



# 2010 FINANCIAL REPORT



University of Missouri System

COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS

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## Table of Contents

President’s Message .....	4
Governing Board.....	6
Administrative Staff.....	7
Management Responsibility for Financial Statements .....	14
Management’s Discussion and Analysis .....	15
Independent Auditors’ Report.....	28
Basic Financial Statements	
Statement of Net Assets.....	30
Statement of Revenues, Expenses and Changes in Net Assets .....	32
Statement of Cash Flows.....	34
Statement of Plan Net Assets .....	36
Statement of Changes in Plan Net Assets.....	36
Notes to Financial Statements.....	37
Required Supplementary Information.....	66
Statistical Section .....	69

## Message from the President

In so many ways, the four campuses of the University of Missouri System advance the education, economy, health, culture and overall prosperity of the state and the citizens we serve. Whether through our classrooms, network of hospitals and telehealth locations, statewide research parks, incubators and agriculture experiment stations, or our small business technology development centers and extension centers, our impact can be felt in all four corners of the state and beyond as we work to educate Missourians and help drive the economy of our state.

We take our responsibilities seriously. The quality of our academic programs continues to draw record numbers of students. In FY 2010, our enrollment grew to more than 71,000, bringing our growth in enrollment since fall 2000 to 15,600 students. We demonstrated our commitment to access and affordability this past year by holding tuition for Missouri resident undergraduate students to the 2009 rate. And, we have continued to support student access with increased institutional financial aid, adding \$5 million in FY 2010.

As good stewards of the resources entrusted to us and with a commitment to transparency, we implemented this past year a set of nearly 80 accountability measures aligned with our mission that include best-in-class benchmarks, peer comparison data and three-year targets. These measures will provide us and our stakeholders with information about how we are performing. We look forward to sharing those findings with you in coming years.

We also have continued to be diligent in controlling costs and looking for additional efficiencies. In FY 2010, our non-compensation expenses increased only a half percent, and we are in the midst of benchmarking our administrative processes to identify shared services opportunities with a goal of reducing costs and improving service quality.

We invite you to look at the financial statements and analysis contained in this report to find out more about how the university continues to advance its core mission of teaching, research, service and economic development while remaining good stewards of state resources. And be sure to learn about other university success and initiatives under way by visiting us online at [www.umsystem.edu](http://www.umsystem.edu).

Sincerely,



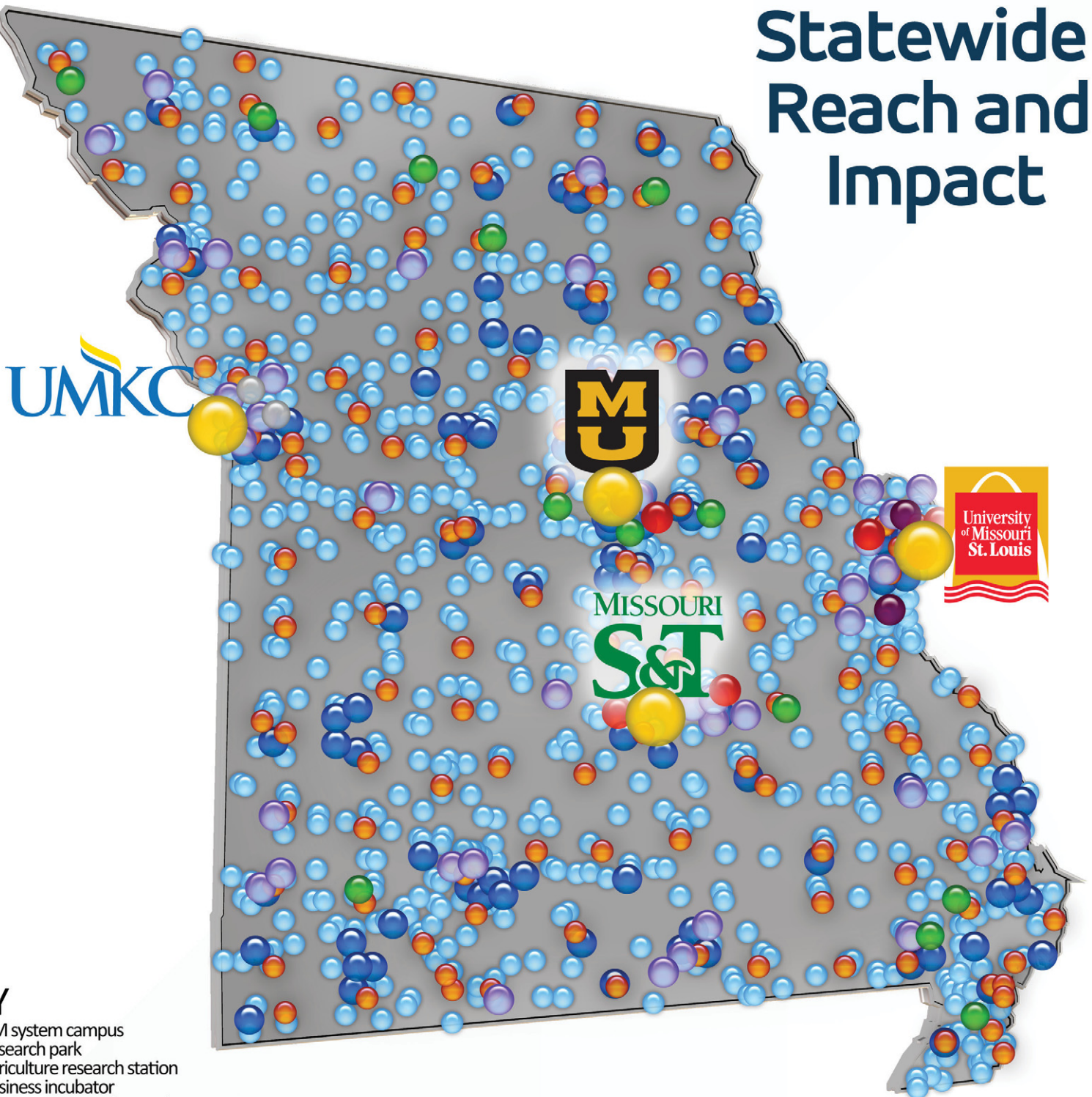
Gary D. Forsee

President

University of Missouri System



# Statewide Reach and Impact



- KEY**
- UM system campus
  - Research park
  - Agriculture research station
  - Business incubator
  - Small Business Tech. Development Center
  - MOREnet member site
  - Missouri Telehealth Network site
  - Extension center
  - Future facilities

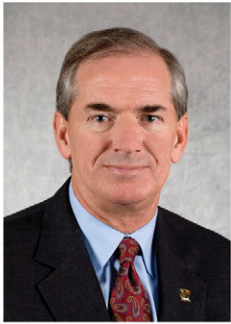


## Curators of the University of Missouri

The Board of Curators, the governing body of the University of Missouri, consists of nine members who are appointed by the governor, by and with the advice and consent of the Senate; provided, that not more than one person shall be appointed from the same congressional district, and no person shall be appointed a curator who shall not be a citizen of the United States, and who shall not have been a resident of the state of Missouri two years prior to his or her appointment. Not more than five curators shall belong to any one political party.

Shown above, from left, Laura Confer (student representative), Doug Russell, Don M. Downing, David G. Wasinger, Gary D. Forsee (president, University of Missouri System), Warren K. Erdman (vice chairman), Judith G. Haggard (chairwoman), Bo Fraser, Wayne Goode, John M. Carnahan III, David R. Bradley

## UNIVERSITY OF MISSOURI SYSTEM GENERAL OFFICERS



Gary D. Forsee  
President



Stephen J. Owens  
General Counsel



Gary K. Allen  
VP for Information Technology



Steven W. Graham  
Sr. Assoc. VP for Academic Affairs



Stephen C. Knorr  
VP for Government Relations



Natalie Krawitz  
VP for Finance and Administration



Michael F. Nichols  
VP for Research and Economic Development



Elizabeth Rodriguez  
VP for Human Resources



Brady J. Deaton  
Chancellor  
University of Missouri-Columbia



Leo M. Morton  
Chancellor  
University of Missouri-Kansas City



John F. Carney III  
Chancellor  
Missouri University of Science and Technology



Thomas F. George  
Chancellor  
University of Missouri-St. Louis

## FINANCE STAFF

**Natalie Krawitz**, Vice President for Finance and Administration

**Jane E. Closterman**, Controller

**John Miller**, Treasurer

**Cuba Plain**, Assistant Vice President for Budget Planning and Development



**University of Missouri - Columbia**

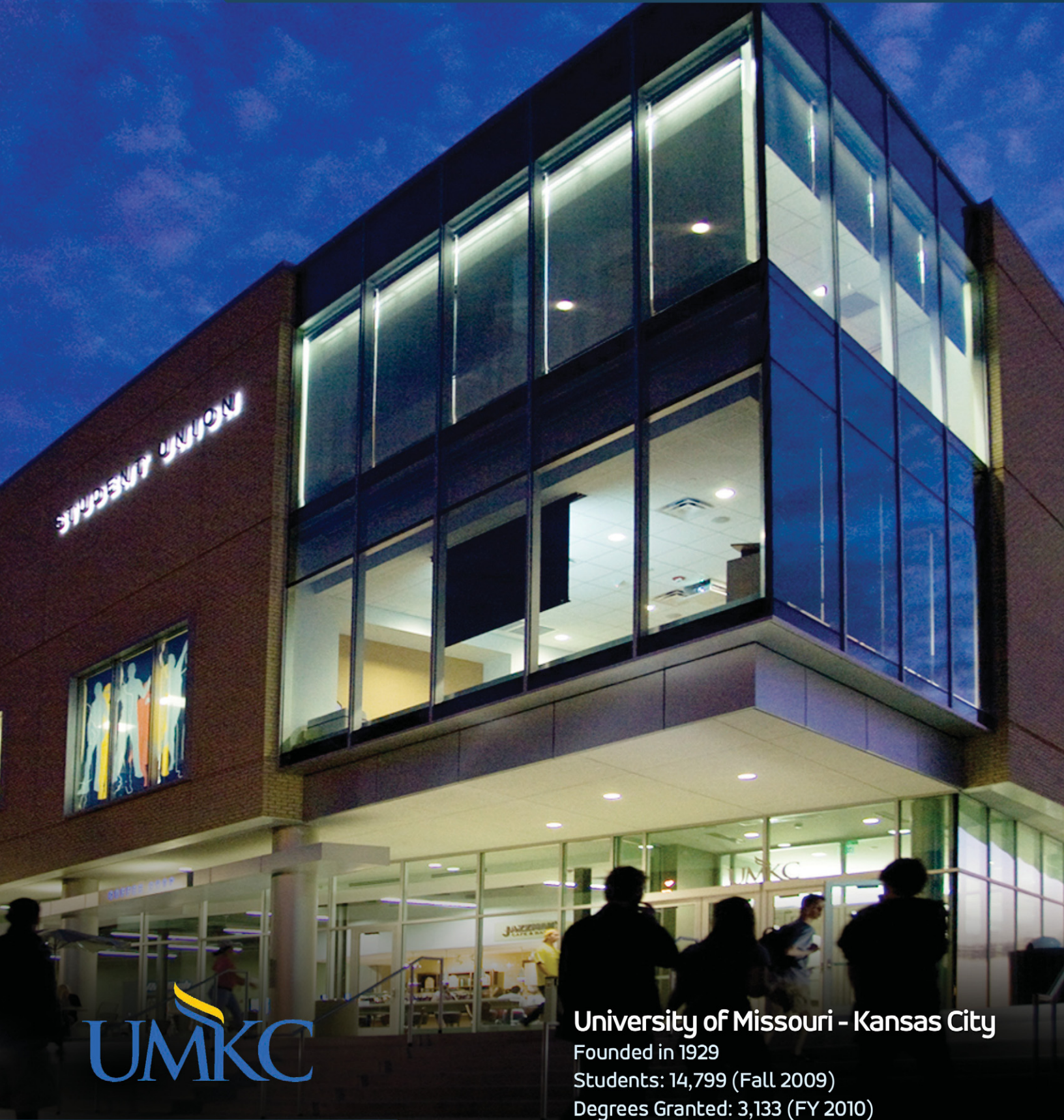
Founded in 1839

Students: 31,237 (Fall 2009)

Degrees Granted: 7,305 (FY 2010)







**University of Missouri - Kansas City**

Founded in 1929

Students: 14,799 (Fall 2009)

Degrees Granted: 3,133 (FY 2010)





**Missouri University of Science and Technology**

Rolla, Mo.

Founded in 1870

Students: 6,814 (Fall 2009)

Degrees Granted: 1,738 (FY 2010)





**University of Missouri - St. Louis**

Founded in 1963

Students: 16,534 (Fall 2009)

Degrees Granted: 2,999 (FY 2010)

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# FINANCIAL INFORMATION



University of Missouri System

COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS

## MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

October 14, 2010

The management of the University of Missouri System (the "University") is responsible for the preparation, integrity, and fair presentation of the financial statements. The financial statements, presented on pages 30 to 36, have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on judgments and estimates by management.

The financial statements have been audited by the independent accounting firm KPMG LLP, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Curators. The University believes that all representations made to the independent auditors during their audit were valid and appropriate. KPMG's audit opinion is presented on pages 28-29.

The University maintains a system of internal controls over financial reporting, which is designed to provide reasonable assurance to the University's management and Board of Curators regarding the preparation of reliable published financial statements. Such controls are maintained by the establishment and communication of accounting and financial policies and procedures, by the selection and training of qualified personnel, and by an internal audit program designed to identify internal control weaknesses in order to permit management to take appropriate corrective action on a timely basis. There are, however, inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention of controls.

The Board of Curators, through its Audit Committee, is responsible for engaging the independent auditors and meeting regularly with management, internal auditors, and the independent auditors to ensure that each is carrying out their responsibilities and to discuss auditing, internal control, and financial reporting matters. Both internal auditors and the independent auditors have full and free access to the Audit Committee.

Based on the above, I certify that the information contained in the accompanying financial statements fairly presents, in all material respects, the financial condition, changes in net assets and cash flows of the University.



Natalie "Nikki" Krawitz  
Vice President for Finance and Administration



MISSOURI

# UNIVERSITY OF MISSOURI SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010 and 2009 (unaudited)

Management's Discussion and Analysis provides an overview of the financial position and activities of the University of Missouri System (the "University") for the fiscal years ended June 30, 2010 and 2009, and should be read in conjunction with the financial statements and notes. The University is a component unit of the state of Missouri and an integral part of the state's Comprehensive Annual Financial Report.

This report includes five financial statements:

- The three financial statements for the University of Missouri and its Discretely Presented Component Unit include the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows, where applicable.
- The two financial statements for the University's fiduciary fund, which includes the Retirement and the Other Postemployment Benefits Trust Funds, are the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets.

The University's financial statements are prepared in accordance with U.S. generally accepted accounting

principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes financial reporting standards for public colleges and universities. The University's significant accounting policies are summarized in Note 1 to the financial statements of this report, including further information on the financial reporting entity. In addition, a more detailed unaudited financial report that includes campus-level financial statements is available at the University of Missouri, 118 University Hall, Columbia, MO 65211, and at [www.umsystem.edu](http://www.umsystem.edu) through the Finance and Administration page.

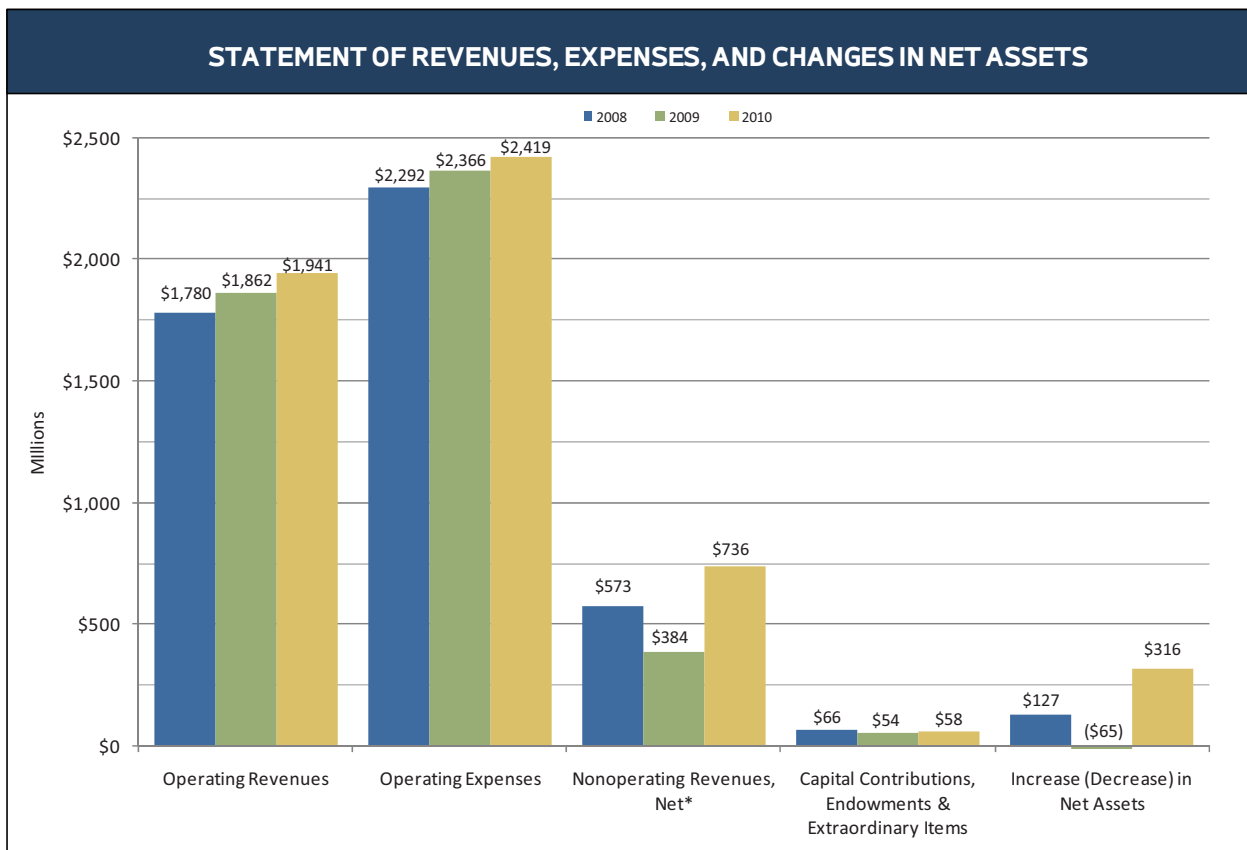
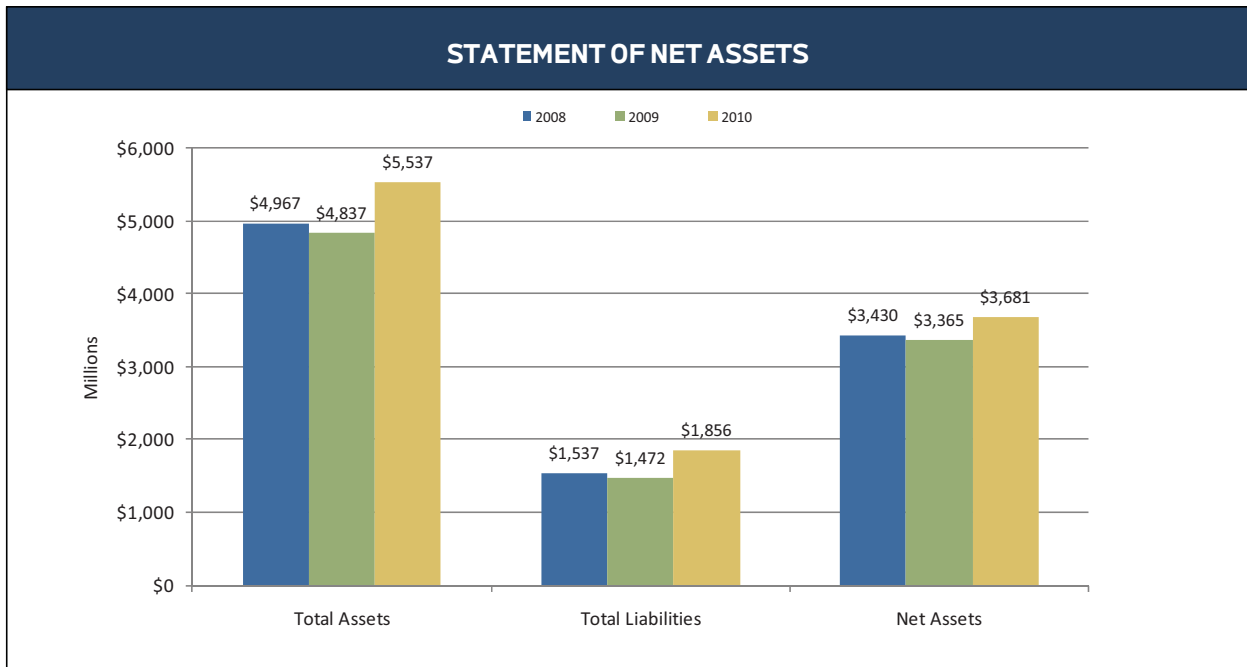
### FINANCIAL HIGHLIGHTS

At June 30, 2010, the University's financial position remained sound, with Total Assets of \$5.5 billion. Net Assets, which represent the residual value of the University's assets after deducting liabilities, totaled \$3.7 billion. When operating, non-operating, and other changes are included, Net Assets increased by approximately \$316 million in fiscal year (FY) 2010, driven primarily by a \$346 million increase in Investment and Endowment income as compared to FY 2009.

# UNIVERSITY OF MISSOURI SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010 and 2009 (unaudited)

The following charts compare Total Assets, Liabilities, and Net Assets at June 30, 2010, 2009 and 2008, and the major components of changes in Net Assets for the years ended June 30, 2010, 2009 and 2008:



\*includes State Appropriations and Cumulative Effects of Changes in Accounting Principles



**UNIVERSITY OF MISSOURI SYSTEM**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2010 and 2009 (unaudited)

**CONDENSED STATEMENT OF NET ASSETS**

The Statement of Net Assets presents the University's financial position at the end of the fiscal year, including all assets and liabilities of the University and segregating them into current and noncurrent

components. Assets and liabilities are generally measured using current values with certain exceptions, such as capital assets which are stated at cost less accumulated depreciation, and long-term debt which is stated at cost.

The following table summarizes the University's assets, liabilities and net assets at June 30, 2010, 2009 and 2008:

<b>CONDENSED STATEMENT OF NET ASSETS</b>			
(in thousands of dollars)			
<b>As of June 30,</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Assets</b>			
Current Assets	\$ 837,688	\$ 848,949	\$ 930,882
Noncurrent Assets			
Endowment and Other Long-Term Investments	2,063,065	1,520,094	1,730,019
Capital Assets, Net	2,534,365	2,392,852	2,227,427
Other	79,265	74,591	78,442
Deferred Outflow of Resources	22,192	-	-
<b>Total Assets and Deferred Outflow of Resources</b>	<b>\$ 5,536,575</b>	<b>\$ 4,836,486</b>	<b>\$ 4,966,770</b>
<b>Liabilities</b>			
Current Liabilities			
Current Portion of Long-Term Debt	\$ 30,139	\$ 24,922	\$ 21,697
Long-Term Debt Subject to Remarketing	223,680	224,925	226,120
Other	547,051	538,083	607,522
Noncurrent Liabilities			
Long-Term Debt	915,906	608,114	631,742
Other	139,063	75,665	49,247
<b>Total Liabilities</b>	<b>1,855,839</b>	<b>1,471,709</b>	<b>1,536,328</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	1,485,090	1,540,654	1,439,753
Restricted -			
Nonexpendable	679,494	612,119	718,314
Expendable	352,236	343,805	367,519
Unrestricted	1,163,916	868,199	904,856
<b>Total Net Assets</b>	<b>3,680,736</b>	<b>3,364,777</b>	<b>3,430,442</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 5,536,575</b>	<b>\$ 4,836,486</b>	<b>\$ 4,966,770</b>

**ASSETS**

**Total Assets** increased by \$700 million, or 14.5%, to \$5.5 billion as of June 30, 2010, compared to the prior year. The increase during FY 2010 was driven primarily by the strong performance of the University's **Investments** combined with increasing liquidity resulting from continued spending restraints. At the same time, the University continued to expand **Capital Assets** across all of its campuses to meet housing, educational, and patient care needs. From FY 2008 to FY 2009, Total Assets decreased by 2.6%, primarily due

to the impact of adverse market conditions on Investments.

At June 30, 2010, the University's working capital, which is current assets less current liabilities, was \$36.8 million, a decrease of \$24.2 million from the previous year. The largest driver of the decline was a \$79.6 decrease in short-term investments which was primarily related to a change in mix between short-term and long-term investments within the portfolio. With Current Assets above 1.0 times Current Liabilities,

## UNIVERSITY OF MISSOURI SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010 and 2009 (unaudited)

the University has adequate working capital reserves. As more fully discussed in Note 9, Current Liabilities include Long-Term Debt Subject to Remarketing, which totaled \$223.7 million and \$224.9 million at June 30, 2010 and 2009, respectively. Excluding such debt, which is not contractually due within one year, Current Assets would have been 1.45 and 1.51 times Current Liabilities at June 30, 2010 and 2009, respectively.

At June 30, 2010, the University held \$327.3 million in **Cash and Cash Equivalents**, an increase of \$74.4 million over June 30, 2009. The June 30, 2009 cash balances of \$252.9 million were \$85.9 million higher than June 30, 2008. The increase in cash at June 30, 2010 largely reflects the results of continued measures to limit spending during difficult budgetary times.

**Long-Term and Short-Term Investments** totaled \$2.1 billion as of June 30, 2010, representing an increase of 27.7% over the prior year as compared to a 16.2% decrease from FY 2008 to FY 2009. The increase in investment balances during FY 2010 primarily reflects positive investment returns, increasing liquidity as a result of spending restraint, and unspent bond proceeds related to projects under construction at June 30, 2010. The financial markets were more favorable during FY 2010; net realized and unrealized gains and losses improved by \$359.8 million, going from a net loss of \$240.2 million in FY 2009 to a net gain of \$119.6 million in FY 2010. The overall change in investment returns was most evident in the Balanced Pool, which experienced a net gain of 11.4% in FY 2010 as compared to a net loss of 17.5% in FY 2009.

Composition and returns of the University's various investment pools for the years ended June 30, 2010 and 2009 were as follows:

<b>CASH, CASH EQUIVALENTS AND INVESTMENTS</b>								
(in thousands of dollars)								
	June 30, 2010					June 30, 2009		
	Cash and Cash Equivalents	Short-Term and Long-Term Investments	Total	Total Return	Benchmark Index Return (A)	Total	Total Return	
General Pool								
Short-Term Funds	\$ 210,630	\$ 809,096	\$ 1,019,726	3.7%	3.2%	\$ 592,723	5.4%	
Balanced Pool	24,687	228,397	253,084	11.4%	11.1%	239,916	-17.5%	
Treasury TIPs	203	130,584	130,787	7.7%	7.5%	123,998	-0.5%	
Endowment Funds								
Balanced Pool	84,125	778,306	862,431	11.4%	11.1%	780,793	-17.5%	
Fixed Income Pool	5,073	67,191	72,264	6.9%	9.6%	68,131	6.1%	
Other	2,595	120,378	122,973	N/A	N/A	117,965	N/A	
Total	\$ 327,313	\$ 2,133,952	\$ 2,461,265			\$ 1,923,526		

(A) Benchmark index returns are calculated by independent investment consultants based on returns of market indices.

