



University of Missouri System
COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS

2012 FINANCIAL REPORT

A photograph of five flags on poles against a blue sky with clouds. From left to right, the flags are: a red flag with a yellow stripe and the University of Missouri seal; a Missouri state flag; a white flag with a yellow stripe and the University of Missouri seal; a blue flag with a yellow stripe and the University of Missouri seal; and a yellow flag with a blue stripe and the University of Missouri seal.

 **Advancing** Missouri™



University of Missouri System
COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS

2012 FINANCIAL REPORT



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Message from the President

Wherever you look, the impact of the University of Missouri System can be seen and felt.

We educate the state's workforce. We are your doctors, dentists, pharmacists and medical researchers. We drive innovation and help small businesses thrive. We deliver technology, health care to the underserved and experts in nearly every subject.

In short, we Advance Missouri. And every person in it. Every day.

It is a responsibility—and obligation—we take seriously. As the state's premier public four-year research university, we are committed to improving the lives of all Missourians and the state we love.

We also feel equal responsibility to be good stewards of state resources. As you'll note in the following pages, our financial position and health remains strong and sound. We have been able to maintain our strong financial position due to our diversified funding sources and historically low borrowing costs that have allowed us to leverage our growth.

At the same time, we recognize the challenges before us: uncertainty in state funding, increased enrollment growth, limited tuition increases and decreased investment returns. We know that in order to continue to thrive, we must chart a new course that helps ensure our financial vitality well into the future. This will require strategic thinking about the university's areas of focus and how to apply precious resources to those endeavors.

We have already identified strategic priorities for the university system that will focus our attention and guide our activities in the coming months. We also continue to measure and chart our progress through our accountability measures, which document our performance and serve as a guide for both our areas of excellence and need for continuing improvement.

This information and more is available on our website at www.umsystem.edu. We invite you to peruse our successes, review our strategic priorities and interact with us online or through any number of social media channels.

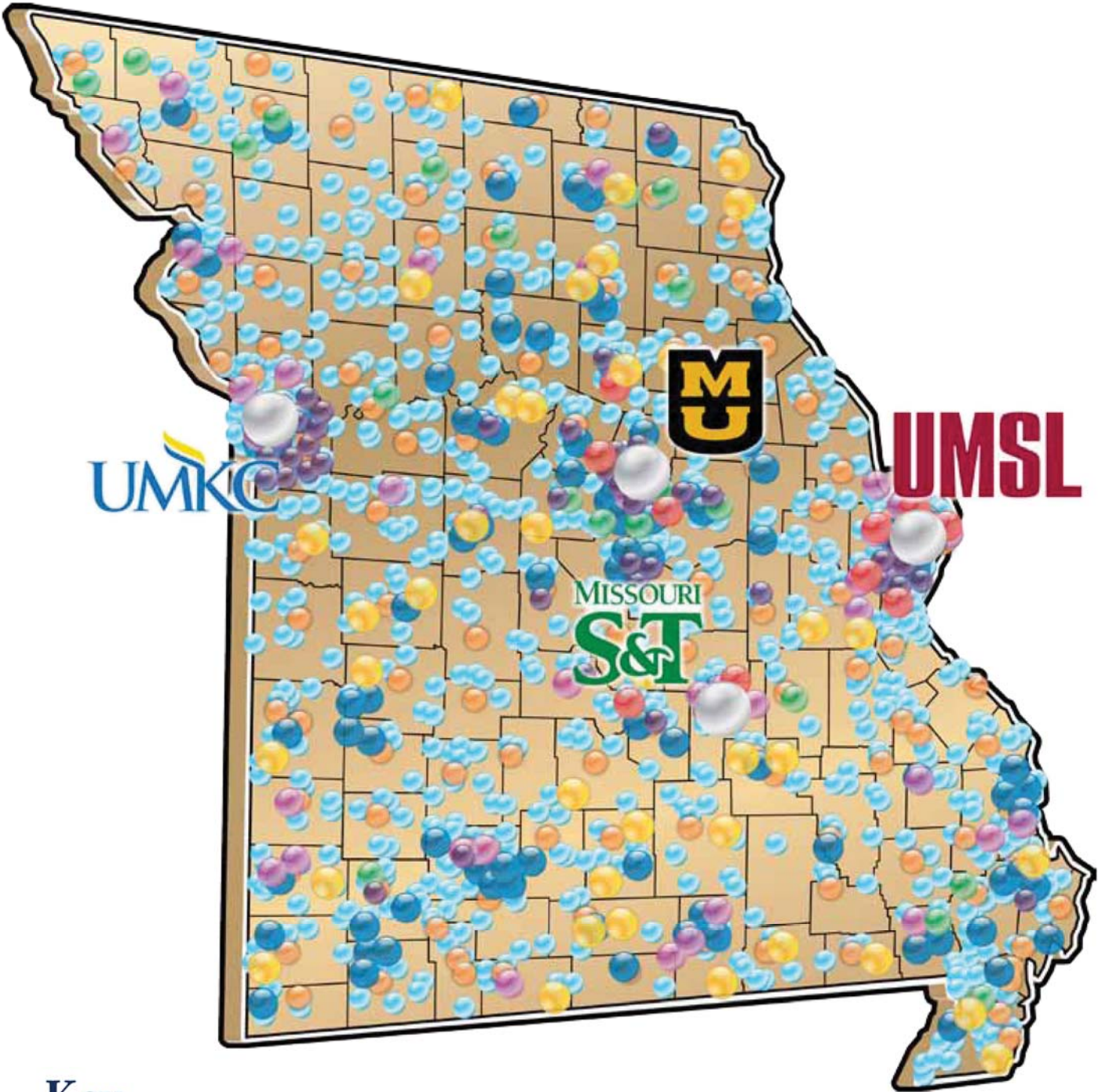
Sincerely,



Timothy M. Wolfe
President, University of Missouri System



University of Missouri System Statewide Reach



Key

- 4** UM System Campuses
- 38** School Districts Served by eMINTS Investing in Innovation (i3) Project
- 787** MOREnet Sites
- 10** Research Parks / Business Incubators
- 39** Small Business & Technology Development Centers
- 200** Missouri Telehealth Network Sites
- 22** Agriculture Research Stations
- 56** Health Centers & Affiliates
- 114** Counties Served by Extension Centers

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 at least one but no more than two shall be appointed from each 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.



David R. Bradley
St. Joseph, Chairman
Term expires: Jan. 1, 2015



Wayne Goode
St. Louis, Vice Chairman
Term expires: Jan. 1, 2015



Donald L. Cupps
Cassville
Term expires: Jan. 1, 2017



Don M. Downing
Webster Groves
Term expires: Jan. 1, 2015



Warren K. Erdman
Kansas City
Term expires: Jan. 1, 2013



Pamela Quigg Henrickson
Jefferson City
Term expires: Jan. 1, 2017



David L. Steward
St. Louis
Term expires: Jan. 1, 2017



Amy G. Johnson
Student Representative
to the Board of Curators, UMKC
Term expires: Jan. 1, 2014

Two Seats are Vacant.



University of Missouri System General Officers



Timothy M. Wolfe
President



Stephen J. Owens, JD
General Counsel



Gary K. Allen, DVM, PhD
Vice President for
Information Technology



Steven W. Graham, PhD
Senior Associate Vice President
for Academic Affairs



Stephen C. Knorr
Vice President for
Government Relations



Natalie "Nikki" Krawitz
Vice President for Finance
& Administration



Michael F. Nichols, PhD
Vice President for Research
& Economic Development



Elizabeth "Betsy" Rodriguez, PhD
Vice President for
Human Resources



Brady J. Deaton, PhD
Chancellor, University of
Missouri-Columbia



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



Leo E. Morton
Chancellor, University of
Missouri-Kansas City



Cheryl B. Schrader, PhD
Chancellor, Missouri
University of Science and
Technology

University of Missouri System Finance Staff

Natalie "Nikki" Krawitz, Vice President for Finance & Administration

Jane E. Closterman, Controller

Tom Richards, Treasurer

Cuba Plain, Assistant Vice President for Budget Planning and Development



University of Missouri-Columbia

Considered one of the nation's top-tier institutions, the University of Missouri-Columbia has a reputation of excellence in teaching and research and is the flagship campus of the four-campus UM System. It is one of only 34 public universities and the only public institution in Missouri to be selected for membership in the Association of American Universities. MU is one of only six public universities in the country with degree programs in medicine, veterinary medicine and law on one campus.



University of Missouri-Kansas City

The University of Missouri-Kansas City is home to the nationally-ranked Institute for Entrepreneurship and Innovation in the Bloch School of Management and was ranked number one in the world for innovation management research. UMKC has long been at the heart of nurturing culture in Kansas City through renowned programs in music and dance, theater and visual arts. In addition, UMKC has four health science schools on one campus and is widely known for KCSOURCELINK, a program that supports small business development.

Missouri University of Science and Technology

Missouri University of Science and Technology in Rolla is one of the nation's most focused technological research universities. With 15 accredited undergraduate engineering programs, Missouri S&T provides more engineering degree options than MIT, Purdue, Illinois or Michigan, and three times the average number found at other U.S. universities. Missouri S&T graduates are highly sought by the business community, averaging the second-highest starting salaries among all public universities in the nation.

UMSL



University of Missouri-St. Louis

The University of Missouri-St. Louis is the largest university in the St. Louis region and third largest in Missouri. UMSL boasts several nationally-ranked departments and programs, including the Department of Criminology and Criminal Justice and the International Business program. With the largest university alumni population in the region, UMSL is ranked 14th nationally in a survey of “Best College and University Civic Partnerships,” which measures the economic, social and cultural impact of academic institutions on metropolitan regions.



University of Missouri Health Care



University of Missouri Health Care

University of Missouri Health Care touches the lives of Missourians across the state in myriad ways - through the quality care provided at its hospitals and clinics, the education of future health professionals offered by its health sciences schools, the specialty services delivered by University Physicians, and the life-saving research conducted. In partnership with the Tiger Institute for Health Innovation, the health system is equipping health professionals with the most advanced technology to provide safe and effective care. University of Missouri Health Care was the only hospital in central Missouri and one of only three hospitals in the state to make *U.S. News and World Report's* prestigious Most Connected Hospitals 2012-13 list.



