,499 |
| 2033–2037 | 1,783,049 | 145,295 | 1,928,344 |
| 2038–2042 | 1,010,139 | 16,642 | 1,026,781 |
| | <u>\$ 12,484,250</u> | <u>\$ 1,074,566</u> | <u>\$ 13,558,816</u> |

Note 9: Auxiliary Enterprise System

The outstanding debt of the University consists of Auxiliary Enterprise System Revenue Bonds. The most recent Auxiliary Enterprise System Revenue Bonds were issued in accordance with a Resolution adopted by the Board of Governors in April 2021. 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, 2022 and 2021, is summarized as follows:

| | 2022 | 2021 |
|--|----------------|----------------|
| Condensed Statements of Net Position | | |
| Assets | | |
| Current assets | \$ 60,150,520 | \$ 61,899,712 |
| Noncurrent assets | 223,108,590 | 233,635,009 |
| Total assets | 283,259,110 | 295,534,721 |
| Deferred Outflows of Resources | | |
| Total assets and deferred outflows of resources | 6,489,981 | 6,630,165 |
| | 289,749,091 | 302,164,886 |
| Liabilities | | |
| Current liabilities | 19,725,279 | 16,574,833 |
| Long-term liabilities | 111,309,380 | 137,833,155 |
| Total liabilities | 131,034,659 | 154,407,988 |
| Deferred Inflows of Resources | | |
| Total liabilities and deferred inflows of resources | 6,833,389 | 450,010 |
| | 137,868,048 | 154,857,998 |
| Net Position | | |
| Net investment in capital assets | 122,849,087 | 114,866,604 |
| Unrestricted | 29,031,956 | 32,440,284 |
| Total net position | \$ 151,881,043 | \$ 147,306,888 |
| Condensed Statements of Revenues, Expenses, and Changes in Net Position | | |
| Operating revenues | \$ 56,014,822 | \$ 48,067,693 |
| Operating expenses | | |
| Depreciation | 12,210,994 | 12,629,941 |
| All other operating expenses | 58,113,548 | 57,517,448 |
| Total operating expenses | 70,324,542 | 70,147,389 |
| Operating income (loss) | (14,309,720) | (22,079,696) |
| Nonoperating revenues (expenses) | 8,875,935 | 13,222,382 |
| Excess (deficiency) of revenues over expenses | (5,433,785) | (8,857,314) |
| Transfer from other University units | 10,007,940 | 13,695,262 |
| Increase (Decrease) in Net Position | 4,574,155 | 4,837,948 |
| Net Position, Beginning of Year | 147,306,888 | 142,468,940 |
| Net Position, End of Year | \$ 151,881,043 | \$ 147,306,888 |

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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 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 Financial Report, 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' Annual Financial Report starting on page 31.

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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, 2022, was 23.51 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, 2021 and 2020, was 22.88 and 21.77 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 \$23,187,616 and \$21,781,413 for the years ended June 30, 2022 and 2021, respectively.

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

At June 30, 2022 and 2021, the University reported a liability of \$264,163,359 and \$313,080,782, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, 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 years ended June 30, 2021 and 2020. At June 30, 2021, the University's proportion was 4.72502 percent which was a decrease of 0.20727 percent from its proportion measured as of June 30, 2020. At June 30, 2020, the University's proportion was 4.93229 percent, which was a decrease of 0.02981 percent from its proportion measured as of June 30, 2019.

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, 2021, valuation to 6.95 percent.

There were no changes in benefit terms during the MOSERS' plan year ended June 30, 2021, that effected the measurement of total pension liability.

For the years ended June 30, 2022 and 2021, the University recognized pension expense of \$27,857,305 and \$45,434,970, respectively.

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At June 30, 2022 and 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | 2022 | | 2021 | |
|---|---|--|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 4,212,149 | \$ 1,168,737 | \$ 141,785 | \$ 3,251,878 |
| Change in assumptions | 18,475,578 | - | 8,275,029 | - |
| Net difference between projected and actual earning on pension plan investments | - | 47,625,653 | 16,621,640 | - |
| Change in proportion and differences between the University's contributions and the University proportionate share of contributions | - | 8,741,334 | - | 1,640,259 |
| University's contributions subsequent to the measurement date | <u>23,187,616</u> | <u>-</u> | <u>21,781,413</u> | <u>-</u> |
| Total | <u>\$ 45,875,343</u> | <u>\$ 57,535,724</u> | <u>\$ 46,819,867</u> | <u>\$ 4,892,137</u> |

At June 30, 2022 and 2021, the University reported \$23,187,616 and \$21,781,413, 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, 2022 and 2021, respectively.

Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2022, related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | Amount Recognized |
|-----------------------------|------------------------------|
| 2022 | \$ (3,553,783) |
| 2023 | (4,381,159) |
| 2024 | (12,760,011) |
| 2025 | <u>(14,153,044)</u> |
| | <u>\$ (34,847,997)</u> |

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Actuarial Assumptions

The total pension liability in the June 30, 2021 and 2020, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

June 30, 2021

| | |
|---------------------------|--|
| Inflation | 2.25% |
| Salary increases | 2.75% to 10.00% including inflation |
| Wage inflation | 2.25% |
| Investment rate of return | 6.95% per year, compounded annually, net after investment expenses and including inflation |

June 30, 2020

| | |
|---------------------------|--|
| Inflation | 2.25% |
| Salary increases | 2.75% to 8.25% including inflation |
| Wage inflation | 2.25% |
| Investment rate of return | 6.95% per year, compounded annually, net after investment expenses and including inflation |

Mortality: Preretirement mortality rates were based on the Pub-2010 General Members Below Median Employee mortality table, set back two years for males and set forward one year for females. Mortality was projected generationally from 2010 to 2020 using Scale MP-2020 and 75 percent of Scale MP-2020 for years after 2020.

Postretirement mortality rates for retirees were based on the Pub-2010 General Members Below Median Healthy Retiree mortality table, scaled by 104 percent, set back two years for males and set forward one year for females. Mortality projected generationally from 2010 to 2020 using Scale MP-2020 and 75 percent of Scale MP-2020 for years after 2020.

Postretirement mortality rates for beneficiaries were based on the Pub-2010 General Members Below Median Contingent Survivor mortality table, set back two years for males and set forward one year for females. Mortality was projected generationally from 2010 to 2020 using Scale MP-2020 and 75 percent of Scale MP-2020 for years after 2020.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study covering the five-year period ended June 30, 2020, and performed in 2021. As a result of this actuarial experience study, the MOSERS' Board made certain actuarial assumption and method changes as a result of the experience study, including:

- Subsequent changes in the unfunded actuarial accrued liability due to actuarial gains/losses or assumption changes are now amortized over a closed 25 year period, instead of 30 years.
- Mortality assumptions are now based on generational tables.

The merit component of the salary increase assumption was adjusted to partially reflect observed experience.

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The actuarial assumptions used in the June 30, 2020, 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 7.10 percent to 6.95 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, 2021, 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 |
|---------------------------|------------------------------|--|--|
| Global public equities | 30.00% | 5.80% | 2.30% |
| Global private equities | 15.00% | 7.40% | 1.40% |
| Long treasuries | 25.00% | 1.60% | 0.90% |
| Core bonds | 10.00% | 1.20% | 0.30% |
| Commodities | 5.00% | 3.60% | 0.30% |
| TIPS | 25.00% | 0.80% | 0.70% |
| Private real assets | 5.00% | 5.20% | 0.30% |
| Public real assets | 5.00% | 5.80% | 0.40% |
| Hedge funds | 5.00% | 2.90% | 0.20% |
| Alternative beta | 10.00% | 3.40% | 0.50% |
| Private credit | 5.00% | 7.60% | 0.50% |
| Cash and cash equivalents | -40.00% | 0.00% | 0.00% |
| | <u>100.00%</u> | | <u>7.80%</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 6.95 percent at June 30, 2021 and 2020, 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

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of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 6.95 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 (5.95 percent) or 1 percent point higher (7.95 percent) than the current rate:

| | 1% Decrease (5.95%) | Current Discount Rate (6.95%) | 1% Increase (7.95%) |
|---|------------------------------------|--|------------------------------------|
| University's proportionate share of the net pension liability | \$ 348,178,881 | \$ 264,162,359 | \$ 194,019,123 |

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 of the participant's salary to CURP for the years ended June 30, 2022, 2021, and 2020, respectively. The total contributed for years ended June 30, 2022, 2021, and 2020, was \$2,329,391, \$2,238,938, and \$2,273,759, respectively.

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Note 11: Other Postemployment Benefit Plan

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

Benefits Provided: The OPEB Plan provides medical and prescription drug benefits to eligible retirees and their dependents. Benefits are provided through a third-party insurer, and retirees contribute premiums ranging between \$546 for a single person to \$1,357 for retiree and spouse. 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, 2022 and 2021, are:

| | 2022 | 2021 |
|--|-------------|-------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 89 | 107 |
| Active employees | 1,930 | 2,033 |
| | 2,019 | 2,140 |

Total OPEB Liability

The University’s total OPEB liability of \$7,746,094 and \$11,014,582 was measured as of June 30, 2022 and 2021, respectively, for the years then ended, and was determined by an actuarial valuation as of June 30, 2022 and 2021, using census data from 2021.

The total OPEB liability in the June 30, 2022 and 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | 2022 |
|------------------------------|--|
| Inflation | 3.00% |
| Discount rate | 3.54% (prior year 2.16%) |
| Salary increases | 3.50% per year |
| Health care cost trend rates | 7.00% for 2023, decreasing 0.25% per year to an ultimate rate of 4.0% for 2029 and later years |

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| | 2021 |
|------------------------------|--|
| Inflation | 3.00% |
| Discount rate | 2.16% (prior year 2.21%) |
| Salary increases | 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 |

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

For the OPEB valuation as of June 2022, the mortality projection scale was updated from MP-2019 to MP-2021 to reflect the Society of Actuaries' recent mortality study, as of June 30, 2021 and 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, 2022 and 2021, valuations were based on the results of an actuarial experience study from 2013.

Changes in Total OPEB Liability

Changes in the total OPEB liability are:

| | 2022 | 2021 |
|--|---------------|---------------|
| Balance, beginning of year | \$ 11,014,582 | \$ 11,166,590 |
| Service cost | 406,640 | 415,627 |
| Interest | 242,276 | 246,493 |
| Differences between expected and actual experience | (2,733,407) | - |
| Changes in assumptions or other inputs | (774,478) | 43,287 |
| Benefit payments | (409,519) | (857,415) |
| Net changes | (3,268,488) | (152,008) |
| Balance, end of year | \$ 7,746,094 | \$ 11,014,582 |

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

The total OPEB liability of the University has been calculated using a discount rate of 3.54 percent, an increase of 1.38 percent from the 2021 rate of 2.16 percent. The following present the total OPEB liability using a discount rate 1 percent higher and 1 percent lower than the discount rate.