At June 30, 2010, the University's investment in **Capital Assets** totaled \$2.5 billion compared to \$2.4 billion at June 30, 2009. The University added \$293.6 million in capital assets, net of retirements, during FY 2010,

offset by depreciation and transfers of \$152.1 million for the year. FY 2009 capital asset additions of \$296.6 million, net of retirements, were offset by \$131.2 million in depreciation.

**UNIVERSITY OF MISSOURI SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2010 and 2009 (unaudited)

Note 6 presents additional information on changes by asset classification; major capital projects either substantially completed in FY 2010 or ongoing are shown in the following table:

<b>SELECTED CAPITAL PROJECTS</b>				
(Fiscal Year Ended June 30, 2010)				
<b>Campus</b>	<b>Project Budget</b>	<b>Expenditures</b>		<b>Source of Funding</b>
		<b>Through June 30, 2010</b>		
<b>Columbia:</b>				
Mid Campus / Defoe Graham Housing	\$ 58,500,000	\$ 56,404,000		Revenue Bonds, Campus Reserves
Orthopaedics Institute (University Health System)	52,500,000	42,900,000		Revenue Bonds, Campus Reserves
Renovation of Hudson, Gillett and Rollins Halls	42,000,000	24,818,000		Revenue Bonds, Campus Reserves
Lafferre Hall - Reconstruct 1922 Addition	25,500,000	24,210,000		Revenue Bonds, Campus Reserves
Power Plant Projects	21,000,000	18,863,000		Revenue Bonds, Campus Reserves
Maryland Avenue Utility Tunnel	22,200,000	18,791,000		Revenue Bonds, Campus Reserves
Patient Care Tower (University Health System)	203,000,000	18,269,000		Revenue Bonds, Campus Reserves, Gifts
Brady Commons Student Center Renovation	28,100,000	17,830,000		Revenue Bonds, Campus Reserves
Switzer and Tate Halls - Renovations / Addition	16,700,000	1,810,000		Revenue Bonds, Campus Reserves
<b>Kansas City:</b>				
Miller Nichols Renovation / Interactive Learning Center	\$ 17,100,000	\$ 16,600,000		Revenue Bonds, Gifts
Durwood Soccer Stadium / Recreation Field	9,000,000	8,134,000		Revenue Bonds, Gifts
<b>Missouri S&amp;T:</b>				
Thomas Jefferson South Tower Renovation	\$ 11,700,000	\$ 9,920,000		Revenue Bonds
Thomas Jefferson North Tower West Wing Renovation	7,100,000	313,000		Revenue Bonds

**Total Liabilities** were \$384.1 million higher at June 30, 2010 as compared to June 30, 2009, but \$64.6 million lower at June 30, 2009 as compared to June 30, 2008. Significant changes in **Current Liabilities** at June 30, 2010 include a \$29.3 million increase in Accounts Payable; a \$13.1 million decrease in Funds Held for Others; and an \$8.4 million decrease in **Investment Settlements Payable** for purchases of investments occurring on or before June 30, but settling after June 30. Issuance of new bonds in FY 2010, discussed below, represented the largest factor in increased liabilities at June 30, 2010.

**Current Liabilities** include long-term variable rate demand bonds subject to remarketing totaling \$223.7 million, \$224.9 million and \$226.1 million at June 30, 2010, 2009 and 2008, respectively, with final contractual maturities ranging from fiscal years 2031 to 2036. Despite contractual maturities beyond one year, these variable rate demand bonds are classified as current liabilities because the University is ultimately the sole source of liquidity should the option to tender be exercised by the bondholder.

In July 2009, the University issued \$332.1 million of System Facilities Revenue Bonds, consisting of \$256.3 million in taxable Series 2009A Bonds designated as "Build America Bonds" under the Internal Revenue Code of 1986, as amended, and \$75.8 million in traditional tax exempt Series 2009B Bonds. With respect to the Series 2009A bonds, the University will receive a cash subsidy payment from the United States Treasury in an amount equal to 35% of the interest payable on each interest payment date. Proceeds from issuance of the Series 2009A and 2009B bonds are being used to finance construction or renovation of housing facilities on the Columbia, Kansas City, and Missouri Science and Technology (Missouri S&T) campuses, renovation of power plant and other energy management improvements on the Columbia campus, construction of a new student union facility on the Kansas City campus, Research Park office facility on the Missouri S&T campus, new patient care tower and Missouri Orthopaedic Institute at the Health System, and renovation, furnishing and equipping various other facilities, and to finance capitalized interest and certain costs of issuance.

**UNIVERSITY OF MISSOURI SYSTEM**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2010 and 2009 (unaudited)

The following is a summary of long-term debt by type of debt instrument:

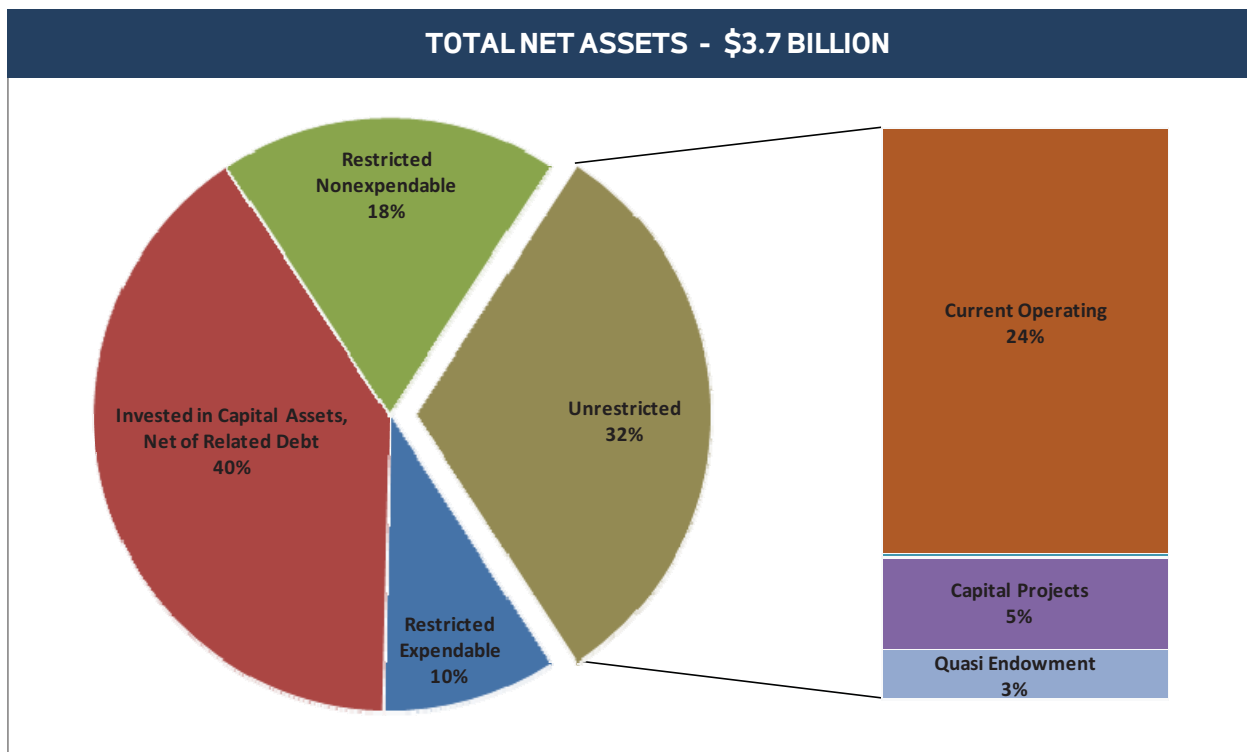
<b>LONG-TERM DEBT</b>			
(in thousands of dollars)			
<b>As of June 30,</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
System Facilities Revenue Bonds	\$ 1,144,650	\$ 836,305	\$ 857,105
Unamortized Premium and Loss on Defeasance	15,245	10,619	11,102
<b>Total Bonds Payable</b>	<b>1,159,895</b>	<b>846,924</b>	<b>868,207</b>
Capital Lease Obligations	8,144	8,973	8,892
Notes Payable	1,686	2,064	2,460
<b>Total Long-Term Debt</b>	<b>\$ 1,169,725</b>	<b>\$ 857,961</b>	<b>\$ 879,559</b>

**NET ASSETS**

**Net Assets** represent the value of the University's assets after liabilities are deducted. The University's total **Net Assets** increased by \$316.0 million during the year ended June 30, 2010, after decreasing by \$65.7 million in the year ended June 30, 2009. Changes in total **Net Assets** include the effects of changes in

accounting principles as follows: a decrease of \$6.2 million in FY 2010 (GASB Statement No. 53 Implementation); an increase of \$13.3 million in FY 2009 (GASB Statement No. 52 Implementation); and an increase of \$19.9 million in FY 2008 (GASB Statement Nos. 43 and 45 Implementations).

The distribution of the Net Asset balances, including additional details on unrestricted net assets by fund type, as of June 30, 2010, are as follows:



# UNIVERSITY OF MISSOURI SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010 and 2009 (unaudited)

Total **Net Assets** are reflected in the four component categories as follows:

**Invested in Capital Assets, Net of Related Debt**, represents the University's investment in capital assets, net of accumulated depreciation and outstanding debt related to acquisition, construction or improvement of those assets. This category decreased by \$55.6 million to \$1.49 billion in FY 2010 after increasing by \$100.9 million in FY 2009. Such changes are largely driven by the timing of debt issuance and the completion of associated construction projects.

**Restricted Nonexpendable Net Assets** include endowment and similar assets that are subject to externally imposed stipulations for the principal to be maintained in perpetuity by the University. Realized and unrealized market gains contributed to a \$67.4 million, or 11.0%, increase in Restricted Non-expendable Net Assets during FY 2010. Realized and unrealized market losses were largely responsible for a \$106.2, or 14.8%, decrease during FY 2009.

**Restricted Expendable Net Assets** are resources that are subject to externally imposed stipulations regarding their use, but are not required to be maintained in perpetuity. During FY 2010, this category increased by \$8.4 million, or 2.5%, after a decrease of \$23.7 million, or 6.5%, in FY 2009. As of June 30, 2010, this category includes:

- \$244.2 million of net assets restricted for operations and endowment purposes compared to \$235.4 million at June 30, 2009;
- \$75.6 million for student loan programs compared to \$78.4 million at June 30, 2009; and
- \$32.4 million for facilities compared to \$30.0 million at June 30, 2009.

**Unrestricted Net Assets** are not subject to externally imposed stipulations although these resources may be designated for specific purposes by the University's management or Board of Curators. This category increased by \$295.7 million, or 34.1%, to \$1.164 billion at June 30, 2010 after decreasing by \$36.7 million, or 4.1%, in FY 2009. Maintaining adequate levels of unrestricted net assets is one of several key factors that have enabled the University to maintain its Aa1 credit rating. As of June 30, 2010 and 2009, University Health System designated funds totaled \$319.2 million and \$245.2 million, respectively; capital project-designated funds totaled \$188.5 million and \$99.3 million, respectively; student loan program-designated funds totaled \$8.0 million and \$3.8 million, respectively; and unrestricted funds functioning as endowments totaled \$100.8 million and \$90.9 million, respectively. The remaining Unrestricted Net Assets which are available for the University's instructional and public service missions and its general operations totaled \$547.4 million and \$429.0 million at June 30, 2010 and 2009, respectively.

**UNIVERSITY OF MISSOURI SYSTEM**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2010 and 2009 (unaudited)

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

The Statement of Revenues, Expenses, and Changes in Net Assets presents the University's results of operations. The Statement distinguishes revenues and expenses between operating and non-operating categories, and provides a view of the University's operating margin.

<b>CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS</b>			
(in thousands of dollars)			
Fiscal Year Ended June 30,	2010	2009	2008
<b>Operating Revenues</b>			
Net Tuition and Fees	\$ 466,311	\$ 453,164	\$ 417,205
Grants and Contracts	318,123	296,745	299,148
Patient Medical Services, Net	736,799	702,424	681,312
Other Auxiliary Enterprises	347,779	318,695	301,156
Other Operating Revenues	71,810	91,441	81,200
Total Operating Revenues	1,940,822	1,862,469	1,780,021
<b>Operating Expenses</b>			
Salaries, Wages and Benefits	1,540,265	1,513,423	1,464,051
Supplies, Services and Other Operating Expenses	676,362	672,711	662,331
Other Operating Expenses	202,222	179,623	165,481
Total Operating Expenses	2,418,849	2,365,757	2,291,863
<b>Operating Loss Before State Appropriations</b>	<b>(478,027)</b>	<b>(503,288)</b>	<b>(511,842)</b>
State Appropriations	498,358	479,478	462,281
<b>Income (Loss) after State Appropriations, before Nonoperating Revenues (Expenses)</b>	<b>20,331</b>	<b>(23,810)</b>	<b>(49,561)</b>
<b>Nonoperating Revenues (Expenses)</b>			
Investment and Endowment Income (Losses), Net of Fees	172,833	(173,355)	45,629
Private Gifts	48,695	52,552	51,680
Interest Expense	(46,103)	(31,432)	(43,055)
Other Nonoperating Revenues, Net	68,077	42,577	36,759
Net Nonoperating Revenues (Expenses)	243,502	(109,658)	91,013
<b>Income (Loss) before Capital Contributions, Additions to Permanent Endowments and Extraordinary Item</b>	<b>263,833</b>	<b>(133,468)</b>	<b>41,452</b>
State Capital Appropriations	14,205	17,817	15,532
Capital Gifts and Grants	19,381	13,009	17,341
Private Gifts for Endowment Purposes	24,703	21,093	32,995
Extraordinary Item	-	2,550	-
<b>Increase (Decrease) in Net Assets</b>	<b>322,122</b>	<b>(78,999)</b>	<b>107,320</b>
<b>Net Assets, Beginning of Year</b>	<b>3,364,777</b>	<b>3,430,442</b>	<b>3,303,206</b>
Cumulative Effect of Change in Accounting Principles	(6,163)	13,334	19,916
<b>Net Assets, Beginning of Year, as Adjusted</b>	<b>3,358,614</b>	<b>3,443,776</b>	<b>3,323,122</b>
<b>Net Assets, End of Year</b>	<b>\$ 3,680,736</b>	<b>\$ 3,364,777</b>	<b>\$ 3,430,442</b>

**REVENUES**

**Operating Revenues** represent resources generated by the University in fulfilling its instruction, research, and public service missions. Total **Operating Revenues** increased by \$78.4 million, or 4.2% in FY 2010, and by \$82.4 million, or 4.6% in FY 2009. **Grants and Contracts**

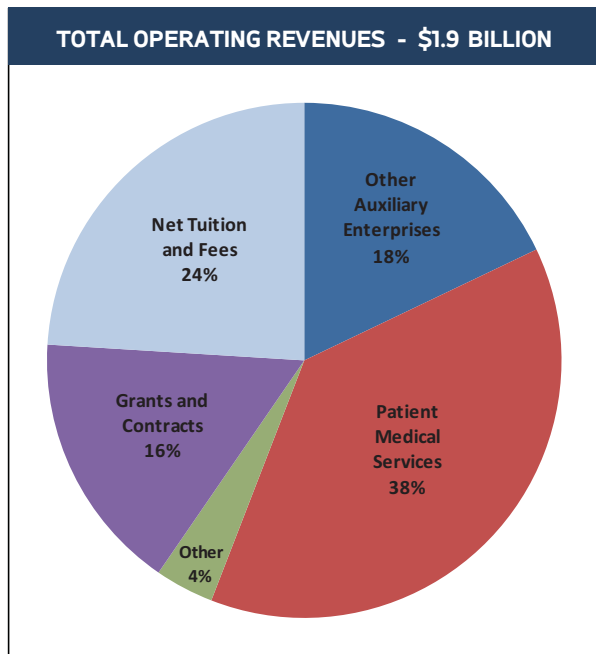
and **Patient Medical Services** contributed most significantly to the operating revenue gain in FY 2010 while **Net Tuition and Fees**, **Patient Medical Services**, and **Housing and Dining Services** had the largest gains in the previous year. **Nonoperating Revenues** are those not generated by the University's core missions

# UNIVERSITY OF MISSOURI SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010 and 2009 (unaudited)

and include such funding sources as State and Federal Appropriations, Pell Grants, Private Gifts and Investment and Endowment Income.

The following is a graphic illustration of operating revenues by source for FY 2010:



### Operating Revenues

**Tuition and Fees, net of Scholarship Allowances**, increased by \$13.1 million, or 2.9%, in FY 2010 and by \$36.0 million, or 8.6%, in FY 2009. The increases in both FY 2010 and FY 2009 were driven primarily by increases in student enrollment.

As a research institution, the University receives a substantial amount of funding through **Federal, State and Private Grants and Contracts**. Overall, sponsored funding increased by \$21.4 million, or 7.2%, in FY 2010 compared to a slight decrease of 0.8% in FY 2009. Increases in Federal, State, and Local grants offset a slight decline in **Private Grants and Contracts** in FY 2010.

The University's auxiliary enterprises include the University Health System, Housing and Dining Services, campus Bookstores, and other such supplemental activities. Total operating revenues generated by these auxiliary enterprises increased by \$63.5 million, or 6.2%, in FY 2010 as compared to an increase of \$38.7 million, or 3.9%, in FY 2009. **Patient Medical Services**,

which includes fees for services provided by the University Health System, had the largest increase in both fiscal year 2010 and 2009 at \$34.4 million, or 4.9%, and \$21.1 million, or 3.1%, respectively.

### Nonoperating Revenues

Total **State Appropriations** received for University operations, University Health System operations, and other special programs increased by \$18.9 million, or 3.9%, in FY 2010, and by \$17.2 million, or 3.7%, in FY 2009. Continuing general operating appropriations were held flat in FY 2010 as compared to FY 2009. New general operating funding of \$23.5 million was received in FY 2010 for the Caring for Missourians initiative, but was offset by reductions in funding for several other programs such as MOREnet and the University Health System.

As one of the more volatile sources of nonoperating revenues, **Investment and Endowment Income** includes interest and dividend income as well as realized and unrealized gains and losses. Realized and unrealized market value gains, losses and other activity affecting **Investment and Endowment Income** contributed to a net gain of \$172.8 million in FY 2010 as compared to a net loss of \$173.4 million in FY 2009. This represents an increase in Investment and Endowment Income of \$346.2 million for the year ended June 30, 2010, as compared to a \$219.0 million decrease for the year ended June 30, 2009.

Gift income is reflected in three categories: **Private Gifts, Capital Gifts and Grants** (which are restricted for adding or improving capital assets) and **Private Gifts for Endowments** (which are restricted for establishing endowments). Private Gifts and Grants can fluctuate significantly from year to year due to the voluntary nature of donors' gifts. In FY 2010, the University received gifts totaling \$92.8 million, as compared to \$86.7 million and \$102.0 million for FY 2009 and FY 2008, respectively.

In FY 2010, **State Capital Appropriations** of \$14.2 million represented a decrease of \$3.6 million from FY 2009. FY 2010 State Capital Appropriations included \$4.3 million for the Thompson Center for Autism (Columbia campus), \$3.7 million for Missouri Psychiatric Center (Columbia campus), and \$2.8 million for Pharmacy and Nursing shell space (Kansas City campus).

# UNIVERSITY OF MISSOURI SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010 and 2009 (unaudited)

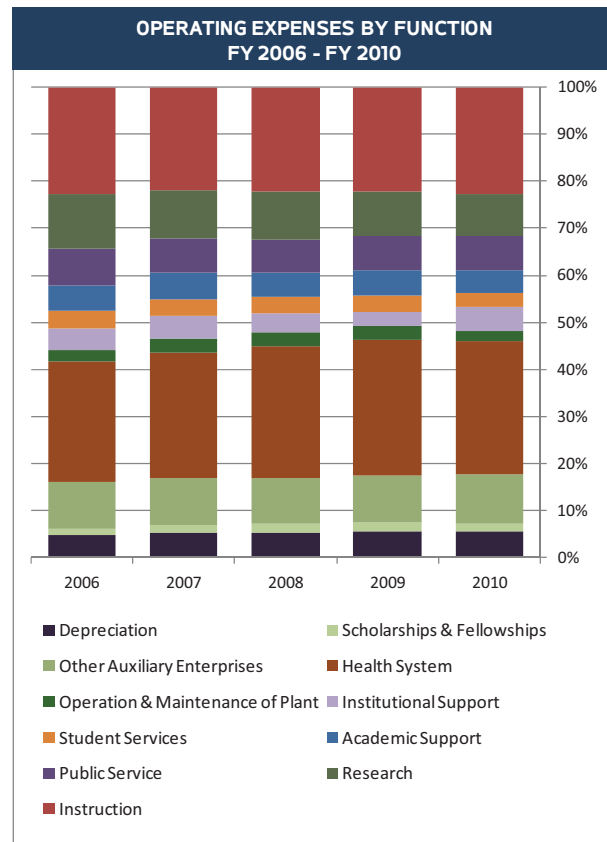
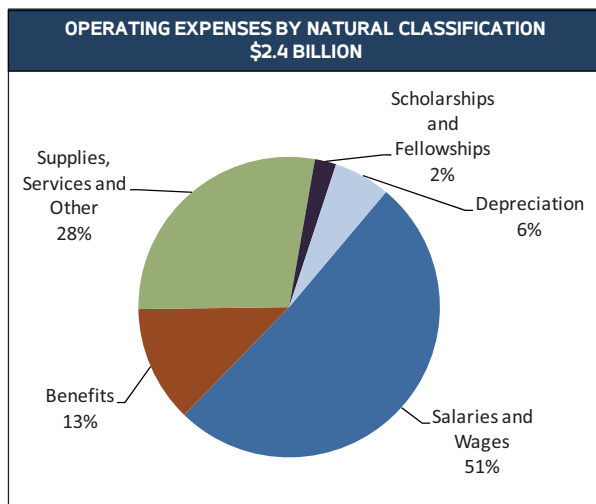
In FY 2009, the University received additional proceeds of \$2.6 million related to the 2007 sale of Missouri Care L.C., which had been a component unit of the University. The additional proceeds received in FY 2009 and the initial proceeds of \$19.3 million received in FY 2007 were recorded as an extraordinary item in the Statement of Revenues, Expenses and Changes in Net Assets for the respective fiscal years.

respectively, over the prior fiscal year. These minimal increases year over year have been due to tight controls over expenses in response to budgetary constraints caused by the downturn in the economy.

## OPERATING EXPENSES

The following illustrates the University's operating expenses by function for FY 2006 through FY 2010:

**Total Operating Expenses** increased by \$53.1 million, or 2.2%, in FY 2010 compared to an increase of \$73.9 million or 3.2% in FY 2009. The following graph illustrates the University's operating expenses by natural classification for FY 2010:



During FY 2010 and FY 2009, **Salaries, Wages and Benefits** increased approximately 1.8% and 3.4%, respectively, over the prior fiscal year. Beyond a small pool for faculty and staff promotions, these increases were primarily attributable to salaries funded by increased grant support and associated activities, as well as auxiliary enterprise growth driven by increased enrollment.

The core missions of instruction, research, and public service account for the largest proportion of Operating Expenses at 37.2% for FY 2010. The University Health System constitutes the next highest proportion at 28.2% of expenses for FY 2010. Institutional support, which represents the core administrative operations of the University, was only 4 to 5 cents of each dollar spent during this 5-year period.

In FY 2010 and FY 2009, the University's **Supplies, Services, and Other Operating** expenses of \$676.4 million and \$672.7 million increased by just \$3.7 million, or 0.5%, and \$10.4 million, or 1.6%,



**UNIVERSITY OF MISSOURI SYSTEM**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2010 and 2009 (unaudited)

**STATEMENT OF CASH FLOWS**

The Statement of Cash Flows provides information about the University's sources and uses of cash and cash equivalents during the fiscal year. The following summarizes sources and uses of cash and cash equivalents for the three years ended June 30, 2010, 2009 and 2008:

<b>CONDENSED STATEMENT OF CASH FLOWS</b>			
(in thousands of dollars)			
<b>Fiscal Year Ended June 30,</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Net Cash Used in Operating Activities	\$ (264,857)	\$ (326,968)	\$ (371,631)
Net Cash Provided by Noncapital Financing Activities	622,421	595,306	583,387
Net Cash Provided by (Used in) Capital and Related Financing Activities	5,733	(306,200)	(110,046)
Net Cash Provided by (Used in) Investing Activities	(288,925)	123,794	(204,410)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>74,372</b>	<b>85,932</b>	<b>(102,700)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>252,941</b>	<b>167,009</b>	<b>269,709</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 327,313</b>	<b>\$ 252,941</b>	<b>\$ 167,009</b>

**Net Cash Used in Operating Activities** reflects the continued need for funding from the state of Missouri, as funding received from tuition and fees and related sales and services of auxiliary and educational activities are not sufficient to cover operational needs. In FY 2010, \$62.1 million less cash was used in operating activities as compared to FY 2009 due primarily to increased cash inflows from tuition and fees, sales and services of educational activities and other auxiliaries, student housing fees, and patient revenues, combined with a reduction in payments to suppliers. In FY 2009, cash used in operating activities decreased by \$44.7 million from FY 2008.

The University's most significant source of cash, **Net Cash Provided by Noncapital Financing Activities**, includes funding from State and Federal appropriations, Pell grants and noncapital private gifts. Cash from these sources totaling \$622.4 million, \$595.3 million and \$583.4 million in FY 2010, FY 2009

and FY 2008, respectively, directly offset the additional cash needs resulting from operations.

**Net Cash Provided by Capital and Related Financing Activities** was \$5.7 million in FY 2010 due largely to the bond issue in July 2009 and related unspent bond proceeds associated with capital projects still under construction at June 30, 2010. Net Cash Used in Capital and Related Financing Activities of \$306.2 million in FY 2009 was due to the completion of capital projects funded by the previous bond issue in FY 2008.

**Net Cash Provided by Investing Activities** reflects net cash outflows of \$288.9 million in FY 2010, consistent with growth in the University's investments, which includes the temporary investment of unspent bond proceeds. In FY 2009, the University had net cash inflows of \$123.8 million, primarily driven by a shift in investment balances to cash equivalent largely as a result of uncertainties that existed in the markets.

# UNIVERSITY OF MISSOURI SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010 and 2009 (unaudited)

### ECONOMIC OUTLOOK

The University of Missouri continues to provide quality service to students, patients and citizens across the state of Missouri while successfully facing significant financial challenges stemming from the general economic climate and uncertainties surrounding the state's financial circumstances. Higher education in Missouri has suffered smaller reductions in state support than in many other states. The University's state appropriations for operations remained flat in FY 2010 and will decline 5.2% in FY 2011. This was accomplished in part by the state using approximately \$48 million in federal budget stabilization funding for FY 2010 and \$19 million in FY 2011. However, the University anticipates declining state support in FY 2012 due to slow growth in the state's revenues and the end of federal stimulus funding. Without significant increases in general revenues, the state will be challenged to maintain or increase funding for higher education in the future.