University of Missouri System

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FINANCIAL INFORMATION

 **Advancing** *Missouri.*

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

October 10, 2012

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 32 to 70, 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 30-31.

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

University of Missouri System COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS
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MISSOURI

UNIVERSITY OF MISSOURI SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012 and 2011 (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, 2012 and 2011, 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, 1000 W Nifong, Building 7, Suite 300, Columbia, MO 65211, and at www.umsystem.edu through the Finance and Administration page.

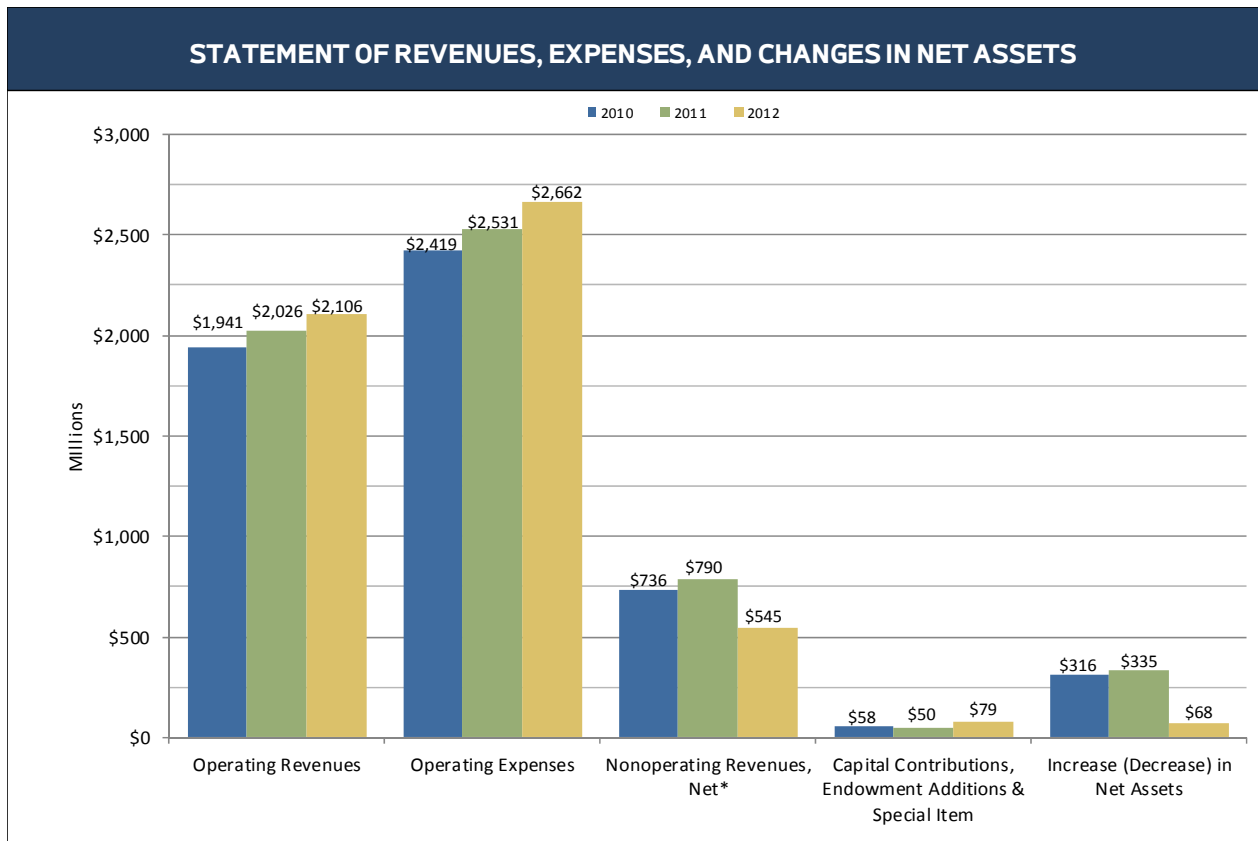
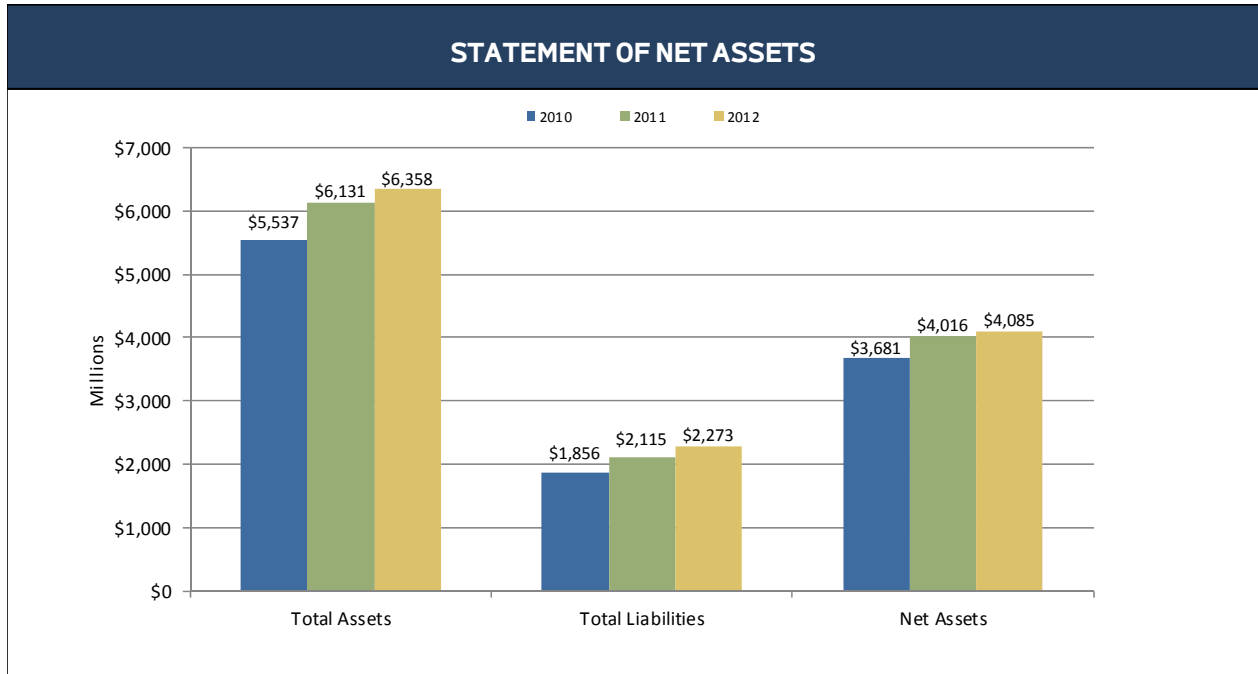
FINANCIAL HIGHLIGHTS

At June 30, 2012, the University's financial position remained solid, with Total Assets of \$6.4 billion. Net Assets, which represent the residual value of the University's assets after deducting liabilities, totaled \$4.1 billion. When operating, non-operating, and other changes are included, Net Assets increased by approximately \$68 million in fiscal year (FY) 2012, driven primarily by the \$42.3 million Special Item related to the sale of a research and diagnostic laboratory on the Columbia campus and \$37.8 million increase in Private Gifts as compared to FY 2011.

UNIVERSITY OF MISSOURI SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012 and 2011 (unaudited)

The following charts compare Total Assets, Liabilities, and Net Assets at June 30, 2012, 2011 and 2010, and the major components of changes in Net Assets for the years ended June 30, 2012, 2011 and 2010:



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

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012 and 2011 (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. Total Net Assets is an indicator of financial condition and changes in Total Net Assets

indicate if the overall financial condition has improved or worsened. 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, 2012, 2011 and 2010:

CONDENSED STATEMENT OF NET ASSETS			
(in thousands of dollars)			
As of June 30,	2012	2011	2010
Assets			
Current Assets	\$ 940,748	\$ 869,091	\$ 837,688
Noncurrent Assets			
Endowment and Other Long-Term Investments	2,430,742	2,519,102	2,063,065
Capital Assets, Net	2,848,993	2,642,196	2,534,365
Other	106,659	82,128	79,265
Deferred Outflow of Resources	30,415	19,023	22,192
Total Assets and Deferred Outflow of Resources	\$ 6,357,557	\$ 6,131,540	\$ 5,536,575
Liabilities			
Current Liabilities			
Commercial Paper and Current Portion of Long-Term Debt	\$ 183,226	\$ 29,107	\$ 30,139
Long-Term Debt Subject to Remarketing Agreements	100,330	220,885	223,680
Other	651,831	563,676	547,051
Noncurrent Liabilities			
Long-Term Debt	1,122,312	1,140,934	915,906
Other	215,241	160,694	139,063
Total Liabilities	2,272,940	2,115,296	1,855,839
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,545,227	1,516,095	1,485,090
Restricted -			
Nonexpendable	771,146	788,876	679,494
Expendable	389,029	360,343	352,236
Unrestricted	1,379,215	1,350,930	1,163,916
Total Net Assets	4,084,617	4,016,244	3,680,736
Total Liabilities and Net Assets	\$ 6,357,557	\$ 6,131,540	\$ 5,536,575

ASSETS

Total Assets increased by \$226 million, or 3.7%, to \$6.4 billion as of June 30, 2012, compared to the prior year. The increase during FY 2012 was driven primarily by the University continuing to expand **Capital Assets** across all of its campuses to meet housing, educational, and patient care needs. From FY 2010 to FY 2011, Total Assets increased by 10.7%, primarily due to strong performance of Investments and expansion of Capital Assets.

At June 30, 2012, the University's working capital, which is current assets less current liabilities, was \$5.4 million, a decrease of \$50.1 million from the previous year. The largest driver of the decrease was the purchase of a housing and parking facility at the Kansas City campus for \$40.8 million which was financed with Commercial Paper.