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| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|-----------------------------------|--------------------|------------------------------|--------------------|
| University's total OPEB liability | \$ 7,069,000 | \$ 7,746,000 | \$ 8,526,000 |

The total OPEB liability of the University has been calculated and updated using health care cost trend rates of 7.00 percent decreasing to 4.00 percent from the prior year of 6.00 percent decreasing to 4.50 percent.

The following presents the total OPEB liability using health care cost rates 1 percent higher and 1 percent lower than the current health care cost trend rates.

| | <u>1% Decrease</u> | <u>Current Health Care Cost Trend Rates</u> | <u>1% Increase</u> |
|-----------------------------------|--------------------|---|--------------------|
| University's total OPEB liability | \$ 7,212,000 | \$ 7,746,000 | \$ 8,333,000 |

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2022 and 2021, the University recognized OPEB expense of \$513,232 and \$742,972, respectively. At June 30, 2022 and 2021, the University reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

| | 2022 | | 2021 | |
|--|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Differences between expected and actual experience | \$ - | \$ 2,643,486 | \$ - | \$ 90,933 |
| Changes of assumptions | 1,280,706 | 849,070 | 1,392,538 | 141,254 |
| Total | <u>\$ 1,280,706</u> | <u>\$ 3,492,556</u> | <u>\$ 1,392,538</u> | <u>\$ 232,187</u> |

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Deferred outflows and deferred inflows of resources at June 30, 2022, related to OPEB will be recognized as a reduction in OPEB expense as follows:

| | | | |
|------------|--|----|-----------------------|
| 2022 | | \$ | (135,684) |
| 2023 | | | (135,684) |
| 2024 | | | (135,684) |
| 2025 | | | (135,684) |
| 2026 | | | (135,684) |
| Thereafter | | | <u>(1,533,430)</u> |
| | | | <u>\$ (2,211,850)</u> |

Note 12: 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, 2022 and 2021:

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| Description | Total | 2022 | | |
|--|-----------------------|-------------|-----------------------|-------------|
| | | Level 1 | Level 2 | Level 3 |
| U.S. Treasury obligations | \$ 117,851,182 | \$ - | \$ 117,851,182 | \$ - |
| Government-sponsored enterprises obligations | <u>21,992,043</u> | <u>-</u> | <u>21,992,043</u> | <u>-</u> |
| Total investments measured at fair value | <u>\$ 139,843,225</u> | <u>\$ -</u> | <u>\$ 139,843,225</u> | <u>\$ -</u> |

| Description | Total | 2021 | | |
|--|----------------------|-------------|----------------------|-------------|
| | | Level 1 | Level 2 | Level 3 |
| U.S. Treasury obligations | <u>\$ 64,942,988</u> | <u>\$ -</u> | <u>\$ 64,942,988</u> | <u>\$ -</u> |
| Total investments measured at fair value | <u>\$ 64,942,988</u> | <u>\$ -</u> | <u>\$ 64,942,988</u> | <u>\$ -</u> |

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.

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Note 13: Operating Expenses by Function

Operating expenses by functional classification for the year ended June 30, 2022, are summarized as follows:

| | Salaries | Benefits | Scholarships and Fellowships | Utilities | Supplies and Other Services | Depreciation and Amortization | 2022 Total |
|--|-----------------------|----------------------|---|---------------------|--|--|-----------------------|
| Instruction | \$ 75,414,231 | \$ 33,191,267 | \$ - | \$ - | \$ 12,740,934 | \$ - | \$ 121,346,432 |
| Research | 4,462,828 | 2,102,605 | - | 1,715 | 8,885,048 | - | 15,452,196 |
| Public service | 6,343,328 | 2,691,582 | - | 36,346 | 4,944,015 | - | 14,015,271 |
| Academic support | 16,909,547 | 7,390,195 | - | 10,383 | 6,108,530 | - | 30,418,655 |
| Student services | 8,070,350 | 3,383,693 | - | 755 | 4,058,401 | - | 15,513,199 |
| Institutional support | 17,400,096 | 7,848,863 | - | 76 | 3,612,546 | - | 28,861,581 |
| Operation and maintenance of plant | 6,357,115 | 2,857,533 | - | 5,822,515 | 5,263,494 | - | 20,300,657 |
| Scholarship and fellowships | 711,724 | (252,478) | 43,354,418 | - | 37,853 | - | 43,851,517 |
| Auxiliary enterprises | 19,730,507 | 7,508,621 | 6,011,158 | 2,647,014 | 22,216,248 | - | 58,113,548 |
| Depreciation | - | - | - | - | - | 31,627,978 | 31,627,978 |
| Total operating expenses for fiscal year 2022 | \$ 155,399,726 | \$ 66,721,881 | \$ 49,365,576 | \$ 8,518,804 | \$ 67,867,069 | \$ 31,627,978 | \$ 379,501,034 |

Operating expenses by functional classification for the year ended June 30, 2021, are summarized as follows:

| | Salaries | Benefits | Scholarships and Fellowships | Utilities | Supplies and Other Services | Depreciation and Amortization | 2021 Total |
|--|-----------------------|----------------------|---|---------------------|--|--|-----------------------|
| Instruction | \$ 73,245,994 | \$ 39,045,336 | \$ - | \$ - | \$ 9,757,619 | \$ - | \$ 122,048,949 |
| Research | 4,509,124 | 3,251,764 | - | 4,217 | 8,200,685 | - | 15,965,790 |
| Public service | 5,657,142 | 3,094,379 | - | 35,597 | 4,636,304 | - | 13,423,422 |
| Academic support | 16,282,205 | 8,771,442 | - | 6,298 | 5,078,680 | - | 30,138,625 |
| Student services | 7,310,817 | 4,013,372 | - | 194 | 3,115,275 | - | 14,439,658 |
| Institutional support | 16,747,667 | 9,507,520 | - | - | 3,074,822 | - | 29,330,009 |
| Operation and maintenance of plant | 6,192,075 | 3,919,795 | - | 4,721,778 | 4,901,874 | - | 19,735,522 |
| Scholarship and fellowships | 750,173 | 163,740 | 28,322,861 | - | 56,665 | - | 29,293,439 |
| Auxiliary enterprises | 18,028,219 | 10,116,448 | 5,937,589 | 2,353,641 | 21,081,551 | - | 57,517,448 |
| Depreciation | - | - | - | - | - | 31,601,853 | 31,601,853 |
| Total operating expenses for fiscal year 2021 | \$ 148,723,416 | \$ 81,883,796 | \$ 34,260,450 | \$ 7,121,725 | \$ 59,903,475 | \$ 31,601,853 | \$ 363,494,715 |

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Note 14: 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.

The Foundation owed the University approximately \$1,143,885 and \$784,698 at June 30, 2022 and 2021, 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.

The University pays the Foundation for space occupied by various University departments within the Kenneth E. Meyer Alumni Center. Rental payments for the years ended June 30, 2022 and 2021, were \$535,766.

Note 15: 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 \$33.7 million at June 30, 2022.

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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. The University has classified \$24,000,000 as restricted investments for this purchase at June 30, 2021 and 2020. 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. On June 18, 2021, the Board of Governors amended the purchase agreement for the closing to occur on or before July 2, 2022. The purchase of the new residence hall closed on July 15, 2022, for the cash price of \$24,000,000. The residence hall appraised for \$32,400,000 on a cost approach basis and a gift was recognized for \$8,400,000.

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 legal 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. The University contributed \$4,600,000 in the form of a subordinated note receivable with a maturity date of August 20, 2027.

Note 16: Missouri State University Foundation

Financial Statements

The financial statements of the Foundation are presented in accordance with the provisions of the FASB ASC. The FASB ASC requires the Foundation to distinguish between contributions that increase net assets with donor restrictions net assets without donor restrictions. It also requires recognition of contributions, including contributed services meeting certain criteria, at fair values. The FASB ASC establishes standards for external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities, and a statement of cash flows. As permitted by GASB Statement No. 34, the University has elected not to present a statement of cash flows for the Foundation in the basic financial statements of the University's reporting entity.

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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, 2022 and 2021:

| | 2022 | 2021 |
|------------------------------------|-----------------|----------------|
| Pooled investments at market value | \$ 100,634,171 | \$ 110,505,219 |
| Number of pool shares | 440,118 | 419,440 |
| Market value per pool share | \$ 229 | \$ 263 |
| Fiscal year return | -7.51% | 25.77% |
| Interest and dividend earnings | \$ 1,946,276 | \$ 1,714,535 |
| Net gains (losses) | \$ (11,393,357) | \$ 21,678,874 |

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:

| | 2022 | 2021 |
|--|-----------------------|-----------------------|
| Accrued income | \$ 109,006 | \$ 136,706 |
| Money market accounts | 2,524,124 | 1,843,974 |
| U.S. Treasury bills | 48,978,330 | 22,523,198 |
| U.S. equity mutual funds | 36,623,259 | 43,551,282 |
| Non-U.S. equity mutual funds | 21,900,496 | 36,991,974 |
| U.S. Treasury securities | 313,809 | 12,671,024 |
| Corporate bonds | 1,686,505 | 6,445,188 |
| U.S fixed income exchange-traded funds | 18,939,549 | - |
| Hedge funds | 6,097,166 | 4,308,285 |
| Private equity | 9,420,005 | 6,394,516 |
| Other | 3,500 | 3,500 |
| | <u>\$ 146,595,749</u> | <u>\$ 134,869,647</u> |

Investment return consists of the following:

| | 2022 | 2021 |
|--|-----------------------|----------------------|
| Investment income | \$ 2,478,146 | \$ 2,055,486 |
| Realized and unrealized gains on investments reported at fair value | (11,954,448) | 21,673,209 |
| Investment expenses | (368,333) | (297,414) |
| | <u>\$ (9,844,635)</u> | <u>\$ 23,431,281</u> |

Investments held in trust are deposited with The Northern Trust Company, BancorpSouth Wealth Management, and Bank of America, N.A.