Historically, there has been a direct relationship between the reduction of state support and the University's ability to control tuition increases, as reduced growth in state appropriations generally necessitates increased tuition levels. In 2007, the state of Missouri passed legislation that limits increases in Missouri resident undergraduate tuition to the state's rate of inflation unless a waiver is granted by the Department of Higher Education. Tuition for Missouri resident undergraduates did not increase in FY 2010 or FY 2011, as a result of an agreement with the Governor. However, based on the state revenue forecasts, the University expects a further reduction in funding from the state in FY 2012 that will most likely necessitate future increases in tuition.

Flat to declining state support and increasing costs, in conjunction with rising enrollments and the need to maintain affordability, pose a budgetary challenge for the University. Student demand at all four campuses continues to be strong with historically high enrollments in FY 2010 and projected again for FY 2011. Although the growth places additional demands on facilities, faculty and staff, it is also a source of additional revenue to support the operating budget.

The University is also continuing to strengthen and diversify its funding sources to meet future budget needs. In spite of the challenging economy and

financial markets, private giving across the University increased during FY 2010. The University is focused on sustaining and increasing the level of giving in FY 2011. In addition, the recovery in the financial markets during FY 2010 and continuing into FY 2011 and the strong return on the University's investments bode well for providing additional resources for University initiatives in the future.

Cognizant of our responsibility to use resources wisely and keep education at the University of Missouri affordable, the University must continue to control expenditures through administrative efficiencies. A shared services project, initiated in FY 2010, began by benchmarking administrative process. The results of the benchmarking will drive business process redesign with a goal of achieving improvements in operating efficiency and effectiveness.

For fiscal year 2010, the University Health System continued to see increasing revenues, even during a time of economic instability. As in prior years, the University Health System is focusing on improving patient care, customer service and quality. The State appropriation funding approved for fiscal year 2011 is slightly below fiscal year 2010. In April 2010, a 5% fee increase was implemented and continues into fiscal year 2011 with pricing revisions made throughout the year as needed. For the future, the University Health System continues to pursue growth and its academic mission. During fiscal year 2010, the University Health System successfully expanded services including the operation of a 61-bed inpatient Missouri Psychiatric Center, and placed in service a \$48 million Missouri Orthopedic Institute. Currently under construction is a \$203 million patient care tower, which includes a replacement of the Ellis Fischel Cancer Center. The patient tower is scheduled to be completed in fiscal year 2013. These capital investments will assist in providing quality care to patients and enhanced facilities for physician recruitments with the University of Missouri-Columbia School of Medicine.

In March 2010, the federal government passed the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act, collectively referred to as "Health Care Reform." This legislation will significantly impact the future of health care. As the final regulations and requirements of the Acts are prepared, University Health System management continues to review and monitor the

**UNIVERSITY OF MISSOURI SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2010 and 2009 (unaudited)

effect that the legislation will have on the organization. The University Health System has not determined the full financial statement effect of this new Health Care Reform legislation.

The University is investing in its researchers and their ability to move innovations from the laboratory into the marketplace. During FY 2010, the University announced the Enterprise Investment Program that will provide up to \$5 million over three years in seed capital for start-up companies to further develop and commercialize university technologies in bringing intellectual property to the marketplace. This program will merge the best minds in the University system with entrepreneurs at start-up companies across the state, which will create quality jobs for Missourians in the cutting-edge industries of its future.

In benchmarking against best practice, the University will be adopting a streamlined approach to intellectual property ownership and equity investments. With more than \$10 million in licensing revenues in FY 2010, there is the potential to ramp up those revenues to \$50 million annually by 2014, ultimately having a \$1 billion impact annually on the global marketplace.

The national and state economy will continue to pose budgetary challenges for the University in the future. However, strong demand demonstrated by growing enrollments, highly successful capital campaigns, robust research funding, a developing technology transfer operation, and financially stable and growing healthcare system are all factors in the positive outlook for the University of Missouri.

# INDEPENDENT AUDITORS' REPORT



**KPMG LLP**  
Suite 900  
10 South Broadway  
St. Louis, MO 63102-1761

The Board of Curators  
University of Missouri System:

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the University of Missouri System, a component unit of the State of Missouri, as of and for the years ended June 30, 2010 and 2009, which collectively comprise the University of Missouri System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University of Missouri System's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University of Missouri System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the University of Missouri System as of June 30, 2010 and 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2010 on our consideration of the University of Missouri System'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.



## INDEPENDENT AUDITORS' REPORT

The management's discussion and analysis on pages 15 through 27 and the schedules of employer contributions and the schedules of funding progress on pages 66 and 67 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University of Missouri System's basic financial statements. The statistical section on pages 70 through 84 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

**KPMG LLP**

St. Louis, Missouri  
October 14, 2010

# UNIVERSITY OF MISSOURI SYSTEM

## STATEMENT OF NET ASSETS

As of June 30, 2010 and 2009 (in thousands)

	University		Discretely Presented Component Unit	
	2010	2009	2010	2009
<b>Assets</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 149,515	\$ 115,919	\$ 7,318	\$ 7,961
Restricted Cash and Cash Equivalents	177,798	137,022	-	-
Short-Term Investments	40,268	124,609	-	-
Restricted Short-Term Investments	30,619	25,882	-	-
Investment of Cash Collateral	111,557	111,719	-	-
Accounts Receivable, Net	249,460	241,325	16,927	16,846
Pledges Receivable, Net	14,505	13,382	-	-
Investment Settlements Receivable	6,200	15,800	-	-
Notes Receivable, Net	9,046	12,564	-	-
Due From (To) Component Units	(5,285)	(3,900)	5,285	3,900
Inventories	28,401	33,009	3,058	2,538
Prepaid Expenses and Other Current Assets	25,604	21,618	1,541	1,550
<b>Total Current Assets</b>	<b>837,688</b>	<b>848,949</b>	<b>34,129</b>	<b>32,795</b>
<b>Noncurrent Assets</b>				
Restricted Cash and Cash Equivalents	-	-	3,838	4,301
Pledges Receivable, Net	16,256	17,231	-	-
Notes Receivable, Net	50,635	47,524	-	-
Deferred Charges and Other Assets	12,374	9,836	1,798	1,470
Restricted Other Assets	-	-	3,563	3,974
Long-Term Investments	1,171,998	778,538	48,229	35,783
Restricted Long-Term Investments	891,067	741,556	-	-
Capital Assets, Net	2,534,365	2,392,852	73,684	77,479
<b>Total Noncurrent Assets</b>	<b>4,676,695</b>	<b>3,987,537</b>	<b>131,112</b>	<b>123,007</b>
Deferred Outflow of Resources	22,192	-	-	-
<b>Total Assets and Deferred Outflow of Resources</b>	<b>\$5,536,575</b>	<b>\$4,836,486</b>	<b>\$ 165,241</b>	<b>\$ 155,802</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 123,809	\$ 94,531	\$ 3,974	\$ 4,624
Accrued Liabilities	138,309	130,837	12,707	11,700
Deferred Revenue	78,200	80,703	-	-
Funds Held for Others	53,245	66,403	-	-
Investment Settlements Payable	41,931	50,318	-	-
Collateral Held for Securities Lending	111,557	115,291	-	-
Current Portion of Long-Term Debt	30,139	24,922	2,154	2,071
Long-Term Debt Subject to Remarketing Agreements	223,680	224,925	-	-
<b>Total Current Liabilities</b>	<b>800,870</b>	<b>787,930</b>	<b>18,835</b>	<b>18,395</b>

(continued)

# UNIVERSITY OF MISSOURI SYSTEM

## STATEMENT OF NET ASSETS

As of June 30, 2010 and 2009 (in thousands)

	University		Discretely Presented Component Unit	
	2010	2009	2010	2009
<b>Liabilities, Continued</b>				
<b>Noncurrent Liabilities</b>				
Long-Term Debt	915,906	608,114	36,679	38,851
Deferred Revenue	1,925	1,603	-	-
Derivative Instrument Liability	30,680	-	-	-
Other Postemployment Benefits Liability	52,613	23,639	-	-
Other Noncurrent Liabilities	53,845	50,423	959	738
<b>Total Noncurrent Liabilities</b>	<b>1,054,969</b>	<b>683,779</b>	<b>37,638</b>	<b>39,589</b>
<b>Total Liabilities</b>	<b>1,855,839</b>	<b>1,471,709</b>	<b>56,473</b>	<b>57,984</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	1,485,090	1,540,654	35,209	36,969
Restricted				
Nonexpendable -				
Endowment	679,494	612,119	-	-
Expendable -				
Scholarship, Research, Instruction and Other	244,226	235,405	3,562	4,409
Loans	75,637	78,357	-	-
Capital Projects	32,373	30,043	-	-
Unrestricted	1,163,916	868,199	69,997	56,440
<b>Total Net Assets</b>	<b>3,680,736</b>	<b>3,364,777</b>	<b>108,768</b>	<b>97,818</b>
<b>Total Liabilities and Net Assets</b>	<b>\$5,536,575</b>	<b>\$4,836,486</b>	<b>\$ 165,241</b>	<b>\$ 155,802</b>

See notes to the financial statements.

**UNIVERSITY OF MISSOURI SYSTEM**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
For the Years Ended June 30, 2010 and 2009 (in thousands)

	University		Discretely Presented Component Unit	
	2010	2009	2010	2009
<b>Operating Revenues</b>				
Tuition and Fees (Net of Provision for Doubtful Accounts of \$6,459 in 2010 and \$6,165 in 2009)	\$ 630,498	\$ 601,742	\$ -	\$ -
Less Scholarship Allowances	164,187	148,578	-	-
Net Tuition and Fees	466,311	453,164	-	-
Federal Grants and Contracts	183,885	172,669	-	-
State and Local Grants and Contracts	66,194	53,042	-	-
Private Grants and Contracts	68,044	71,034	-	-
Sales and Services of Educational Activities	22,560	22,088	-	-
Auxiliary Enterprises -				
Patient Medical Services, Net	736,799	702,424	164,746	158,724
Housing and Dining Services (Net of Scholarship Allowance of \$542 in 2010 and \$522 in 2009)	89,743	81,939	-	-
Bookstores	59,288	62,113	-	-
Other Auxiliary Enterprises (Net of Scholarship Allowance of \$7,466 in 2010 and \$7,426 in 2009)	198,748	190,315	-	-
Other Operating Revenues	49,250	53,681	-	-
<b>Total Operating Revenues</b>	<b>1,940,822</b>	<b>1,862,469</b>	<b>164,746</b>	<b>158,724</b>
<b>Operating Expenses</b>				
Salaries and Wages	1,236,965	1,213,837	64,048	65,170
Benefits	303,300	299,586	15,115	13,169
Supplies, Services and Other Operating Expenses	676,362	672,711	63,156	61,193
Scholarships and Fellowships	55,469	48,456	-	-
Depreciation	146,753	131,167	11,098	11,059
<b>Total Operating Expenses</b>	<b>2,418,849</b>	<b>2,365,757</b>	<b>153,417</b>	<b>150,591</b>
<b>Operating Income (Loss) before State</b>				
<b>Appropriations</b>	<b>(478,027)</b>	<b>(503,288)</b>	<b>11,329</b>	<b>8,133</b>
State Appropriations	498,358	479,478	-	-
<b>Operating Income (Loss) after State Appropriations, before Nonoperating Revenues (Expenses)</b>	<b>20,331</b>	<b>(23,810)</b>	<b>11,329</b>	<b>8,133</b>
<b>Nonoperating Revenues (Expenses)</b>				
Federal Appropriations	21,455	14,858	-	-
Federal Pell Grants	48,281	31,649	-	-
Investment and Endowment Income (Losses), Net of Fees	172,833	(173,355)	789	911
Private Gifts	48,695	52,552	21	76
Interest Expense	(46,103)	(31,432)	(1,950)	(1,991)
Other Nonoperating Revenues (Expenses)	(1,659)	(3,930)	761	1,327
<b>Net Nonoperating Revenues (Expenses)</b>	<b>243,502</b>	<b>(109,658)</b>	<b>(379)</b>	<b>323</b>

*(continued)*



**UNIVERSITY OF MISSOURI SYSTEM**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
For the Years Ended June 30, 2010 and 2009 (in thousands)

	University		Discretely Presented Component Unit	
	2010	2009	2010	2009
<b>Income (Loss) before Capital Contributions, Additions to Permanent Endowments and Extraordinary Item</b>	<b>263,833</b>	<b>(133,468)</b>	<b>10,950</b>	<b>8,456</b>
State Capital Appropriations	14,205	17,817	-	-
Capital Gifts and Grants	19,381	13,009	-	-
Private Gifts for Endowment Purposes	24,703	21,093	-	-
Extraordinary Item:				
Net Proceeds from Sale of Missouri Care	-	2,550	-	-
<b>Increase (Decrease) in Net Assets</b>	<b>322,122</b>	<b>(78,999)</b>	<b>10,950</b>	<b>8,456</b>
<b>Net Assets, Beginning of Year</b>	<b>3,364,777</b>	<b>3,430,442</b>	<b>97,818</b>	<b>89,362</b>
Cumulative Effect of Change in Accounting Principles	(6,163)	13,334	-	-
<b>Net Assets, Beginning of Year, as Adjusted</b>	<b>3,358,614</b>	<b>3,443,776</b>	<b>97,818</b>	<b>89,362</b>
<b>Net Assets, End of Year</b>	<b>\$3,680,736</b>	<b>\$3,364,777</b>	<b>\$ 108,768</b>	<b>\$ 97,818</b>

*See notes to the financial statements.*

# UNIVERSITY OF MISSOURI SYSTEM

## STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2010 and 2009 (in thousands)

	2010	2009
<b>Cash Flows from Operating Activities</b>		
Tuition and Fees	\$ 467,230	\$ 448,253
Federal, State and Private Grants and Contracts	316,720	306,820
Sales and Services of Educational Activities and Other Auxiliaries	216,403	199,264
Patient Care Revenues	739,231	716,777
Student Housing Fees	89,585	82,219
Bookstore Collections	59,300	62,003
Payments to Suppliers	(639,376)	(680,494)
Payments to Employees	(1,233,160)	(1,206,587)
Payments for Benefits	(274,326)	(275,797)
Payments for Scholarships and Fellowships	(55,469)	(48,456)
Student Loans Issued	(8,190)	(8,269)
Student Loans Collected	7,848	8,074
Student Loan Interest and Fees	1,657	1,251
Other Receipts, Net	47,690	67,974
<b>Net Cash Used in Operating Activities</b>	<b>(264,857)</b>	<b>(326,968)</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
State Appropriations	498,358	479,478
Federal Appropriations and Pell Grants	65,473	45,636
Private Gifts	48,547	52,512
Endowment and Similar Funds Gifts	24,703	21,093
Direct Lending Receipts	225,429	114,126
Direct Lending Disbursements	(225,429)	(114,126)
PLUS Loan Receipts	56,246	37,631
PLUS Loan Disbursements	(56,246)	(37,631)
Other Receipts (Payments), Net	(1,502)	928
Deposits of Affiliates	(13,158)	(4,341)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>622,421</b>	<b>595,306</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital State Appropriations	11,569	18,312
Capital Gifts and Grants	19,381	13,009
Proceeds from Sales of Capital Assets	589	1,554
Purchase of Capital Assets	(289,012)	(286,156)
Proceeds from Issuance of Capital Debt, Net	337,604	-
Principal Payments on Capital Debt	(24,093)	(21,196)
Proceeds from Capital Project Notes	122,500	100,500
Payments on Capital Project Notes	(125,000)	(100,000)
Payments on Capital Lease	(829)	(785)
Payments of Bond Issuance Costs	(3,344)	-
Interest Payments on Capital Debt	(43,632)	(31,438)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b>5,733</b>	<b>(306,200)</b>

*(continued)*

**UNIVERSITY OF MISSOURI SYSTEM**  
**STATEMENT OF CASH FLOWS**  
For the Years Ended June 30, 2010 and 2009 (in thousands)

	2010	2009
<b>Cash Flows from Investing Activities</b>		
Interest and Dividends on Investments, Net	56,028	66,315
Purchase of Investments, Net of Sales and Maturities	(346,338)	57,934
Other Investing Activities	1,385	(455)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(288,925)</b>	<b>123,794</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>74,372</b>	<b>85,932</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>252,941</b>	<b>167,009</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 327,313</b>	<b>\$ 252,941</b>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating Loss	\$ (478,027)	\$ (503,288)
Adjustments to Net Cash Used in Operating Activities		
Depreciation Expense	146,753	131,167
Changes in Assets and Liabilities:		
Accounts Receivable, Net	(1,236)	8,705
Inventory, Prepaid Expenses and Other Assets	894	(2,928)
Notes Receivable	407	557
Accounts Payable	31,778	(10,993)
Accrued Liabilities	37,013	36,917
Deferred Revenue	(2,439)	12,895
<b>Net Cash Used in Operating Activities</b>	<b>\$ (264,857)</b>	<b>\$ (326,968)</b>
<b>Supplemental Disclosure of Noncash Activities</b>		
Net Increase (Decrease) in Fair Value of Investments	\$ 93,912	\$ (139,199)
Noncash Gifts	20,103	7,503

*See notes to the financial statements.*

## UNIVERSITY OF MISSOURI SYSTEM

### STATEMENT OF PLAN NET ASSETS

As of June 30, 2010 and 2009 (in thousands)

	2010	2009
<b>Assets</b>		
Cash and Cash Equivalents	\$ 88,450	\$ 88,235
Investment of Cash Collateral	277,747	216,645
Investment Settlements Receivable	13,935	35,397
Investments:		
Debt Securities	906,562	792,680
Equity Securities	471,853	955,353
Commingled Funds	806,264	307,362
Nonmarketable Alternative Investments	136,502	138,158
Other	19,442	2,977
<b>Total Assets</b>	<b>2,720,755</b>	<b>2,536,807</b>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	1,758	1,816
Collateral Held for Securities Lending	277,747	221,242
Investment Settlements Payable	63,134	148,043
<b>Total Liabilities</b>	<b>342,639</b>	<b>371,101</b>
<b>Net Assets Held in Trust for Retirement and OPEB</b>	<b>\$2,378,116</b>	<b>\$2,165,706</b>

## UNIVERSITY OF MISSOURI SYSTEM

### STATEMENT OF CHANGES IN PLAN NET ASSETS

For the Years Ended June 30, 2010 and 2009 (in thousands)

	2010	2009
<b>Net Revenues and Other Additions</b>		
Investment Income (Loss):		
Interest & Dividend Income, Net of Fees	\$ 54,988	\$ 65,103
Net Appreciation (Depreciation) in Fair Value of Investments	228,528	(583,606)
Net Investment Income (Loss)	283,516	(518,503)
Contributions:		
University	71,829	80,452
Members	22,734	12,144
Other	-	1,924
Total Contributions	94,563	94,520
<b>Total Net Revenues and Other Additions (Deductions)</b>	<b>378,079</b>	<b>(423,983)</b>
<b>Expenses and Other Deductions</b>		
Administrative Expenses	2,722	2,752
Payments to Retirees and Beneficiaries	162,947	157,460
<b>Total Expenses and Other Deductions</b>	<b>165,669</b>	<b>160,212</b>
<b>Increase (Decrease) in Net Assets Held in Trust for Retirement and OPEB</b>	<b>212,410</b>	<b>(584,195)</b>
<b>Net Assets Held in Trust for Retirement and OPEB, Beginning of Year</b>	<b>2,165,706</b>	<b>2,749,901</b>
<b>Net Assets Held in Trust for Retirement and OPEB, End of Year</b>	<b>\$2,378,116</b>	<b>\$2,165,706</b>

*See notes to the financial statements*

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### UNIVERSITY OF MISSOURI SYSTEM

**Organization** – The University of Missouri System (the “University”), a Federal land grant institution, conducts education, research, public service, and related activities, which include the University Health System and related health care facilities, principally at its four campuses in Columbia, Kansas City, Rolla and St. Louis. The University also administers a statewide cooperative extension service with centers located in each county in the State. The University is a component unit of the state of Missouri (the “State”) and is governed by a nine-member Board of Curators appointed by the state’s Governor.

The income generated by the University, as an instrumentality unit of the State, is generally excluded from federal income taxes under Section 115 of the Internal Revenue Code. However, the University remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it is exempt. No income tax provision has been recorded as the net income, if any, from unrelated trade or business income, is not material to the financial statements.

**Reporting Entity** – As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (“GASB”), the financial reporting entity consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or the nature and significance of their relationships with the primary government are such that exclusion would cause the primary government’s financial statements to be misleading or incomplete.

The University of Missouri-Columbia Medical Alliance (the “Medical Alliance”) is considered a component unit of the University according to the criteria in GASB Statement No. 14, *The Financial Reporting Entity*, and is discretely presented in the University’s financial statements. The Medical Alliance, a not-for-profit corporation, provides an integrated health care delivery system for mid-Missouri by establishing affiliations with various medical facilities. The purpose

of the Medical Alliance is to develop a network of health care providers to support the missions of the University Health System. The Capital Region Medical Center (“CRMC”) in Jefferson City, Missouri, operates as an affiliate of the Medical Alliance and provides inpatient, outpatient, and emergency care services to the surrounding community. CRMC, a not-for-profit organization that follows generally accepted accounting principles under the Financial Accounting Standards Board (“FASB”), is a discretely presented component unit of the Medical Alliance. The University appoints the Board of Directors of the Medical Alliance and can impose its will on the organization. Financial statements for the Medical Alliance are not available.

The University operates the University of Missouri Retirement, Disability, and Death Benefit Plan (the “Retirement Plan”) and the University of Missouri Other Postemployment Benefits Plan (the “OPEB Plan,” which collectively with the Retirement Plan represent the “Pension Trust Funds”), which are single employer, defined benefit plans. The assets of the Retirement Plan and OPEB Plan are held in the Retirement Trust and OPEB Trust, respectively.

**Financial Statement Presentation** – In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the University follows all applicable GASB pronouncements. In addition, the University applies all applicable FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. The University has elected not to apply FASB pronouncements issued after November 30, 1989.

Pursuant to GASB Statement No. 35, *Basic Financial Statement-and Management’s Discussion and Analysis-for Public Colleges and Universities*, the University’s activities are considered to be a single business-type activity and accordingly, are reported in a single column in the financial statements. Business-type activities are those that are financed in whole or part by funds received by external parties for goods or services.

**Basis of Accounting** – The University’s financial statements have been prepared using the economic

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, regardless of the timing of cash flows.

On the Statement of Revenues, Expenses and Changes in Net Assets, the University defines operating activities as those generally resulting from an exchange transaction. Nearly all of the University's expenses are from exchange transactions, which involve the exchange of equivalent values such as payments for goods or services. Nonoperating revenues or expenses are those in which the University receives or gives value without directly giving or receiving equal value, such as State and Federal appropriations, Federal Pell grants, private gifts, and investment income.

The financial statements for the Pension Trust Funds have been prepared using the accrual basis of accounting. Benefits and refunds are recognized when due and payable. Investments are reported at fair value. Combining financial statements for these funds are presented in Note 16.

**Cash, Cash Equivalents and Investments** – Cash and cash equivalents consist of the University's bank deposits, repurchase agreements, money market funds, and other investments with original maturities of three months or less. Cash equivalents also include variable rate demand notes, which are debt securities with an original maturity beyond three months, but with a demand feature that allows for liquidity with advance notice of no more than seven days. Investment assets are carried at fair value based primarily on market quotations. Purchases and sales of investments are accounted for on the trade date basis. Investment settlements receivable and investment settlements payable represent investment transactions occurring on or before June 30, which settle after that date. Investment income is recorded on the accrual basis. Net unrealized gains (losses) are included in investment and endowment income in the Statement of Revenues, Expenses and Changes in Net Assets.

Nonmarketable alternative investments and certain commingled funds are recorded based on valuations provided by the general partners of the respective partnerships. The University believes that the carrying value of these investments is a reasonable estimate of

fair value. Because alternative investments are not readily marketable, the estimated value is subject to uncertainty and therefore may differ materially from the value that would have been used had a ready market for investments existed.

Derivative instruments such as forward foreign currency contracts are recorded at fair value. The University enters into forward foreign currency contracts to reduce the foreign exchange rate exposure of its international investments. These contracts are marked to market, with the changes in market value being reported in investment and endowment income on the Statement of Revenues, Expenses, and Changes in Net Assets.

**Pledges Receivable** – The University receives unconditional promises to give through private donations (pledges) from corporations, alumni and various other supporters of the University. Revenue is recognized when a pledge is received and all eligibility requirements, including time requirements, are met. These pledges have been recorded as pledges receivable on the Statement of Net Assets and as private or capital gift revenues on the Statement of Revenues, Expenses, and Changes in Net Assets, at the present value of the estimated future cash flows. An allowance of \$5,761,000 and \$5,130,000 as of June 30, 2010 and 2009, respectively, has been made for uncollectible pledges based upon management's expectations regarding the collection of the pledges and the University's historical collection experience.

**Inventories** – These assets are stated at the lower of cost or market. Cost is determined on an average cost basis except for University Health System's inventories, for which cost is determined using the first-in, first-out method.

**Capital Assets** – If purchased, these assets are carried at cost or, if donated, at fair value at the date of gift. Depreciation expense is computed using the straight-line method over the assets' estimated useful lives – generally ten to forty years for buildings and improvements, eight to twenty-five years for infrastructure, three to fifteen years for equipment and twenty years for library materials. Net interest expense incurred during the construction of debt-financed facilities is included when capitalizing resulting assets. The University capitalizes works of art as these collections generally consist of historical

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

artifacts and artworks, they are considered inexhaustible and not subject to depreciation. The University does not capitalize collections of historical treasures held for public exhibition, education, research, and public service. These collections are not disposed of for financial gain and, accordingly, are not capitalized for financial statement purposes. Proceeds from the sale, exchange, or other disposal of such items must be used to acquire additional items for the same collection. Land is considered inexhaustible and is not subject to depreciation.

**Deferred Revenue** – Deferred revenues are recognized for amounts received prior to the end of the fiscal year but related to the subsequent period, including certain tuition, fees, and auxiliary revenues. Deferred revenues also include grant and contract amounts that have been received but not yet earned.

**Net Assets** – The University’s net assets are classified as follows:

*Invested in Capital Assets, Net of Related Debt* represents capital assets, net of accumulated depreciation and outstanding principal debt balances related to the acquisition, construction or improvement of those assets.

*Restricted Nonexpendable* net assets are subject to externally imposed stipulations that the principal be maintained in perpetuity, such as the University’s permanent endowment funds. The University’s policy permits any realized and unrealized appreciation to remain with these endowments after the spending distribution discussed in Note 3.

*Restricted Expendable* net assets are subject to externally imposed stipulations on the University’s use of the resources.

*Unrestricted* net assets are not subject to externally imposed stipulations, but may be designated for specific purposes by the University’s management or the Board of Curators. Unrestricted net assets are derived from tuition and fees, sales and services, unrestricted gifts, investment income, and other such

sources, and are used for academics and the general operation of the University. When both restricted and unrestricted resources are available for expenditure, the University’s policy is to first apply restricted resources, and then the unrestricted resources.

**Tuition and Fees, Net of Scholarship Allowances** – Student tuition and fees, housing, dining, and other similar auxiliary revenues are reported net of any related scholarships and fellowships applied to student accounts. However, scholarships and fellowships paid directly to students are separately reported as scholarship and fellowship expenses.