As a measurement of actual liquidity, working capital is adversely impacted by the inclusion, per accounting guidelines, of Long-Term Debt Subject to Remarketing and Commercial Paper. If Long-Term Debt Subject to

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012 and 2011 (unaudited)

Remarketing and Commercial Paper were excluded from Current Liabilities, working capital would be \$266.6 million at June 30, 2012, also expressed as Current Assets of 1.40 times Current Liabilities.

The following table illustrates actual working capital, as well as working capital adjusted for Long-Term Debt Subject to Remarketing and Commercial Paper:

SUMMARY OF WORKING CAPITAL			
(in thousands of dollars)			
As of June 30,	2012	2011	2010
Current Assets	\$ 940,748	\$ 869,091	\$ 837,688
Current Liabilities	935,387	813,668	800,870
Working Capital, Unadjusted	\$ 5,361	\$ 55,423	\$ 36,818
Ratio of Current Assets to Current Liabilities (Unadjusted)	1.01	1.07	1.05
Current Assets	940,748	869,091	837,688
Current Liabilities	935,387	813,668	800,870
Less: Long-Term Debt Subject to Remarketing and Commercial Paper	(261,265)	(220,885)	(223,680)
Current Liabilities, As Adjusted	674,122	592,783	577,190
Working Capital, As Adjusted	\$ 266,626	\$ 276,308	\$ 260,498
Ratio of Current Assets to Current Liabilities (As Adjusted)	1.40	1.47	1.45

UNIVERSITY OF MISSOURI SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012 and 2011 (unaudited)

At June 30, 2012, the University held \$362.8 million in **Cash and Cash Equivalents**, an increase of \$141.5 million from June 30, 2011. The June 30, 2011 cash balances of \$221.3 million were \$106.0 million lower than June 30, 2010. The increase in cash at June 30, 2012 is largely due to timing differences as less working capital was invested at June 30, 2012 as compared to June 30, 2011. **Short-Term and Long-Term Investments** totaled \$2.6 billion as of June 30, 2012, representing a decrease of 4.8% from the prior year as compared to a 27.4% increase from FY 2010 to FY 2011. The decrease in investment balances during

FY 2012 is primarily offset by increases in cash and cash equivalents due to less working capital being invested at June 30, 2012. The financial markets deteriorated slightly during FY 2012; net realized and unrealized gains and losses declined by \$219.6 million, going from a net gain of \$192.1 million in FY 2011 to a net loss of \$27.5 million in FY 2012. The overall change in investment returns was most evident in the Endowment Pool, which experienced a net loss of (0.9%) in FY 2012 as compared to a net gain of 21.5% in FY 2011.

Composition and returns of the University's various investment pools for the years ended June 30, 2012 and 2011 were as follows:

CASH, CASH EQUIVALENTS AND INVESTMENTS							
(in thousands of dollars)							
	June 30, 2012					June 30, 2011	
	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	\$ 273,102	\$ 1,178,307	\$ 1,451,409	2.9%	1.4%	\$ 1,431,805	2.1%
Endowment Pool	15,528	245,725	261,253	-0.9%	0.5%	307,675	21.5%
Endowment Funds							
Endowment Pool	62,049	981,916	1,043,965	-0.9%	0.5%	1,013,787	21.5%
Fixed Income Pool	4,242	73,543	77,785	5.1%	8.0%	72,488	2.1%
Other	7,859	109,397	117,256	N/A	N/A	114,968	N/A
Total	\$ 362,780	\$ 2,588,888	\$ 2,951,668			\$ 2,940,723	

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

UNIVERSITY OF MISSOURI SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012 and 2011 (unaudited)

At June 30, 2012, Accounts Receivable, Net of \$274.1 million included a \$31.4 million receivable related to medical resident FICA refund claims and accrued interest income on the claims, for periods ending before April 1, 2005 due to notification from the Internal Revenue Service (IRS) of its intent to honor these claims. The net FICA refund to the University, after settlements of \$21.5 million to former medical residents and other third-party entities, is \$6.8 million plus \$3.1 million in interest income.

At June 30, 2012, the University's investment in **Capital Assets** totaled \$2.8 billion compared to \$2.6 billion at June 30, 2011. The University added \$367.7 million in capital assets, net of retirements, during FY 2012, offset by depreciation of \$160.9 million for the year. FY 2011 capital asset additions of \$262.9 million, net of retirements, were offset by \$155.1 million in depreciation and transfers.

Note 6 presents additional information on changes by asset classification; major capital projects either substantially completed in FY 2012 or ongoing are shown in the following table:

SELECTED CAPITAL PROJECTS			
(Fiscal Year Ended June 30, 2012)			
Campus	Project Budget	Expenditures Through June 30, 2012	Source of Funding
Columbia:			
Renovation of Mark Twain Hall	\$ 21,700,000	\$ 5,400,000	Revenue Bonds
Renovation of Johnston and Wolpers Halls	42,800,000	1,300,000	Campus Reserves
Power Plant - Combined Heat & Power Upgrade	71,700,000	64,300,000	Revenue Bonds, Campus Reserves
Patient Care Tower (University Health Care)	203,000,000	103,100,000	Revenue Bonds, Campus Reserves, Gifts
Kansas City:			
Oak Street Parking Structure	23,100,000	21,500,000	Revenue Bonds
Bloch School of Management Building Addition	22,100,000	2,400,000	Gifts
Missouri S&T:			
Geothermal Energy Project	\$ 32,400,000	\$ 3,300,000	Revenue Bonds

Total Liabilities were \$157.6 million higher at June 30, 2012 as compared to June 30, 2011, and \$259.5 million higher at June 30, 2011 as compared to June 30, 2010. Significant changes in **Current Liabilities** at June 30, 2012 include a \$130.7 million increase in **Investment Settlements Payable** for purchases of investments occurring on or before June 30, but settling after June 30; and a \$69.0 million decrease in Collateral Held for Securities Lending. The **Derivative Instrument Liability** increased by \$31.2 million, which represents the change in fair market value of the University's interest rate swaps. Investment Settlements Payable and Derivative Instrument Liability, represented the largest increases in liabilities at June 30, 2012.

Current Liabilities include long-term variable rate demand bonds subject to remarketing agreements totaling \$100.3 million, \$220.9 million and \$223.7

million at June 30, 2012, 2011 and 2010, respectively. The variable rate demand bonds have 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.

On October 21, 2011, the Board of Curators approved the University's Commercial Paper Program, which authorizes the periodic issuance of up to an aggregate outstanding principal amount of \$375 million. During fiscal year 2012, the University issued \$160.9 million of Commercial Paper to fund the purchase of a housing and parking facility on the Kansas City campus and refund System Facilities Revenue Bonds, Series 2000B, Series 2001A, and Series 2006B.

UNIVERSITY OF MISSOURI SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012 and 2011 (unaudited)

Non Current Liabilities represent those commitments beyond one year. On May 2, 2012, the University issued \$105.2 million in Series 2012A System Facilities Revenue Bonds. Proceeds from issuance of the Series 2012A Bonds are being used to refund all or a portion of Series 2003A bonds, Series 2006A bonds, Series 2007A bonds, and paying cost of issuance of the Series 2012A bonds. The all-in-true interest cost of the Series 2012A bonds is 1.7%.

On August 3, 2011, the University issued \$54.1 million in Series 2011 System Facilities Revenue Bonds. Proceeds from issuance of the Series 2011 bonds are being used to refund all or a portion of Series 1998A bonds, 2001B bonds, Series 2003B Bonds, and paying the cost of issuance of the Series 2011 bonds. The all-in-true interest cost of the Series 2011 bonds is 3.2%.

On December 21, 2010, the University issued \$252.3 million in taxable Series 2010A System Facilities Revenue Bonds designated as "Build America Bonds" under the Internal Revenue Code of 1986, as amended.

With respect to the Series 2010A 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. The all-in-true interest cost of the Series 2010A bonds, after taking into account the 35% interest payment from the federal government is 3.8%. The Series 2010A bonds were Aa1 and AA+ rated by Moody's and Standard & Poor's, respectively. Proceeds from issuance of the Series 2010A 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, energy management improvements on the Columbia and Missouri S&T campuses, construction of a new parking structure on the Kansas City campus, new patient care tower and Ellis Fischel Cancer Center relocation at Health Care, and renovation, furnishing and equipping various other facilities, and to finance capitalized interest and certain costs of issuance.

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

LONG-TERM DEBT (in thousands of dollars)			
As of June 30,	2012	2011	2010
System Facilities Revenue Bonds	\$ 1,206,695	\$ 1,367,925	\$ 1,144,650
Unamortized Premium and Loss on Defeasance	26,661	14,300	15,245
Total Bonds Payable	1,233,356	1,382,225	1,159,895
Capital Lease Obligations	6,616	7,405	8,144
Notes Payable	4,961	1,296	1,686
Commercial Paper	160,935	-	-
Total Long-Term Debt	\$ 1,405,868	\$ 1,390,926	\$ 1,169,725
Contractual Maturities Within One Year			
Bonds Payable - Fixed Rate	\$ 20,875	\$ 25,195	\$ 27,765
Bonds Payable - Variable Rate Demand	420	2,795	1,245
Notes Payable	300	328	390
Capital Lease Obligations	696	789	739
Commercial Paper	160,935	-	-
Total Contractual Maturities Within One Year	\$ 183,226	\$ 29,107	\$ 30,139