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Pledges Receivable

Pledges receivable are a credit risk to the extent donors choose not to complete their pledge payments. Discount rates ranged from 2.927 percent to 0.147 percent for the years ended June 30, 2022 and 2021, respectively. Pledges receivable consist of the following unconditional promises to give at June 30:

| | 2022 | 2021 |
|---------------------------------------|---------------|---------------|
| Due in less than one year | \$ 7,459,569 | \$ 10,048,766 |
| Due in one to five years | 11,766,385 | 14,235,047 |
| Due in more than five years | 9,153,274 | 8,502,283 |
| | 28,379,228 | 32,786,096 |
| Less: Allowance for doubtful accounts | 524,565 | 3,844,499 |
| Less: Unamortized discount | 836,243 | 984,900 |
| | 1,360,808 | 4,829,399 |
| | \$ 27,018,420 | \$ 27,956,697 |

Net Assets

Net assets with donor restrictions at June 30, 2022 and 2021, are restricted for the following purposes or periods:

| | 2022 | 2021 |
|--|---------------|----------------|
| Any purpose, time restricted | \$ 11,972 | \$ 23,161 |
| Instruction and academic program support | 22,088,340 | 24,994,359 |
| Student services | 5,064,081 | 5,857,359 |
| Institutional support | 18,513,515 | 22,212,226 |
| Scholarships | 35,371,240 | 45,428,676 |
| Public service and broadcast services | 5,903,039 | 5,879,320 |
| | \$ 86,952,187 | \$ 104,395,101 |

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Net assets with donor restrictions that are perpetual in nature at June 30, 2022 and 2021, are restricted to investments in perpetuity, the revenue from which is expendable to support:

| | 2022 | 2021 |
|--|---------------|---------------|
| Instruction and academic program support | \$ 18,650,305 | \$ 17,148,544 |
| Student services | 1,288,749 | 1,215,485 |
| Institutional support | 1,736,267 | 1,999,095 |
| Scholarships | 58,559,951 | 52,906,009 |
| Public service and broadcast services | 650,624 | 643,392 |
| | \$ 80,885,896 | \$ 73,912,525 |

Endowments

The Foundation’s endowment consists of approximately 1,149 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

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The composition of net assets by type of endowment fund at June 30, 2022, was:

| | Without Donor Restrictions | With Donor Restrictions – Purpose or Time-Restricted | With Donor Restrictions – Perpetual in Nature | 2022 Total |
|----------------------------------|---------------------------------------|---|--|-----------------------|
| Donor-restricted endowment funds | \$ - | \$ 22,332,345 | \$ 80,295,360 | \$ 102,627,705 |
| Board-designated endowment funds | 3,167,483 | - | - | 3,167,483 |
| Total endowment funds | \$ 3,167,483 | \$ 22,332,345 | \$ 80,295,360 | \$ 105,795,188 |

The composition of net assets by type of endowment fund at June 30, 2021, was:

| | Without Donor Restrictions | With Donor Restrictions – Purpose or Time-Restricted | With Donor Restrictions – Perpetual in Nature | 2021 Total |
|----------------------------------|---------------------------------------|---|--|-----------------------|
| Donor-restricted endowment funds | \$ - | \$ 37,387,071 | \$ 73,179,604 | \$ 110,566,675 |
| Board-designated endowment funds | 3,589,818 | - | - | 3,589,818 |
| Total endowment funds | \$ 3,589,818 | \$ 37,387,071 | \$ 73,179,604 | \$ 114,156,493 |

Changes in endowment net assets for the year ended June 30, 2022, were:

| | Without Donor Restrictions | With Donor Restrictions – Purpose or Time-Restricted | With Donor Restrictions – Perpetual in Nature | 2022 Total |
|--|---------------------------------------|---|--|-----------------------|
| Endowment net assets, beginning of year | \$ 3,589,818 | \$ 37,387,071 | \$ 73,179,604 | \$ 114,156,493 |
| Investment return, net | | | | |
| Investment income | - | 1,948,806 | - | 1,948,806 |
| Net appreciation (depreciation) | (427,024) | (11,314,887) | - | (11,741,911) |
| Total investment return, net | (427,024) | (9,366,081) | - | (9,793,105) |
| Contributions | - | - | 7,089,570 | 7,089,570 |
| Other income | - | 18,970 | 26,186 | 45,156 |
| Appropriation of endowment assets for expenditure | - | (5,833,653) | - | (5,833,653) |
| Other additions | 4,689 | 126,038 | - | 130,727 |
| Endowment net assets, end of year | \$ 3,167,483 | \$ 22,332,345 | \$ 80,295,360 | \$ 105,795,188 |

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Changes in endowment net assets for the year ended June 30, 2021, were:

| | Without Donor Restrictions | With Donor Restrictions – Purpose or Time-Restricted | With Donor Restrictions – Perpetual in Nature | 2021 Total |
|--|---------------------------------------|---|--|-----------------------|
| Endowment net assets, beginning of year | \$ 3,040,545 | \$ 19,699,303 | \$ 64,903,457 | \$ 87,643,305 |
| Investment return, net | | | | |
| Investment income | - | 1,905,918 | - | 1,905,918 |
| Net appreciation (depreciation) | 543,095 | 21,470,741 | - | 22,013,836 |
| Total investment return, net | 543,095 | 23,376,659 | - | 23,919,754 |
| Contributions | - | - | 8,249,344 | 8,249,344 |
| Other income | - | 27,360 | 26,803 | 54,163 |
| Appropriation of endowment assets for expenditure | - | (5,384,944) | - | (5,384,944) |
| Other additions | 6,178 | (331,307) | - | (325,129) |
| Endowment net assets, end of year | <u>\$ 3,589,818</u> | <u>\$ 37,387,071</u> | <u>\$ 73,179,604</u> | <u>\$ 114,156,493</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, 2022, funds with original gift value of \$9,401,191; fair value of \$8,920,526; and deficiency of \$480,665 were reported in net assets with donor restrictions. At June 30, 2021, there were no funds which were underwater. 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.

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

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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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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, 2022 and 2021, respectively, comprise the following:

| | 2022 | 2021 |
|---|---------------|---------------|
| Financial assets at year-end | | |
| Cash and cash equivalents | \$ 1,908,080 | \$ 21,752,613 |
| Accounts receivable, net | 74,008 | 36,717 |
| Pledges receivable, net | 27,018,420 | 27,956,697 |
| Investments | 146,595,749 | 134,869,647 |
| Total financial assets at year-end | 175,596,257 | 184,615,674 |
| Less amounts restricted or not available to be used within one year | | |
| Pledges receivable, due after one year | 20,919,659 | 19,108,675 |
| Investments held in custodial and noncustodial annuities and trusts | 35,600 | 45,038 |
| Endowment with donor restrictions | 102,627,705 | 110,566,675 |
| Investments in nonliquid securities | 3,500 | 3,500 |
| Financial assets not available to meet general expenditures within one year | 123,586,464 | 129,723,888 |
| Financial assets available to meet general expenditures within one year | \$ 52,009,793 | \$ 54,891,786 |

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

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

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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.

Disclosures about Fair Value of Assets and Liabilities

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements 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, 2022 and 2021:

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| | June 30, 2022 | | | | |
|---|-------------------------------|---|---|---|---------------------------------|
| | Fair Value Measurements Using | | | | |
| | Total Fair Value | Quoted in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Investments Measured at NAV (A) |
| Assets | | | | | |
| Cash equivalents | \$ 300,911 | \$ 300,911 | \$ - | \$ - | \$ - |
| Investments | | | | | |
| U.S. Treasury bills | 48,978,330 | 48,978,330 | - | - | - |
| Money market funds | 2,524,124 | 2,524,124 | - | - | - |
| U.S. equity mutual funds | 36,623,259 | 36,623,259 | - | - | - |
| Non-U.S. equity mutual funds | 21,900,496 | 21,900,496 | - | - | - |
| U.S. Treasury securities | 313,809 | - | 313,809 | - | - |
| Corporate bonds | 1,686,505 | - | 1,686,505 | - | - |
| U.S. fixed income exchange-traded funds | 18,939,549 | - | 18,939,549 | - | - |
| Hedge funds | 6,097,166 | - | - | - | 6,097,166 |
| Private equity | 9,420,005 | - | - | - | 9,420,005 |
| Other | 3,500 | 3,500 | - | - | - |
| Investments held in trust | | | | | |
| Mutual funds | 1,295,039 | 1,295,039 | - | - | - |
| Other | 474,172 | 152,065 | 230,608 | 91,499 | - |
| Total assets | <u>\$ 148,556,865</u> | <u>\$ 111,777,724</u> | <u>\$ 21,170,471</u> | <u>\$ 91,499</u> | <u>\$ 15,517,171</u> |
| Liabilities | | | | | |
| Annuity obligations | <u>\$ 263,734</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 263,734</u> | <u>\$ -</u> |

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| | June 30, 2021 | | | | |
|------------------------------|-------------------------------|---|---|---|---------------------------------|
| | Fair Value Measurements Using | | | | |
| | Total Fair Value | Quoted in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Investments Measured at NAV (A) |
| Assets | | | | | |
| Cash equivalents | \$ 4,010 | \$ 4,010 | \$ - | \$ - | \$ - |
| Investments | | | | | |
| U.S. Treasury bills | 22,523,198 | 22,523,198 | - | - | - |
| Money market funds | 1,843,974 | 1,843,974 | - | - | - |
| U.S. equity mutual funds | 43,551,282 | 43,551,282 | - | - | - |
| Non-U.S. equity mutual funds | 36,991,974 | 36,991,974 | - | - | - |
| U.S. Treasury securities | 12,671,024 | - | 12,671,024 | - | - |
| Corporate bonds | 6,445,188 | - | 6,445,188 | - | - |
| Hedge funds | 4,308,285 | - | - | - | 4,308,285 |
| Private equity | 6,394,516 | - | - | - | 6,394,516 |
| Other | 3,500 | 3,500 | - | - | - |
| Investments held in trust | | | | | |
| Mutual funds | 1,305,918 | 1,305,918 | - | - | - |
| Other | 870,681 | 481,809 | 272,544 | 116,328 | - |
| Total assets | <u>\$ 136,913,550</u> | <u>\$ 106,705,665</u> | <u>\$ 19,388,756</u> | <u>\$ 116,328</u> | <u>\$ 10,702,801</u> |
| Liabilities | | | | | |
| Annuity obligations | <u>\$ 34,856</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 34,856</u> | <u>\$ -</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.

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.

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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.

Contributed Services

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 \$3,080,591 and \$3,190,929 for the years ended June 30, 2022 and 2021, 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.