**Patient Medical Services, Net** – Patient medical services revenues are reported net of contractual allowances and bad debt allowances. Patient medical services are primarily provided through University of Missouri Hospitals and Clinics, Ellis Fischel Cancer Research Center, Columbia Regional Hospital, Missouri Rehabilitation Center and University Physicians (collectively, the “University Health System”).

The University Health System has agreements with third-party payors that provide for payments that differ from the entity’s established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discount charges, and per diem payments. Patient medical services revenue is reported at net amounts estimated to be realizable from patients, third-party payors, and others. These estimated amounts include retroactive adjustments for reimbursement agreements with third-party payors. Retroactive adjustments are estimated and accrued in the period that related services are provided, and then adjusted in future periods as estimates are refined and final settlements are determined.

Amounts receivable under Medicare and Medicaid reimbursements agreements are subject to examination and certain retroactive adjustments by the related programs. These adjustments increased net patient medical services revenue by \$560,000 and \$1,977,000 for the years ended June 30, 2010 and 2009, respectively.

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

For the years ended June 30, 2010 and 2009, the University Health System's percentage of gross patient accounts receivable classified by major payor is as follows:

**Table 1.1 - Percentage of Gross Patient Accounts Receivable (by Major Payor)**

	2010	2009
Medicare	23%	26%
Commercial Insurance	4%	10%
Medicaid	25%	20%
Self Pay & Other	17%	17%
Managed Care Agreements	31%	27%
	100%	100%

The Statement of Revenues, Expenses and Changes in Net Assets reflect the gross to net patient medical services revenue as follows:

**Table 1.2 - Gross to Net Patient Medical Services Revenue (in thousands)**

	2010	2009
Patient Medical Services		
Revenue, Gross	\$1,561,797	\$1,466,437
Deductions for Contractuals	(773,731)	(720,759)
Deductions for Bad Debt	(51,267)	(43,254)
<b>Patient Medical Services Revenue, Net</b>	<b>\$ 736,799</b>	<b>\$ 702,424</b>

**New Accounting Pronouncements** – Effective for fiscal year 2010, the University adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which requires all intangible assets not specifically excluded by its scope provisions be classified as capital assets and establishes guidance specific to their amortization. The statement also requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable and establishes a specified-conditions approach to recognizing intangible assets that are internally generated. Adoption of GASB Statement No. 51 did not have a material effect on the University's financial statements.

Effective for fiscal year 2010, the University adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The statement requires derivative instruments to be measured at fair value at the reporting date, with changes in fair value generally being reported as investment gains or losses. However, changes in fair value of hedging derivative

instruments would be deferred until the related instrument ends or ceases to significantly reduce risk. In adopting this standard, the University recognized the effect of a change in accounting principle, which decreased net assets by \$6,163,000. See Note 9 for additional information.

In June 2010, GASB issued GASB Statement No. 59, *Financial Instruments Omnibus*, effective for fiscal years beginning after June 15, 2010. The statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. The University has not yet determined the effect that adoption of GASB Statement No. 59 may have on its financial statements.

Effective for fiscal year 2009, the University adopted GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. In adopting this standard, the University recognized the effect of a change in accounting principle, which increased net assets by \$13,334,000 for the increase in fair value of the land holdings over historic cost. Changes in fair value in reporting periods subsequent to fiscal year 2009 are reported as current year investment income.

**Reclassifications** – Certain prior year amounts have been reclassified to conform to current year presentation.

**Use of Estimates** – The preparation of financial statements, in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE**

**Nature of Operations** – The Curators of the University of Missouri, for and on behalf of the University Health System, and the Capital Region Medical Center (CRMC) entered into an Affiliation Agreement dated August 5, 1997. Pursuant to the Affiliation Agreement, the University created the Medical Alliance. The Medical Alliance then became the sole member of CRMC. The



# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

Medical Alliance's purpose is to develop a network of healthcare providers to support the missions of the University Health System.

CRMC operates as a two-hospital system, which consists of the Southwest Campus and Madison Campus complemented by community medical clinics. CRMC primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in Jefferson City, Missouri. It also operates medical clinics in the surrounding communities. The operating results of the facilities and clinics are included in these financial statements. CRMC is served by a group of admitting physicians that account for a significant portion of CRMC's net revenues. Additionally, CRMC is also associated with the Capital Region Medical Foundation, which is intended to support the interest of CRMC through its fundraising activities.

**Net Assets** – As a not-for-profit organization, the Medical Alliance records its net assets in accordance with Financial Accounting Standards Board Statement No. 117, Financial Statements of Not-for-Profit Organizations. For presentation within the accompanying basic financial statements, the net assets are redistributed amongst the net asset components defined by GASB Statement No. 34.

**Capital Assets** – Capital Assets are recorded at cost and depreciated on a straight-line basis over the estimated useful life of each asset following guidelines of the American Hospital Association. Equipment under capital lease obligations is amortized on the straight-line basis over the shorter period of the lease term or the estimated useful life of the equipment. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a cost of acquiring those assets.

**Net Patient Medical Service Revenue** – Net patient medical service revenue is reported at the net amounts to be realized from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments for reimbursement agreements with third-party payers. Retroactive adjustments are estimated and accrued in the period the related services are provided, and these amounts are adjusted in future periods as final settlements are determined.

## 2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the University's bank deposits, repurchase agreements, money market funds, and other investments with original maturities of three months or less. Cash equivalents also include variable rate demand notes, which are debt securities with an original maturity beyond three months, but with a demand feature that allows for liquidity with advance notice of no more than seven days.

**Custodial Credit Risk** – The custodial credit risk for deposits is the risk that in the event of bank failure, the University's deposits may not be recovered. State law requires collateralization of all deposits with federal depository insurance, bonds and other obligations of the U.S. Treasury, U.S. Agencies and instrumentalities of the state of Missouri; bonds of any city, county, school district or special road district of the state of Missouri; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits. The University's cash deposits were fully insured or collateralized at June 30, 2010 and 2009, respectively.

## 3. INVESTMENTS

Investment policies are established by the Board of Curators ("the Board"). The policies ensure that funds are managed in accordance with Section 105.688 of the Revised Statutes of Missouri and prudent investment practices. Additionally, investment policies established by the Board with respect to the Retirement Trust and Other Postemployment Benefit ("OPEB") Trust (collectively referred to as "Pension Trust Funds") and the Endowment Funds specifically recognize the fiduciary duties set forth in Section 105.688 of the Revised Statutes of Missouri. The use of external investment managers has been authorized by the Board.

Substantially all University cash and investments are managed centrally, generally in the following investment pools:

**General Pool (Short-Term Funds)** – The General Pool contains short-term University funds, including but not limited to cash and reserves, operating funds, bond funds, and plant funds. Subject to various limitations contained within the corresponding investment policy, the University's internally managed General Pool may

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

be invested in the following instruments: U.S. Government securities; U.S. Government Agency securities; U.S. Government guaranteed securities; investment grade corporate bonds; certificates of deposit; repurchase agreements; commercial paper; and other similar short-term investment instruments of like or better quality. A limited component of the General Pool may be invested in the University's Balanced Pool; at June 30, 2010 and 2009, 18.0% and 25.0%, respectively, of General Pool funds were invested in the Balanced Pool (refer to "Endowment Funds" below). The General Pool's total return, including unrealized gains and losses, was 5.19% and 0.39% for the years ended June 30, 2010 and 2009, respectively.

**Endowment Funds** – When appropriate and permissible, endowment and similar funds are pooled for investment purposes, with the objective of achieving long-term returns sufficient to preserve principal by protecting against inflation and to meet endowment spending targets.

The Balanced Pool, which is externally managed, is the primary investment vehicle for endowment funds. Subject to various limitations contained within the corresponding investment policy, the Balanced Pool is allowed to invest in the following asset sectors: U.S and international equity, emerging markets debt and equity, absolute return strategies, private equity, real estate, global fixed income, high yield fixed income, bank loans, and Treasury inflation-protected securities. The Balanced Pool's total return, including unrealized gains and losses, was 11.4% and (17.5)% for the years ended June 30, 2010 and 2009, respectively.

The Fixed Income Pool, which is internally managed, is an additional investment vehicle for endowment funds. Fixed Income Pool asset sectors include debt securities issued by the U.S. government and its agencies, corporate bonds, commercial paper, and repurchase agreements. The Fixed Income Pool's total return, including unrealized gains and losses, was 6.9% and 6.1% for the years ended June 30, 2010 and 2009, respectively.

If a donor has not provided specific restrictions, state law permits the Board to appropriate an amount of the

Endowment Funds' net appreciation, realized and unrealized, as the Board considers to be prudent. In establishing this amount, the Board is required to consider the University's long- and short-term needs, present and anticipated financial requirements, expected total return on investments, price level trends, and general economic conditions. Further, any expenditure of net appreciation is required to be for the purposes for which the endowment was established. Inclusive of both realized and unrealized gains and losses on investments, donor-restricted endowments experienced net appreciation of approximately \$52,142,000 in fiscal year 2010, as compared to net depreciation of approximately \$130,577,000 in fiscal year 2009.

The Board has adopted the total return concept (yield plus change in market value) in determining the spendable return for endowments and similar funds. Annually, the spending formula distributes 5% of a trailing 12-quarter average of the endowment's total market value, with the understanding that this spending rate over the long term will not exceed the total real return (net of inflation). However, to achieve uniformity from year to year, the actual amount made available in any given year will be not less than 96% or more than 106% of the prior year's expenditure.

### **PENSION TRUST FUNDS**

The Retirement Trust and the OPEB Trust hold the assets of the Retirement Plan and OPEB Plan, respectively. Subject to various limitations contained within the corresponding investment policy, the externally-managed Retirement Trust is allowed to invest in the following asset sectors: U.S and international equity, emerging markets debt and equity, absolute return strategies, private equity, real estate, global fixed income, high yield fixed income, bank loans, and Treasury inflation-protected securities. The Retirement Trust's total return, including unrealized gains and losses, was 12.7% and (18.4)% for the years ended June 30, 2010 and 2009, respectively.

The OPEB Trust held \$39,063,000 and \$37,167,000 at June 30, 2010 and 2009, respectively, in a money market mutual fund rated AAA at both June 30, 2010 and 2009. The OPEB Trust has no other investments.

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2010 and 2009

At June 30, 2010 and 2009, the University and Pension Trust Funds held the following types of investments:

**Table 3.1 - Investments by Type** (in thousands)

As of June 30,	University of Missouri		University of Missouri Pension Trust Funds	
	2010	2009	2010	2009
Debt Securities:				
U.S. Treasury Obligations	\$ 282,345	\$ 289,428	\$ 408,769	\$ 284,534
U.S. Agency Obligations	688,890	343,779	1,030	5,754
Asset-Backed Securities	21,029	65,779	43,899	143,891
Government - Foreign	68,633	71,812	145,515	186,018
Corporate - Domestic	253,453	191,796	174,629	63,806
Corporate - Foreign	57,539	50,295	132,720	108,677
Equity Securities:				
Domestic	161,762	270,965	226,780	579,714
Foreign	154,454	164,269	245,073	375,639
Commingled Funds:				
Absolute Return	56,984	50,368	127,788	115,811
Debt Securities - Domestic	33,568	-	139,757	-
Debt Securities - Foreign	55,745	-	124,241	-
Equity Securities - Domestic	73,118	13,344	140,390	-
Equity Securities - Foreign	127,763	62,376	228,139	133,394
Real Estate	13,933	17,365	45,949	58,157
Nonmarketable Alternative Investments:				
Real Estate	21,465	26,816	60,766	76,084
Private Equity	31,160	24,875	75,736	62,074
Other	32,111	27,318	19,442	2,977
<b>Total Investments</b>	<b>2,133,952</b>	<b>1,670,585</b>	<b>2,340,623</b>	<b>2,196,530</b>
Money Market Funds	124,216	110,182	76,768	67,675
Commercial Paper	160,275	90,568	-	-
Variable Rate Demand Notes	29,700	39,650	-	-
Other	13,122	12,541	11,682	20,560
<b>Total Cash and Cash Equivalents</b>	<b>327,313</b>	<b>252,941</b>	<b>88,450</b>	<b>88,235</b>
<b>Total Investments and Cash and Cash Equivalents</b>	<b>\$ 2,461,265</b>	<b>\$ 1,923,526</b>	<b>\$ 2,429,073</b>	<b>\$ 2,284,765</b>

**Custodial Credit Risk** - For investments, custodial credit risk is the risk that in the event of failure of the counterparty to a transaction, the University will not be able to recover the value of the investments held by an outside party. In accordance with its policy, the University minimizes custodial credit risk by establishing limitations on the types of instruments held with qualifying institutions. Repurchase agreements must be collateralized by U.S. Government issues and/or U.S. Government Agency issues. All University and Pension Trust Fund investments are insured or registered and are held by the University, the Pension Trust Funds or an agent in its name.

**Concentration of Credit Risk** - Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments. The investment policies for the General Pool, Endowment Funds, and Retirement Trust all specify diversification requirements across asset sectors. The investment policy for the General Pool has specific single issuer limits in place for corporate bonds and commercial paper.

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

As of June 30, 2010, of the University's total investments and cash and cash equivalents, 15.3% are issues of the Federal Home Loan Bank (FHLB) and 10.2% are issues of Federal National Mortgage Association (FNMA). As of June 30, 2009, of the University's total investments and cash and cash equivalents, 7.0% are issues of FHLB and 8.0% are issues of FNMA.

At June 30, 2010 and 2009, the Pension Trust Funds did not contain investments from any single issuer that exceeded 5% of the total portfolio.

Investments issued or guaranteed by the U.S. government as well as investments in mutual funds and other pooled investments are excluded from consideration when evaluating concentration risk.

**Credit Risk** – Debt securities are subject to credit risk, which is the chance that an issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments. Certain debt securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk.

Nationally recognized statistical rating organizations, such as Moody's and Standard & Poor's (S&P), assign credit ratings to security issues and issuers that indicate a measure of potential credit risk to investors. Debt securities considered investment grade are those rated at least Baa by Moody's and BBB by S&P. For General Pool investments, the following minimum credit ratings have been established to manage credit risk: minimum long-term rating of A or better by S&P, with minimum rating of A-1/P-1 for commercial paper and other short-term securities. For Endowment Funds and Retirement Trust investments, the respective investment policies allow for a blend of different credit ratings, subject to certain restrictions by asset sector. In all cases, disposition of securities whose ratings have been downgraded after purchase is generally left to the discretion of the respective investment manager after consideration of individual facts and circumstances.

All holdings of commercial paper and variable rate demand notes were rated A-1/P-1 or better at June 30, 2010 and 2009, respectively. All holdings of money market funds were rated AAA at June 30, 2010 and 2009, respectively.

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2010 and 2009

Based on investment ratings provided by Moody's or S&P, the University's and Pension Trust Funds' credit risk exposure as of June 30, 2010 and 2009, is as follows:

**Table 3.2 - Debt Securities by Type and Credit Rating** (in thousands)

As of June 30,	University of Missouri		University of Missouri Pension Trust Funds	
	2010	2009	2010	2009
U.S. Treasury Obligations	\$ 282,345	\$ 289,428	\$ 408,769	\$ 284,534
U.S. Agency Obligations	688,890	343,779	1,030	5,754
Asset-Backed Securities				
Mortgage Backed Securities				
Guaranteed by U.S. Agencies				
Aaa/AAA	10,942	53,832	18,663	109,736
Aa/AA	4,520	8,799	15,213	23,687
A/A	796	835	3,438	3,523
Baa/BBB	1,714	526	3,076	2,098
Ba/BB and lower	251	178	1,018	1,191
Unrated	953	1,609	2,491	3,656
Unrated	1,853	-	-	-
Government - Foreign				
Aaa/AAA	35,674	47,914	83,679	117,300
Aa/AA	13,836	20,602	22,290	62,109
A/A	10,108	2,193	19,793	4,534
Baa/BBB	1,989	1,103	2,383	2,075
Unrated	7,026	-	17,370	-
Corporate - Domestic				
Aaa/AAA	7,737	2,336	2,970	4,738
Aa/AA	67,545	46,005	6,833	9,711
A/A	145,028	135,424	25,966	38,605
Baa/BBB	991	5,787	5,953	9,892
Ba/BB and lower	28,554	-	124,740	-
Unrated	3,598	2,244	8,167	860
Corporate - Foreign				
Aaa/AAA	30,864	28,635	65,990	60,749
Aa/AA	5,682	10,935	14,247	26,456
A/A	12,797	6,663	24,198	15,057
Baa/BBB	923	2,036	3,025	5,538
Ba/BB and lower	2,160	-	9,466	578
Unrated	5,113	2,026	15,794	299
<b>Total</b>	<b>\$ 1,371,889</b>	<b>\$ 1,012,889</b>	<b>\$ 906,562</b>	<b>\$ 792,680</b>

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. Debt securities with longer maturities are likely to be subject to more variability in their fair values as a result of future changes in interest rates. Neither the University nor the Pension Trust Funds have a formal policy that addresses interest rate risk; rather, such risk is managed by each individual investment manager, as applicable.

The University and Pension Trust Funds have investments in asset-backed securities, which consist primarily of mortgage-backed securities guaranteed by U.S. agencies and corporate collateralized mortgage obligations. These securities are based on cash flows from principal and interest payments on the underlying securities. An asset-backed security may have repayments that vary significantly with changes in market interest rates.

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2010 and 2009

Table 3.3 presents the contractual final maturities of the University's and Pension Trust Funds' debt securities, which are not intended to reflect actual projected cash flows, as of June 30, 2010 and 2009, respectively:

**Table 3.3 - Debt Securities by Type and Maturity** (in thousands)

As of June 30,	University of Missouri		University of Missouri Pension Trust Funds	
	2010	2009	2010	2009
<b>U.S. Treasury Obligations</b>				
Less than 1 Year	\$ 3,822	\$ 10,175	\$ 2,151	\$ 8,752
1-5 Years	119,210	68,568	135,475	105,556
6-10 Years	116,229	82,993	137,655	85,128
More than 10 Years	43,084	127,692	133,488	85,098
<b>Total U.S Treasury Obligations</b>	<b>282,345</b>	<b>289,428</b>	<b>408,769</b>	<b>284,534</b>
<b>U.S. Agency Obligations</b>				
Less than 1 Year	30,023	107,416	-	2,740
1-5 Years	342,720	95,783	51	2,069
6-10 Years	214,343	38,953	979	945
More than 10 Years	101,804	101,627	-	-
<b>Total U.S. Agency Obligations</b>	<b>688,890</b>	<b>343,779</b>	<b>1,030</b>	<b>5,754</b>
<b>Asset-Backed Securities</b>				
Less than 1 Year	-	-	-	-
1-5 Years	1,091	1,496	3,174	9,122
6-10 Years	1,018	1,534	2,376	3,292
More than 10 Years	18,920	62,749	38,349	131,477
<b>Total Asset-Backed Securities</b>	<b>21,029</b>	<b>65,779</b>	<b>43,899</b>	<b>143,891</b>
<b>Government - Foreign</b>				
Less than 1 Year	3,306	1,325	17,139	2,188
1-5 Years	23,377	13,283	43,132	36,852
6-10 Years	28,376	42,051	56,595	116,626
More than 10 Years	13,574	15,153	28,649	30,352
<b>Total Government - Foreign</b>	<b>68,633</b>	<b>71,812</b>	<b>145,515</b>	<b>186,018</b>
<b>Corporate - Domestic</b>				
Less than 1 Year	28,620	28,892	4,277	14,854
1-5 Years	172,229	112,794	51,460	19,802
6-10 Years	48,272	47,389	105,798	25,093
More than 10 Years	4,332	2,721	13,094	4,057
<b>Total Corporate - Domestic</b>	<b>253,453</b>	<b>191,796</b>	<b>174,629</b>	<b>63,806</b>
<b>Corporate - Foreign</b>				
Less than 1 Year	5,116	2,682	13,867	8,221
1-5 Years	37,319	26,488	82,328	49,327
6-10 Years	9,614	12,953	25,131	33,578
More than 10 Years	5,490	8,172	11,394	17,551
<b>Total Corporate - Foreign</b>	<b>57,539</b>	<b>50,295</b>	<b>132,720</b>	<b>108,677</b>
<b>Total Debt Securities</b>	<b>\$ 1,371,889</b>	<b>\$ 1,012,889</b>	<b>\$ 906,562</b>	<b>\$ 792,680</b>

**Foreign Exchange Risk** –Foreign exchange risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. University and Retirement Trust

investment policies allow for exposure to non-U.S. dollar denominated equities and fixed income securities, which may be fully or partially hedged using forward foreign currency exchange contracts.

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

At June 30, 2010 and 2009, 17.3% and 16.5%, respectively, of the University's total investments and cash and cash equivalents were denominated in foreign currencies. Forward foreign currency contracts with notional amounts totaling \$138,042,000 and \$120,576,000 were in place at June 30, 2010 and 2009, respectively. At June 30, 2010 and 2009, 32.7% and

32.4%, respectively, of the Pension Trust Funds' total investments and cash equivalents were denominated in foreign currencies. Forward foreign currency contracts with notional amounts totaling \$310,673,000 and \$313,321,000 were in place at June 30, 2010 and 2009, respectively.

The University's and Pension Trust Funds' exposure to foreign exchange risk as of June 30, 2010 and 2009:

**Table 3.4 - Foreign Exchange Risk** (in thousands)

As of June 30,	University of Missouri		University of Missouri Pension Trust Funds	
	2010	2009	2010	2009
<b>Debt Securities</b>				
Euro	\$ 51,625	\$ 59,275	\$ 123,658	\$ 146,509
Australian Dollar	9,840	6,736	19,940	13,206
Canadian Dollar	6,126	4,330	17,631	10,432
British Pound Sterling	6,528	9,737	13,724	18,881
Japanese Yen	8,587	19,897	11,019	61,312
Danish Krone	2,900	519	5,356	1,398
Malaysian Ringgit	2,603	517	4,517	943
South Korean Won	2,240	531	3,942	1,257
Singapore Dollar	2,201	1,118	3,652	2,275
Mexican New Peso	2,145	1,103	3,486	2,074
Other	4,796	1,916	8,106	3,514
	<b>99,591</b>	<b>105,679</b>	<b>215,031</b>	<b>261,801</b>
<b>Equity Securities</b>				
Euro	49,195	56,592	75,677	130,969
Japanese Yen	30,136	29,248	47,141	68,315
British Pound Sterling	26,514	24,295	41,599	58,323
Australian Dollar	7,078	5,504	10,501	27,533
Canadian Dollar	5,210	7,221	8,733	12,451
Swiss Franc	10,868	11,489	19,256	14,255
Hong Kong Dollar	4,891	5,011	8,459	11,011
Swedish Krona	1,321	2,230	3,135	4,921
Other	3,064	2,094	5,936	4,492
	<b>138,277</b>	<b>143,684</b>	<b>220,437</b>	<b>332,270</b>
<b>Commingled Funds</b>				
Various currency denominations:				
Debt Securities - Foreign	55,745	-	124,241	-
Equity Securities - Foreign	127,763	62,376	228,139	133,394
	<b>183,508</b>	<b>62,376</b>	<b>352,380</b>	<b>133,394</b>
<b>Cash and Cash Equivalents</b>				
Euro	4,311	4,590	5,357	9,118
Japanese Yen	147	250	365	493
British Pound Sterling	179	760	477	1,605
Other	223	320	708	693
	<b>4,860</b>	<b>5,920</b>	<b>6,907</b>	<b>11,909</b>
<b>Total Exposure to Foreign Exchange Risk</b>	<b>\$ 426,236</b>	<b>\$ 317,659</b>	<b>\$ 794,755</b>	<b>\$ 739,374</b>

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

**Commingled Funds** - Includes Securities and Exchange Commission regulated mutual funds and externally managed funds, limited partnerships, and corporate structures which are generally unrated and unregulated. Certain commingled funds may use derivatives, short positions and leverage as part of their investment strategy. These investments are structured to limit risk exposure to the amount of invested capital. Commingled funds have liquidity (redemption) provisions, which enable the University and Pension Trust Funds to make full or partial withdrawals with notice, subject to restrictions on the timing and amount.

Of the University's and Pension Trust Funds' commingled funds at June 30, 2010, approximately 85% and 83%, respectively, are redeemable within 90 days, with the remaining redeemable within one year.

**Nonmarketable Alternative Investments** - Consists of limited partnerships involving an advance commitment of capital called by the general partner as needed and distributions of capital and return on invested capital as underlying strategies are concluded during the life of the partnership. The committed but unpaid obligation to these limited partnerships is further discussed in Note 12.

**Securities Lending Transactions** – The University and Pension Trust Funds each participate in an external investment pool securities lending program to augment income. The program is administered by the custodial agent bank, which lends equity, government and corporate securities for a predetermined period of time to an independent broker/dealer (borrower) in exchange for collateral. Collateral may be cash, U.S. Government securities, defined letters of credit or other collateral approved by the University or Pension Trust Funds. Loaned domestic securities are initially collateralized at 102% of their fair value, while loaned international securities are collateralized at 105% of fair value. Exposure to credit risk from borrower default has been minimized by having the custodial agent bank determine daily that required collateral meets a minimum of 100% of the fair value of loaned domestic securities and 105% for loaned international securities.

For the University, at June 30, 2010 and 2009, there were a total of \$120,792,000 and \$114,610,000, respectively, of securities out on loan to borrowers.

The value of collateral received from the borrower for these securities consisted of \$111,557,000 cash and \$12,553,000 noncash collateral at June 30, 2010 and \$115,291,000 cash and \$2,212,000 noncash collateral at June 30, 2009.

For the Pension Trust Funds, at June 30, 2010 and 2009, there were a total of \$302,918,000 and \$232,477,000, respectively, of securities out on loan to borrowers. The value of collateral received from the borrower for these securities consisted of \$277,747,000 cash and \$31,925,000 noncash collateral at June 30, 2010 and \$221,242,000 cash and \$16,745,000 noncash collateral at June 30, 2009.

Cash collateral received from the borrower is invested by the custodial agent bank in investment pools in the name of the University and Pension Trust Funds, with guidelines approved by each. These investments are shown as Investment of Cash Collateral in the Statement of Net Assets and reported at fair value, with changes in market value recorded in Investment and Endowment Income on the Statement of Revenues, Expenses, and Changes in Net Assets. Noncash collateral received for securities lending activities is not recorded as an asset because the University and Pension Trust Funds do not have the ability to pledge or sell such collateral unless the borrower defaults.

The University and Pension Trust Funds continue to receive interest and dividends during the loan period. The maturities of the investments made with the cash collateral generally match the maturities of the securities lent. At June 30, 2010 and 2009, neither the University nor the Pension Trust Funds have any credit risk exposure arising from the actual securities lending transactions since the collateral received from the borrower exceeds the value of the securities lent. Further, the University and Pension Trust Funds are fully indemnified by the custodial bank against any losses incurred as a result of borrower default.



# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

### DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

**Investments** – The investment policies of Medical Alliance are established by its board of directors. The policies are established to ensure that Medical Alliance funds are managed in accordance with the “Prudent Man Rule.”