UNIVERSITY OF MISSOURI SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

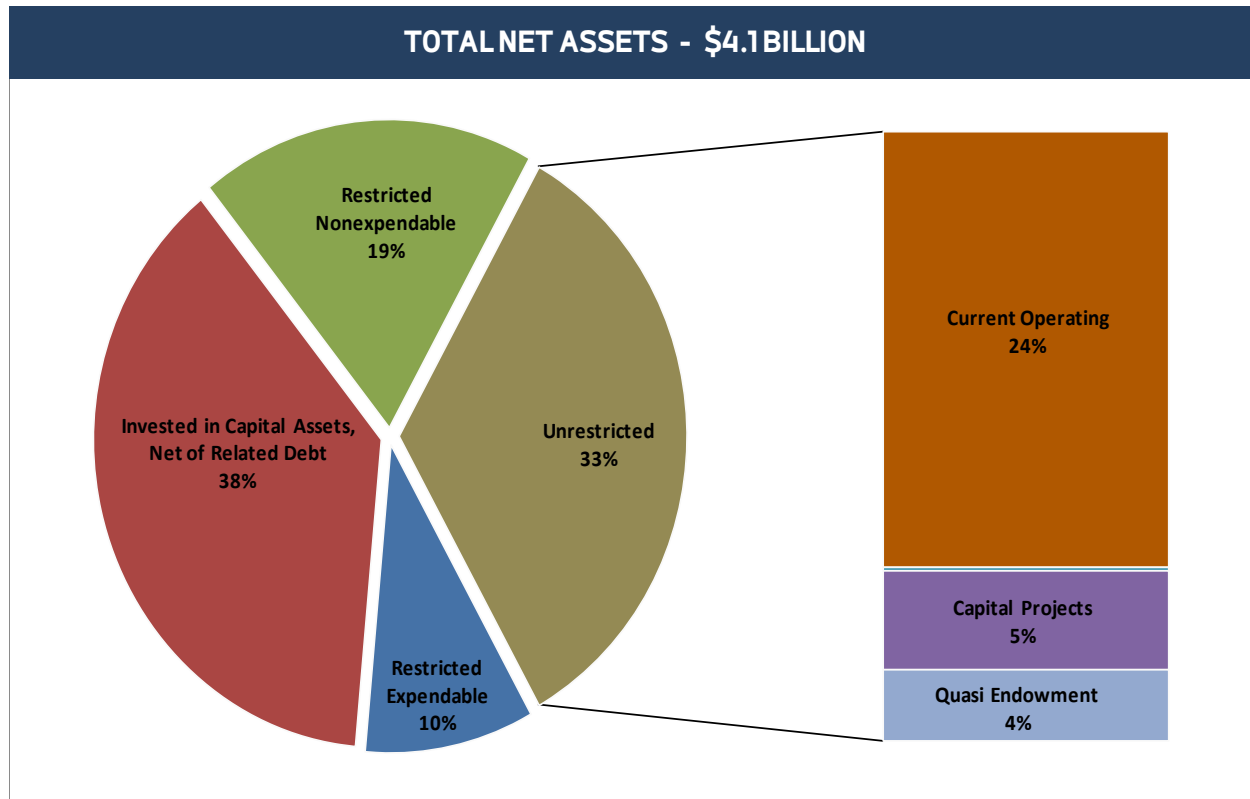
June 30, 2012 and 2011 (unaudited)

NET ASSETS

Net Assets represent the value of the University's assets after liabilities are deducted. The University's total **Net Assets** increased by \$68.4 million during the year ended June 30, 2012, after increasing by \$335.5

million in the year ended June 30, 2011. In FY 2010, changes in total **Net Assets** included a \$6.2 million decrease due to the effects of changes in accounting principles (GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*).

The distribution of the Net Asset balances, including additional details on unrestricted net assets by fund type, as of June 30, 2012, are as follows:



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 increased by \$29.1 million in FY 2012 and \$31.0 million in FY 2011. This increase is largely driven by the construction the new Patient Tower for Health Care that is being partially funded with Unrestricted Net Assets.

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. Unrealized market losses contributed to a \$17.7 million, or 2.2%, decrease in Restricted Nonexpendable Net Assets during FY 2012. Realized and unrealized market gains were largely responsible for a \$109.4, or 16.1%, increase during FY 2011.

UNIVERSITY OF MISSOURI SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012 and 2011 (unaudited)

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. This category increased by \$28.7 million, or 8.0%, during FY 2012 and \$8.1 million, or 2.3%, in FY 2011. As of June 30, 2012, this category includes:

- \$299.8 million of net assets restricted for operations and giving purposes compared to \$264.6 million at June 30, 2011;
- \$79.1 million for student loan programs compared to \$77.3 million at June 30, 2011; and
- \$10.1 million for facilities compared to \$18.4 million at June 30, 2011.

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 \$28.3 million, or 2.1%, to \$1.4 billion at June 30, 2012 after increasing by \$187.0 million, or 16.1%, in FY 2011. 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, 2012 and 2011, University Health Care designated funds totaled \$339.5 million and \$353.7 million, respectively; capital project-designated funds totaled \$224.3 million and \$215.7 million, respectively; student loan program-designated funds totaled \$8.5 million and \$8.5 million, respectively; and unrestricted funds functioning as endowments totaled \$161.8 million and \$118.3 million, respectively. The remaining Unrestricted Net Assets which are available for the University's instructional and public service missions and its general operations totaled \$645.1 million and \$641.1 million at June 30, 2012 and 2011, respectively.

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012 and 2011 (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.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS			
(in thousands of dollars)			
Fiscal Year Ended June 30,	2012	2011	2010
Operating Revenues			
Net Tuition and Fees	\$ 545,276	\$ 495,502	\$ 466,311
Grants and Contracts	311,742	320,522	318,123
Patient Medical Services, Net	813,024	759,734	736,799
Other Auxiliary Enterprises	357,101	372,477	347,779
Other Operating Revenues	78,418	77,482	71,810
Total Operating Revenues	2,105,561	2,025,717	1,940,822
Operating Expenses			
Salaries, Wages and Benefits	1,677,944	1,600,566	1,540,265
Supplies, Services and Other Operating Expenses	762,700	716,044	676,362
Other Operating Expenses	221,295	213,893	202,222
Total Operating Expenses	2,661,939	2,530,503	2,418,849
Operating Loss Before State Appropriations	(556,378)	(504,786)	(478,027)
State Appropriations	397,629	437,631	498,358
Income (Loss) after State Appropriations, before Nonoperating Revenues (Expenses)	(158,749)	(67,155)	20,331
Nonoperating Revenues (Expenses)			
Investment and Endowment Income (Losses), Net of Fees	30,855	266,633	172,833
Private Gifts	90,346	52,564	48,695
Interest Expense	(53,923)	(49,507)	(46,103)
Other Nonoperating Revenues, Net	80,319	83,088	68,077
Net Nonoperating Revenues (Expenses)	147,597	352,778	243,502
Income (Loss) before Capital Contributions, Additions to Permanent Endowments and Special Item	(11,152)	285,623	263,833
State Capital Appropriations	937	8,043	14,205
Capital Gifts and Grants	11,788	15,466	19,381
Private Gifts for Endowment Purposes	24,484	26,376	24,703
Special Item	42,316	-	-
Increase in Net Assets	68,373	335,508	322,122
Net Assets, Beginning of Year	4,016,244	3,680,736	3,364,777
Cumulative Effect of Change in Accounting Principles	-	-	(6,163)
Net Assets, Beginning of Year, as Adjusted	4,016,244	3,680,736	3,358,614
Net Assets, End of Year	\$ 4,084,617	\$ 4,016,244	\$ 3,680,736

REVENUES

Operating Revenues represent resources generated by the University in fulfilling its instruction, research, and public service missions. Total **Operating Revenues**

increased by \$79.8 million, or 3.9% in FY 2012, and by \$84.9 million, or 4.4% in FY 2011. **Net Tuition and Fees** and **Patient Medical Services** contributed most significantly to the increased operating revenue in FY 2012 while **Net Tuition and Fees, Patient Medical**

UNIVERSITY OF MISSOURI SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

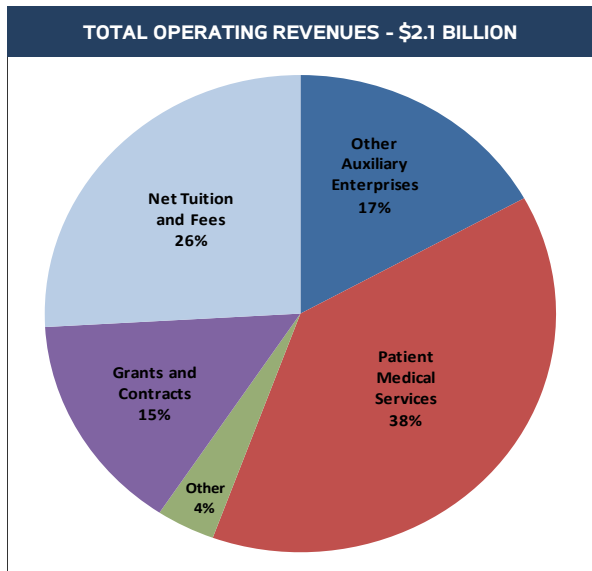
June 30, 2012 and 2011 (unaudited)

Services and **Other Auxiliary Enterprises** had the largest increases in the previous year. **Nonoperating Revenues** are those not generated by the University's core missions and include such funding sources as State and Federal Appropriations, Pell Grants, Private Gifts and Investment and Endowment Income.

2012 as compared to an increase of \$51.6 million, or 4.8%, in FY 2011. **Patient Medical Services**, which includes fees for services provided by University Health Care, had the largest increase in both fiscal years 2012 and 2011 at \$53.3 million, or 7.0%, and \$26.9 million, or 3.6%, respectively.

The following is a graphic illustration of operating revenues by source for FY 2012:

Nonoperating Revenues



Total **State Appropriations** received for University operations, University Health Care operations, and other special programs decreased by \$40.0 million, or 9.1%, in FY 2012, and decreased by \$60.7 million, or 12.2%, in FY 2011. This decrease was largely related to a 7.3% decrease in funding for operations or the core instructional mission. Additionally, reductions occurred for other curator's programs such as MOREnet, Health Care, and Mid-Missouri Mental Health Center.

Operating Revenues

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** resulted in a net gain of \$30.9 million in FY 2012 as compared to a net gain of \$266.6 million in FY 2011. This includes a decrease in Investment and Endowment Income of \$235.8 million for the year ended June 30, 2012, as compared to a \$93.8 million increase for the year ended June 30, 2011.