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 as of June 30, 2022:

| | Program Services | | | | | Support Services | | Total |
|---|---------------------|--------------------------|---------------------|-----------------------|---------------------|-------------------|-----------------------|----------------------|
| | Student Services | Instruction and Academic | Scholarships | Institutional Support | Capital Projects | Rental Expenses | Institutional Support | |
| Personnel | \$ 336,039 | \$ 292,935 | \$ - | \$ 52,879 | \$ - | \$ 96,439 | \$ 2,825,556 | \$ 3,603,848 |
| Utilities | - | - | - | - | - | 122,502 | - | 122,502 |
| Travel | 60,370 | 43,846 | - | 12,007 | - | - | 31,901 | 148,124 |
| Educational supplies and service agreements | 60,813 | 2,257,125 | - | 2,965 | - | - | 99,183 | 2,420,086 |
| Supplies, services, and other | 315,532 | 443,786 | - | 285,916 | - | 369,656 | 421,994 | 1,836,884 |
| Broadcast services | - | 1,415,817 | - | - | - | - | - | 1,415,817 |
| Fundraising | 107,197 | 4,413 | - | 122,599 | - | - | 283,933 | 518,142 |
| Arena debt | - | - | - | - | 1,485,000 | - | - | 1,485,000 |
| Transfer to University | 2,924,811 | 1,156,406 | 3,999,259 | 33,817 | 7,505,836 | - | 183,136 | 15,803,265 |
| Total expenses | \$ 3,804,762 | \$ 5,614,328 | \$ 3,999,259 | \$ 510,183 | \$ 8,990,836 | \$ 588,597 | \$ 3,845,703 | \$ 27,353,668 |

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2022 and 2021

Program and support services expenses consist of the following as of June 30, 2021:

| | Program Services | | | | | Support Services | | Total |
|---|---------------------|--------------------------|---------------------|-----------------------|---------------------|-------------------|-----------------------|----------------------|
| | Student Services | Instruction and Academic | Scholarships | Institutional Support | Capital Projects | Rental Expenses | Institutional Support | |
| Personnel | \$ 364,060 | \$ 309,973 | \$ - | \$ 19,139 | \$ - | \$ 117,445 | \$ 2,942,967 | \$ 3,753,584 |
| Utilities | - | - | - | - | - | 116,655 | - | 116,655 |
| Travel | 5,130 | 7,574 | - | 1,798 | - | - | 9,705 | 24,207 |
| Educational supplies and service agreements | 2,551,415 | 217 | - | 1,567 | 406,307 | - | 540 | 2,960,046 |
| Supplies, services, and other | 430,465 | 190,529 | - | 178,149 | - | 306,620 | 381,788 | 1,487,551 |
| Broadcast services | 892,105 | - | - | - | - | - | - | 892,105 |
| Fundraising | 676 | 43,603 | - | 29,091 | - | - | 236,991 | 538,599 |
| Arena debt | - | - | - | - | 297,000 | - | - | 297,000 |
| Transfer to University | 1,635,229 | 1,559,252 | 2,294,623 | 82,386 | 6,267,470 | - | 3,094,829 | 14,933,789 |
| Total expenses | <u>\$ 5,879,080</u> | <u>\$ 2,111,148</u> | <u>\$ 2,294,623</u> | <u>\$ 312,130</u> | <u>\$ 6,970,777</u> | <u>\$ 540,720</u> | <u>\$ 6,666,820</u> | <u>\$ 25,003,536</u> |

Note 17: Subsequent Events

2022 MOHEFA Revenue Bonds Payable – Series A

On July 6, 2022, the University issued \$13,590,000 Series A bonds through a private placement with Capital One. The bonds bear interest payable semiannually at 2.70 percent and are secured by certain revenue generated from educational facilities. Principal maturity begins October 1, 2023, and continues until October 1, 2040. Proceeds from the issuance of these bonds were used to advance the refund of the Series 2015A bonds with maturities commencing October 1, 2023, and continuing until October 1, 2040.

Required Supplementary Information

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

| | 2022 | 2021 | 2020 | 2019 |
|---|----------------|----------------|----------------|----------------|
| University's proportion of the net pension liability | 4.7250% | 4.9323% | 4.9621% | 4.9840% |
| University's proportionate share of the net pension liability | \$ 264,162,359 | \$ 313,080,782 | \$ 299,767,062 | \$ 278,020,399 |
| University's covered-employee payroll | \$ 98,628,735 | \$ 95,243,423 | \$ 98,543,808 | \$ 96,398,396 |
| University's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 267.84% | 328.72% | 304.20% | 287.06% |
| Plan fiduciary net position as a percentage of the total pension liability | 63.00% | 55.48% | 56.72% | 59.02% |
| | 2018 | 2017 | 2016 | 2015 |
| University's proportion of the net pension liability | 5.0112% | 5.0191% | 4.9620% | 4.8780% |
| University's proportionate share of the net pension liability | \$ 260,931,464 | \$ 232,984,565 | \$ 159,338,163 | \$ 115,013,832 |
| University's covered-employee payroll | \$ 98,849,750 | \$ 97,425,261 | \$ 96,031,717 | \$ 95,529,298 |
| University's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 263.97% | 239.14% | 165.92% | 120.40% |
| Plan fiduciary net position as a percentage of the total pension liability | 60.41% | 63.60% | 72.62% | 79.49% |

* The amounts presented for June 30, 2021, 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
A Component Unit of the State of Missouri
Schedule of University Contributions –
Missouri State Employees’ Retirement System
Last Nine Fiscal Years

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Contractually required contribution | \$ 23,187,616 | \$ 21,781,413 | \$ 21,452,987 | \$ 19,449,045 | \$ 18,853,579 |
| Contributions in relation to the contractually required contribution | <u>23,187,616</u> | <u>21,781,413</u> | <u>21,452,987</u> | <u>19,449,045</u> | <u>18,853,579</u> |
| Contribution deficiency | <u>\$ -</u> |
| University’s covered-employee payroll | \$ 98,628,735 | \$ 95,198,483 | \$ 98,543,808 | \$ 96,398,396 | \$ 96,849,465 |
| Contributions as a percentage of covered-employee payroll | 23.51% | 22.88% | 21.77% | 20.21% | 19.45% |
| | 2017 | 2016 | 2015 | 2014 | |
| Contractually required contribution | \$ 16,698,515 | \$ 16,501,401 | \$ 16,296,821 | \$ 15,920,447 | |
| Contributions in relation to the contractually required contribution | <u>16,698,515</u> | <u>16,501,401</u> | <u>16,296,821</u> | <u>15,920,447</u> | |
| Contribution deficiency | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | |
| University’s covered-employee payroll | \$ 98,400,206 | \$ 97,238,662 | \$ 96,031,717 | \$ 93,529,298 | |
| Contributions as a percentage of covered-employee payroll | 16.97% | 16.97% | 16.97% | 17.02% | |

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

Notes to Schedule:

Benefit Changes

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

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

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

Changes of Assumptions

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study covering the five-year period ended June 30, 2020, and performed in

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

2021. As a result of this actuarial experience study, the MOSERS’ Board made certain actuarial assumption and method changes as a result of the experience study, including:

- Subsequent changes in the unfunded actuarial accrued liability due to actuarial gains/losses or assumption changes are now amortized over a closed 25 year period, instead of 30 years.
- Mortality assumptions are now based on generational tables.

The merit component of the salary increase assumption was adjusted to partially reflect observed experience.

The assumed investment rate of return was reduced from 7.10 percent to 6.95 percent for the June 30, 2020, valuation. The salary increase rate was reduced from 2.85 percent to 2.75 percent. The wage inflation rate was reduced from 2.35 percent to 2.25 percent. There were no other changes in actuarial assumptions for the June 30, 2020, valuation.

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 ended 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 Five Fiscal Years

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total OPEB Liability | | | | | |
| Service cost | \$ 406,640 | \$ 415,627 | \$ 365,564 | \$ 330,279 | \$ 317,973 |
| Interest | 242,276 | 246,493 | 347,666 | 375,108 | 387,922 |
| Difference between expected and actual experience | (2,733,406) | - | (115,182) | - | - |
| Changes in assumptions or other inputs | (774,478) | 43,287 | 1,318,793 | 275,284 | (216,676) |
| Benefit payments | (409,519) | (857,416) | (635,999) | (914,728) | (750,762) |
| Net Change in Total OPEB Liability | (3,268,487) | (152,009) | 1,280,842 | 65,943 | (261,543) |
| Total OPEB Liability – Beginning | 11,014,581 | 11,166,590 | 9,885,748 | 9,819,805 | 10,081,348 |
| Total OPEB Liability – Ending | \$ 7,746,094 | \$ 11,014,581 | \$ 11,166,590 | \$ 9,885,748 | \$ 9,819,805 |
| Covered-Employee Payroll | \$ 128,247,797 | \$ 124,322,000 | \$ 120,117,915 | \$ 118,720,000 | \$ 114,704,876 |
| Total OPEB Liability as a Percentage of Covered-Employee Payroll | 6.04% | 8.86% | 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, 2022, 2021, 2020, and 2019.

Changes of Assumptions

Actuarial assumptions used in the June 30, 2022, valuation were changed as follows:

- The discount rate was updated from 2.16 percent to 3.54 percent.
- The health care cost trend was increased from 6.00 percent to 7.00 percent, with an ultimate rate decreasing from 4.50 percent to 4.00 percent.

Actuarial assumptions used in the June 30, 2021, valuation were changed as follows:

- The discount rate was updated from 2.21 percent to 2.16 percent.

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.

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 Four Fiscal Years

- 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.
- The initial health care 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.

Supplementary 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, 2022

Condensed Statement of Net Position Information

| | Springfield | West Plains | Total |
|---|-----------------------|----------------------|-----------------------|
| Assets | | | |
| Current assets | \$ 249,780,239 | \$ 6,078,189 | \$ 255,858,428 |
| Noncurrent assets | 591,470,128 | 21,471,082 | 612,941,210 |
| Total assets | <u>841,250,367</u> | <u>27,549,271</u> | <u>868,799,638</u> |
| Deferred Outflows of Resources | | | |
| Loss on refunding of bonds | 1,590,748 | - | 1,590,748 |
| Deferred outflows of resources related to other postemployment benefits | 1,280,706 | - | 1,280,706 |
| Deferred outflows of resources related to pension | 43,634,346 | 2,240,997 | 45,875,343 |
| Total deferred outflows of resources | <u>46,505,800</u> | <u>2,240,997</u> | <u>48,746,797</u> |
| Liabilities | | | |
| Current liabilities | 64,072,835 | 1,115,618 | 65,188,453 |
| Long-term liabilities | 172,052,627 | 937,887 | 172,990,514 |
| Accrued net pension liability | 252,064,208 | 12,098,151 | 264,162,359 |
| Total liabilities | <u>488,189,670</u> | <u>14,151,656</u> | <u>502,341,326</u> |
| Deferred Inflows of Resources | | | |
| Deferred inflows of lease receivable | 6,728,699 | - | 6,728,699 |
| Deferred inflows of resources related to other postemployment benefits | 3,492,556 | - | 3,492,556 |
| Deferred inflows of resources related to pension | 55,053,392 | 2,482,332 | 57,535,724 |
| Total deferred inflows of resources | <u>65,274,647</u> | <u>2,482,332</u> | <u>67,756,979</u> |
| Net Position | | | |
| Net investment in capital assets | 376,814,435 | 20,533,195 | 397,347,630 |
| Restricted | | | |
| Nonexpendable | 199,762 | - | 199,762 |
| Expendable | 12,443,984 | 27,410 | 12,471,394 |
| Unrestricted | <u>(55,166,331)</u> | <u>(7,404,325)</u> | <u>(62,570,656)</u> |
| Total net position | <u>\$ 334,291,850</u> | <u>\$ 13,156,280</u> | <u>\$ 347,448,130</u> |