Medical Alliance investments are presented at fair value in accordance with FASB Accounting Standards Update 820, which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to measurements involving significant unobservable inputs. The three levels of the fair value hierarchy are as follows: Level 1 - Quoted prices in active markets for identical assets that the Medical Alliance has the ability to access at the measurement date; Level 2 - Inputs other than quoted market prices included in Level 1, that are observable for the asset, either directly or indirectly; and, Level 3 - Inputs that are unobservable for the asset. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

At June 30, 2010 and 2009, Medical Alliance held the following investments:

**Table 3.5 - Medical Alliance Cash, Cash Equivalents, and Investments**

As of June 30, (in thousands)	2010	2009
Fair Value - Level 1		
Money Market Accounts	\$ 21,982	\$ 20,962
Certificates of Deposit	10,641	20,387
Corporate Bonds	3,173	-
U.S. Treasury Obligations	74	74
Cash and Other Cash Equivalents	5,944	6,622
<b>Total Fair Value - Level 1</b>	<b>41,814</b>	<b>48,045</b>
Fair Value - Level 2		
Mortgage-Backed Securities	14,500	-
Repurchase Agreements	3,071	-
<b>Total Fair Value - Level 2</b>	<b>17,571</b>	<b>-</b>
<b>Total Cash, Cash Equivalents, and Investments</b>	<b>\$ 59,385</b>	<b>\$ 48,045</b>

### 4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2010 and 2009, are summarized as follows:

**Table 4.1 - Accounts Receivable (in thousands)**

	2010	2009
Grants and Contracts	\$ 68,687	\$ 70,206
Federal Appropriations	7,152	2,889
State Appropriations and State Bond Funds	7,221	4,585
Student Fees and Other Academic Charges	93,850	88,514
University Health System Patient Services, Net of Contractual Allowances	103,110	108,005
<b>Subtotal</b>	<b>280,020</b>	<b>274,199</b>
Less Provisions for Loss:		
Grants & Contracts	445	583
University Health System Patient Services	23,656	26,126
Student Fees and Other Academic Charges	6,459	6,165
<b>Subtotal</b>	<b>30,560</b>	<b>32,874</b>
<b>Total Accounts Receivable, Net</b>	<b>\$ 249,460</b>	<b>\$ 241,325</b>

### 5. NOTES RECEIVABLE

Notes receivable consist of resources available for financial loans to students. These resources are provided through Federal loan programs and University loan programs generally funded by external sources. Notes receivable at June 30, 2010 and 2009, are summarized as follows:

**Table 5.1 - Notes Receivable (in thousands)**

	2010	2009
Federal Health Profession Loans	\$ 14,643	\$ 14,212
Carl D. Perkins National Loans	30,381	31,011
University Loan Programs	18,225	18,353
<b>Subtotal</b>	<b>63,249</b>	<b>63,576</b>
Less Provisions for Loss		
	3,568	3,488
<b>Total Notes Receivable, Net</b>	<b>\$ 59,681</b>	<b>\$ 60,088</b>

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

### 6. CAPITAL ASSETS

UNIVERSITY OF MISSOURI

Capital assets activity for the years ended June 30, 2010 and 2009, is summarized as follows:

**Table 6.1 - Capital Assets** (in thousands)

	2010 Beginning Balance	Additions/ Transfers	Retirements	2010 Ending Balance
Capital Assets, Nondepreciable:				
Land	\$ 69,325	\$ 3,758	\$ (226)	\$ 72,857
Artwork and Historical Artifacts	11,854	775	(5)	12,624
Construction in Progress	118,895	37,706	-	156,601
<b>Total Capital Assets, Nondepreciable</b>	<b>200,074</b>	<b>42,239</b>	<b>(231)</b>	<b>242,082</b>
Capital Assets, Depreciable:				
Buildings and Improvements	2,587,249	168,782	(1,412)	2,754,619
Infrastructure	252,454	14,622	(13)	267,063
Equipment	592,429	64,890	(22,959)	634,360
Library Materials	235,517	5,073	-	240,590
<b>Total Capital Assets, Depreciable</b>	<b>3,667,649</b>	<b>253,367</b>	<b>(24,384)</b>	<b>3,896,632</b>
Less Accumulated Depreciation:				
Buildings and Improvements	858,606	80,053	(1,118)	937,541
Infrastructure	102,703	11,287	-	113,990
Equipment	369,360	54,290	(21,485)	402,165
Library Materials	144,202	6,451	-	150,653
<b>Total Accumulated Depreciation</b>	<b>1,474,871</b>	<b>152,081</b>	<b>(22,603)</b>	<b>1,604,349</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>2,192,778</b>	<b>101,286</b>	<b>(1,781)</b>	<b>2,292,283</b>
<b>Total Capital Assets, Net</b>	<b>\$ 2,392,852</b>	<b>\$ 143,525</b>	<b>\$ (2,012)</b>	<b>\$ 2,534,365</b>

	2009 Beginning Balance	Additions/ Transfers	Retirements	2009 Ending Balance
Capital Assets, Nondepreciable:				
Land	\$ 66,030	\$ 3,654	\$ (359)	\$ 69,325
Artwork and Historical Artifacts	11,663	191	-	11,854
Construction in Progress	180,386	(61,491)	-	118,895
<b>Total Capital Assets, Nondepreciable</b>	<b>258,079</b>	<b>(57,646)</b>	<b>(359)</b>	<b>200,074</b>
Capital Assets, Depreciable:				
Buildings and Improvements	2,322,026	267,713	(2,490)	2,587,249
Infrastructure	227,752	24,702	-	252,454
Equipment	557,275	57,880	(22,726)	592,429
Library Materials	227,712	7,805	-	235,517
<b>Total Capital Assets, Depreciable</b>	<b>3,334,765</b>	<b>358,100</b>	<b>(25,216)</b>	<b>3,667,649</b>
Less Accumulated Depreciation:				
Buildings and Improvements	795,529	63,982	(905)	858,606
Infrastructure	93,171	9,532	-	102,703
Equipment	339,401	50,767	(20,808)	369,360
Library Materials	137,316	6,886	-	144,202
<b>Total Accumulated Depreciation</b>	<b>1,365,417</b>	<b>131,167</b>	<b>(21,713)</b>	<b>1,474,871</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>1,969,348</b>	<b>226,933</b>	<b>(3,503)</b>	<b>2,192,778</b>
<b>Total Capital Assets, Net</b>	<b>\$ 2,227,427</b>	<b>\$ 169,287</b>	<b>\$ (3,862)</b>	<b>\$ 2,392,852</b>

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

The estimated cost to complete construction in progress at June 30, 2010, is \$536,742,000 of which \$196,694,000 is available from unrestricted net assets. The remaining costs are expected to be funded from \$65,282,000 of State appropriations, \$20,400,000 of gifts, \$17,437,000 of grants, and \$236,929,000 of bond proceeds.

Capital assets include a building facility under a capital lease of \$8,332,000 and related accumulated depreciation of \$4,478,000 and \$4,062,000 at June 30, 2010 and 2009, respectively, and equipment under a capital lease of \$964,000 and related accumulated depreciation of \$164,000 and \$0 at June 30, 2010 and 2009, respectively.

### DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

Capital assets at June 30, 2010 and 2009 are summarized as follows:

**Table 6.2 - Medical Alliance - Capital Assets**

<i>(in thousands)</i>	2010	2009
Land & Improvements	\$ 6,482	\$ 6,219
Buildings	112,740	109,496
Movable Equipment	72,899	73,577
Construction in Progress	702	1,627
	192,823	190,919
Less Accumulated Depreciation	119,139	113,440
<b>Total Capital Assets, Net</b>	<b>\$ 73,684</b>	<b>\$ 77,479</b>

## 7. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2010 and 2009, are summarized as follows:

**Table 7.1 - Accrued Liabilities** *(in thousands)*

	2010	2009
Accrued Salaries, Wages & Benefits	\$ 51,095	\$ 48,045
Accrued Vacation	42,393	42,775
Accrued Self Insurance Claims	37,004	35,054
Accrued Interest Payable	7,817	4,963
<b>Total Accrued Liabilities</b>	<b>\$ 138,309</b>	<b>\$ 130,837</b>

## 8. OTHER NONCURRENT LIABILITIES

**Table 8.1 - Other Noncurrent Liabilities** *(in thousands)*

Fiscal Year 2010	Beginning of			Total End of	Less Current	Noncurrent
	Year	Additions	Payments			
Accrued Vacation	\$ 54,986	\$ 39,602	\$ (38,847)	\$ 55,741	\$ (42,393)	\$ 13,348
Accrued Self-Insurance Claims	73,266	191,350	(187,115)	77,501	(37,004)	40,497
	<b>\$ 128,252</b>	<b>\$ 230,952</b>	<b>\$ (225,962)</b>	<b>\$ 133,242</b>	<b>\$ (79,397)</b>	<b>\$ 53,845</b>

Fiscal Year 2009	Beginning of			Total End of	Less Current	Noncurrent
	Year	Additions	Payments			
Accrued Vacation	\$ 51,327	\$ 40,750	\$ (37,091)	\$ 54,986	\$ (42,775)	\$ 12,211
Accrued Self-Insurance Claims	67,328	177,386	(171,358)	73,266	(35,054)	38,212
	<b>\$ 118,655</b>	<b>\$ 218,136</b>	<b>\$ (208,449)</b>	<b>\$ 128,252</b>	<b>\$ (77,829)</b>	<b>\$ 50,423</b>

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

### 9. LONG-TERM DEBT

The University's outstanding debt at June 30, 2010 and 2009, with corresponding activity, is as follows:

**Table 9.1 - Long-Term Debt** (in thousands)

<b>As of June 30, 2010</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
System Facilities Revenue Bonds - Fixed	\$ 610,185	\$ 332,060	\$ (22,520)	\$ 919,725	\$ 27,765
System Facilities Revenue Bonds - Variable	226,120	-	(1,195)	224,925	1,245
Unamortized Premium	20,967	5,544	(1,511)	25,000	-
Unamortized Loss on Defeasance	(10,348)	-	593	(9,755)	-
<b>Net System Facilities Revenue Bonds</b>	<b>846,924</b>	<b>337,604</b>	<b>(24,633)</b>	<b>1,159,895</b>	<b>29,010</b>
Capital Project Notes	-	125,000	(125,000)	-	-
Notes Payable	2,064	-	(378)	1,686	390
Capital Lease Obligations	8,973	-	(829)	8,144	739
<b>Total Long-Term Debt</b>	<b>\$ 857,961</b>	<b>\$ 462,604</b>	<b>\$ (150,840)</b>	<b>\$ 1,169,725</b>	<b>\$ 30,139</b>

<b>As of June 30, 2009</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
System Facilities Revenue Bonds - Fixed	\$ 629,865	\$ -	\$ (19,680)	\$ 610,185	\$ 22,520
System Facilities Revenue Bonds - Variable	227,240	-	(1,120)	226,120	1,195
Unamortized Premium	22,043	-	(1,076)	20,967	-
Unamortized Loss on Defeasance	(10,941)	-	593	(10,348)	-
<b>Net System Facilities Revenue Bonds</b>	<b>868,207</b>	<b>-</b>	<b>(21,283)</b>	<b>846,924</b>	<b>23,715</b>
Capital Project Notes	-	100,000	(100,000)	-	-
Notes Payable	2,460	-	(396)	2,064	378
Capital Lease Obligations	8,892	867	(786)	8,973	829
<b>Total Long-Term Debt</b>	<b>\$ 879,559</b>	<b>\$ 100,867</b>	<b>\$ (122,465)</b>	<b>\$ 857,961</b>	<b>\$ 24,922</b>

#### System Facilities Revenue Bonds

System Facilities Revenue Bonds have provided financing for capital expansion or renovation of various University facilities. The principal and interest of the bonds are payable from, and secured by a first lien on and pledge of, designated revenues which include the following: a portion of tuition and fees, sales and services from the financed facilities, such as bookstore collections, housing and dining charges, patient services, and parking collections, as well as certain assessed fees, such as the recreational facility fees, stadium surcharges, and student center fees. For fiscal years 2010 and 2009, available related operating revenues totaled \$921,667,000 and \$880,993,000, respectively, while annual debt service, including net payments on associated interest rate swaps, totaled \$76,142,000 and \$56,977,000, respectively. The ratio of annual debt service to available operating revenues was 8.3% and 6.5% for fiscal years 2010 and 2009, respectively.

\$256,300,000 in taxable Series 2009A Bonds designated as "Build America Bonds" under the Internal Revenue Code of 1986, as amended, and \$75,760,000 in traditional tax exempt Series 2009B Bonds. With respect to the Series 2009A bonds, the University will receive a cash subsidy payment from the United States Treasury in an amount equal to 35% of the interest payable on each interest payment date. Proceeds from issuance of the Series 2009A and 2009B bonds are being used to finance construction or renovation of housing facilities on the Columbia, Kansas City, and Missouri Science and Technology (Missouri S&T) campuses, renovation of power plant and other energy management improvements on the Columbia campus, construction of a new student union facility on the Kansas City campus, Research Park office facility on the Missouri S&T campus, new patient care tower and Missouri Orthopaedic Institute at the Health System, and renovation, furnishing and equipping various other facilities, and to finance capitalized interest and certain costs of issuance.

On July 23, 2009, the University issued \$332,060,000 of System Facilities Revenue Bonds, consisting of

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

For the year ended June 30, 2010, the University earned cash subsidy payments from the United States Treasury totaling \$5,020,000 for designated Build

America Bonds outstanding, which was recorded as Federal Appropriations on the Statement of Revenues, Expenses, and Changes in Net Assets.

**Table 9.2 - System Facilities Revenue Bonds** (in thousands)

Series	Type	Current			Balance June 30,	
		Coupon	Final Maturity	Original Issue	2010	2009
1998	Fixed	4.60% - 5.10%	11/1/2017	\$ 65,010	\$ 11,155	\$ 13,130
2000A	Fixed	5.20%	11/1/2010	28,950	3,620	7,055
2001B	Fixed	5.13% - 5.50%	11/1/2027	44,975	42,060	43,405
2003A	Fixed	3.75% - 5.25%	11/1/2014	118,080	11,620	13,615
2003B	Fixed	3.00% - 5.00%	11/1/2023	37,085	28,575	30,075
2006A	Fixed	3.40% - 5.00%	11/1/2028	260,975	235,195	242,675
2007A	Fixed	4.00% - 5.00%	11/1/2037	262,970	255,440	260,230
2009A (1)	Fixed	5.96%	11/1/2039	256,300	256,300	-
2009B	Fixed	3.00% - 5.00%	11/1/2021	75,760	75,760	-
<b>Total Fixed Rate Bonds</b>				<b>1,150,105</b>	<b>919,725</b>	<b>610,185</b>
2000B	Variable	0.14% (2)	11/1/2030	50,000	50,000	50,000
2001A	Variable	0.14% (2)	11/1/2031	39,225	33,685	34,505
2006B	Variable	0.13% (2)	11/1/2035	39,705	39,705	39,705
2007B	Variable	0.25% (2)	11/1/2031	102,250	101,535	101,910
<b>Total Variable Rate Demand Bonds</b>				<b>231,180</b>	<b>224,925</b>	<b>226,120</b>
<b>Total System Facilities Revenue Bonds</b>				<b>\$ 1,381,285</b>	<b>\$ 1,144,650</b>	<b>\$ 836,305</b>

(1) Taxable issue designated as Build America Bonds under the Internal Revenue Code of 1986, as amended.

(2) As of June 30, 2010; rates are determined daily or weekly by the remarketing agents. The rate is usually within a range at or near the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA Index) rate, which resets weekly.

System Facilities Revenue Bonds, Series 2000B, Series 2001A, Series 2006B, and Series 2007B are variable rate demand bonds with remarketing features which allow bondholders to put debt back to the University. Because the University is the sole source of liquidity should the option to tender be exercised by the bondholder, these variable rate demand bonds are classified in their entirety as current liabilities on the Statement of Net Assets, with the balance in excess of actual current principal maturities reported as Long-Term Debt Subject to Remarketing.

In-substance defeased bonds aggregating \$96,965,000 are outstanding at both June 30, 2010 and 2009.

### Interest Rate Swap Agreements

With an objective of lowering the University's borrowing costs, when compared against fixed-rate bonds at the time of issuance, the University entered into interest rate swap agreements in connection with certain variable-rate System Facilities Revenue Bonds. Under each of the swap agreements, the University pays the swap counterparty a fixed interest rate payment and receives a variable rate interest rate payment that effectively changes a component of the University's variable interest rate bonds to fixed rate debt. Table 9.3 presents the terms of the outstanding swaps and their fair values at June 30, 2010.

**Table 9.3 - Interest Rate Swaps** (in thousands)

Type	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value	Counterparty Credit Rating
Pay fixed; receive variable	\$ 40,000	7/18/2002	11/1/2032	Pay 3.950%; receive SIFMA Index	\$ (8,488)	Aa1 / AA-
Pay fixed; receive variable	101,535	7/26/2007	11/1/2031	Pay 3.798%; receive 68% of 1-Month LIBOR	(22,192)	Aa1 / AA-
<b>Total</b>	<b>\$ 141,535</b>				<b>\$ (30,680)</b>	

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

The 2002 swap does not specifically hedge any currently outstanding bond issue; rather, it serves to reduce the overall exposure to interest rate risk on the University's variable bonds not otherwise specifically hedged. The notional amount is fixed at \$40,000,000 over the life of the agreement. The 2007 swap specifically hedges System Facilities Revenue Bond Series 2007B, the effectiveness of which has been determined using the synthetic instrument method. The notional amount of the 2007 swap is equal to the outstanding balance of the Series 2007B bonds.

With the adoption of GASB Statement No. 53, *Accounting and Reporting for Derivative Instruments*, in fiscal year 2010, the University now recognizes the fair value and corresponding changes in fair value of the outstanding swaps in the University's financial statements.

Changes in fair value of the outstanding swaps, including impact of adoption of GASB Statement No. 53 in the current fiscal year, with respective financial statement presentation, is presented in Table 9.4:

**Table 9.4 - Interest Rate Swaps - Change in Fair Value** (in thousands)

Type	Fair Value at June 30,		Change in	
	2010	2009	Fair Value	Presentation of Change in Fair Value
2002 Swap - Investment Derivative	\$ (8,488)	\$ (6,163)	\$ (2,325)	Investment and Endowment Income, Net
<i>Effect due to adoption of GASB No.53</i>	-	-	(6,163)	<i>Cumulative Effect of Change in Accounting Principles</i> Statement of Changes in Revenues, Expenses, and Changes in Net Assets
2007 Swap - Cash Flow Hedge	(22,192)	(17,441)	(4,751)	Deferred Outflow of Resources
<i>Effect due to adoption of GASB No.53</i>	-	-	(17,441)	<i>Deferred Outflow of Resources</i> Statement of Net Assets
<b>Total</b>	<b>\$ (30,680)</b>	<b>\$ (23,604)</b>	<b>\$ (30,680)</b>	

**Fair Value.** There is a risk that the fair value of a swap could be adversely affected by changing market conditions. The fair values, developed using the zero coupon method with proprietary models, were prepared by the counterparty, JPMorgan Chase Bank, N.A., a major U.S. financial institution. The zero coupon method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each net settlement of the swap. The fair value of the interest rate swaps is the estimated amount the University would have either (paid) or received if the swap agreements were terminated on June 30, 2010.

fair values are not exposed to credit risk. Collateral requirements apply to both parties and are determined by a combination of credit ratings and the aggregate fair value of all outstanding swap agreements as presented in Table 9.5:

**Table 9.5 - Swap Collateral Requirements**

Credit Rating	Fair Value
(S&P / Moody's)	Threshold
	(in thousands)
AAA/Aaa	\$ 50,000
AA+/Aa1	30,000
AA/Aa2	30,000
AA-/Aa3	20,000
A+/A1	20,000
A/A2	10,000
A-/A3	10,000
BBB+/Baa1	5,000

**Credit Risk.** Although the University has entered into the interest rate swaps with a creditworthy financial institution, there is credit risk for losses in the event of non-performance by the counterparty. Subject to applicable netting arrangements, swap contracts with positive fair values are exposed to credit risk. The University faces a maximum possible loss equivalent to the amount of the derivative's fair value. Subject to applicable netting arrangements, swaps with negative

If the aggregate fair value is positive and exceeds the fair value threshold for the applicable credit rating, the counterparty is required to post collateral. If the aggregate fair value is negative and exceeds the fair value threshold for the applicable credit rating, the University is required to post collateral. Permitted collateral for either party includes U.S. Treasuries, U.S. government agencies, cash, and commercial paper rated A1/P1 by S&P or Moody's, respectively. On June

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

29, 2010, the negative aggregate fair value first exceeded \$30,000,000, which is the current fair value threshold for the University given a Moody's rating of Aa1. Per the terms of the agreement with the counterparty, the University was given notice of the collateral requirement on June 30, 2010 and subsequently posted collateral with the counterparty on July 1, 2010 as required.

*Basis Risk.* The variable-rate payments received by the University on the 2007 swap are determined by 68% of one month LIBOR, whereas the interest rates paid by the University on its variable-rate bonds correspond to the SIFMA Index. The University is exposed to basis risk only to the extent that the historical relationship between these variable market rates changes going forward, resulting in a variable-rate payment received on the 2007 swap that is significantly less than the variable-rate interest payment on the bonds.

*Termination Risk.* The University is exposed to termination risk for both interest rate swaps as the

counterparty has the right to terminate the agreements in certain circumstances. For the 2002 swap, the counterparty has a contractual right to terminate the agreement if the daily weighted average of the SIFMA Index for the preceding 30 calendar day period is greater than 7.00%. With regard to the 2007 swap, the counterparty has a contractual right to terminate the agreement if the daily weighted average of the SIFMA Index for the preceding 180 days is greater than 6.00%. The SIFMA Index was 0.25% at June 30, 2010.

Table 9.6 provides future debt service requirements for the System Facilities Revenue Bonds, including the impact of both interest rate swap agreements. With respect to the inclusion of variable rate bond interest payments and net payments on swaps, the following data was based upon variable rates in effect at June 30, 2010. As market rates vary, variable rate bond interest payments and net swap payments will vary.

**Table 9.6 - Future Debt Service - System Facilities Revenue Bonds** (in thousands)

Fiscal Year	Principal	Interest	Hedging Derivatives, Net	Total Before		Investment Derivatives, Net	Total
				Derivatives	Derivatives, Net		
2011	\$ 29,010	\$ 46,530	\$ 3,604	\$ 79,144	\$ 1,456	\$ 80,600	
2012	27,990	45,370	3,589	76,949	1,456	78,405	
2013	29,510	44,240	3,574	77,324	1,456	78,780	
2014	30,825	43,027	3,559	77,411	1,456	78,867	
2015	31,805	41,766	3,544	77,115	1,456	78,571	
2016-2020	180,685	188,434	16,027	385,146	7,280	392,426	
2021-2025	224,705	148,219	12,731	385,655	7,280	392,935	
2026-2030	259,575	97,968	6,793	364,336	7,280	371,616	
2031-2035	190,220	56,712	562	247,494	3,397	250,891	
2036-2040	140,325	16,960	-	157,285	-	157,285	
	<b>\$ 1,144,650</b>	<b>\$ 729,226</b>	<b>\$ 53,983</b>	<b>\$ 1,927,859</b>	<b>\$ 32,517</b>	<b>\$ 1,960,376</b>	

### Capital Project Notes

During the years ended June 30, 2010 and 2009, the University sold \$125,000,000 and \$100,000,000 of capital project notes at effective interest rates of 0.4% and 1.7%, respectively. The maximum amount of notes outstanding was \$125,000,000 and \$100,000,000 and all were repaid in full by June 30, 2010 and 2009, respectively. Proceeds from the issuance of the capital project notes were used to fund various construction projects.

Capital Projects Notes are secured by the University's unrestricted revenues (generally state appropriations for general operations, student fee revenue, and other operating revenues), plus unencumbered balances from prior fiscal years. These balances totaled approximately \$1,800,000,000 by the end of fiscal year 2010. Excluded are revenues from auxiliary enterprises (such as bookstore and housing operations), the Health System, and other such facilities pledged to repay System Facilities Revenue Bonds.

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

### Notes Payable

Notes payable consist of two loans from the state Department of Natural Resources Energy Efficiency Leveraged Loan Program. Interest is payable semiannually and ranges from 3.0% to 3.2%. One of these loans matures in February 2012, while the second loan matures in February 2016.

### Capital Lease Obligations

The University leases various facilities and equipment through capital leases. Facilities and equipment under capitalized leases are recorded at the present value of future minimum lease payments.

The future minimum payments on all capital leases at June 30, 2010, are as follows:

**Table 9.7 - Future Capital Lease Payments**

Year Ending June 30	Amount <i>(in thousands)</i>
2011	\$ 1,712
2012	1,711
2013	1,563
2014	1,563
2015	1,563
2016-2020	6,642
Total Future Minimum Payments	14,754
Less: Amount Representing Interest	(6,610)
<b>Present Value of Future Minimum Lease Payments</b>	<b>\$ 8,144</b>

### DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

The Medical Alliance's outstanding debt at June 30, 2010 and 2009, with corresponding activity, is as follows:

**Table 9.8 - Long-Term Debt - Medical Alliance** *(in thousands)*

As of June 30, 2010	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Health Facilities Revenue Bonds Series 1998	\$ 20,110	\$ -	\$ (600)	\$ 19,510	\$ 635
Health Facilities Revenue Bonds Series 2004	15,980	-	(410)	15,570	420
Total Bonds Payable	36,090	-	(1,010)	35,080	1,055
Capital Lease Obligations	4,832	-	(1,079)	3,753	1,099
<b>Total Long-Term Debt</b>	<b>\$ 40,922</b>	<b>\$ -</b>	<b>\$ (2,089)</b>	<b>\$ 38,833</b>	<b>\$ 2,154</b>

As of June 30, 2009	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Health Facilities Revenue Bonds Series 1998	\$ 20,685	\$ -	\$ (575)	\$ 20,110	\$ 600
Health Facilities Revenue Bonds Series 2004	16,375	-	(395)	15,980	410
Total Bonds Payable	37,060	-	(970)	36,090	1,010
Capital Lease Obligations	71	5,584	(823)	4,832	1,061
<b>Total Long-Term Debt</b>	<b>\$ 37,131</b>	<b>\$ 5,584</b>	<b>\$ (1,793)</b>	<b>\$ 40,922</b>	<b>\$ 2,071</b>

### Bonds Payable

In June 2004, the Medical Alliance issued \$17,500,000 of tax-exempt Health Facilities Revenue Bonds Series 2004 through the Health and Educational Facilities Authority of the state of Missouri. The bonds proceeds were used primarily to pay or reimburse the costs of acquiring, constructing and equipping certain health facilities of Medical Alliance.

Similar to the Series 1998 bonds, the Series 2004 bonds were issued pursuant to the Master Trust Indenture dated December 1, 1998, as supplemented on June 1, 2004. Under the terms of the Master Trust

Indenture (the "Master Indenture"), Medical Alliance is required to make payments of principal, premium, if any, and interest on the bonds. The Series 1998 and 2004 bonds are secured by the unrestricted receivables of Medical Alliance. In addition, the Master Indenture contains certain restrictions on the operations and activities of Medical Alliance, including, among other things, covenants restricting the incurrence of additional indebtedness and the creation of liens on property, except as permitted by the Master Indenture.



# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

The Master Indenture has mandatory sinking fund redemption requirements in which funds are required to be set aside beginning in 2014 and 2025 for the Series 1998 bonds and Series 2004 bonds, respectively.

Interest expense incurred on the bonds during the years ended June 30, 2010 and 2009 was \$1,867,000 and \$1,910,000, respectively, of which \$93,000 and \$100,000 were capitalized during the years ended June 30, 2010 and 2009, respectively.

As of June 30, 2010, the total of principal and interest due on bonds during the next five years and in subsequent five-year periods is as follows:

**Table 9.9 - Future Debt Service - Medical Alliance** (in thousands)

Fiscal Year	Principal	Interest	Total
2011	\$ 1,055	\$ 1,828	\$ 2,883
2012	1,105	1,779	2,884
2013	1,155	1,725	2,880
2014	1,210	1,669	2,879
2015	1,270	1,607	2,877
2016-2020	7,375	6,971	14,346
2021-2025	9,520	4,766	14,286
2026-2030	12,390	1,803	14,193
	<b>\$ 35,080</b>	<b>\$ 22,148</b>	<b>\$ 57,228</b>

### Capital Leases

The Medical Alliance leases certain equipment through capital leases. Equipment under capitalized leases is recorded at the present value of future minimum lease payments.

The future minimum payments on all capital leases at June 30, 2010, are as follows:

**Table 9.10 - Future Capital Lease Payments** Medical Alliance (in thousands)

Year Ending June 30	Amount
2011	\$ 1,225
2012	1,225
2013	1,225
2014	329
Total Future Minimum Payments	4,004
Less: Amount Representing Interest	(251)
<b>Present Value of Future Minimum Lease Payments</b>	<b>\$ 3,753</b>

## 10. RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; natural disasters; and various medically related benefit programs for employees. The University funds these losses through a combination of self-insured retentions and commercially purchased insurance. The amount of self-insurance funds and commercial insurance maintained are based upon analysis of historical information and actuarial estimates. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

The liability for self-insurance claims at June 30, 2010 and 2009 of \$77,501,000 and \$73,266,000, respectively, represents the present value of amounts estimated to have been incurred by those dates, using discount rates ranging from 2.5% to 3.6% for fiscal year 2010 and 3.7% to 4.5% for fiscal year 2009, based on expected future investment yield assumptions.

Changes in the self-insurance liability during fiscal years 2010, 2009, and 2008 were as follows:

**Table 10.1 - Self-Insurance Claims Liability** (in thousands)

Fiscal Year	New Claims		Claim Payments	End of Year
	Beginning of Year	and Changes in Estimates		
2010	\$ 73,266	\$ 191,350	\$ (187,115)	\$ 77,501
2009	67,238	177,386	(171,358)	73,266
2008	79,799	136,343	(148,904)	67,238

## 11. COMMITMENTS AND CONTINGENCIES

The University and Pension Trust Funds have made commitments to make investments in certain investment partnerships pursuant to provisions in the various partnership agreements. These commitments totaled \$16,040,000 and \$43,071,000 for the University and the Pension Trust Funds, respectively, at June 30, 2010.

The University leases various facilities and equipment under agreements recorded as operating leases. Operating lease expenses for the years ended June 30, 2010 and 2009 were \$19,162,000 and \$19,503,000, respectively.

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

Future minimum payments on all significant operating leases with initial or remaining terms of one year or more at June 30, 2010, are as follows:

**Table 11.1 - Future Operating Lease Payments**

Fiscal Year	Amount
2011	\$ 7,676
2012	3,187
2013	2,218
2014	1,750
2015	831
2016-2020	926
<b>Total Future Lease Payments</b>	<b>\$ 16,588</b>

In addition to the above lease obligations, the University has outstanding commitments for the usage and ongoing support of University Health System's information technology environment. As of January 2010, the University Health System began contracting for software usage and maintenance fees, as well as, labor costs for approximately 100 full-time equivalent employees, with the Cerner Corporation. This agreement, called IT Works, represents the labor and software component of a cooperative relationship between the University Health System and Cerner Corporation referred to as the Tiger Institute for Health Innovation (the Tiger Institute). The Tiger Institute provides continued development of information technology within the clinical areas, as well as developing new technology initiatives in health information systems.

As of June 30, 2010, these commitments totaled \$147,726,000 and will be paid in the following amounts: \$11,080,000 in 2011, \$13,002,000 in 2012, \$14,938,000 in 2013, \$15,386,000 in 2014, \$15,847,000 in 2015 and \$77,473,000 thereafter.

The University does not have any contingencies that are probable and estimable as of June 30, 2010.

## 12. RETIREMENT, DISABILITY AND DEATH BENEFIT PLAN

**Basis of Accounting** – The Retirement Plan's accounting records are prepared using the accrual basis of accounting. Employer contributions to the Retirement Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized

when due and payable in accordance with terms of the Retirement Plan. The Retirement Plan does not issue a separate financial report.

**Investment Valuation** – Investments are reported at fair value.

**Plan Description** – the Retirement Plan is a single employer, defined benefit plan for all qualified employees. As authorized by Section 172.300, Revised Statutes of Missouri, the University's Board of Curators administers the Retirement Plan and establishes its terms. Full-time employees vest in the Retirement Plan after five years of credited service and become eligible for benefits based on age and years of service. A vested employee who retires at age 65 or older is eligible for a lifetime annuity calculated at 2.2% times the credited service years times the compensation base. The employee's average compensation for the five highest consecutive salary years determines the compensation base. Academic members who provide summer teaching and research service receive additional summer service credit. At times, the Board of Curators may approve pension adjustments that increase the benefits paid to existing pensioners. However, vested members who leave the University prior to eligibility for retirement are not eligible for these pension increases.

**Table 12.1 - Retirement Plan Membership**

	2010	2009
Active Members		
Vested	10,538	10,302
Nonvested	7,688	7,758
Pensioners	7,092	6,866
Former Employees with		
Deferred Pensions	3,158	3,091
<b>Total Active Members</b>	<b>28,476</b>	<b>28,017</b>

Vested employees who are at least age 55 and have ten years or more of credited service or age 60 with at least five years of service may choose early retirement with a reduced benefit. However, if the employee retires at age 62 and has at least 25 years of credited service, the benefit is not reduced. Up to 30% of the retirement annuity can be taken in a lump sum payment. In addition, the standard annuity can be exchanged for an actuarially-equivalent annuity selected from an array of options with joint and survivor, period certain, and guaranteed annual increase features.

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

Vested employees who terminate prior to retirement eligibility may elect to transfer the actuarial equivalent of their benefit to an Individual Retirement Account or into another employer's qualified plan that accepts such rollovers. If the actuarial equivalent is less than \$20,000, it may instead be taken in the form of a lump sum payment.

The Retirement Plan allows vested employees who become disabled to continue accruing service credit until they retire. It also provides a pre-retirement death benefit for vested employees.

The Retirement Plan provides a minimum value feature for vested employees who terminate or retire. The member receives the greater of a benefit equal to the actuarial equivalent of 5% of the employee's eligible compensation invested at 7.5% per credited service year or the regularly calculated benefit.

**Contributions** – The University's contributions to the Retirement Plan are equal to the actuarially determined employer contribution requirement, as a percent of payroll, which averaged 4.9% and 5.9% of payroll for the years ended June 30, 2010 and 2009, respectively. Effective July 1, 2009, employees are required to contribute 1% of their salary up to \$50,000 in a calendar year and 2% of their salary in excess of \$50,000. The University's contribution rate is updated annually at the beginning of the University's fiscal year on July 1, to reflect the actuarially determined funding requirement from the most recent valuation, as of the preceding October 1. This actuarial valuation reflects the adoption of any Retirement Plan amendments during the previous fiscal year.

The University's annual pension cost and net pension obligation to the Retirement Plan for the current year, excluding the impact of employee contributions, along with three-year trend information, were as follows:

**Table 12.2 - Three-Year Trend Information** (in thousands)

Fiscal Year Ending	Annual Required		Contributions Made	Percentage of	
	Contribution (ARC)	Annual Pension Cost (APC)		APC Contributed	Net Pension Obligation
6/30/2008	\$ 72,284	\$ 72,284	\$ 72,284	100%	-
6/30/2009	56,663	56,663	56,663	100%	-
6/30/2010	48,040	48,040	48,040	100%	-

**Funded Status** – As of the most recent actuarial valuation date, October 1, 2009, the Retirement Plan was 100.9% funded. The actuarial accrued liability for benefits was \$2,819,524,000 and the actuarial value of the assets was \$2,843,422,000, resulting in excess funding of \$23,898,000. The covered payroll (annual payroll of active employees covered by the plan) was \$970,060,000, and the ratio of excess funding to covered payroll was 2.5%.

The Schedule of Funding Progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Actuarial Methods and Assumptions** – In the October 1, 2009 actuarial valuation, the entry age actuarial cost method was used. Actuarial assumptions included (1) an 8% rate of investment return net of administrative

expenses, and (2) projected salary increases ranging from 4.5% to 5.3% per year. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using techniques that spread effects of short-term volatility in the market value of investments over a 5-year period. The overfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 20 years from the October 1, 2009 valuation date.

### 13. OTHER POSTEMPLOYMENT BENEFITS

**Plan Description** – In addition to the pension benefits described in Note 12, the University operates a single-employer, defined benefit postemployment plan. The University's Other Postemployment Benefits (OPEB) Plan provides postretirement medical, dental, and life insurance benefits to employees who retire from the University after attaining age 55 and before reaching age 60 with ten or more years of service, or after attaining age 60 with five or more years of service. As

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

of June 30, 2010 and 2009, 5,881 and 5,738 retirees, respectively, were receiving benefits, and an estimated 18,226 active University employees may become eligible to receive future benefits under the plan. Postemployment medical, dental and life insurance benefits are also provided to long-term disability claimants who were vested in the University's Retirement Plan at the date the disability began, provided the onset date of the disability was on or after September 1, 1990. As of June 30, 2010 and 2009, 232 and 243 long-term disability claimants, respectively, met those eligibility requirements.

The terms and conditions governing the postemployment benefits to which employees are entitled are at the sole authority and discretion of the University's Board of Curators.

**Basis of Accounting** – The OPEB Plan's accounting records are prepared using the accrual basis of accounting, in accordance with GASB Statements No. 43 and No. 45, which established requirements for financial reporting for postemployment benefits other than pension plans. The assets of the OPEB Trust Fund are irrevocable and legally protected from creditors and dedicated to providing postemployment benefits in accordance with terms of the plan. The OPEB Plan does not issue a separate financial report.

**Contributions and Reserves** – Contribution requirements of employees and the University are established and may be amended by the University's Board of Curators. For employees retiring prior to September 1, 1990, the University contributes toward premiums at the same rate as for active employees, which is 2/3 of the medical benefits premium and 1/2 of the dental plan premium. For employees who retired on or after September 1, 1990, the University contributes toward premiums based on the employee's length of service and age at retirement.

The University makes available two group term life insurance options. Option A coverage is equal to the retiree's salary at the date of retirement, while Option B is equal to two times that amount. For each Option, graded decreases in coverage are made when the retiree attains specific age levels. The University pays the full cost of Option A and approximately 91% of the cost of Option B coverage. Coverage for group term life insurance ends on January 1 following the retiree's 70th birthday.

For the year ended June 30, 2010, participants contributed \$12,146,000 or approximately 47.2% of total premiums through their required contributions, which vary depending on the plan and coverage selection.

The University makes available two long-term disability options to its employees. Option A coverage is equal to 60% of the employee's salary on the date the disability began, when integrated with benefits from all other sources. Option B coverage is equal to 66-2/3% of the employee's salary, integrated so that benefits from all sources will not exceed 85% of the employee's salary. Both options have a 149-day waiting period and provide benefits until age 65. The University pays the full cost of the Option A premium, while employees enrolled in Option B pay the additional cost over the Optional A premium.

The Annual Required Contribution (ARC) represents a level of funding that an employer is projected to need in order to prefund its obligations for postemployment benefits over its employees' years of service. The University has no obligation to make contributions in advance of when insurance premiums or claims are due for payment and currently funds postemployment benefits at a level no less than the pay-as-you-go basis. In fiscal year 2010, the University contributed \$23,789,000, or 45.3% of the ARC, which was \$52,563,000 and represented 5.2% of annual covered payroll. In fiscal year 2009, the University contributed \$23,789,000, or 50% of the ARC, which was \$47,578,000 and represented 5.1% of annual covered payroll.

Table 13.1 presents the OPEB cost for the year, the amount contributed, and changes in the OPEB obligation for fiscal year 2010:

**Table 13.1 - Changes in Net OPEB Obligation** (in thousands)

Annual Required Contribution	\$ 52,563
Interest on Existing Net OPEB Obligation	1,359
ARC Adjustment	(1,159)
Annual OPEB Cost	52,763
Contributions Made	(23,789)
Increase in net OPEB obligation	28,974
Net OPEB obligation - beginning of year	23,639
Net OPEB obligation - June 30, 2010	\$ 52,613

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

**Funding Status and Funding Progress** – As of July 1, 2009, the OPEB Plan was 5.7% funded. The actuarial accrued liability (AAL) for postemployment benefits was \$646,655,000, with \$37,171,000 in actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$609,484,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,009,800,000, and the ratio of UAAL to covered payroll was 60.4%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision of actual results, are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the

financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Benefit projections for financial reporting purposes are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and the historical pattern of cost sharing between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the University and plan members in the future.

The University's annual OPEB cost and net OPEB obligation to the OPEB Plan for the current year, along with three-year trend information, were as follows:

**Table 13.2 - OPEB Plan Three-Year Trend Information** (in thousands)

Fiscal Year Ending	Annual Required Contribution	Annual OPEB Cost (AOC)	Contributions Made	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
6/30/2008	\$ 53,310	\$ 53,310	\$ 53,461	100.3%	\$ (150)
6/30/2009	47,578	47,578	23,789	50.0%	23,639
6/30/2010	52,563	52,763	23,789	45.1%	52,613

**Actuarial Methods and Assumptions** - Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The projected unit credit actuarial cost method was used in the July 1, 2009 actuarial valuation. Actuarial assumptions included a 5.75% investment rate of return, net of administrative expenses. The projected annual healthcare trend rate is 6.0% to 10.0% initially, reduced by 0.5% decrements to an ultimate rate of 5.0%. The UAAL is being amortized as a level dollar amount on an open basis, level percent of pay, over a 30-year amortization period.

#### 14. SEGMENT INFORMATION

A segment is an identifiable activity reported within a stand-alone entity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of

revenue bonds and has related expenses, gains and losses, assets and liabilities that are required by an external party to be accounted for separately. The University has one segment that meets the reporting requirements of GASB Statement No. 37.

As of June 30, 2010, the University's outstanding bond debt consists of System Facilities Revenue Bonds. The System Facilities Revenue Bonds are issued in accordance with a Resolution adopted by the Board of Curators in October 1993. The Resolution provides that the bonds are payable from the gross income and revenues derived from the related facilities including student fees, housing, dining, bookstore, parking, and various other revenues.

Table 14.1 on the following page presents summary financial information for the System Facilities Revenue Bond Fund as of June 30, 2010 and 2009.

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

**Table 14.1 - System Facilities Revenue Bond Fund Condensed Financial Statements** (in thousands)

<b>Condensed Statement of Net Assets</b>	<b>2010</b>	<b>2009</b>
Assets:		
Current Assets	\$ 248,295	\$ 235,559
Capital Assets, Net	1,272,200	1,059,664
Noncurrent Assets	490,998	289,716
Deferred Outflow of Resources	22,192	-
<b>Total Assets and Deferred Outflow of Resources</b>	<b>\$ 2,033,685</b>	<b>\$ 1,584,939</b>
Liabilities:		
Current Liabilities	\$ 400,376	\$ 376,393
Noncurrent Liabilities	947,065	607,734
<b>Total Liabilities</b>	<b>1,347,441</b>	<b>984,127</b>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	221,599	210,864
Restricted -		
Nonexpendable	545	522
Expendable	24,942	13,687
Unrestricted	439,158	375,739
<b>Total Net Assets</b>	<b>686,244</b>	<b>600,812</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,033,685</b>	<b>\$ 1,584,939</b>
<b>Condensed Statement of Revenues, Expenses and Changes in Net Assets</b>		
	<b>2010</b>	<b>2009</b>
Operating Revenues:		
Net Patient Revenue	\$ 718,687	\$ 685,207
Housing and Related Food Service	89,744	81,724
Bookstores	59,288	61,640
Net Tuition and Fees	18,180	17,428
Other Operating Revenue	35,769	34,994
<b>Total Operating Revenues</b>	<b>921,668</b>	<b>880,993</b>
Operating Expenses:		
Depreciation	64,821	56,731
All Other Operating Expenses	810,404	788,873
<b>Total Operating Expenses</b>	<b>875,225</b>	<b>845,604</b>
Operating Income	46,443	35,389
Nonoperating Revenues (Expenses)	5,118	(3,841)
Income Before Capital Additions, Contributions and Transfers	51,561	31,548
State Capital Appropriations	4,042	-
Contributed Capital Assets, Capital and Endowment Gifts	4,055	33
Income Before Transfers	59,658	31,581
Transfer From Other University Units	31,937	28,788
<b>Increase in Net Assets</b>	<b>91,595</b>	<b>60,369</b>
Net Assets, Beginning of Year	600,812	540,443
Cumulative Effect of Change in Accounting Principle	(6,163)	-
Net Assets, Beginning of Year, as Adjusted	594,649	540,443
<b>Net Assets, End of Year</b>	<b>\$ 686,244</b>	<b>\$ 600,812</b>
<b>Condensed Statement of Cash Flows</b>		
	<b>2010</b>	<b>2009</b>
Net Cash Flows Provided by Operating Activities	\$ 116,785	\$ 96,804
Net Cash Flows Provided by (Used In) Investing Activities	(143,435)	74,865
Net Cash Flows Used in Capital and Related Financing Activities	(5,601)	(200,100)
Net Cash Flows Provided by Noncapital Financing Activities	62,274	52,531
Net Increase in Cash and Cash Equivalents	30,023	24,100
Cash and Cash Equivalents, Beginning of Year	71,739	47,639
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 101,762</b>	<b>\$ 71,739</b>

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

### 15. OPERATING EXPENSES BY FUNCTION

The operating expenses of the University are presented based on natural expenditure classifications. The University's operating expenses by functional classification are as follows:

**Table 15.1 - Operating Expenses by Functional and Natural Classifications** *(in thousands)*

Fiscal Year Ended June 30, 2010	Salaries and Wages	Benefits	Supplies, Services and Other	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 386,089	\$ 91,532	\$ 60,192	\$ -	\$ -	\$ 537,813
Research	111,710	23,648	79,182	-	-	214,540
Public Service	74,007	19,783	52,929	-	-	146,719
Academic Support	75,057	19,816	29,246	-	-	124,119
Student Services	39,795	9,742	21,134	-	-	70,671
Institutional Support	91,654	25,404	(7,565)	-	-	109,493
Operation and Maintenance of Plant	34,329	9,840	11,709	-	-	55,878
Auxiliary Enterprises	424,324	103,535	429,535	-	-	957,394
Scholarships and Fellowships	-	-	-	55,469	-	55,469
Depreciation	-	-	-	-	146,753	146,753
<b>Total Operating Expenses</b>	<b>\$ 1,236,965</b>	<b>\$ 303,300</b>	<b>\$ 676,362</b>	<b>\$ 55,469</b>	<b>\$ 146,753</b>	<b>\$ 2,418,849</b>

Fiscal Year Ended June 30, 2009	Salaries and Wages	Benefits	Supplies, Services and Other	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 383,438	\$ 100,339	\$ 60,248	\$ -	\$ -	\$ 544,025
Research	108,818	27,493	78,180	-	-	214,491
Public Service	84,964	24,749	63,914	-	-	173,627
Academic Support	74,556	2,062	32,008	-	-	108,626
Student Services	38,079	10,285	20,870	-	-	69,234
Institutional Support	91,828	27,288	(14,918)	-	-	104,198
Operation and Maintenance of Plant	34,970	10,839	24,193	-	-	70,002
Auxiliary Enterprises	397,184	96,531	408,216	-	-	901,931
Scholarships and Fellowships	-	-	-	48,456	-	48,456
Depreciation	-	-	-	-	131,167	131,167
<b>Total Operating Expenses</b>	<b>\$ 1,213,837</b>	<b>\$ 299,586</b>	<b>\$ 672,711</b>	<b>\$ 48,456</b>	<b>\$ 131,167</b>	<b>\$ 2,365,757</b>

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

### 16. FIDUCIARY FUNDS – PENSION TRUST FUNDS COMBINING STATEMENTS

Combining financial statements for the Fiduciary Funds – Pension Trust Funds, which encompass the Retirement Trust and OPEB Trust, are as follows:

**Table 16.1 - Statement of Plan Net Assets** (in thousands)

	2010			2009		
	Retirement	OPEB	Total	Retirement	OPEB	Total
<b>Assets</b>						
Cash and Cash Equivalents	\$ 50,033	\$ 38,417	\$ 88,450	\$ 51,068	\$ 37,167	\$ 88,235
Investment of Cash Collateral	277,747	-	277,747	216,645	-	216,645
Investment Settlements Receivable	13,935	-	13,935	35,393	4	35,397
Investments:						
Debt Securities	906,562	-	906,562	792,680	-	792,680
Equity Securities	471,853	-	471,853	955,353	-	955,353
Commingled Funds	806,264	-	806,264	307,362	-	307,362
Nonmarketable Alternative Investments	136,502	-	136,502	138,158	-	138,158
Other	19,442	-	19,442	2,977	-	2,977
<b>Total Assets</b>	<b>2,682,338</b>	<b>38,417</b>	<b>2,720,755</b>	<b>2,499,636</b>	<b>37,171</b>	<b>2,536,807</b>
<b>Liabilities</b>						
Accounts Payable and Accrued Liabilities	1,758	-	1,758	1,816	-	1,816
Collateral Held for Securities Lending	277,747	-	277,747	221,242	-	221,242
Investment Settlements Payable	63,134	-	63,134	148,043	-	148,043
<b>Total Liabilities</b>	<b>342,639</b>	<b>-</b>	<b>342,639</b>	<b>371,101</b>	<b>-</b>	<b>371,101</b>
<b>Net Assets Held in Trust for Retirement and OPEB</b>						
	<b>\$ 2,339,699</b>	<b>\$ 38,417</b>	<b>\$ 2,378,116</b>	<b>\$ 2,128,535</b>	<b>\$ 37,171</b>	<b>\$ 2,165,706</b>

**Table 16.2 - Statement of Changes in Plan Net Assets** (in thousands)

	2010			2009		
	Retirement	OPEB	Total	Retirement	OPEB	Total
<b>Net Revenues and Other Additions</b>						
Investment Income (Loss):						
Interest and Dividend Income, Net of Fees	\$ 54,983	\$ 5	\$ 54,988	\$ 64,899	\$ 204	\$ 65,103
Net Appreciation (Depreciation) in Fair Value of Investments	228,528	-	228,528	(583,606)	-	(583,606)
Net Investment Income (Loss)	283,511	5	283,516	(518,707)	204	(518,503)
Contributions:						
University Members	48,040	23,789	71,829	56,663	23,789	80,452
Other	10,198	12,536	22,734	-	12,144	12,144
	-	-	-	-	1,924	1,924
<b>Total Contributions</b>	<b>58,238</b>	<b>36,325</b>	<b>94,563</b>	<b>56,663</b>	<b>37,857</b>	<b>94,520</b>
<b>Total Net Revenues and Other Additions (Deductions)</b>						
	<b>341,749</b>	<b>36,330</b>	<b>378,079</b>	<b>(462,044)</b>	<b>38,061</b>	<b>(423,983)</b>
<b>Expenses and Other Deductions</b>						
Administrative Expenses	2,391	331	2,722	2,456	296	2,752
Payments to Retirees and Beneficiaries	128,194	34,753	162,947	122,369	35,091	157,460
<b>Total Expenses and Other Deductions</b>	<b>130,585</b>	<b>35,084</b>	<b>165,669</b>	<b>124,825</b>	<b>35,387</b>	<b>160,212</b>
<b>Increase (Decrease) in Net Assets Held in Trust for Retirement and OPEB</b>						
	<b>211,164</b>	<b>1,246</b>	<b>212,410</b>	<b>(586,869)</b>	<b>2,674</b>	<b>(584,195)</b>
Net Assets Held in Trust for Retirement & OPEB, Beginning of Year						
	2,128,535	37,171	2,165,706	2,715,404	34,497	2,749,901
<b>Net Assets Held in Trust for Retirement and OPEB, End of Year</b>						
	<b>\$ 2,339,699</b>	<b>\$ 38,417</b>	<b>\$ 2,378,116</b>	<b>\$ 2,128,535</b>	<b>\$ 37,171</b>	<b>\$ 2,165,706</b>



# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

### 17. SUBSEQUENT EVENT

In March 2010 the United States Internal Revenue Service accepted the position that medical residents are excepted from FICA taxes based upon the “student exception” for tax periods ending before April 1, 2005 when new regulations became effective. The University filed timely claims for the years ended 1995-2005 on behalf of the University for FICA for medical residents during the indicated years. The University is

in the process of preparing all information required to be provided to the Internal Revenue Service to support its claims. Once submitted and accepted, the Internal Revenue Service will make refund payments in the manner detailed in the administrative process. Since the University is still in the process of compiling the required claims information, the refund amount is not estimable. As a result, no amounts are recorded within the accompanying financial statements.

**UNIVERSITY OF MISSOURI SYSTEM**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
For the Years Ended June 30, 2010 and 2009 (unaudited)

**Retirement Plan - Schedule of Funding Progress** *(in thousands)*

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL/(Excess Funding) (b-a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	UAAL (Excess) as a % of Covered Payroll ([b-a] /c)
10/1/2004	\$2,075,032	\$2,144,738	\$ 69,706	96.7%	\$ 753,266	9.3%
10/1/2005	2,125,656	2,271,230	145,574	93.6%	795,758	18.3%
10/1/2006	2,325,264	2,400,807	75,543	96.9%	846,884	8.9%
10/1/2007	2,651,535	2,555,592	(95,943)	103.8%	891,648	-10.8%
10/1/2008	2,808,126	2,733,032	(75,094)	102.7%	954,430	-7.9%
10/1/2009	2,843,422	2,819,524	(23,898)	100.8%	970,060	-2.5%

**Retirement Plan - Schedule of Employer Contributions** *(in thousands)*

Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed	Net Pension Obligation (Asset)
6/30/2005	10/1/2003	\$ 49,075	100%	\$ -
6/30/2006	10/1/2004	64,399	100%	-
6/30/2007	10/1/2005	74,736	100%	-
6/30/2008	10/1/2006	72,284	100%	-
6/30/2009	10/1/2007	56,663	100%	-
6/30/2010	10/1/2008	48,040	100%	-

See independent auditors' report.