Tuition and Fees, net of **Scholarship Allowances**, increased by \$49.8 million, or 10.0%, in FY 2012 and by \$29.2 million, or 6.3%, in FY 2011. The increase in FY 2012 was driven primarily by increased student enrollment and an average increase of 5.5% in tuition and fee rates. The FY 2011 increase was driven primarily by increases in student enrollment.

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 2012, the University received gifts totaling \$126.6 million, as compared to \$94.4 million and \$92.8 million for FY 2011 and FY 2010, respectively.

As a research institution, the University receives a substantial amount of funding through **Federal, State and Private Grants and Contracts**. Overall, sponsored funding decreased by \$8.8 million, or 2.7%, in FY 2012 compared to an increase of 0.8% in FY 2011. A 5.7% decrease in Federal grants was the primary driver for the decline FY 2012.

The University's auxiliary enterprises include University Health Care, Housing and Dining Services, campus Bookstores, and other such supplemental activities. Total operating revenues generated by these auxiliary enterprises increased by \$34.0 million, or 3.0%, in FY

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

June 30, 2012 and 2011 (unaudited)

Total **Interest Expense** during the years ended June 30, 2012 and 2011 was \$64.5 million and \$59.7 million, respectively. Interest expense associated with financing projects during construction, net of any investment income earned on bond proceeds during construction, is capitalized. For the years ended June

30, 2012 and 2011, capitalization of interest earned on unspent bond proceeds totaled \$10.6 million and \$10.2 million, respectively, resulting in net interest expense of \$53.9 million and \$49.5 million, respectively.

The following is a summary of interest expense associated with Long-Term Debt:

INTEREST EXPENSE			
(in thousands of dollars)			
Fiscal Year Ended June 30,	2012	2011	2010
System Facilities Revenue Bonds	\$ 57,746	\$ 53,563	\$ 45,820
Net Payment on Interest Rate Swaps	5,754	5,129	6,062
Total System Facilities Revenue Bonds	63,500	58,692	51,882
Capital Project Notes	-	-	494
Capitalized Lease Obligations	929	986	951
Notes Payable	34	45	57
Commercial Paper	71	-	-
Total Interest Expense Before Capitalization of Interest	64,534	59,723	53,384
Capitalization of Interest, Net of Interest Earned on Unspent Bond Proceeds	(10,611)	(10,216)	(7,281)
Total Interest Expense	\$ 53,923	\$ 49,507	\$ 46,103

In FY 2012, **Other Nonoperating Revenues, Net** of \$80.3 million decreased \$2.8 million over FY 2011 largely due to increases in Other Nonoperating Expenses of \$10.2 million. In FY 2012 and FY 2011, Federal Appropriations include cash subsidy payments

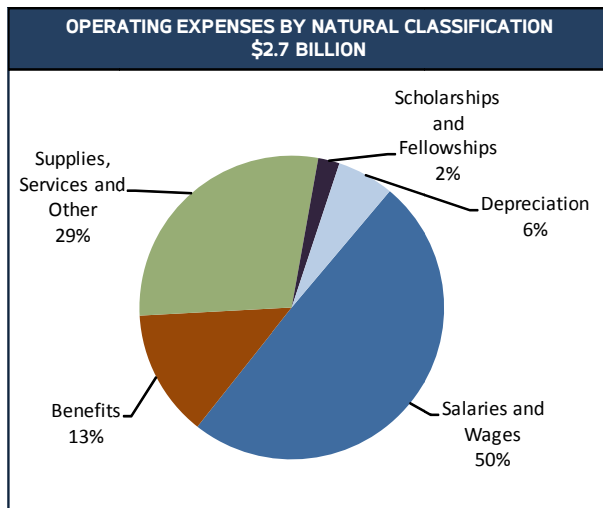
from the United States Treasury totaling \$10.5 million and \$7.2 million, respectively, for designated Build America Bonds outstanding. Pell Grants increased by \$4.4 million and were largely driven by increased enrollment and student need.

UNIVERSITY OF MISSOURI SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012 and 2011 (unaudited)

OPERATING EXPENSES

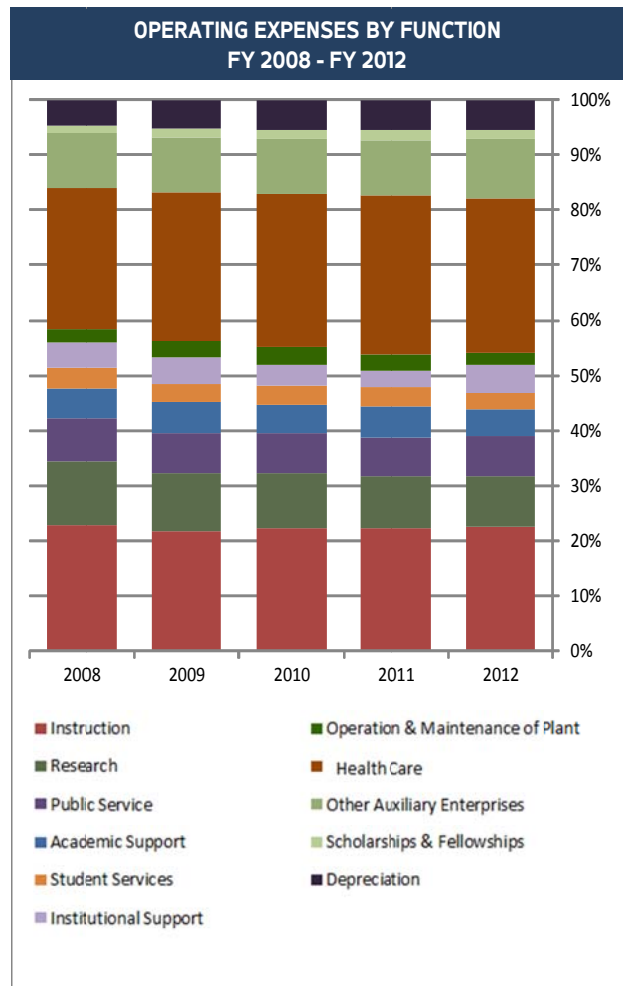
Total Operating Expenses increased by \$131.4 million, or 5.1%, in FY 2012 compared to an increase of \$111.7 million, or 4.6%, in FY 2011. The following graph illustrates the University's operating expenses by natural classification for FY 2012:



During FY 2012 and FY 2011, **Salaries, Wages and Benefits** increased approximately 4.8% and 3.9%, respectively, over the prior fiscal year. Salaries and Wages increased by \$46.1 million, or 3.6% driven by merit increases and increased enrollment. Staff Benefits as of June 30, 2012, increased by \$31.3 million, or 9.5%, as compared to June 30, 2011. Contributing to this was an increase in the employer contributions rate for the retirement plan and increases in claims and administrative fees paid to medical and dental providers.

In FY 2012 and FY 2011, the University's **Supplies, Services, and Other Operating** expenses of \$762.7 million and \$716.0 million increased by \$46.7 million, or 6.5%, and \$39.6 million, or 5.9%, respectively, over the prior fiscal year. These increases relate to necessary expenses in the current fiscal year that were deferred in prior fiscal years due to budgetary constraints and enrollment growth.

The following illustrates the University's operating expenses by function for FY 2008 through FY 2012:



The core missions of instruction, research, and public service account for the largest proportion of Operating Expenses at 36.2% for FY 2012. University Health Care constitutes the next highest proportion at 24.1% of expenses for FY 2012. Excluding Health Care, instruction, research, and public service account for 47.6% of Operating Expenses for FY 2012. Institutional support, which represents the core administrative operations of the University, was less than 5 cents of each dollar spent during this 5-year period.

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012 and 2011 (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, 2012, 2011 and 2010:

CONDENSED STATEMENT OF CASH FLOWS			
(in thousands of dollars)			
Fiscal Year Ended June 30,	2012	2011	2010
Net Cash Used in Operating Activities	\$ (369,270)	\$ (332,797)	\$ (264,857)
Net Cash Provided by Noncapital Financing Activities	620,913	617,306	622,421
Net Cash Provided by (Used in) Capital and Related Financing Activities	(388,389)	(64,886)	5,733
Net Cash Provided by (Used in) Investing Activities	278,239	(325,649)	(288,925)
Net Increase (Decrease) in Cash and Cash Equivalents	141,493	(106,026)	74,372
Cash and Cash Equivalents, Beginning of Year	221,287	327,313	252,941
Cash and Cash Equivalents, End of Year	\$ 362,780	\$ 221,287	\$ 327,313

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 2012, cash used in operating activities increased by \$36.5 million as compared to FY 2011 due primarily to increased cash outflows from payroll and benefits and payments to suppliers. In FY 2011, cash used in operating activities increased by \$67.9 million from FY 2010.

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 \$620.9 million, \$617.3 million and \$622.4 million in FY 2012, FY 2011 and FY 2010, respectively, directly offset the additional cash needs resulting from operations.

Net Cash Provided by (Used In) Capital and Related Financing Activities decreased by \$323.5 million in FY 2012 due largely to a decrease in the amount of new debt issued in FY 2012. Net Cash Used in Capital and Related Financing Activities of \$5.7 million in FY 2010 was 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 Provided by (Used In) Investing Activities reflects a net cash inflow of \$278.2 million in FY 2012 as to a net cash outflow of \$325.6 million in FY 2011. This is largely driven by unsettled investment trades at the end of FY 2012.

ECONOMIC OUTLOOK

The University of Missouri is the state's premier public research university contributing to the economic development and vitality of the state through groundbreaking research, educating more than 73,000 students, delivering quality healthcare to the citizens of Missouri, and providing extension services throughout the state.