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

| | | | |
|--|-----------------------|----------------------|-----------------------|
| Operating Revenues | <u>\$ 217,199,840</u> | <u>\$ 4,467,597</u> | <u>\$ 221,667,437</u> |
| Operating Expenses | | | |
| Depreciation | 30,826,185 | 801,793 | 31,627,978 |
| All other operating expenses | 331,497,168 | 16,375,888 | 347,873,056 |
| Total operating expenses | <u>362,323,353</u> | <u>17,177,681</u> | <u>379,501,034</u> |
| Operating Loss | (145,123,513) | (12,710,084) | (157,833,597) |
| Nonoperating Revenues | 177,297,177 | 14,669,170 | 191,966,347 |
| Nonoperating Expenses | <u>(4,763,597)</u> | <u>(39,786)</u> | <u>(4,803,383)</u> |
| Income Before Other Revenue, Expenses, Gains, or Losses | 27,410,067 | 1,919,300 | 29,329,367 |
| Transfer from Other University Units | <u>(173,691)</u> | <u>173,691</u> | <u>-</u> |
| Increase in Net Position | 27,236,376 | 2,092,991 | 29,329,367 |
| Net Position, Beginning of Year | <u>307,055,474</u> | <u>11,063,289</u> | <u>318,118,763</u> |
| Net Position, End of Year | <u>\$ 334,291,850</u> | <u>\$ 13,156,280</u> | <u>\$ 347,448,130</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, 2021

Condensed Statement of Net Position Information

| | Springfield | West Plains | Total |
|---|-----------------------|----------------------|-----------------------|
| Assets | | | |
| Current assets | \$ 263,858,902 | \$ 5,865,159 | \$ 269,724,061 |
| Noncurrent assets | 560,591,125 | 18,936,820 | 579,527,945 |
| Total assets | <u>824,450,027</u> | <u>24,801,979</u> | <u>849,252,006</u> |
| Deferred Outflows of Resources | | | |
| Loss on refunding of bonds | 1,902,379 | - | 1,902,379 |
| Deferred outflows of resources related to other postemployment benefits | 1,392,538 | - | 1,392,538 |
| Deferred outflows of resources related to pension | 44,560,754 | 2,259,113 | 46,819,867 |
| Total deferred outflows of resources | <u>47,855,671</u> | <u>2,259,113</u> | <u>50,114,784</u> |
| Liabilities | | | |
| Current liabilities | 61,770,199 | 635,403 | 62,405,602 |
| Long-term liabilities | 192,180,635 | 942,937 | 193,123,572 |
| Accrued net pension liability | 298,868,141 | 14,212,641 | 313,080,782 |
| Total liabilities | <u>552,818,975</u> | <u>15,790,981</u> | <u>568,609,956</u> |
| Deferred Inflows of Resources | | | |
| Deferred inflows of lease receivable | 7,513,747 | - | 7,513,747 |
| Deferred inflows of resources related to other postemployment benefits | 232,187 | - | 232,187 |
| Deferred inflows of resources related to pension | 4,685,315 | 206,822 | 4,892,137 |
| Total deferred inflows of resources | <u>12,431,249</u> | <u>206,822</u> | <u>12,638,071</u> |
| Net Position | | | |
| Net investment in capital assets | 364,244,118 | 17,993,883 | 382,238,001 |
| Restricted | | | |
| Nonexpendable | 199,762 | - | 199,762 |
| Expendable | 19,997,013 | 27,693 | 20,024,706 |
| Unrestricted | <u>(77,385,419)</u> | <u>(6,958,287)</u> | <u>(84,343,706)</u> |
| Total net position | <u>\$ 307,055,474</u> | <u>\$ 11,063,289</u> | <u>\$ 318,118,763</u> |

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

| | | | |
|--|-----------------------|----------------------|-----------------------|
| Operating Revenues | <u>\$ 209,905,360</u> | <u>\$ 4,055,962</u> | <u>\$ 213,961,322</u> |
| Operating Expenses | | | |
| Depreciation | 30,797,937 | 803,926 | 31,601,863 |
| All other operating expenses | 316,751,888 | 15,140,964 | 331,892,852 |
| Total operating expenses | <u>347,549,825</u> | <u>15,944,890</u> | <u>363,494,715</u> |
| Operating Loss | (137,644,465) | (11,888,928) | (149,533,393) |
| Nonoperating Revenues | 171,680,907 | 12,553,413 | 184,234,320 |
| Nonoperating Expenses | <u>(5,731,232)</u> | <u>(40,115)</u> | <u>(5,771,347)</u> |
| Income Before Other Revenue, Expenses, Gains, or Losses | 28,305,210 | 624,370 | 28,929,580 |
| Transfer from Other University Units | <u>61,250</u> | <u>(61,250)</u> | <u>-</u> |
| Increase in Net Position | 28,366,460 | 563,120 | 28,929,580 |
| Net Position, Beginning of Year | <u>278,689,014</u> | <u>10,500,169</u> | <u>289,189,183</u> |
| Net Position, End of Year | <u>\$ 307,055,474</u> | <u>\$ 11,063,289</u> | <u>\$ 318,118,763</u> |

Missouri State University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|--|--|---|---------------------------------------|-------------------------------|
| Student Financial Assistance Cluster | | | | |
| U.S. Department of Education | | | | |
| Federal Supplemental Educational Opportunity Grants | | | | |
| Springfield Campus | 84.007 | NA | \$ - | \$ 461,360 |
| West Plains Campus | 84.007 | NA | - | 59,856 |
| | | | <u>-</u> | <u>521,216</u> |
| Federal Work-Study Program | | | | |
| Springfield Campus | 84.033 | NA | - | 675,155 |
| West Plains Campus | 84.033 | NA | - | 51,292 |
| | | | <u>-</u> | <u>726,447</u> |
| Federal Pell Grant Program | | | | |
| Springfield Campus | 84.063 | NA | - | 21,402,429 |
| West Plains Campus | 84.063 | NA | - | 2,310,231 |
| | | | <u>-</u> | <u>23,712,660</u> |
| Federal Direct Student Loans | | | | |
| Springfield Campus | 84.268 | NA | - | 67,328,446 |
| West Plains Campus | 84.268 | NA | - | 735,537 |
| | | | <u>-</u> | <u>68,063,983</u> |
| Teacher Education Assistance for College and Higher Education Grants (TEACH Grants) | | | | |
| Springfield Campus | 84.379 | NA | - | 143,267 |
| | | | <u>-</u> | <u>93,167,573</u> |
| Total Student Financial Assistance Cluster | | | <u>-</u> | <u>93,167,573</u> |

Missouri State University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|--|---|---------------------------------------|-------------------------------|
| Research and Development Cluster | | | | |
| U.S. Department of Agriculture | | | | |
| Plant and Animal Disease, Pest Control and Animal Care | 10.025 | NA | \$ - | \$ 64,455 |
| Capacity Building for Non-Land Grant Colleges of Agriculture | 10.326 | NA | 14,872 | 154,742 |
| Environmental Quality Incentives Program | 10.912 | NA | - | 78,248 |
| U.S. Department of Agriculture/Missouri Department of Agriculture | | | | |
| Specialty Crop Block Grant Program-Farm Bill | 10.170 | AM190100XXXXG029 | - | 30,700 |
| Specialty Crop Block Grant Program-Farm Bill | 10.170 | AM200100XXXXG064 | - | 27,194 |
| U.S. Department of Agriculture/Lincoln University | | | | |
| Crop Protection And Pest Management Competitive Grants Program | 10.329 | 2021-3690 | - | 5,141 |
| U.S. Department of Agriculture - Forest Service | | | | |
| Good Neighbor Authority | 10.691 | NA | - | 1,362 |
| Watershed Restoration and Enhancement Agreement Authority | 10.693 | NA | - | 10,000 |
| U.S. Department of Agriculture/Cornell University – NYSAES | | | | |
| Specialty Crop Research Initiative | 10.309 | 81980-10923 | - | 22,527 |
| U.S. Army Corp of Engineers | | | | |
| Collaborative Research and Development | 12.114 | NA | 46,146 | 123,801 |
| Basic, Applied and Advanced Research in Science and Engineering | 12.630 | NA | 2,804,968 | 4,321,502 |
| U.S. Department of Defense | | | | |
| Air Force Defense Research Sciences Program | 12.800 | NA | 1,789,912 | 2,449,080 |
| U.S. Department of the Interior/Kansas Department of Wildlife | | | | |
| Fish and Wildlife Management Assistance | 15.608 | F20AP11723-00 | - | 51,666 |
| Cooperative Endangered Species Conservation Fund | 15.615 | F20AP00048 / E-33-R-1 | - | 38,559 |
| Total Research and Development Cluster forward | | | 4,655,898 | 7,378,977 |

Missouri State University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|--|--|---|---------------------------------------|-------------------------------|
| Total Research and Development Cluster forward | | | \$ 4,655,898 | \$ 7,378,977 |
| U.S. Department of the Interior – Fish and Wild Life Service/ Oklahoma Department of Wildlife Conservation | | | | |
| State Wildlife Grants | 15.634 | F19AF00843 (T-114-R-1) | - | 8,867 |
| State Wildlife Grants | 15.634 | F21AF02707 (T-122-R-1) | - | 17,463 |
| U.S. Department of the Interior/University of Missouri-Columbia Assistance to State Water Resources Research Institutes | | | | |
| | 15.805 | G16AP00066/C00069899-1 | - | 1,434 |
| U.S. Department of the Interior – U.S. Geological Survey | | | | |
| Geological Survey Research and Data Collection | 15.808 | NA | - | 118,728 |
| National Cooperative Geologic Mapping | 15.810 | NA | - | 4,724 |
| U.S. Department of the Interior National Resource Stewardship | | | | |
| | 15.944 | NA | - | 217,561 |
| National Park Service Route 66 Corridor Preservation | | | | |
| | 15.958 | NA | - | 830 |
| National Aeronautics and Space Administration/ Washington University Science | | | | |
| | 43.001 | WU-21-381 | - | 39,447 |
| National Aeronautics and Space Administration/ Missouri University of Science and Technology | | | | |
| Office of STEM Engagement (OSTEM) | 43.008 | 00070245-05 | - | 311 |
| Office of STEM Engagement (OSTEM) | 43.008 | 00070245-07 | - | 11,716 |
| Office of STEM Engagement (OSTEM) | 43.008 | 00070245-02 | - | 56,403 |
| Total Research and Development Cluster forward | | | 4,655,898 | 7,856,461 |