**UNIVERSITY OF MISSOURI SYSTEM**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
For the Years Ended June 30, 2010 and 2009 (unaudited)

**OPEB Plan - Schedule of Funding Progress** *(in thousands)*

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial		Funded Ratio (a / b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ([b-a] / c)
		Accrued Liability (AAL) (b)	Unfunded AAL (b-a)			
7/1/2006	\$ -	\$ 546,058	\$ 546,058	0.0%	\$ 883,614	61.8%
7/1/2007 <b>(a)</b>	-	560,340	560,340	0.0%	930,365	60.2%
7/1/2009	37,171	646,655	609,484	5.7%	1,009,800	60.4%

**(a)** The 7/1/2007 Actuarial Valuation was revised based on a change in the discount rate from 6.75% to 5.75%.

**OPEB Plan - Schedule of Employer Contributions** *(in thousands)*

Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed	Net Pension Obligation (Asset)
6/30/2008	7/1/2006	\$ 53,310	100%	\$ (150)
6/30/2009	7/1/2007	47,578	50%	23,639
6/30/2010	7/1/2007 <b>(a)</b>	52,563	45%	52,613

**(a)** The 7/1/2007 Actuarial Valuation was revised based on a change in the discount rate from 6.75% to 5.75%.

*See independent auditors' report.*

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# STATISTICAL SECTION



University of Missouri System

COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS

# STATEMENT OF NET ASSETS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
<b>Assets</b>						
<b>Current Assets</b>						
Cash and Cash Equivalents	\$ 149,515	\$ 115,919	\$ 57,987	\$ 164,919	\$ 146,169	\$ 131,614
Restricted Cash and Cash Equivalents	177,798	137,022	109,022	163,582	68,978	127,774
Short-Term Investments	40,268	124,609	172,294	104,032	75,830	95,309
Restricted Short-Term Investments	30,619	25,882	91,800	86,222	87,983	126,782
Investment of Cash Collateral	111,557	111,719	106,360	138,014	100,618	81,611
Accounts Receivable, Net	249,460	241,325	249,654	235,975	198,087	185,206
Pledges Receivable, Net	14,505	13,382	9,796	12,980	11,562	10,489
Investment Settlements Receivable	6,200	15,800	72,878	3,617	6,266	6,373
Notes Receivable, Net	9,046	12,564	13,747	14,599	14,848	10,301
Due To Component Units	(5,285)	(3,900)	(4,355)	(4,062)	(3,976)	(2,616)
Inventories	28,401	33,009	33,063	33,121	31,886	29,872
Prepaid Expenses and Other Current Assets	25,604	21,618	18,636	18,248	13,313	14,131
<b>Total Current Assets</b>	<b>837,688</b>	<b>848,949</b>	<b>930,882</b>	<b>971,247</b>	<b>751,564</b>	<b>816,846</b>
<b>Noncurrent Assets</b>						
Pledges Receivable, Net	16,256	17,231	21,147	23,000	29,437	28,983
Notes Receivable, Net	50,635	47,524	46,898	45,425	44,052	46,252
Deferred Charges and Other Assets	12,374	9,836	10,397	9,340	9,868	11,467
Long-Term Investments	1,171,998	778,538	810,655	707,333	708,052	485,917
Restricted Long-Term Investments	891,067	741,556	919,364	767,332	743,326	646,381
Capital Assets, Net	2,534,365	2,392,852	2,227,427	2,039,069	1,926,942	1,795,513
<b>Total Noncurrent Assets</b>	<b>4,676,695</b>	<b>3,987,537</b>	<b>4,035,888</b>	<b>3,591,499</b>	<b>3,461,677</b>	<b>3,014,513</b>
<b>Deferred Outflow of Resources</b>	<b>22,192</b>	-	-	-	-	-
<b>Total Assets and Deferred Outflow of Resources</b>	<b>\$ 5,536,575</b>	<b>\$ 4,836,486</b>	<b>\$ 4,966,770</b>	<b>\$ 4,562,746</b>	<b>\$ 4,213,241</b>	<b>\$ 3,831,359</b>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Accounts Payable	\$ 123,809	\$ 94,531	\$ 105,024	\$ 101,330	\$ 114,302	\$ 91,834
Accrued Liabilities	138,309	130,837	120,967	114,976	111,646	103,974
Deferred Revenue	78,200	80,703	67,821	64,030	60,814	35,179
Funds Held for Others	53,245	66,403	70,744	77,148	67,840	61,683
Investment Settlements Payable	41,931	50,318	136,606	41,021	19,582	16,170
Collateral Held for Securities Lending	111,557	115,291	106,360	138,014	100,618	81,611
Current Portion of Long-Term Debt	30,139	24,922	21,697	17,437	15,185	13,877
Long-Term Debt Subject to Remarketing	223,680	224,925	226,120	164,990	165,730	126,730
<b>Total Current Liabilities</b>	<b>800,870</b>	<b>787,930</b>	<b>855,339</b>	<b>718,946</b>	<b>655,717</b>	<b>531,058</b>
<b>Noncurrent Liabilities</b>						
Long-Term Debt	915,906	608,114	631,742	479,712	496,318	435,101
Deferred Revenue	1,925	1,603	1,876	2,162	2,460	2,908
Derivative Instrument Liability	30,680	-	-	-	-	-
Other Post Employment Benefits Liability	52,613	23,639	-	-	-	-
Other Noncurrent Liabilities	53,845	50,423	47,371	58,720	63,765	58,258
<b>Total Noncurrent Liabilities</b>	<b>1,054,969</b>	<b>683,779</b>	<b>680,989</b>	<b>540,594</b>	<b>562,543</b>	<b>496,267</b>
<b>Total Liabilities</b>	<b>1,855,839</b>	<b>1,471,709</b>	<b>1,536,328</b>	<b>1,259,540</b>	<b>1,218,260</b>	<b>1,027,325</b>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt Restricted	\$ 1,485,090	\$ 1,540,654	\$ 1,439,753	\$ 1,379,098	\$ 1,263,187	\$ 1,226,962
Nonexpendable -						
Endowment	679,494	612,119	718,314	738,153	624,821	555,658
Expendable -						
Scholarship, Research, Instruction & Other	244,226	235,405	262,266	270,238	267,514	239,585
Loans	75,637	78,357	77,656	75,785	74,825	75,670
Capital Projects	32,373	30,043	27,597	24,593	23,697	20,214
Unrestricted	1,163,916	868,199	904,856	815,339	740,937	685,945
<b>Total Net Assets</b>	<b>3,680,736</b>	<b>3,364,777</b>	<b>3,430,442</b>	<b>3,303,206</b>	<b>2,994,981</b>	<b>2,804,034</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$ 5,536,575</b>	<b>\$ 4,836,486</b>	<b>\$ 4,966,770</b>	<b>\$ 4,562,746</b>	<b>\$ 4,213,241</b>	<b>\$ 3,831,359</b>

# CHANGES IN NET ASSETS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
<b>Operating Revenues</b>						
Tuition and Fees, Net	\$ 630,498	\$ 601,742	\$ 557,085	\$ 537,832	\$ 501,347	\$ 471,240
Less: Scholarship Allowances	164,187	148,578	139,880	136,527	126,421	115,724
Net Tuition and Fees	466,311	453,164	417,205	401,305	374,926	355,516
Federal Grants and Contracts	183,885	172,669	184,416	163,517	176,442	168,509
State and Local Grants and Contracts	66,194	53,042	54,414	47,045	41,255	43,638
Private Grants and Contracts	68,044	71,034	60,318	54,268	46,310	56,774
Sales and Services of Educational Activities	22,560	22,088	19,569	22,346	18,267	17,920
Auxiliary Enterprises -						
Patient Medical Services, Net	736,799	702,424	681,312	648,802	620,577	566,394
Housing and Dining Services, Net	89,743	81,939	72,503	66,828	61,548	57,730
Bookstores	59,288	62,113	61,423	56,930	54,308	50,422
Other Auxiliary Enterprises, Net	198,748	190,315	181,893	154,113	133,135	144,644
Other Operating Revenues	49,250	53,681	46,968	53,523	49,851	46,298
<b>Total Operating Revenues</b>	<b>1,940,822</b>	<b>1,862,469</b>	<b>1,780,021</b>	<b>1,668,677</b>	<b>1,576,619</b>	<b>1,507,845</b>
<b>Operating Expenses</b>						
Salaries and Wages	1,236,965	1,213,837	1,153,676	1,101,867	1,044,462	987,240
Benefits	303,300	299,586	310,375	272,923	248,688	226,969
Supplies, Services and Other Operating Expenses	676,362	672,711	662,331	608,134	606,617	591,956
Scholarships and Fellowships	55,469	48,456	39,485	38,602	35,090	30,783
Depreciation	146,753	131,167	125,996	119,069	110,924	102,414
<b>Total Operating Expenses</b>	<b>2,418,849</b>	<b>2,365,757</b>	<b>2,291,863</b>	<b>2,140,595</b>	<b>2,045,781</b>	<b>1,939,362</b>
<b>Operating Loss before State Appropriations</b>	<b>(478,027)</b>	<b>(503,288)</b>	<b>(511,842)</b>	<b>(471,918)</b>	<b>(469,162)</b>	<b>(431,517)</b>
State Appropriations	498,358	479,478	462,281	440,855	428,893	430,127
<b>Operating Income (Loss) after State Appropriations, Before Nonoperating Revenues (Expenses)</b>						
	<b>20,331</b>	<b>(23,810)</b>	<b>(49,561)</b>	<b>(31,063)</b>	<b>(40,269)</b>	<b>(1,390)</b>
<b>Nonoperating Revenues (Expenses)</b>						
Federal Appropriations	21,455	14,858	14,277	14,105	14,203	15,776
Federal Pell Grants	48,281	31,649	27,232	23,613	22,994	24,964
Investment and Endowment Income (Losses), Net	172,833	(173,355)	45,629	202,633	111,675	89,236
Private Gifts	48,695	52,552	51,680	53,268	64,483	76,293
Interest Expense	(46,103)	(31,432)	(43,055)	(29,497)	(28,563)	(23,497)
Other Nonoperating Revenues (Expenses)	(1,659)	(3,930)	(4,750)	(3,147)	(4,971)	(5,700)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>243,502</b>	<b>(109,658)</b>	<b>91,013</b>	<b>260,975</b>	<b>179,821</b>	<b>177,072</b>
<b>Income (Loss) before Capital Contributions, Additions to Permanent Endowments and Extraordinary Item</b>						
	<b>263,833</b>	<b>(133,468)</b>	<b>41,452</b>	<b>229,912</b>	<b>139,552</b>	<b>175,682</b>
State Capital Appropriations	14,205	17,817	15,532	18,138	8,503	4,686
Capital Gifts and Grants	19,381	13,009	17,341	12,941	16,285	13,056
Private Gifts for Endowment Purposes	24,703	21,093	32,995	27,917	26,607	31,562
Extraordinary Item:						
Net Proceeds from Sale of Missouri Care	-	2,550	-	19,317	-	-
<b>Increase (Decrease) in Net Assets</b>	<b>322,122</b>	<b>(78,999)</b>	<b>107,320</b>	<b>308,225</b>	<b>190,947</b>	<b>224,986</b>
<b>Net Assets, Beginning of Year</b>	<b>3,364,777</b>	<b>3,430,442</b>	<b>3,303,206</b>	<b>2,994,981</b>	<b>2,804,034</b>	<b>2,579,048</b>
Cumulative Effect of Change in Accounting Principles	(6,163)	13,334	19,916	-	-	-
<b>Net Assets, Beginning of Year, as Adjusted</b>	<b>3,358,614</b>	<b>3,443,776</b>	<b>3,323,122</b>	<b>2,994,981</b>	<b>2,804,034</b>	<b>2,579,048</b>
<b>Net Assets, End of Year</b>	<b>\$ 3,680,736</b>	<b>\$ 3,364,777</b>	<b>\$ 3,430,442</b>	<b>\$ 3,303,206</b>	<b>\$ 2,994,981</b>	<b>\$ 2,804,034</b>

## CHANGES IN NET ASSETS (% increase / decrease from prior year)

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
<b>Operating Revenues</b>						
Tuition and Fees, Net	4.8%	8.0%	3.6%	7.3%	6.4%	10.1%
Less: Scholarship Allowances	10.5%	6.2%	2.5%	8.0%	9.2%	-0.6%
Net Tuition and Fees	2.9%	1.8%	1.1%	-0.7%	-2.9%	10.6%
Federal Grants and Contracts	6.5%	-6.4%	12.8%	-7.3%	4.7%	-1.2%
State and Local Grants and Contracts	24.8%	-2.5%	15.7%	14.0%	-5.5%	23.2%
Private Grants and Contracts	-4.2%	17.8%	11.1%	17.2%	-18.4%	6.9%
Sales and Services of Educational Activities	2.1%	12.9%	-12.4%	22.3%	1.9%	7.7%
Auxiliary Enterprises -						
Patient Medical Services, Net	4.9%	3.1%	5.0%	4.5%	9.6%	15.1%
Housing and Dining Services, Net	9.5%	13.0%	8.5%	8.6%	6.6%	8.0%
Bookstores	-4.5%	1.1%	7.9%	4.8%	7.7%	13.6%
Other Auxiliary Enterprises, Net	4.4%	4.6%	18.0%	15.8%	-8.0%	23.9%
Other Operating Revenues	-8.3%	14.3%	-12.2%	7.4%	7.7%	-5.1%
<b>Total Operating Revenues</b>	<b>4.2%</b>	<b>4.6%</b>	<b>6.7%</b>	<b>5.8%</b>	<b>4.6%</b>	<b>12.3%</b>
<b>Operating Expenses</b>						
Salaries and Wages	1.9%	5.2%	4.7%	5.5%	5.8%	7.4%
Benefits	1.2%	-3.5%	13.7%	9.7%	9.6%	6.0%
Supplies, Services and Other Operating Expenses	0.5%	1.6%	8.9%	0.3%	2.5%	14.6%
Scholarships and Fellowships	14.5%	22.7%	2.3%	10.0%	14.0%	19.5%
Depreciation	11.9%	4.1%	5.8%	7.3%	8.3%	14.1%
<b>Total Operating Expenses</b>	<b>2.2%</b>	<b>3.2%</b>	<b>7.1%</b>	<b>4.6%</b>	<b>5.5%</b>	<b>9.8%</b>
<b>Operating Loss before State Appropriations</b>	<b>-5.0%</b>	<b>-1.7%</b>	<b>8.5%</b>	<b>0.6%</b>	<b>8.7%</b>	<b>2.0%</b>
State Appropriations	3.9%	3.7%	4.9%	2.8%	-0.3%	2.1%
<b>Operating Income (Loss) after State Appropriations, Before Nonoperating Revenues (Expenses)</b>						
<b>Nonoperating Revenues (Expenses)</b>	<b>-185.4%</b>	<b>-52.0%</b>	<b>59.5%</b>	<b>-22.9%</b>	<b>2797.1%</b>	<b>-8.1%</b>
<b>Nonoperating Revenues (Expenses)</b>						
Federal Appropriations	44.4%	4.1%	1.2%	-0.7%	-10.0%	8.0%
Investment and Endowment Income (Losses), Net	-199.7%	-479.9%	-77.5%	81.4%	25.1%	-14.6%
Private Gifts	-7.3%	1.7%	-3.0%	-17.4%	-15.5%	111.1%
Interest Expense	46.7%	-27.0%	46.0%	3.3%	21.6%	-1.2%
Other Nonoperating Revenues (Expenses)	-57.8%	-17.3%	50.9%	-36.7%	-12.8%	294.7%
<b>Net Nonoperating Revenues (Expenses)</b>	<b>-322.1%</b>	<b>-220.5%</b>	<b>-65.1%</b>	<b>45.1%</b>	<b>1.6%</b>	<b>36.2%</b>
<b>Income (Loss) before Capital Contributions, Additions to Permanent Endowments and Extraordinary Item</b>						
State Capital Appropriations	-20.3%	14.7%	-14.4%	113.3%	81.5%	-91.4%
Capital Gifts and Grants	49.0%	-25.0%	34.0%	-20.5%	24.7%	-40.0%
Private Gifts for Endowment Purposes	17.1%	-36.1%	18.2%	4.9%	-15.7%	70.6%
Extraordinary Item:						
Net Proceeds from Sale of Missouri Care	-	-	-	-	-	-
<b>Increase (Decrease) in Net Assets</b>	<b>-507.8%</b>	<b>-173.6%</b>	<b>-65.2%</b>	<b>61.4%</b>	<b>-15.1%</b>	<b>0.9%</b>
<b>Net Assets, Beginning of Year</b>	<b>-1.9%</b>	<b>3.9%</b>	<b>10.3%</b>	<b>6.8%</b>	<b>8.7%</b>	<b>9.5%</b>
<b>Cumulative Effect of Change in Accounting Principles</b>						
Principles	-146.2%	-33.0%	100.0%	0.0%	0.0%	0.0%
<b>Net Assets, Beginning of Year, as Adjusted</b>	<b>-2.5%</b>	<b>3.6%</b>	<b>11.0%</b>	<b>6.8%</b>	<b>8.7%</b>	<b>9.5%</b>
<b>Net Assets, End of Year</b>	<b>9.4%</b>	<b>-1.9%</b>	<b>3.9%</b>	<b>10.3%</b>	<b>6.8%</b>	<b>8.7%</b>



Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
<b>+ Primary Reserve Ratio</b>	0.62	0.50	0.54	0.54	0.53	0.52
/ Conversion Factor	0.133	0.133	0.133	0.133	0.133	0.133
= Strength Factor	4.63	3.78	4.08	4.10	3.99	3.90
x Weighting Factor	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	1.62	1.32	1.43	1.43	1.40	1.36

**Primary Reserve Ratio** - measures the financial strength of the institution by indicating how long the institution could function using its expendable reserves to cover operations should additional net assets not be available. A positive ratio and an increasing amount over time denotes strength.

<b>+ Return on Assets Ratio</b>	9.2%	-2.3%	3.2%	9.8%	6.6%	8.4%
/ Conversion Factor	0.020	0.020	0.020	0.020	0.020	0.020
= Strength Factor	4.58	(1.16)	1.59	4.89	3.29	4.18
x Weighting Factor	20%	20%	20%	20%	20%	20%
= Ratio Subtotal	0.92	(0.23)	0.32	0.98	0.66	0.84

**Return on Assets Ratio** - measures total economic return. While an increasing trend reflects strength, a decline may be appropriate and even warranted if it represents a strategy on the part of the institution to fulfill its mission.

<b>+ Net Operating Revenues Ratio</b>	7.7%	6.0%	4.0%	5.2%	5.1%	7.8%
/ Conversion Factor	0.013	0.013	0.013	0.013	0.013	0.013
= Strength Factor	5.89	4.60	3.10	4.00	3.95	6.02
x Weighting Factor	10%	10%	10%	10%	10%	10%
= Ratio Subtotal	0.59	0.46	0.31	0.40	0.40	0.60

**Net Operating Revenues Ratio** - measures whether the institution is living within available resources. A positive ratio and an increasing amount over time generally reflects strength.

<b>+ Viability Ratio</b>	1.27	1.38	1.42	1.75	1.60	1.74
/ Conversion Factor	0.417	0.417	0.417	0.417	0.417	0.417
= Strength Factor	3.04	3.30	3.39	4.21	3.84	4.17
x Weighting Factor	35%	35%	35%	35%	35%	35%
= Ratio Subtotal	1.06	1.16	1.19	1.47	1.34	1.46

**Viability Ratio** - measures the ability of the institution to cover its debt as of the balance sheet date, should the institution need to do so. A positive ratio greater than 1.00 generally denotes strength.

<b>Composite Financial Index</b>	<b>4.19</b>	<b>2.71</b>	<b>3.24</b>	<b>4.28</b>	<b>3.79</b>	<b>4.26</b>
<b>Composite Financial Index - Three Year Average</b>	<b>3.38</b>	<b>3.41</b>	<b>3.77</b>	<b>4.11</b>	<b>4.06</b>	<b>4.13</b>

**Composite Financial Index (CFI)** - provides a methodology for a single overall financial measurement of the institution's health based on the four core ratios. The CFI uses a reasonable weighting plan and allows for a weakness or strength in a specific ratio to be offset by another ratio result, which provides a more balanced measure. The CFI provides a more holistic approach to understanding the financial health of the institution. The CFI scores are not intended to be precise measures; they are indicators of ranges of financial health that can be indicators of overall institutional well-being when combined with non-financial indicators.

*Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report*
**Net Tuition per Student**

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Gross Tuition and Fees	\$ 630,498	\$ 601,742	\$ 557,085	\$ 537,832	\$ 501,347	\$ 471,240
Less: Scholarship Discounts / Allowances	(164,187)	(148,578)	(139,880)	(136,527)	(126,421)	(115,724)
Less: Scholarship / Fellowship Expenses	(55,469)	(48,456)	(39,485)	(38,602)	(35,090)	(30,783)
<b>Net Tuition</b>	<b>\$ 410,842</b>	<b>\$ 404,708</b>	<b>\$ 377,720</b>	<b>\$ 362,703</b>	<b>\$ 339,836</b>	<b>\$ 324,733</b>
Net Tuition	\$ 410,842	\$ 404,708	\$ 377,720	\$ 362,703	\$ 339,836	\$ 324,733
Number of Students - Fall Semester (FTEs)	53,292	51,025	48,994	48,431	47,752	46,364
<b>Net Tuition per Student</b>	<b>\$ 7,709</b>	<b>\$ 7,932</b>	<b>\$ 7,710</b>	<b>\$ 7,489</b>	<b>\$ 7,117</b>	<b>\$ 7,004</b>

**State Appropriations per Student**

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
State Appropriations	\$ 498,358	\$ 479,478	\$ 462,281	\$ 440,855	\$ 428,893	\$ 430,127
Number of Students - Fall Semester (FTEs)	53,292	51,025	48,994	48,431	47,752	46,364
<b>State Appropriations per Student</b>	<b>\$ 9,351</b>	<b>\$ 9,397</b>	<b>\$ 9,435</b>	<b>\$ 9,103</b>	<b>\$ 8,982</b>	<b>\$ 9,277</b>

**Educational Expenses per Student**

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Total Operating Expenses	\$ 2,418,849	\$ 2,365,757	\$ 2,291,863	\$ 2,140,595	\$ 2,045,781	\$ 1,939,362
Less: Scholarships / Fellowships Expense	(55,469)	(48,456)	(39,485)	(38,602)	(35,090)	(30,783)
Less: Auxiliary Operating Expenses	(956,455)	(901,089)	(886,774)	(829,830)	(771,976)	(716,003)
Interest Expense	46,103	31,432	43,055	29,497	28,563	23,497
Less: Auxiliary Interest Expense	(9,197)	(7,437)	(7,905)	(8,380)	(9,307)	(10,104)
<b>Net Educational Expenses</b>	<b>\$ 1,443,831</b>	<b>\$ 1,440,207</b>	<b>\$ 1,400,754</b>	<b>\$ 1,293,280</b>	<b>\$ 1,257,971</b>	<b>\$ 1,205,969</b>
Net Educational Expenses	\$ 1,443,831	\$ 1,440,207	\$ 1,400,754	\$ 1,293,280	\$ 1,257,971	\$ 1,205,969
Number of Students - Fall Semester (FTEs)	53,292	51,025	48,994	48,431	47,752	46,364
<b>Educational Expenses per Student</b>	<b>\$ 27,093</b>	<b>\$ 28,226</b>	<b>\$ 28,590</b>	<b>\$ 26,704</b>	<b>\$ 26,344</b>	<b>\$ 26,011</b>

**Total Tuition Discount**

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Scholarship Allowances	\$ 164,187	\$ 148,578	\$ 139,880	\$ 136,527	\$ 126,421	\$ 115,724
Scholarships / Fellowships Expense	55,469	48,456	39,485	38,602	35,090	30,783
<b>Total Tuition Discounts (\$)</b>	<b>\$ 219,656</b>	<b>\$ 197,034</b>	<b>\$ 179,365</b>	<b>\$ 175,129</b>	<b>\$ 161,511</b>	<b>\$ 146,507</b>
Total Tuition Discounts (\$)	\$ 219,656	\$ 197,034	\$ 179,365	\$ 175,129	\$ 161,511	\$ 146,507
Tuition and Fees, Net	\$ 630,498	\$ 601,742	\$ 557,085	\$ 537,832	\$ 501,347	\$ 471,240
<b>Total Tuition Discount (%)</b>	<b>34.8%</b>	<b>32.7%</b>	<b>32.2%</b>	<b>32.6%</b>	<b>32.2%</b>	<b>31.1%</b>

## CAPITAL RATIOS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

### Unrestricted Financial Resources to Direct Debt

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Current Portion of Long-Term Debt	\$ 30,139	\$ 24,922	\$ 21,697	\$ 17,437	\$ 15,185	\$ 13,877
Long-Term Debt Subject to Remarketing	223,680	224,925	226,120	164,990	165,730	126,730
Long-Term Debt	915,906	608,114	631,742	479,712	496,318	435,101
<b>Total Direct Debt</b>	<b>\$ 1,169,725</b>	<b>\$ 857,961</b>	<b>\$ 879,559</b>	<b>\$ 662,139</b>	<b>\$ 677,233</b>	<b>\$ 575,708</b>
Net Assets - Unrestricted	\$ 1,163,916	\$ 868,199	\$ 904,856	\$ 815,339	\$ 740,937	\$ 685,945
<b>Total Direct Debt</b>	<b>\$ 1,169,725</b>	<b>\$ 857,961</b>	<b>\$ 879,559</b>	<b>\$ 662,139</b>	<b>\$ 677,233</b>	<b>\$ 575,708</b>

### Unrestricted Financial Resources to Direct Debt

**1.00      1.01      1.03      1.23      1.09      1.19**

### Expendable Financial Resources to Direct Debt (Viability Ratio)

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Net Assets - Unrestricted	\$ 1,163,916	\$ 868,199	\$ 904,856	\$ 815,339	\$ 740,937	\$ 685,945
Net Assets - Restricted Expendable - Scholarships, Research, Instruction and Other	244,226	235,405	262,266	270,238	267,514	239,585
Net Assets - Restricted Expendable - Loans	75,637	78,357	77,656	75,785	74,825	75,670
<b>Expendable Net Assets</b>	<b>\$ 1,483,779</b>	<b>\$ 1,181,961</b>	<b>\$ 1,244,778</b>	<b>\$ 1,161,362</b>	<b>\$ 1,083,276</b>	<b>\$ 1,001,200</b>
Expendable Net Assets	\$ 1,483,779	\$ 1,181,961	\$ 1,244,778	\$ 1,161,362	\$ 1,083,276	\$ 1,001,200
<b>Total Direct Debt</b>	<b>\$ 1,169,725</b>	<b>\$ 857,961</b>	<b>\$ 879,559</b>	<b>\$ 662,139</b>	<b>\$ 677,233</b>	<b>\$ 575,708</b>

### Viability Ratio

**1.27      1.38      1.42      1.75      1.60      1.74**

### Total Financial Resources to Direct Debt

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Net Assets - Unrestricted	\$ 1,163,916	\$ 868,199	\$ 904,856	\$ 815,339	\$ 740,937	\$ 685,945
Net Assets - Restricted Expendable - Scholarships, Research, Instruction and Other	244,226	235,405	262,266	270,238	267,514	239,585
Net Assets - Restricted Expendable - Loans	75,637	78,357	77,656	75,785	74,825	75,670
Net Assets - Restricted Nonexpendable	679,494	612,119	718,314	738,153	624,821	555,658
<b>Total Financial Resources</b>	<b>\$ 2,163,273</b>	<b>\$ 1,794,080</b>	<b>\$ 1,963,092</b>	<b>\$ 1,899,515</b>	<b>\$ 1,708,097</b>	<b>\$ 1,556,858</b>
Total Financial Resources	\$ 2,163,273	\$ 1,794,080	\$ 1,963,092	\$ 1,899,515	\$ 1,708,097	\$ 1,556,858
<b>Total Direct Debt</b>	<b>\$ 1,169,725</b>	<b>\$ 857,961</b>	<b>\$ 879,559</b>	<b>\$ 662,139</b>	<b>\$ 677,233</b>	<b>\$ 575,708</b>