The University has experienced 30% enrollment growth over the past 10 years and is now educating 17,000 more students each year. Approximately 70% of the state's growth in undergraduate enrollment among four-year institutions over the last 10 years has occurred at the University of Missouri. This growth has occurred during the challenging economy of the past decade without any growth in state support and modest annual average increases in tuition. While enrollment growth at this pace is not expected to continue in the next decade, without increases in state support the university will be challenged to find ways to educate more students while maintaining instructional quality and affordability. State appropriations for operations decreased by 7.3% in FY

UNIVERSITY OF MISSOURI SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012 and 2011 (unaudited)

2012 and will likely remain flat in FY 2013. Without significant increases in general revenues, the state will continue to be challenged to increase funding for higher education for FY 2014 and beyond.

Despite the challenges generated by decreased state funding and increased enrollment, the University has been able to strengthen its financial position due to diversified funding sources, and historically low borrowing costs. The University continues to increase private giving, with an increase of 71.9% in FY 2012 and a focus on sustain higher levels of giving in FY 13 and beyond. The University also continues to benefit from historically low borrowing costs to address academic, research, student life facility and campus infrastructure needs.

The University is aware of its fiduciary responsibility to control costs in order to provide an affordable education for Missourians. The University has continued to implement shared services and business process redesign to achieve cost savings and efficiencies and to identify resources for strategic investment. This is an on-going process critical to future performance.

The University continues to maintain its strong research base. Research expenditures declined slightly in FY 2012 as the funding provided by the American Recovery and Reinvestment Act began to wane. Additionally, federal agencies are being faced with shrinking budgets as part of the broader reductions in the Federal budget. To offset these decreases the University is looking for other opportunities to stimulate research and economic development. This includes the Enterprise Investment Program which was established to expedite the transfer of researchers' lab innovations to the market place and to create new Missouri business and jobs. For FY 12 two University research teams were chosen to receive \$600,000 in funding as part of this program.

For FY 2012, University Health Care continues focus on advancing the health of all people, especially Missourians. For the future, University Health Care continues to pursue growth and its academic mission. Currently, under construction is a \$203,000,000 patient care tower, which includes a replacement of the Ellis Fischel Cancer Center. The patient tower is scheduled to be completed in FY 2013, with patient care starting in the new facility in the fourth quarter of the fiscal year. These capital investments will assist in providing quality care to patients, including a significant increase in private rooms, and enhanced facilities for physician recruitments. University Health Care has also begun investing in outpatient facilities through the FY 2012 opening of the Missouri Center for Outpatient Surgery, as well as plans for building a new outpatient facility in Columbia in FY 2015

The University continues to monitor the changing environment surrounding State and Federal health care programs and the corresponding legislation, including 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 healthcare. University Health Care management continues to review the effect that the legislation will have on the organization, but has not determined the full financial statement effect of this new Health Care Reform legislation.

Strong student demand, highly successful capital campaigns, robust research funding, economic development programs and a financially stable and growing healthcare system are all factors in the positive outlook for the University of Missouri. However, the state economy, limited increases in tuition, and flat state support will continue to pose budgetary challenges for the University in the future.

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, 2012 and 2011, 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, 2012 and 2011, 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 10, 2012 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.

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 15 through 29 and the schedules of employer contributions and the schedules of funding progress on pages 69 and 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an

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INDEPENDENT AUDITORS' REPORT

appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 presented on pages 72 through 86 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

KPMG LLP

St. Louis, Missouri
October 10, 2012

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF NET ASSETS

As of June 30, 2012 and 2011 (in thousands)

	University		Discretely Presented Component Unit	
	2012	2011	2012	2011
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 228,639	\$ 44,249	\$ 10,301	\$ 8,433
Restricted Cash and Cash Equivalents	134,141	177,038	-	-
Short-Term Investments	126,054	151,070	-	-
Restricted Short-Term Investments	32,092	49,264	-	-
Investment of Cash Collateral	32,032	101,047	-	-
Accounts Receivable, Net	274,100	255,589	17,417	16,566
Pledges Receivable, Net	11,898	12,374	-	-
Investment Settlements Receivable	37,316	15,634	-	-
Notes Receivable, Net	8,151	8,532	-	-
Due From (To) Component Units	(7,029)	(6,658)	7,029	6,658
Inventories	36,022	35,193	3,486	3,228
Prepaid Expenses and Other Current Assets	27,332	25,759	1,837	1,825
Total Current Assets	940,748	869,091	40,070	36,710
Noncurrent Assets				
Restricted Cash and Cash Equivalents	-	-	4,318	4,346
Pledges Receivable, Net	41,708	14,895	-	-
Notes Receivable, Net	54,698	54,015	-	-
Deferred Charges and Other Assets	10,253	13,218	3,679	1,788
Restricted Other Assets	-	-	3,151	3,279
Long-Term Investments	1,363,827	1,357,918	63,522	55,627
Restricted Long-Term Investments	1,066,915	1,161,184	-	-
Capital Assets, Net	2,848,993	2,642,196	63,866	69,021
Total Noncurrent Assets	5,386,394	5,243,426	138,536	134,061
Deferred Outflow of Resources	30,415	19,023	-	-
Total Assets and Deferred Outflow of Resources	\$ 6,357,557	\$ 6,131,540	\$ 178,606	\$ 170,771
Liabilities				
Current Liabilities				
Accounts Payable	\$ 140,274	\$ 130,803	\$ 4,037	\$ 5,156
Accrued Liabilities	150,971	143,347	15,505	13,879
Deferred Revenue	84,923	78,209	-	-
Funds Held for Others	65,643	62,951	-	-
Investment Settlements Payable	177,988	47,319	-	-
Collateral Held for Securities Lending	32,032	101,047	-	-
Commercial Paper and Current Portion of Long-Term Debt	183,226	29,107	2,917	2,263
Long-Term Debt Subject to Remarketing Agreements	100,330	220,885	-	-
Total Current Liabilities	935,387	813,668	22,459	21,298

(continued)

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF NET ASSETS

As of June 30, 2012 and 2011 (in thousands)

	University		Discretely Presented Component Unit	
	2012	2011	2012	2011
Liabilities, Continued				
Noncurrent Liabilities				
Long-Term Debt	1,122,312	1,140,934	31,445	34,447
Deferred Revenue	-	1,519	-	-
Derivative Instrument Liability	57,856	26,702	-	-
Other Postemployment Benefits Liability	109,496	83,306	-	-
Other Noncurrent Liabilities	47,889	49,167	3,209	1,156
Total Noncurrent Liabilities	1,337,553	1,301,628	34,654	35,603
Total Liabilities	2,272,940	2,115,296	57,113	56,901
Net Assets				
Invested in Capital Assets, Net of Related Debt	1,545,227	1,516,095	29,715	32,615
Restricted				
Nonexpendable -				
Endowment	771,146	788,876	-	-
Expendable -				
Scholarship, Research, Instruction and Other	299,789	264,605	3,151	3,279
Loans	79,091	77,300	-	-
Capital Projects	10,149	18,438	-	-
Unrestricted	1,379,215	1,350,930	88,627	77,976
Total Net Assets	4,084,617	4,016,244	121,493	113,870
Total Liabilities and Net Assets	\$ 6,357,557	\$ 6,131,540	\$ 178,606	\$ 170,771

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, 2012 and 2011 (in thousands)

	University		Discretely Presented Component Unit	
	2012	2011	2012	2011
Operating Revenues				
Tuition and Fees (Net of Provision for Doubtful Accounts of \$6,935 in 2012 and \$5,739 in 2010)	\$ 736,074	\$ 671,419	\$ -	\$ -
Less Scholarship Allowances	190,798	175,917	-	-
Net Tuition and Fees	545,276	495,502	-	-
Federal Grants and Contracts	184,882	196,122	-	-
State and Local Grants and Contracts	55,837	57,375	-	-
Private Grants and Contracts	71,023	67,025	-	-
Sales and Services of Educational Activities	23,106	21,671	-	-
Auxiliary Enterprises -				
Patient Medical Services, Net	813,024	759,734	168,311	164,760
Housing and Dining Services (Net of Scholarship Allowance of \$617 in 2012 and \$614 in 2011)	99,667	93,724	-	-
Bookstores	57,566	58,591	-	-
Other Auxiliary Enterprises (Net of Scholarship Allowance of \$8,339 in 2012 and \$7,704 in 2011)	199,868	220,162	-	-
Other Operating Revenues	55,312	55,811	-	-
Total Operating Revenues	2,105,561	2,025,717	168,311	164,760
Operating Expenses				
Salaries and Wages	1,318,349	1,272,226	70,227	68,021
Benefits	359,595	328,340	15,050	14,655
Supplies, Services and Other Operating Expenses	762,700	716,044	63,490	65,177
Scholarships and Fellowships	60,380	58,790	-	-
Depreciation	160,915	155,103	10,559	10,943
Total Operating Expenses	2,661,939	2,530,503	159,326	158,796
Operating Income (Loss) before State				
Appropriations	(556,378)	(504,786)	8,985	5,964
State Appropriations	397,629	437,631	-	-
Operating Income (Loss) after State Appropriations, before Nonoperating Revenues (Expenses)	(158,749)	(67,155)	8,985	5,964
Nonoperating Revenues (Expenses)				
Federal Appropriations	28,222	28,416	-	-
Federal Pell Grants	62,311	57,951	-	-
Investment and Endowment Income, Net of Fees	30,855	266,633	602	652
Private Gifts	90,346	52,564	-	-
Interest Expense	(53,923)	(49,507)	(1,519)	(1,954)
Other Nonoperating Revenues (Expenses)	(10,214)	(3,279)	(445)	440
Net Nonoperating Revenues (Expenses)	147,597	352,778	(1,362)	(862)

(continued)

UNIVERSITY OF MISSOURI SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2012 and 2011 (in thousands)

	University		Discretely Presented Component Unit	
	2012	2011	2012	2011
Income (Loss) before Capital Contributions, Additions to Permanent Endowments and Special Item	(11,152)	285,623	7,623	5,102
State Capital Appropriations	937	8,043	-	-
Capital Gifts and Grants	11,788	15,466	-	-
Private Gifts for Endowment Purposes	24,484	26,376	-	-
Special Item	42,316	-	-	-
Increase in Net Assets	68,373	335,508	7,623	5,102
Net Assets, Beginning of Year	4,016,244	3,680,736	113,870	108,768
Net Assets, End of Year	\$ 4,084,617	\$ 4,016,244	\$ 121,493	\$ 113,870

See notes to the financial statements.