Missouri State University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|--|--|---|---------------------------------------|-------------------------------|
| Total Research and Development Cluster forward | | | \$ 4,655,898 | \$ 7,856,461 |
| National Endowment for the Humanities/ Missouri Humanities Council | | | | |
| Promotion of the Humanities Federal/State Partnership | 45.129 | 2343 | - | 294 |
| Promotion of the Humanities Federal/State Partnership | 45.129 | 2347 | - | 2,500 |
| Promotion of the Humanities Federal/State Partnership | 45.129 | 2362 | - | 1,727 |
| National Science Foundation | | | | |
| Engineering | 47.041 | NA | - | 18,283 |
| Mathematical and Physical Sciences | 47.049 | NA | - | 352,343 |
| Geosciences | 47.050 | NA | - | 161,512 |
| Computer and Information Science and Engineering | 47.070 | NA | - | 63,656 |
| STEM Education | 47.076 | NA | 170,239 | 706,309 |
| National Science Foundation/Missouri University of Science and Technology | | | | |
| Engineering | 47.041 | 00064851-01 | - | 14,216 |
| National Science Foundation/Kansas State University | | | | |
| Engineering | 47.041 | A21-0022-S0001 | - | 1,950 |
| National Science Foundation/St. Louis University | | | | |
| Biological Sciences | 47.074 | ERS# 39491 | - | 65,544 |
| National Science Foundation/University of California, Los Angeles | | | | |
| Social, Behavioral, and Economic Sciences | 47.075 | 0070GXC482 | - | 47,955 |
| National Science Foundation/Harris-Stowe State University | | | | |
| STEM Education | 47.076 | 1619639 | - | 78,411 |
| Total Research and Development Cluster forward | | | 4,826,137 | 9,371,161 |

Missouri State University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|--|---|---------------------------------------|-------------------------------|
| Total Research and Development Cluster forward | | | \$ 4,826,137 | \$ 9,371,161 |
| Environmental Protection Agency/James River Basin Partnership Nonpoint Source Implementation Grants | 66.460 | Task 1 | - | 8,607 |
| Environmental Protection Agency/Missouri Department of Natural Resources Nonpoint Source Implementation Grants | 66.460 | G19-NPS-13 | - | 134,350 |
| U.S. Department of Energy Fossil Energy Research and Development | 81.089 | NA | 57,927 | 72,249 |
| U.S. Department of Health and Human Services - National Institutes of Health Oral Diseases and Disorders Research | 93.121 | NA | - | 32,303 |
| National Science Foundation Cardiovascular Disease Research | 93.837 | NA | - | 60,685 |
| U.S. Department of Defense/Physical Sciences Inc. Contract | 12.000 | SC 72089-6771-46 | - | 152,027 |
| U.S. Department of Defense/SI2 Technologies Contract | 12.000 | SI2-2021-2112-001 | - | 39,839 |
| U.S. Army Engineer Research & Development Center Contract | 12.000 | W912HZ22C0014 | <u>1,050,000</u> | <u>1,273,879</u> |
| Total Research and Development Cluster | | | <u>5,934,064</u> | <u>11,145,100</u> |

Missouri State University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|--|---|---------------------------------------|-------------------------------|
| U.S. Department of Defense Contract | 12.000 | NA | \$ - | \$ 171,882 |
| U.S. Army Corp of Engineers/New South Associates, Inc. Contract | 12.000 | 64-W912P919F0291 | - | 18,753 |
| Contract | 12.000 | 95-W912P920F0226 | 16,757 | 16,799 |
| Contract | 12.000 | 76-W912P919F0390 | - | 127,914 |
| | | | <u>16,757</u> | <u>335,348</u> |
| U.S. Department of Labor/Delta Regional Authority WIOA Dislocated Worker National Reserve Demonstration Grants | 17.280 | BW-0400 | - | 55,200 |
| WIOA Dislocated Worker National Reserve Demonstration Grants | 17.280 | MO-40002 | - | 7,026 |
| U.S. Department of Labor WIOA Dislocated Worker National Reserve Demonstration Grants | 17.280 | NA | - | 519,308 |
| Total WIOA Cluster | | | <u>-</u> | <u>581,534</u> |
| Special Education Cluster (IDEA) U.S. Department of Education/Missouri Department of Elementary and Secondary Education Special Education Grants to States | 84.027 | None | - | 1,620,381 |
| Total Special Education Cluster (IDEA) | | | <u>-</u> | <u>1,620,381</u> |

Missouri State University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|--|---|---------------------------------------|-------------------------------|
| TRIO Cluster | | | | |
| U.S. Department of Education | | | | |
| TRIO Student Support Services | 84.042 | NA | \$ - | \$ 9,342 |
| TRIO Upward Bound | 84.047 | NA | - | 335,236 |
| Total TRIO Cluster | | | - | 344,578 |
| Economic Development Cluster | | | | |
| U.S. Department of Commerce | | | | |
| Investments for Public Works and Economic Development Facilities | 11.300 | NA | - | 111,251 |
| U.S. Department of Commerce/Southwest Missouri Council of Governments | | | | |
| Economic Development Support for Planning Organizations | 11.302 | None | - | 79,786 |
| Economic Adjustment Assistance | 11.307 | None | - | 145,249 |
| U.S. Department of Commerce/Webster County | | | | |
| Economic Adjustment Assistance | 11.307 | None | - | 540 |
| U.S. Department of Commerce/Missouri Association of Council of Governments | | | | |
| Economic Adjustment Assistance | 11.307 | None | - | 23,935 |
| Total Economic Development Cluster | | | - | 360,761 |
| CDBG – Entitlement Grants Cluster | | | | |
| U.S. Department of Housing and Urban Development/ City of Monett | | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | None | - | 2,740 |
| Total CDBG – Entitlement Grants Cluster | | | - | 2,740 |
| Highway Planning and Construction Cluster | | | | |
| U.S. Department of Transportation/Missouri Department of Transportation | | | | |
| Highway Planning and Construction | 20.205 | SPR2227S | - | 64,706 |
| Total Highway Planning and Construction Cluster | | | - | 64,706 |

Missouri State University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|--|--|---|---------------------------------------|-------------------------------|
| U.S. Department of Agriculture/Missouri Department of Health and Senior Services | | | | |
| Child and Adult Care Food Program | 10.558 | E046C200431 | \$ - | \$ 13,597 |
| COVID-19 – Child and Adult Care Food Program | 10.558 | E046C200431, COVID-19 | - | 1,428 |
| | | | <u>-</u> | <u>15,025</u> |
| U.S. Department of Housing and Urban Development/Village of Bull Creek | | | | |
| Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | None | - | 8,682 |
| U.S. Department of Housing and Urban Development/City of Branson | | | | |
| Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | C2021-0140 | - | 8,322 |
| Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | C2021-0141 | - | 2,805 |
| Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | G2021-0141 | - | 2,147 |
| | | | <u>-</u> | <u>21,956</u> |
| U.S. Department of Justice – ENRD/Executive Office | | | | |
| Grants To Reduce Domestic Violence, Dating Violence, Sexual Assault, And Stalking On Campus | 16.525 | NA | 66,529 | 194,480 |
| Small Business Administration/University of Missouri – Columbia | | | | |
| Small Business Development Centers | 59.037 | C00076664-6 | - | 117,792 |
| Small Business Development Centers | 59.037 | C00073069-6 | - | 127,594 |
| | | | <u>-</u> | <u>245,386</u> |
| Small Business Administration/University of Missouri – Columbia | | | | |
| Federal And State Technology Partnership Program | 59.058 | C00075818-1 | - | 2,934 |

Missouri State University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|--|---|---------------------------------------|-------------------------------|
| Environmental Protection Agency Pollution Prevention Grants Program | 66.708 | NA | \$ - | \$ 18,989 |
| U.S. Department of Education – Vocational and Adult Education/ Missouri Department of Elementary and Secondary Education Adult Education – Basic Grants to States | 84.002 | V002A170026 | - | 256,797 |
| U.S. Department of Education/Missouri Department of Elementary and Secondary Education Title I Grants to Local Educational Agencies | 84.010 | None | - | 241,532 |
| U.S. Department of Education/Missouri Department of Elementary and Secondary Education Migrant Education State Grant Program | 84.011 | None | - | 20,850 |
| U.S. Department of Education/University of Central Missouri Undergraduate International Studies and Foreign Language Programs | 84.016 | POL001-MSU | - | 3,486 |
| U.S. Department of Education Higher Education Institutional Aid | 84.031 | NA | - | 402,125 |
| U.S. Department of Education/Missouri Department of Elementary and Secondary Education Career and Technical Education – Basic Grants to States | 84.048 | None | - | 184,166 |
| U.S. Department of Education/Missouri Department of Elementary and Secondary Education Special Education - State Personnel Development | 84.323 | None | - | 14,000 |
| U.S. Department of Education English Language Acquisition State Grants | 84.365 | NA | - | 436,887 |
| U.S. Department of Education/Missouri Department of Elementary and Secondary Education English Language Acquisition State Grants | 84.365 | None | - | 6,725 |
| | | | - | 443,612 |

Missouri State University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|--|---|---------------------------------------|-------------------------------|
| U.S. Department of Education/Missouri Department of Elementary and Secondary Education Supporting Effective Instruction State Grants | 84.367 | None | \$ - | \$ 90,668 |
| U.S. Department of Education Education Innovation and Research | 84.411 | NA | - | 743,721 |
| COVID-19 – Education Stabilization Fund | | | | |
| U.S. Department of Education/Missouri Department of Elementary and Secondary Education Elementary and Secondary School Emergency Relief Fund | 84.425D | None | - | 510,947 |
| Elementary and Secondary School Emergency Relief Fund | 84.425D | S425D210021 | - | 8,626 |
| U.S. Department of Education Higher Education Emergency Relief Fund | | | | |
| Student Aid Portion – Springfield Campus | 84.425E | NA | - | 20,701,664 |
| Student Aid Portion – West Plains Campus | 84.425E | NA | - | 1,771,172 |
| Institutional Portion – Springfield Campus | 84.425F | NA | - | 3,326,104 |
| Institutional Portion – West Plains Campus | 84.425F | NA | - | 1,178,755 |
| Strengthening Institutions Program – Springfield Campus | 84.425M | NA | - | 1,843,516 |
| Strengthening Institutions Program – West Plains Campus | 84.425M | NA | - | 144,292 |
| | | | - | 29,485,076 |
| U.S. Department of Health and Human Services/A.T. Still University Area Health Education Centers | 93.107 | 324-375 | - | 27,104 |
| Area Health Education Centers | 93.107 | 325-375 | - | 91,282 |
| | | | - | 118,386 |
| U.S. Department of Health and Human Services Nurse Anesthetist Traineeship | 93.124 | NA | - | 12,908 |
| U.S. Department of Health and Human Services/Missouri Department of Health and Senior Services Injury Prevention and Control Research and State and Community Based Programs | 93.136 | AOC19380248 | - | 34,751 |
| Injury Prevention and Control Research and State and Community Based Programs | 93.136 | DH220051613 | - | 22,321 |
| | | | - | 57,072 |