### Total Financial Resources to Direct Debt

**1.85      2.09      2.23      2.87      2.52      2.70**

### Direct Debt per Student

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Total Direct Debt	\$ 1,169,725	\$ 857,961	\$ 879,559	\$ 662,139	\$ 677,233	\$ 575,708
Number of Students - End of Fiscal Year (FTEs)	55,272	53,292	51,025	48,994	48,431	47,752

### Direct Debt per Student

**\$ 21,163    \$ 16,099    \$ 17,238    \$ 13,515    \$ 13,983    \$ 12,056**

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

### Actual Debt Service to Operations

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Debt Service - Principal	\$ 24,922	\$ 21,987	\$ 17,437	\$ 15,185	\$ 13,877	\$ 11,981
Debt Service - Interest	46,103	31,432	43,055	29,497	28,563	23,497
<b>Total Debt Service</b>	<b>\$ 71,025</b>	<b>\$ 53,419</b>	<b>\$ 60,492</b>	<b>\$ 44,682</b>	<b>\$ 42,440</b>	<b>\$ 35,478</b>
Operating Expenses	\$ 2,418,849	\$ 2,365,757	\$ 2,291,863	\$ 2,140,595	\$ 2,045,781	\$ 1,939,362
Less: Scholarships & Fellowships Expense	(55,469)	(48,456)	(39,485)	(38,602)	(35,090)	(30,783)
Interest Expense	46,103	31,432	43,055	29,497	28,563	23,497
<b>Adjusted Total Operating Expense</b>	<b>\$ 2,409,483</b>	<b>\$ 2,348,733</b>	<b>\$ 2,295,433</b>	<b>\$ 2,131,490</b>	<b>\$ 2,039,254</b>	<b>\$ 1,932,076</b>
Total Debt Service	\$ 71,025	\$ 53,419	\$ 60,492	\$ 44,682	\$ 42,440	\$ 35,478
Adjusted Total Operating Expense	\$ 2,409,483	\$ 2,348,733	\$ 2,295,433	\$ 2,131,490	\$ 2,039,254	\$ 1,932,076
<b>Actual Debt Service to Operations</b>	<b>2.9%</b>	<b>2.3%</b>	<b>2.6%</b>	<b>2.1%</b>	<b>2.1%</b>	<b>1.8%</b>

### Capital Expense to Operations

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Depreciation Expense	\$ 146,753	\$ 131,167	\$ 125,996	\$ 119,069	\$ 110,924	\$ 102,414
Interest Expense	46,103	31,432	43,055	29,497	28,563	23,497
<b>Total Capital Expense</b>	<b>\$ 192,856</b>	<b>\$ 162,599</b>	<b>\$ 169,051</b>	<b>\$ 148,566</b>	<b>\$ 139,487</b>	<b>\$ 125,911</b>
Operating Expenses	\$ 2,418,849	\$ 2,365,757	\$ 2,291,863	\$ 2,140,595	\$ 2,045,781	\$ 1,939,362
Less: Scholarships & Fellowships Expense	(55,469)	(48,456)	(39,485)	(38,602)	(35,090)	(30,783)
Interest Expense	46,103	31,432	43,055	29,497	28,563	23,497
<b>Adjusted Total Operating Expense</b>	<b>\$ 2,409,483</b>	<b>\$ 2,348,733</b>	<b>\$ 2,295,433</b>	<b>\$ 2,131,490</b>	<b>\$ 2,039,254</b>	<b>\$ 1,932,076</b>
Total Capital Expense	\$ 192,856	\$ 162,599	\$ 169,051	\$ 148,566	\$ 139,487	\$ 125,911
Adjusted Total Operating Expense	\$ 2,409,483	\$ 2,348,733	\$ 2,295,433	\$ 2,131,490	\$ 2,039,254	\$ 1,932,076
<b>Capital Expense to Operations</b>	<b>8.0%</b>	<b>6.9%</b>	<b>7.4%</b>	<b>7.0%</b>	<b>6.8%</b>	<b>6.5%</b>

## BALANCE SHEET RATIOS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

### Unrestricted Financial Resources to Operations

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Net Assets - Unrestricted	\$ 1,163,916	\$ 868,199	\$ 904,856	\$ 815,339	\$ 740,937	\$ 685,945
Operating Expenses	\$ 2,418,849	\$ 2,365,757	\$ 2,291,863	\$ 2,140,595	\$ 2,045,781	\$ 1,939,362
Less: Scholarships & Fellowships Expense	(55,469)	(48,456)	(39,485)	(38,602)	(35,090)	(30,783)
Interest Expense	46,103	31,432	43,055	29,497	28,563	23,497
Adjusted Total Operating Expense	\$ 2,409,483	\$ 2,348,733	\$ 2,295,433	\$ 2,131,490	\$ 2,039,254	\$ 1,932,076
Net Assets - Unrestricted	\$ 1,163,916	\$ 868,199	\$ 904,856	\$ 815,339	\$ 740,937	\$ 685,945
Adjusted Total Operating Expense	\$ 2,409,483	\$ 2,348,733	\$ 2,295,433	\$ 2,131,490	\$ 2,039,254	\$ 1,932,076

### Unrestricted Financial Resources to Operations

**0.48      0.37      0.39      0.38      0.36      0.36**

### Expendable Financial Resources to Operations (Primary Reserve Ratio)

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Net Assets - Unrestricted	\$ 1,163,916	\$ 868,199	\$ 904,856	\$ 815,339	\$ 740,937	\$ 685,945
Net Assets - Restricted Expendable - Scholarships, Research, Instruction and Other	244,226	235,405	262,266	270,238	267,514	239,585
Net Assets - Restricted Expendable - Loans	75,637	78,357	77,656	75,785	74,825	75,670
Expendable Net Assets	\$ 1,483,779	\$ 1,181,961	\$ 1,244,778	\$ 1,161,362	\$ 1,083,276	\$ 1,001,200
Operating Expenses	\$ 2,418,849	\$ 2,365,757	\$ 2,291,863	\$ 2,140,595	\$ 2,045,781	\$ 1,939,362
Less: Scholarships & Fellowships Expense	(55,469)	(48,456)	(39,485)	(38,602)	(35,090)	(30,783)
Interest Expense	46,103	31,432	43,055	29,497	28,563	23,497
Adjusted Total Operating Expense	\$ 2,409,483	\$ 2,348,733	\$ 2,295,433	\$ 2,131,490	\$ 2,039,254	\$ 1,932,076
Expendable Net Assets	\$ 1,483,779	\$ 1,181,961	\$ 1,244,778	\$ 1,161,362	\$ 1,083,276	\$ 1,001,200
Adjusted Total Operating Expense	\$ 2,409,483	\$ 2,348,733	\$ 2,295,433	\$ 2,131,490	\$ 2,039,254	\$ 1,932,076

### Primary Reserve Ratio

**0.62      0.50      0.54      0.54      0.53      0.52**

### Total Financial Resources per Student

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Net Assets - Unrestricted	\$ 1,163,916	\$ 868,199	\$ 904,856	\$ 815,339	\$ 740,937	\$ 685,945
Net Assets - Restricted Expendable - Scholarships, Research, Instruction and Other	244,226	235,405	262,266	270,238	267,514	239,585
Net Assets - Restricted Expendable - Loans	75,637	78,357	77,656	75,785	74,825	75,670
Net Assets - Restricted Nonexpendable	679,494	612,119	718,314	738,153	624,821	555,658
Total Financial Resources	\$ 2,163,273	\$ 1,794,080	\$ 1,963,092	\$ 1,899,515	\$ 1,708,097	\$ 1,556,858
Total Financial Resources	\$ 2,163,273	\$ 1,794,080	\$ 1,963,092	\$ 1,899,515	\$ 1,708,097	\$ 1,556,858
Number of Students - End of Fiscal Year (FTE)	55,272	53,292	51,025	48,994	48,431	47,752

**Total Financial Resources per Student      \$ 39,139      \$ 33,665      \$ 38,473      \$ 38,770      \$ 35,269      \$ 32,603**



# CONTRIBUTION RATIOS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

## Contribution Ratios

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
State Appropriations	\$ 498,358	\$ 479,478	\$ 462,281	\$ 440,855	\$ 428,893	\$ 430,127
Tuition and Fees, Net of Scholarship Allow/Exp	410,842	404,708	377,720	362,703	339,836	324,733
Auxiliary Enterprises	347,779	334,367	315,819	277,871	248,991	252,796
Grants and Contracts	318,123	296,745	299,148	264,830	264,007	268,921
Federal Pell Grants	48,281	31,649	27,232	23,613	22,994	24,964
Gifts	48,695	52,552	51,680	53,268	64,483	76,293
Normalized Investment Income (a)	107,236	105,498	95,963	86,504	77,538	71,770
Patient Care	736,799	702,424	681,312	648,802	620,577	566,394
Other	93,265	90,627	80,814	89,974	82,321	79,994
<b>Total</b>	<b>\$ 2,609,378</b>	<b>\$ 2,498,048</b>	<b>\$ 2,391,969</b>	<b>\$ 2,248,420</b>	<b>\$ 2,149,640</b>	<b>\$ 2,095,992</b>
State Appropriations	19.1%	19.2%	19.3%	19.6%	20.0%	20.5%
Tuition and Fees, Net of Scholarship Allow/Exp	15.7%	16.2%	15.8%	16.1%	15.8%	15.5%
Auxiliary Enterprises	13.3%	13.4%	13.2%	12.4%	11.6%	12.1%
Grants and Contracts	12.2%	11.9%	12.5%	11.8%	12.3%	12.8%
Federal Pell Grants	1.9%	1.3%	1.1%	1.1%	1.1%	1.2%
Gifts	1.9%	2.1%	2.2%	2.4%	3.0%	3.6%
Normalized Investment Income (a)	4.1%	4.2%	4.0%	3.8%	3.6%	3.4%
Patient Care	28.2%	28.1%	28.5%	28.9%	28.9%	27.0%
Other	3.6%	3.6%	3.4%	4.0%	3.8%	3.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

(a) Normalized investment income is equal to 5% of the rolling average balance of total cash and investments over the previous three fiscal years.

## Operating Expenses by Functional Classifications

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Instruction	\$ 537,613	\$ 544,025	\$ 513,970	\$ 475,366	\$ 455,134	\$ 425,076
Research	214,540	214,491	206,803	204,421	207,504	200,038
Public Service	146,719	173,627	163,203	151,735	145,257	141,441
Academic Support	124,119	108,626	120,071	116,275	107,041	110,220
Student Services	70,671	69,234	69,669	74,797	72,305	65,697
Institutional Support	109,493	104,198	116,672	65,382	74,778	90,300
Operation and Maintenance of Plant	55,878	70,002	47,796	63,432	62,100	57,390
Auxiliary Enterprises	957,394	901,931	888,198	831,516	775,648	716,003
Scholarships and Fellowships	55,469	48,456	39,485	38,602	35,090	30,783
Depreciation	146,753	131,167	125,996	119,069	110,924	102,414
<b>Total Operating Expenses</b>	<b>\$ 2,418,649</b>	<b>\$ 2,365,757</b>	<b>\$ 2,291,863</b>	<b>\$ 2,140,595</b>	<b>\$ 2,045,781</b>	<b>\$ 1,939,362</b>
Instruction	22.2%	23.0%	22.4%	22.2%	22.2%	21.9%
Research	8.9%	9.1%	9.0%	9.5%	10.1%	10.3%
Public Service	6.1%	7.3%	7.1%	7.1%	7.1%	7.3%
Academic Support	5.1%	4.6%	5.2%	5.4%	5.2%	5.7%
Student Services	2.9%	2.9%	3.0%	3.5%	3.5%	3.4%
Institutional Support	4.5%	4.4%	5.1%	3.1%	3.7%	4.7%
Operation and Maintenance of Plant	2.3%	3.0%	2.1%	3.0%	3.0%	3.0%
Auxiliary Enterprises	39.6%	38.1%	38.8%	38.8%	37.9%	36.9%
Scholarships and Fellowships	2.3%	2.0%	1.7%	1.8%	1.7%	1.6%
Depreciation	6.1%	5.5%	5.5%	5.6%	5.4%	5.3%
<b>Total Operating Expenses</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## STUDENT INFORMATION - CONSOLIDATED

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

### Enrollment

Fall Semester	2009	2008	2007	2006	2005	2004
Undergraduate Students (Head Count)	51,352	49,510	47,864	47,841	47,739	46,967
Graduate Students (Head Count)	15,080	14,336	13,846	13,158	12,875	12,466
Professional Students (Head Count)	2,952	2,873	2,830	2,784	2,770	2,728
<b>Total Students (Head Count)</b>	<b>69,384</b>	<b>66,719</b>	<b>64,540</b>	<b>63,783</b>	<b>63,384</b>	<b>62,161</b>
Undergraduate Students (FTE)	41,974	40,294	38,642	38,381	37,927	36,884
Graduate Students (FTE)	8,401	7,890	7,553	7,299	7,095	6,800
Professional Students (FTE)	2,917	2,841	2,799	2,751	2,730	2,681
<b>Total Students (FTE)</b>	<b>53,292</b>	<b>51,025</b>	<b>48,994</b>	<b>48,431</b>	<b>47,752</b>	<b>46,365</b>
Acceptance Rate - First-time Freshmen	80%	81%	80%	79%	81%	80%
Acceptance Rate - Undergraduate Transfers	72%	72%	70%	80%	86%	83%
Matriculation - First-time Freshmen	41%	46%	47%	45%	45%	46%
Matriculation - Undergraduate Transfers	68%	68%	64%	61%	60%	62%

### Demographics

Fall Semester	2009	2008	2007	2006	2005	2004
Male	47%	46%	47%	47%	46%	46%
Female	53%	54%	53%	53%	54%	54%
Undergraduate Residence - Missouri	84%	84%	85%	86%	86%	86%
Undergraduate Residence - Out of State	16%	16%	15%	14%	14%	14%
Undergraduate Full-Time	77%	76%	76%	75%	74%	73%
Undergraduate Part-Time	23%	24%	24%	25%	26%	27%
Graduate Full-Time	40%	38%	39%	41%	40%	39%
Graduate Part-Time	60%	62%	61%	59%	60%	61%
White	77.1%	78.2%	78.6%	79.1%	79.5%	79.8%
Black or African American	9.9%	9.3%	9.3%	9.0%	9.0%	8.6%
Non-Resident Alien	6.1%	6.0%	5.6%	5.5%	5.2%	5.5%
Asian / Pacific Is.	3.5%	3.4%	3.6%	3.6%	3.5%	3.4%
Hispanic	2.6%	2.5%	2.3%	2.2%	2.3%	2.2%
Other	0.8%	0.6%	0.6%	0.6%	0.5%	0.5%

### Degrees Awarded

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Baccalaureate	9,605	9,291	8,997	9,038	8,535	8,285
Graduate Certificate	520	438	321	293	259	257
Master's	3,608	3,620	3,432	3,193	3,227	3,215
Educational Specialist	123	148	102	106	91	77
Doctoral	519	487	510	479	470	439
First Professional Degree	800	763	749	771	741	711
<b>Total</b>	<b>15,175</b>	<b>14,747</b>	<b>14,111</b>	<b>13,880</b>	<b>13,323</b>	<b>12,984</b>



# STUDENT INFORMATION - COLUMBIA

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

## Enrollment

Fall Semester	2009	2008	2007	2006	2005	2004
Undergraduate Students (Head Count)	23,799	22,980	21,586	21,484	21,335	20,883
Graduate Students (Head Count)	6,288	6,024	5,708	5,598	5,512	5,051
Professional Students (Head Count)	1,150	1,126	1,111	1,102	1,083	1,069
<b>Total Students (Head Count)</b>	<b>31,237</b>	<b>30,130</b>	<b>28,405</b>	<b>28,184</b>	<b>27,930</b>	<b>27,003</b>
Undergraduate Students (FTE)	21,943	21,197	19,847	19,781	19,441	18,979
Graduate Students (FTE)	3,721	3,536	3,340	3,319	3,198	2,973
Professional Students (FTE)	1,134	1,108	1,094	1,083	1,066	1,048
<b>Total Students (FTE)</b>	<b>26,798</b>	<b>25,841</b>	<b>24,281</b>	<b>24,183</b>	<b>23,705</b>	<b>23,000</b>
Acceptance Rate - First-time Freshmen	83%	85%	85%	78%	83%	80%
Acceptance Rate - Undergraduate Transfers	69%	71%	67%	79%	91%	90%
Matriculation - First-time Freshmen	41%	47%	48%	47%	46%	46%
Matriculation - Undergraduate Transfers	66%	68%	71%	67%	70%	70%

## Demographics

Fall Semester	2009	2008	2007	2006	2005	2004
Male	46%	46%	46%	47%	47%	48%
Female	54%	54%	54%	53%	53%	52%
Undergraduate Residence - Missouri	83%	84%	85%	86%	86%	86%
Undergraduate Residence - Out of State	17%	16%	15%	14%	14%	14%
Undergraduate Full-Time	94%	94%	94%	94%	94%	94%
Undergraduate Part-Time	6%	6%	6%	6%	6%	6%
Graduate Full-Time	48%	46%	48%	50%	48%	50%
Graduate Part-Time	52%	54%	52%	50%	52%	50%
White	82.9%	83.6%	83.8%	83.8%	84.2%	84.2%
Black or African American	6.4%	5.9%	5.8%	5.7%	5.6%	5.3%
Non-Resident Alien	5.4%	5.4%	5.3%	5.3%	5.1%	5.4%
Asian / Pacific Is.	2.5%	2.5%	2.7%	2.8%	2.8%	2.8%
Hispanic	2.2%	2.0%	1.8%	1.8%	1.8%	1.7%
Other	0.6%	0.6%	0.6%	0.6%	0.5%	0.6%

## Degrees Awarded

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Baccalaureate	4,963	4,855	4,779	4,736	4,461	4,259
Graduate Certificate	142	88	69	68	84	79
Master's	1,515	1,506	1,421	1,350	1,314	1,195
Educational Specialist	59	57	34	36	21	33
Doctoral	322	306	326	293	277	274
First Professional Degree	304	307	303	289	292	288
<b>Total</b>	<b>7,305</b>	<b>7,119</b>	<b>6,932</b>	<b>6,772</b>	<b>6,449</b>	<b>6,128</b>

## STUDENT INFORMATION - KANSAS CITY

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

### Enrollment

Fall Semester	2009	2008	2007	2006	2005	2004
Undergraduate Students (Head Count)	9,381	9,261	9,094	9,383	9,487	9,393
Graduate Students (Head Count)	3,795	3,651	3,800	3,321	3,296	3,369
Professional Students (Head Count)	1,623	1,569	1,548	1,509	1,523	1,494
<b>Total Students (Head Count)</b>	<b>14,799</b>	<b>14,481</b>	<b>14,442</b>	<b>14,213</b>	<b>14,306</b>	<b>14,256</b>
Undergraduate Students (FTE)	6,972	6,662	6,400	6,528	6,540	6,354
Graduate Students (FTE)	2,021	1,936	1,909	1,776	1,755	1,786
Professional Students (FTE)	1,604	1,555	1,535	1,495	1,500	1,468
<b>Total Students (FTE)</b>	<b>10,597</b>	<b>10,153</b>	<b>9,844</b>	<b>9,799</b>	<b>9,795</b>	<b>9,608</b>
Acceptance Rate - First-time Freshmen	72%	73%	66%	82%	81%	88%
Acceptance Rate - Undergraduate Transfers	70%	66%	61%	80%	86%	85%
Matriculation - First-time Freshmen	40%	42%	44%	36%	39%	48%
Matriculation - Undergraduate Transfers	68%	67%	67%	57%	57%	66%

### Demographics

Fall Semester	2009	2008	2007	2006	2005	2004
Male	43%	43%	42%	42%	42%	41%
Female	57%	57%	58%	58%	58%	59%
Undergraduate Residence - Missouri	75%	77%	78%	77%	79%	80%
Undergraduate Residence - Out of State	25%	23%	22%	23%	21%	20%
Undergraduate Full-Time	67%	63%	61%	61%	60%	58%
Undergraduate Part-Time	33%	37%	39%	39%	40%	42%
Graduate Full-Time	33%	33%	30%	35%	34%	32%
Graduate Part-Time	67%	67%	70%	65%	66%	68%
White	67.6%	68.9%	71.1%	71.5%	72.0%	72.2%
Black or African American	12.7%	12.5%	12.0%	12.1%	12.1%	11.8%
Non-Resident Alien	7.4%	7.3%	6.3%	5.9%	5.5%	6.0%
Asian / Pacific Is.	6.5%	6.2%	6.2%	6.1%	5.8%	5.4%
Hispanic	4.3%	4.4%	3.8%	3.6%	3.9%	3.7%
Other	1.4%	0.7%	0.7%	0.7%	0.8%	0.9%

### Degrees Awarded

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Baccalaureate	1,633	1,496	1,289	1,428	1,425	1,393
Graduate Certificate	18	20	24	19	23	19
Master's	911	917	852	769	791	794
Educational Specialist	33	49	40	39	41	41
Doctoral	83	68	59	71	61	48
First Professional Degree	455	412	408	438	415	377
<b>Total</b>	<b>3,133</b>	<b>2,962</b>	<b>2,672</b>	<b>2,764</b>	<b>2,756</b>	<b>2,672</b>

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

### Enrollment

Fall Semester	2009	2008	2007	2006	2005	2004
Undergraduate Students (Head Count)	5,206	4,911	4,752	4,515	4,311	4,119
Graduate Students (Head Count)	1,608	1,456	1,414	1,343	1,289	1,285
Professional Students (Head Count)	-	-	-	-	-	-
Total Students (Head Count)	6,814	6,367	6,166	5,858	5,600	5,404
Undergraduate Students (FTE)	4,886	4,622	4,483	4,200	4,000	3,815
Graduate Students (FTE)	979	831	840	783	800	779
Professional Students (FTE)	-	-	-	-	-	-
Total Students (FTE)	5,865	5,453	5,323	4,983	4,800	4,594
Acceptance Rate - First-time Freshmen	89%	88%	90%	90%	92%	93%
Acceptance Rate - Undergraduate Transfers	74%	74%	76%	77%	80%	91%
Matriculation - First-time Freshmen	47%	49%	49%	49%	48%	50%
Matriculation - Undergraduate Transfers	71%	67%	73%	66%	81%	72%

Note: Rolla's pre-application advising process encourages unqualified students to apply elsewhere, thereby producing misleading acceptance rate figures.

### Demographics

Fall Semester	2009	2008	2007	2006	2005	2004
Male	78%	78%	77%	77%	78%	78%
Female	22%	22%	23%	23%	22%	22%
Undergraduate Residence - Missouri	81%	81%	81%	81%	81%	81%
Undergraduate Residence - Out of State	19%	19%	19%	19%	19%	19%
Undergraduate Full-Time	92%	93%	92%	91%	90%	91%
Undergraduate Part-Time	8%	7%	8%	9%	10%	9%
Graduate Full-Time	59%	52%	54%	56%	60%	59%
Graduate Part-Time	41%	48%	46%	44%	40%	41%
White	76.4%	78.3%	78.7%	78.9%	79.3%	78.8%
Black or African American	5.4%	4.9%	4.6%	4.4%	4.4%	4.3%
Non-Resident Alien	12.6%	11.0%	10.4%	10.4%	10.6%	11.8%
Asian / Pacific Is.	2.7%	3.1%	3.3%	3.5%	3.0%	2.8%
Hispanic	2.3%	2.2%	2.3%	2.4%	2.4%	2.0%
Other	0.6%	0.5%	0.7%	0.4%	0.3%	0.3%

### Degrees Awarded

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Baccalaureate	998	922	913	835	744	731
Graduate Certificate	278	250	164	127	75	83
Master's	411	426	430	356	392	440
Educational Specialist	-	-	-	-	-	-
Doctoral	51	50	63	63	74	66
First Professional Degree	-	-	-	-	-	-
Total	1,738	1,648	1,570	1,381	1,285	1,320

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

### Enrollment

Fall Semester	2009	2008	2007	2006	2005	2004
Undergraduate Students (Head Count)	12,966	12,358	12,432	12,459	12,606	12,572
Graduate Students (Head Count)	3,389	3,205	2,924	2,896	2,778	2,761
Professional Students (Head Count)	179	178	171	173	164	165
Total Students (Head Count)	16,534	15,741	15,527	15,528	15,548	15,498
Undergraduate Students (FTE)	8,172	7,814	7,912	7,873	7,947	7,735
Graduate Students (FTE)	1,681	1,587	1,464	1,422	1,341	1,262
Professional Students (FTE)	179	178	171	173	164	165
Total Students (FTE)	10,032	9,579	9,547	9,468	9,452	9,162
Acceptance Rate - First-time Freshmen	60%	59%	62%	64%	62%	61%
Acceptance Rate - Undergraduate Transfers	77%	79%	78%	81%	84%	78%
Matriculation - First-time Freshmen	39%	38%	38%	39%	43%	32%
Matriculation - Undergraduate Transfers	69%	69%	57%	60%	54%	53%

### Demographics

Fall Semester	2009	2008	2007	2006	2005	2004
Male	38%	35%	40%	39%	39%	38%
Female	62%	65%	60%	61%	61%	62%
Undergraduate Residence - Missouri	93%	93%	93%	93%	93%	94%
Undergraduate Residence - Out of State	7%	7%	7%	7%	7%	6%
Undergraduate Full-Time	46%	47%	48%	47%	47%	44%
Undergraduate Part-Time	54%	53%	52%	53%	53%	56%
Graduate Full-Time	23%	23%	26%	24%	24%	20%
Graduate Part-Time	77%	77%	74%	76%	76%	80%
White	74.2%	75.4%	75.1%	76.9%	77.5%	78.9%
Black or African American	16.6%	15.6%	15.8%	14.4%	14.3%	13.1%
Non-Resident Alien	3.6%	3.9%	3.7%	3.6%	3.1%	3.1%
Asian / Pacific Is.	3.2%	3.0%	3.3%	3.1%	3.2%	3.0%
Hispanic	1.9%	1.7%	1.8%	1.7%	1.7%	1.7%
Other	0.5%	0.4%	0.3%	0.3%	0.2%	0.2%

### Degrees Awarded

Fiscal Year Ended June 30,	2010	2009	2008	2007	2006	2005
Baccalaureate	2,011	2,018	2,016	2,039	1,905	1,902
Graduate Certificate	82	80	64	79	77	76
Master's	771	771	729	718	730	786
Educational Specialist	31	42	28	31	29	3
Doctoral	63	63	62	52	58	51
First Professional Degree	41	44	38	44	34	46
Total	2,999	3,018	2,937	2,963	2,833	2,864

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# University of Missouri System

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