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2012 and 2011 (in thousands)

	2012	2011
Cash Flows from Operating Activities		
Tuition and Fees	\$ 541,629	\$ 496,091
Federal, State and Private Grants and Contracts	307,097	329,542
Sales and Services of Educational Activities and Other Auxiliaries	227,249	245,570
Patient Care Revenues	804,903	765,991
Student Housing Fees	99,775	93,747
Bookstore Collections	58,085	58,439
Payments to Suppliers	(760,592)	(741,245)
Payments to Employees	(1,309,080)	(1,269,544)
Payments for Benefits	(333,405)	(304,408)
Payments for Scholarships and Fellowships	(60,380)	(58,790)
Student Loans Issued	(8,711)	(9,608)
Student Loans Collected	8,559	8,665
Student Loan Interest and Fees	1,538	1,601
Other Receipts, Net	54,063	51,152
Net Cash Used in Operating Activities	(369,270)	(332,797)
Cash Flows from Noncapital Financing Activities		
State Appropriations	397,629	437,631
Federal Appropriations and Pell Grants	90,369	88,242
Private Gifts	64,009	56,056
Endowment and Similar Funds Gifts	24,484	26,376
Direct Lending Receipts	356,718	347,237
Direct Lending Disbursements	(356,718)	(347,237)
PLUS Loan Receipts	92,509	81,683
PLUS Loan Disbursements	(92,509)	(81,683)
Other Receipts, Net	41,730	(705)
Deposits (Receipts) of Affiliates	2,692	9,706
Net Cash Provided by Noncapital Financing Activities	620,913	617,306
Cash Flows from Capital and Related Financing Activities		
Capital State Appropriations	1,475	14,691
Capital Gifts and Grants	5,491	8,627
Proceeds from Sales of Capital Assets	4,035	1,050
Purchase of Capital Assets	(362,015)	(262,333)
Proceeds from Issuance of Capital Debt, Net	355,472	252,285
Principal Payments on Capital Debt	(25,603)	(29,400)
Payments on Capital Lease	(789)	(739)
Payments on Debt Defeasance	(310,911)	-
Payments of Bond Issuance Costs	(1,226)	(1,551)
Interest Payments on Capital Debt	(54,318)	(47,516)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(388,389)	(64,886)

(continued)

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2012 and 2011 (in thousands)

	2012	2011
Cash Flows from Investing Activities		
Interest and Dividends on Investments, Net	58,325	70,091
Purchase of Investments, Net of Sales and Maturities	221,535	(397,113)
Other Investing Activities	(1,621)	1,373
Net Cash Provided by (Used in) Investing Activities	278,239	(325,649)
Net Increase (Decrease) in Cash and Cash Equivalents	141,493	(106,026)
Cash and Cash Equivalents, Beginning of Year	221,287	327,313
Cash and Cash Equivalents, End of Year	\$ 362,780	\$ 221,287
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating Loss	\$ (556,378)	\$ (504,786)
Adjustments to Net Cash Used in Operating Activities		
Depreciation Expense	160,915	155,103
Changes in Assets and Liabilities:		
Accounts Receivable, Net	(18,682)	(3,052)
Inventory, Prepaid Expenses and Other Assets	(2,103)	(6,947)
Notes Receivable	411	(252)
Accounts Payable	7,575	(1,606)
Accrued Liabilities	31,979	28,824
Deferred Revenue	7,013	(81)
Net Cash Used in Operating Activities	\$ (369,270)	\$ (332,797)
Supplemental Disclosure of Noncash Activities		
Net Increase (Decrease) in Fair Value of Investments	\$ (105,689)	\$ 170,549
Noncash Gifts	12,878	22,820

See notes to the financial statements.

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF PLAN NET ASSETS

As of June 30, 2012 and 2011 (in thousands)

	2012	2011
Assets		
Cash and Cash Equivalents	\$ 106,033	\$ 116,216
Investment of Cash Collateral	50,023	257,463
Investment Settlements Receivable	83,396	27,006
Investments:		
Debt Securities	933,561	984,980
Equity Securities	505,512	607,800
Commingled Funds	1,085,669	985,435
Nonmarketable Alternative Investments	212,993	174,899
Other	11,895	15,022
Total Assets	2,989,082	3,168,821
Liabilities		
Accounts Payable and Accrued Liabilities	169	119
Collateral Held for Securities Lending	50,023	257,463
Investment Settlements Payable	206,980	152,057
Total Liabilities	257,172	409,639
Net Assets Held in Trust for Retirement and OPEB	\$ 2,731,910	\$ 2,759,182

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF CHANGES IN PLAN NET ASSETS

For the Years Ended June 30, 2012 and 2011 (in thousands)

	2012	2011
Net Revenues and Other Additions		
Investment Income:		
Interest & Dividend Income, Net of Fees	\$ 58,589	\$ 61,723
Net Appreciation (Depreciation) in Fair Value of Investments	(31,548)	379,667
Net Investment Income	27,041	441,390
Contributions:		
University	100,095	87,783
Members	27,320	26,000
Total Contributions	127,415	113,783
Other Revenues	1,218	695
Total Net Revenues and Other Additions	155,674	555,868
Expenses and Other Deductions		
Administrative Expenses	2,630	2,621
Payments to Retirees and Beneficiaries	180,316	172,181
Total Expenses and Other Deductions	182,946	174,802
Increase (Decrease) in Net Assets Held in Trust for Retirement and OPEB	(27,272)	381,066
Net Assets Held in Trust for Retirement and OPEB, Beginning of Year	2,759,182	2,378,116
Net Assets Held in Trust for Retirement and OPEB, End of Year	\$ 2,731,910	\$ 2,759,182

See notes to the financial statements.

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2012 and 2011

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 includes University Health Care and related 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 Care. 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 Missouri Renewable Energy Corporation is considered a component unit of the University, for financial reporting purposes, according to the criteria in GASB Statement No. 14, *The Financial Reporting Entity*, and is included in the University’s financial statements using the blended method. The Missouri Renewable Energy Corporation provides green energy facilities exclusively to the University. At June 30, 2012 Missouri Renewable Energy Corporation was wholly owned by the University. Financial statements for Missouri Renewable Energy Corporation 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. 61, *The Financial Reporting Entity: Omnibus an amendment to GASB Statements No. 14 and No. 34*, the University follows all applicable GASB pronouncements.

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

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2012 and 2011

by funds received by external parties for goods or services.

Basis of Accounting – The University’s financial statements have been prepared using the economic 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. Non-operating 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 15.

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. 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 \$10,444,000 and \$6,482,000 as of June 30, 2012 and 2011, 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 Care’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

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2012 and 2011

art as these collections generally consist of historical 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 are primarily provided through University of Missouri Hospitals and Clinics, Ellis Fischel Cancer Research Center, Women’s and Children’s Hospital, Missouri Rehabilitation Center and University Physicians. The University has agreements with third-party payors that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discount charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as estimates are refined and final settlements are determined. Net patient service revenue is also shown net of estimated uncollectible accounts.

Amounts receivable under Medicare and Medicaid reimbursement agreements are subject to examination and certain retroactive adjustments by the related programs. These adjustments decreased net patient services revenues by \$320,000 and \$1,086,000 for the years ended June 30, 2012, and 2011, respectively.

The Medicaid program reimburses inpatient services on a prospective established per diem rate. The Medicaid program reimburses outpatient services under a combination of prospective and fee schedule amounts.

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2012 and 2011

For the years ended June 30, 2012 and 2011, the University Health Care'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)

	2012	2011
Medicare	24%	24%
Commercial Insurance	12%	7%
Medicaid	22%	22%
Self Pay & Other	18%	18%
Managed Care Agreements	24%	29%
	100%	100%

Patient services revenue includes the State of Missouri Federal Reimbursement Allowance Program (FRA Program) for uncompensated care. Health Care recognizes FRA Program revenue in the period earned.

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)

	2012	2011
Patient Medical Services		
Revenue, Gross	\$1,814,794	\$ 1,657,707
Deductions for Contractuals	(922,418)	(822,541)
Deductions for Bad Debt	(79,352)	(75,432)
Patient Medical Services		
Revenue, Net	\$ 813,024	\$ 759,734

Uncompensated Care - The University provides some services to patients without regard to their ability to pay for those services. For some of its patient services, the University receives no payment or payment that is less than the full cost of providing the services. The estimated costs of providing these services are as follows:

Table 1.3 - Uncompensated Care Revenue (in thousands)

	2012	2011
Cost of Charity Care	\$ 14,158	\$ 10,370
Unreimbursed cost under state and local government assistance programs, net of Medicaid disproportionate share funding, less Medicaid provider taxes	446	16,265
Cost of uncollectible accounts	36,866	32,469
Patient Medical Services		
Revenue, Net	\$ 51,470	\$ 59,104

New Accounting Pronouncements – Effective for fiscal year 2012, the University adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. Adoption of GASB Statement No. 62 had no effect on the University's financial statements.

Effective for fiscal year 2012, the University adopted GASB Statement No. 64, *Derivative Instruments: application of Hedge Accounting Termination Provisions – an amendment to GASB No. 53*, which provides clarification on determining if an effective hedging relationship still exists for derivative instruments. Adoption of GASB Statement No. 64 had no effect on the University's financial statements.

Effective for fiscal year 2011, the University adopted GASB Statement No. 59, *Financial Instruments Omnibus*, which updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. Adoption of GASB Statement No. 59 had no effect on the University's financial statements.

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.

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

DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

Nature of Operations – The Curators of the University of Missouri, for and on behalf of University Health Care, and CRMC entered into an Affiliation Agreement dated August 5, 1997. Pursuant to the Affiliation Agreement, the University created the Medical

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2012 and 2011

Alliance. The Medical Alliance then became the sole member of CRMC. The Medical Alliance's purpose is to develop a network of healthcare providers to support the missions of University Health Care.