Missouri State University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|--|---|---------------------------------------|-------------------------------|
| U.S. Department of Health and Human Services/Missouri Department of Health and Senior Services Early Hearing Detection and Intervention | 93.251 | DH210049615 | \$ - | \$ 123,606 |
| U.S. Department of Health and Human Services/Missouri Department of Health and Senior Services Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | 93.323 | DH210049624 | - | 8,042 |
| U.S. Department of Health and Human Services/Missouri Department of Health and Senior Services National and State Tobacco Control Program | 93.387 | DH210049594 | - | 233,455 |
| U.S. Department of Health and Human Services/Missouri Department of Health and Senior Services Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises | 93.391 | DH220051561 | 6,426 | 101,190 |
| COVID-19 – Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises | 93.391 | DH220051561, COVID-19 | - | 20,273 |
| | | | <u>6,426</u> | <u>121,463</u> |
| U.S. Department of Education/Missouri Department of Elementary and Secondary Education Every Student Succeeds Act/Preschool Development Grants | 93.434 | None | - | 88,716 |
| U.S. Department of Health and Human Services/Missouri Department of Health and Senior Services State Physical Activity and Nutrition (SPAN) | 93.439 | DP006506-04 | - | 4,120 |
| U.S. Department of Health and Human Services/Missouri Assistive Technology (State of Missouri) ACL Assistive Technology | 93.464 | None | - | 3,600 |
| U.S. Department of Health and Human Services - National Institutes of Health Allergy and Infections Diseases Research | 93.855 | NA | - | 27,004 |
| Corporation for National & Community Service/Missouri Department of Economic Development AmeriCorps State and National | 94.006 | 20AFHMO0010014 | - | 41,545 |

Missouri State University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|--|--|---|---------------------------------------|-------------------------------|
| Department of Homeland Security Federal Emergency Management Agency (FEMA)/Missouri State Emergency Management Agency BRIC: Building Resilient Infrastructure and Communities | 97.047 | None | \$ - | \$ 54,751 |
| Department of Homeland Security/Missouri Homeland Security Homeland Security Grant Program | 97.067 | EMW-2018-SS-00044 | - | 23 |
| Homeland Security Grant Program | 97.067 | EMW-2018-SS-00039 | 93,865 | 93,865 |
| Homeland Security Grant Program | 97.067 | EMW-2020-SS-00051 | 206,027 | 233,388 |
| Department of Homeland Security/Missouri State Emergency Management Agency Homeland Security Grant Program | 97.067 | None | 80,903 | 80,903 |
| Department of Homeland Security/Missouri Department of Public Safety Homeland Security Grant Program | 97.067 | EMW-2021-SS-00038-19 | - | 14,771 |
| | | | <u>380,795</u> | <u>422,950</u> |
| Department of Homeland Security Financial Assistance for Targeted Violence and Terrorism Prevention | 97.132 | N/A | - | 75,383 |
| | | | <u>\$ 6,404,571</u> | <u>\$ 141,400,525</u> |

Missouri State University
A Component Unit of the State of Missouri
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Missouri State University under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Missouri State University, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost Rate

Missouri State University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Federal Loan Programs

Federal Direct Student Loan balances are not included in Missouri State University’s financial statements. Loans disbursed during the year are included in federal expenditures presented in the Schedule.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Governors
Missouri State University
Springfield, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the discretely presented component unit of Missouri State University (the "University"), collectively a component unit of the state of Missouri, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic final financial statements, and have issued our report thereon dated December 7, 2022. Our report contained an emphasis of matter paragraph regarding a change in accounting principle. The financial statements of Missouri State University Foundation, which are included in the University's financial statements as a discretely presented component unit, were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Missouri State University Foundation.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS,LLP

Springfield, Missouri
December 7, 2022

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Governors
Missouri State University
Springfield, Missouri

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Missouri State University's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Missouri State University's major federal programs for the year ended June 30, 2022. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Missouri State University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of Missouri State University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the University's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

FORVIS,LLP

Springfield, Missouri
December 7, 2022

Missouri State University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

7. Identification of major federal programs:

| Assistance Listing Number | Name of Federal Program or Cluster |
|--------------------------------------|--|
| | Student Financial Assistance Cluster |
| 84.007 | Federal Supplemental Educational Opportunity Grants |
| 84.033 | Federal Work-Study Program |
| 84.063 | Federal Pell Grant Program |
| 84.268 | Federal Direct Student Loans |
| 84.379 | Teacher Education Assistance for College and Higher Education Grants (TEACH Grants) |
| | COVID-19 – Education Stabilization Fund |
| 84.425D | Elementary and Secondary School Emergency Relief Fund |
| | Higher Education Emergency Relief Fund |
| 84.425E | Student Aid Portion |
| 84.425F | Institutional Portion |

8. Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000.

9. Auditee qualified as low-risk auditee? Yes No

Missouri State University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section II – Financial Statement Findings

| Reference Number | Finding |
|-----------------------------|----------------|
| No matters are reportable. | |

Missouri State University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section III – Federal Award Findings and Questioned Costs

**Reference
Number**

Finding

No matters are reportable.

Missouri State University
A Component Unit of the State of Missouri
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

**Reference
Number**

Finding

No matters are reportable.

Adoption of GASB 87 required significant time to identify a complete list of lease contracts for consideration of adoption and measure the lease assets and liabilities for recognition. In addition, due to adoption of the standard, the University's key performance indicators related to the statement of net position (such as the current ratio) are likely not comparable to historical results.

Alternative Accounting Treatments

No matters are reportable.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Allowance for doubtful accounts receivable
- Postemployment benefit liability
- Net pension liability
- Unearned revenue
- Lease discount rates, lease terms, and lease payments

Significant Unusual Transactions

No matters are reportable.

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Postemployment health care
- Pension plans
- Tuition revenue

Audit Adjustments

No matters are reportable.

Auditor's Judgments About the Quality of the University's Accounting Principles

During the course of the audit, we made the following observation regarding the University's application of accounting principles:

- Adoption of GASB Statement No. 87, *Leases*

Other Material Communication

Listed below is another material communication between management and us related to the audit:

- Management representation letter (attached)

OTHER MATTERS

We observed the following matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*

This statement addresses the accounting for the costs related to cloud computing agreements. The standard defines subscription-based information technology arrangements (SBITA), establishes that a SBITA would result in a right-to-use (RTU) asset and a corresponding liability, provides capitalization criteria, and requires new note disclosures. The statement's language and concepts closely mirror the lease guidance provided in Statement 87, *Leases*. This statement requires governments report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The changes should be applied retroactively by restating financial statements, if practicable, for all prior fiscal years presented. If restatement is not practicable, the cumulative effect, if any, should be reported as a restatement of beginning net position for the earliest fiscal year restated. In the first fiscal year the amendments are applied, note disclosure is required for the nature of the restatement and its effect, as well as the reason for not restating prior fiscal years presented, if applicable. SBITA assets and liabilities should be recognized and measured using the facts and circumstances at the beginning of the fiscal year of implementation.

This communication is intended solely for the information and use of management, the Board of Governors, Risk Management and Audit Committee, and others within the University and is not intended to be and should not be used by anyone other than these specified parties.

FORVIS,LLP

Springfield, Missouri
December 7, 2022

Representation of:
Missouri State University
901 S. National Avenue
Springfield, MO 65897

Provided to:
FORVIS, LLP
Certified Public Accountants
P.O. Box 1190
Springfield, MO 65801-1190

The undersigned (“We”) are providing this letter in connection with FORVIS’ audits of our financial statements as of and for the years ended June 30, 2022 and 2021, and your audit of our compliance with requirements applicable to each of our major federal awards programs as of and for the year ended June 30, 2022.

Our representations are current and effective as of the date of FORVIS’ report: December 7, 2022.

Our engagement with FORVIS is based on our contract for services dated: May 4, 2022.

Our Responsibility and Consideration of Material Matters

We confirm that we are responsible for the fair presentation of the financial statements subject to FORVIS’ report in conformity with accounting principles generally accepted in the United States of America.

We are also responsible for adopting sound accounting policies; establishing and maintaining effective internal control over financial reporting, operations, and compliance; and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

Confirmation of Matters Specific to the Subject Matter of FORVIS’ Report

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation, and maintenance of:
 - a. Internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
 - b. Internal control to prevent and detect fraud.

3. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.
4. We have everything we need to keep our books and records.
5. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. All minutes of meetings of the governing body held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the governing body, if applicable, and maintained as part of our records.
 - e. All significant contracts and grants.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:
 - a. Misappropriation of assets.
 - b. Misrepresented or misstated assets, deferred outflows of resources, liabilities, deferred inflows of resources, or net position.
8. We understand the potential penalties for failure to disclose reportable tax transactions to the taxing authorities and have fully disclosed to FORVIS any and all known reportable tax transactions.
9. We have no knowledge of any known or suspected fraudulent financial reporting or misappropriation of assets involving:
 - a. Management or employees who have significant roles in internal control, or
 - b. Others, where activities of others could have a material effect on the financial statements.
10. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, customers, regulators, suppliers, or others.
11. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.
12. We have disclosed to you the identity of all of the entity's related parties and all the related-party relationships of which we are aware. In addition, we have disclosed to you all related-party transactions of which we are aware.

Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

We understand that the term related party refers to an affiliate, management and members of their immediate families, component units, and any other party with which the entity may deal if the entity can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

13. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
14. We are not aware of any side agreements or other arrangements (either written or oral) that are in place. Except as reflected in the financial statements, there are no:
 - a. Plans or intentions that may materially affect carrying values or classifications of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.
 - b. Material transactions omitted or improperly recorded in the financial records.
 - c. Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
 - d. Events occurring subsequent to the statement of net position date through the date of this letter requiring adjustment or disclosure in the financial statements.
 - e. Agreements to purchase assets previously sold.
 - f. Restrictions on cash balances or compensating balance agreements.
 - g. Guarantees, whether written or oral, under which the entity is contingently liable.
 - h. Known or suspected asset retirement obligations.
15. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
16. We have no reason to believe the entity owes any penalties or payments under the Employer Shared Responsibility Provisions of the *Patient Protection and Affordable Care Act* nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.
17. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
18. Adequate provisions and allowances have been accrued for any material losses from:
 - a. Uncollectible receivables.
 - b. Reducing obsolete or excess inventories to estimated net realizable value.
 - c. Sales commitments, including those unable to be fulfilled.

- d. Purchase commitments in excess of normal requirements or above prevailing market prices.
19. Except as disclosed in the financial statements, the entity has:
- a. Satisfactory title to all recorded assets, and they are not subject to any liens, pledges, or other encumbrances.
 - b. Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.
20. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the statement of net position date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur that would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
21. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.
22. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
23. With respect to any nonattest services you have provided us during the year, including formatting, printing, and binding the financial statements, required supplementary information, and supplementary information, assistance with preparation of the IRS Form 990-T and drafting the Data Collection Form:
- a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
 - b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.
 - c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
 - d. We have evaluated the adequacy of the services performed and any findings that resulted.
 - e. We have received the deliverables from you and have stored these deliverables in information systems controlled by us. We have taken responsibility for maintaining internal control over these deliverables.
24. We have notified you of any instances of noncompliance with applicable disclosure requirements of the SEC Rule 15c2-12 and applicable state laws.

25. With regard to deposit and investment activities:
- a. All deposit, repurchase and reverse repurchase agreements, and investment transactions have been made in accordance with legal and contractual requirements.
 - b. Investments, derivative instrument transactions, and land and other real estate held by endowments are properly valued.
 - c. Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
 - d. We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.
26. The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
27. We have identified and evaluated all potential fiduciary activities. The financial statements include all fiduciary activities required by GASB Statement No. 84, *Fiduciary Activities*, as amended.
28. Components of net position (net investment in capital assets, restricted, and unrestricted) are properly classified and, if applicable, approved.
29. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
30. Revenues are appropriately classified in the statement of activities. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
31. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
32. The entity has properly separated information in debt disclosures related to direct borrowings and direct placements of debt from other debt and disclosed any unused lines of credit, collateral pledged to secure debt, terms in debt agreements related to significant default or termination events with finance-related consequences, and significant subjective acceleration clauses in accordance with GASB Statement No. 88.
33. With regard to pension and other postemployment benefit (OPEB) activities:
- a. We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
 - b. We have provided you with the entity's most current pension and OPEB plan instrument for the audit period, including all plan amendments.
 - c. The participant data provided to you related to pension and OPEB plans are true copies of the data submitted or electronically transmitted to the plan's actuary.

- d. The participant data that we provided the plan's actuary for the purposes of determining the actuarial present value of accumulated plan benefits and other actuarially determined amounts in the financial statements were complete.
34. The entity's ability to continue as a going concern was evaluated and that appropriate disclosures are made in the financial statements as necessary under GASB requirements.
35. As an entity subject to *Government Auditing Standards*:
- a. We acknowledge that we are responsible for compliance with applicable laws, regulations, and provisions of contracts and grant agreements.
 - b. We have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
 - c. We have identified and disclosed to you any violations or possible violations of laws, regulations, and provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.
 - d. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts, or violations of provisions of contracts or grant agreements that you or other auditors report.
 - e. We have a process to track the status of audit findings and recommendations.
 - f. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements, or other studies.
 - g. We have provided our views on any findings, conclusions, and recommendations, as well as our planned corrective actions with respect thereto, to you for inclusion in the findings and recommendations referred to in your report on internal control over financial reporting and on compliance and other matters based on your audit of the financial statements performed in accordance with *Government Auditing Standards*.
36. With regard to federal awards programs:
- a. We have identified in the schedule of expenditures of federal awards all assistance provided (either directly or passed through other entities) by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, commodities, insurance, direct appropriations, or in any other form.
 - b. We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.
 - c. We have reconciled the schedule of expenditures of federal awards (SEFA) to the financial statements.
 - d. Federal awards-related revenues and expenditures are fairly presented, both in form and content, in accordance with the applicable criteria in the entity's financial statements.

- e. We have evaluated all recipient organizations that received federal funding and have correctly identified all subrecipients on the schedule of expenditures of federal awards.
- f. We have identified the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* regarding activities allowed or unallowed; allowable costs/cost principles; cash management; eligibility; equipment and real property management; matching, level of effort, earmarking; period of performance of federal funds; procurement and suspension and debarment; program income; reporting; subrecipient monitoring; and special tests and provisions that are applicable to each of our federal awards programs. We have identified to you our interpretation of any applicable compliance requirements subject to varying interpretations.
- g. We are responsible for complying, and have complied, with the requirements of Uniform Guidance.
- h. We are responsible to understand and comply with the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal awards programs and have disclosed to you any and all instances of noncompliance with those requirements occurring during the period of your audit or subsequent thereto to the date of this letter of which we are aware. Except for any instances of noncompliance we have disclosed to you, we believe the entity has complied with all applicable compliance requirements.
- i. We are responsible for the design, implementation, and maintenance of internal controls over compliance that provide reasonable assurance we have administered each of our federal awards programs in compliance with federal statutes, regulations, and the terms and conditions of the federal awards.
- j. We have made available to you all federal awards (including amendments, if any) and any other correspondence or documentation relevant to each of our federal awards programs and to our compliance with applicable requirements of those programs.
- k. The information presented in federal awards program financial reports and claims for advances and reimbursements is supported by the books and records from which our financial statements have been prepared.
- l. The costs charged to federal awards are in accordance with applicable cost principles.
- m. The reports provided to you related to federal awards programs are true copies of reports submitted or electronically transmitted to the federal awarding agency, the applicable payment system or pass-through entity in the case of a subrecipient.
- n. Amounts claimed or used for matching were determined in accordance with Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) regarding cost principles.
- o. We have monitored any subrecipients to determine that they have expended federal awards in accordance with federal statutes, regulations, and the terms and conditions of the subaward and have met the audit and other requirements of the Uniform Guidance.
- p. We have taken appropriate corrective action on a timely basis after receipt of any subrecipient's auditor's report that identified findings and questioned costs pertaining to federal awards programs passed through to the subrecipient by us.

- q. We have considered the results of any subrecipient's audits received and made any necessary adjustments to our books and records.
 - r. We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the applicable compliance requirements for each of our federal awards programs, including any communications received from the end of the period of your audit through the date of this letter.
 - s. We have identified to you any previous compliance audits, attestation engagements, and internal or external monitoring related to the objectives of your compliance audit, including findings received and corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements, or other monitoring.
 - t. Except as described in the schedule of findings and questioned costs, we are in agreement with the findings contained therein and our views regarding any disagreements with such findings are consistent, as of the date of this letter, with the description thereof in that schedule.
 - u. We are responsible for taking corrective action on any audit findings and have developed a corrective action plan that meets the requirements of Uniform Guidance.
 - v. The summary schedule of prior audit findings correctly states the status of all audit findings of the prior audit's schedule of findings and questioned costs and any uncorrected open findings included in the prior audit's summary schedule of prior audit findings as of the date of this letter.
 - w. The reporting package does not contain any protected personally identifiable information.
 - x. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance subsequent to the period covered by the auditor's report.
37. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis, pension, and other postemployment benefit information, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions, and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.
38. With regard to supplementary information:
- a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
 - b. We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
 - c. The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.

- e. If the supplementary information is not presented with the audited financial statements, we acknowledge we will make the audited financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor's report are issued.
39. We do not issue an annual report, nor do we have plans to issue an annual report at this time.
40. In connection with the adoption of GASB Statement No. 87, *Leases*, we represent the following:
- a. We have identified a complete population of potential leases as of the implementation date.
 - b. We have reviewed all significant contracts to identify lease and nonlease components as of the earliest date of adoption. Allocation of contract prices between lease and nonlease components are based upon standalone prices or other reasonable factors.
 - c. Measurements of the lease assets and liabilities are based upon facts and circumstances that existed at the beginning of the period of implementation.
 - d. The estimates related to any options to extend or terminate the lease terms within the measurement of lease assets and liabilities agree to management's plans for the leases.
 - e. The discount rates for each lease are based upon what would be obtained by the entity for similar loans as an incremental rate.
 - f. The classification and accounting of related-party leases between entities, for which separate financial statements are issued, have been modified to recognize the substance of the transaction rather than only its legal form.
 - g. We have adequate controls in place to prevent and/or detect errors in lease assets and liabilities on a recurring basis.
 - h. The footnotes to the financial statements appropriately describe the adoption of GASB 87 and include all additional disclosures required under the Statement.
41. We agree with the findings of specialists in evaluating the fair value of investments and actuarial determined pension and other-employment benefit valuations of liabilities and deferred inflows and outflows of resources and have adequately considered the qualification of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.

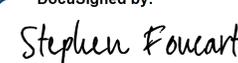
42. We acknowledge the current economic volatility presents difficult circumstances and challenges for higher education institutions. Colleges and universities are potentially facing declines in the fair values of investments and other assets, declines in the enrollment, constraints on liquidity, difficulty obtaining financing, etc.. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for accounts and notes receivable, net realizable value of inventory, etc., that could negatively impact the entity's ability to meet debt covenants or maintain sufficient liquidity.

We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the entity's financial statements. Further, management and the Board are solely responsible for all aspects of managing the University, including questioning the quality and valuation of investments, inventory, and other assets; reviewing allowances for uncollectible amounts; evaluating capital needs and liquidity plans; etc..

DocuSigned by:


1113E9E818DB41D
Clifton M. Smart, III
President

CliftonSmart@MissouriState.edu

DocuSigned by:


A17A0CEB59831418...
Stephen Foucart
Chief Financial Officer

SFoucart@MissouriState.edu

V.

BE IT RESOLVED by the Risk Management and Audit Committee of the Board of Governors for Missouri State University that a closed meeting, with closed records and closed vote, be held during a recess of the Risk Management and Audit Committee meeting of the Board of Governors to consider items pursuant the revised statute of the State of Missouri 610.021 sections...

- A. R.S.Mo. 610.021(1). “Legal actions, causes of action, or litigation involving a public governmental body...”
- B. R.S.Mo. 610.021(2). “Leasing, purchase or sale of real estate by a public governmental body...”
- C. R.S.Mo. 610.021(3). “Hiring, firing, disciplining or promoting of particular employees by a public governmental body...”
- D. R.S.Mo. 610.021(6). “Scholastic probation, expulsion, or graduation of identifiable individuals...”
- E. R.S.Mo. 610.021(9). “Preparation, including any discussions or work product, on behalf of a public governmental body or its representatives for negotiations with employee groups;”
- F. R.S. Mo. 610.021(11) and (12). “Specifications for competitive bidding...;” and “Sealed bids and related documents...;”
- G. R.S.Mo. 610.021(13). “Individually identifiable personnel records, performance ratings or records pertaining to employees or applicants for employment...;”
- H. R.S.Mo. 610.021(14). “Records which are protected from disclosure by law;” and
- I. R.S.Mo. 610.021(17). “Confidential or privileged communications between a public governmental body and its auditor,...”
- J. R.S.Mo. 610.021(21). “Records that identify the configuration of components or the operation of a computer, computer system, computer network, or telecommunications network,...”