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 Accounting Standards Codification 958-205, *Not-for-Profit Entities Presentation of Financial Statements*. 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

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, 2012 and 2011, 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 – 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 be invested in the following instruments: U.S. Government securities; U.S. Government Agency securities; U.S. Government guaranteed securities; money market funds; 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 Endowment Pool, formally known as Balanced Pool; at

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2012 and 2011

June 30, 2012 and 2011, 15.3% and 17.7%, respectively, of General Pool funds were invested in the Endowment Pool (refer to "Endowment Funds" below). The General Pool's total return, including unrealized gains and losses, was 2.4% and 5.7% for the years ended June 30, 2012 and 2011, 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 Endowment Pool, which is externally managed, is the primary investment vehicle for endowment funds. Subject to various limitations contained within the corresponding investment policy, the Endowment 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 Endowment Pool's total return, including unrealized gains and losses, was -0.9% and 21.5% for the years ended June 30, 2012 and 2011, 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 5.1% and 2.1% for the years ended June 30, 2012 and 2011, 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 depreciation of approximately \$19,271,000 in fiscal year 2012, as compared to net appreciation of approximately \$105,184,000 in fiscal year 2011.

The Board has adopted the total return concept (yield plus change in market value) in determining the spendable return for endowments and similar funds. The spending formula was revised in fiscal year 2012 to distribute 4.5% of a trailing 28-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, the change from 5% to 4.5% is being phased in over several years to ensure a decrease in distributions year over year is not due solely to the lower rate. In addition, the University distributes 1% of the trailing 28-quarter average of the endowment's total market value to support internal endowment and development administration.

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 1.1% and 18.9% for the years ended June 30, 2012 and 2011, respectively.

The OPEB Trust held \$50,212,000 and \$45,748,000 of assets at June 30, 2012 and 2011, respectively. The OPEB Trust is invested in a money market mutual fund rated AAA and a global bond fund. The OPEB Trust has no other investments.

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2012 and 2011

At June 30, 2012 and 2011, 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	
	2012	2011	2012	2011
Debt Securities:				
U.S. Treasury Obligations	\$ 144,576	\$ 273,832	\$ 311,985	\$ 382,163
U.S. Agency Obligations	483,020	779,507	4,775	3,829
Asset-Backed Securities	542,545	263,093	110,024	97,335
Government - Foreign	126,409	60,503	154,885	124,731
Corporate - Domestic	153,815	255,279	202,649	201,846
Corporate - Foreign	115,155	69,365	149,243	175,076
Equity Securities:				
Domestic	189,488	212,457	278,584	261,413
Foreign	107,913	192,201	226,928	346,387
Commingled Funds:				
Absolute Return	60,359	62,819	133,702	139,068
Debt Securities - Global	-	-	18,038	17,614
Debt Securities - Domestic	100,541	42,190	183,545	146,099
Debt Securities - Foreign	67,711	63,891	150,892	142,197
Equity Securities - Domestic	44,395	146,424	5,224	190,315
Equity Securities - Foreign	110,359	169,426	196,169	297,546
Equity Securities - Global	201,968	-	358,372	-
Real Estate	14,033	18,387	39,727	52,596
Nonmarketable Alternative Investments:				
Real Estate	43,430	29,786	91,243	67,445
Private Equity	52,413	47,747	121,750	107,454
Other	30,758	32,529	11,895	15,022
Total Investments	2,588,888	2,719,436	2,749,630	2,768,136
Money Market Funds	124,648	33,715	94,534	50,199
Commercial Paper	213,300	162,100	-	-
Other	24,832	25,472	11,499	66,017
Total Cash and Cash Equivalents	362,780	221,287	106,033	116,216
Total Investments and Cash and				
Cash Equivalents	\$ 2,951,668	\$ 2,940,723	\$ 2,855,663	\$ 2,884,352

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, 2012 and 2011

As of June 30, 2012, of the University's total investments and cash and cash equivalents, 14.5% are issues of the Federal Home Loan Bank (FHLB); 10.2% are issues of Federal National Mortgage Association (FNMA); and 5.5% are issues of Government National Mortgage Association. As of June 30, 2011, of the University's total investments and cash and cash equivalents, 16.0% are issues of FHLB and 9.4% are issues of FNMA.

At June 30, 2012 and 2011, 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 were rated A-1/P-1 or better at June 30, 2012 and 2011. All holdings of money market funds were rated AAA at June 30, 2012 and 2011.

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NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2012 and 2011

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, 2012 and 2011, 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	
	2012	2011	2012	2011
U.S. Treasury Obligations	\$ 144,576	\$ 273,832	\$ 311,985	\$ 382,163
U.S. Agency Obligations	483,020	779,507	4,775	3,829
Asset-Backed Securities				
Mortgage Backed Securities				
Guaranteed by U.S. Agencies	506,241	253,721	90,536	69,670
Aaa/AAA	3,256	3,859	1,256	17,196
Aa/AA	2,299	535	11,819	4,766
A/A	727	1,642	1,513	2,279
Baa/BBB	6,270	570	163	53
Ba/BB and lower	21,690	979	2,255	2,755
Unrated	2,062	1,787	2,482	616
Government - Foreign				
Aaa/AAA	37,988	17,641	50,348	38,008
Aa/AA	15,454	8,995	26,613	17,941
A/A	14,334	9,536	18,391	17,787
Baa/BBB	11,361	3,135	5,416	885
Ba/BB and lower	129	-	-	4,092
Unrated	47,143	21,196	54,117	46,018
Corporate - Domestic				
Aaa/AAA	22,954	7,628	4,088	6,241
Aa/AA	12,650	59,483	6,411	10,684
A/A	31,813	151,693	15,111	28,664
Baa/BBB	34,806	1,111	17,432	6,207
Ba/BB and lower	47,159	32,066	148,387	144,715
Unrated	4,433	3,298	11,220	5,335
Corporate - Foreign				
Aaa/AAA	35,952	32,376	61,443	61,638
Aa/AA	9,946	8,535	16,149	28,115
A/A	26,767	17,465	31,381	40,302
Baa/BBB	20,043	2,681	11,316	9,011
Ba/BB and lower	4,151	2,761	10,229	13,618
Unrated	18,296	5,547	18,725	22,392
Total	\$ 1,565,520	\$ 1,701,579	\$ 933,561	\$ 984,980

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.

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NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2012 and 2011

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, 2012 and 2011, 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	
	2012	2011	2012	2011
U.S. Treasury Obligations				
Less than 1 Year	2,670	\$ 10,247	2,362	\$ 18,988
1-5 Years	39,536	117,493	114,186	125,645
6-10 Years	68,946	107,028	91,892	110,596
More than 10 Years	33,424	39,064	103,545	126,934
Total U.S. Treasury Obligations	144,576	273,832	311,985	382,163
U.S. Agency Obligations				
Less than 1 Year	144,937	144,797	1,850	50
1-5 Years	107,653	301,861	113	2,814
6-10 Years	227,130	255,763	1,315	965
More than 10 Years	3,300	77,086	1,497	-
Total U.S. Agency Obligations	483,020	779,507	4,775	3,829
Asset-Backed Securities				
Less than 1 Year	6	24	-	73
1-5 Years	30	266	263	502
6-10 Years	42,734	16,818	14,205	14,697
More than 10 Years	499,775	245,985	95,556	82,063
Total Asset-Backed Securities	542,545	263,093	110,024	97,335
Government - Foreign				
Less than 1 Year	2,202	1,733	1,050	3,910
1-5 Years	45,160	21,961	40,756	44,877
6-10 Years	56,292	27,119	73,563	55,098
More than 10 Years	22,755	9,690	39,516	20,846
Total Government - Foreign	126,409	60,503	154,885	124,731
Corporate - Domestic				
Less than 1 Year	2,804	33,377	4,291	3,798
1-5 Years	37,956	154,297	51,476	54,400
6-10 Years	64,738	58,197	131,170	121,242
More than 10 Years	48,317	9,408	15,712	22,406
Total Corporate - Domestic	153,815	255,279	202,649	201,846
Corporate - Foreign				
Less than 1 Year	5,528	10,156	10,998	22,466
1-5 Years	64,192	39,248	97,419	103,927
6-10 Years	35,456	12,406	25,530	36,824
More than 10 Years	9,979	7,555	15,296	11,859
Total Corporate - Foreign	115,155	69,365	149,243	175,076
Total Debt Securities	\$ 1,565,520	\$ 1,701,579	\$ 933,561	\$ 984,980

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.

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For the Years Ended June 30, 2012 and 2011

At June 30, 2012 and 2011, 21.5% and 17.3%, 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 \$330,216,000 and \$143,522,000 were in place at June 30, 2012 and 2011, respectively. At June 30, 2012 and 2011, 40.5% and

34.7%, respectively, of the Pension Trust Funds' total investments and cash equivalents were denominated in foreign currencies. Forward foreign currency contracts with notional amounts totaling \$363,003,000 and \$268,761,000 were in place at June 30, 2012 and 2011, respectively.

The University's and Pension Trust Funds' exposure to foreign exchange risk as of June 30, 2012 and 2011:

Table 3.4 - Foreign Exchange Risk (in thousands)

As of June 30,	University of Missouri		University of Missouri Pension Trust Funds	
	2012	2011	2012	2011
Debt Securities				
Euro	\$ 70,071	\$ 46,284	\$ 118,207	\$ 118,216
Australian Dollar	11,082	8,097	19,878	15,897
Canadian Dollar	11,630	3,834	7,522	10,854
British Pound Sterling	24,968	8,514	32,625	17,777
Japanese Yen	10,835	6,244	19,353	9,893
Danish Krone	1,028	1,909	1,783	3,370
New Zealand Dollar	3,955	2,195	9,113	3,897
South Korean Won	1,226	3,136	2,118	5,759
Singapore Dollar	1,934	2,209	3,723	3,542
Mexican New Peso	14,460	2,934	7,739	5,178
Swedish Krona	2,811	2,940	5,413	5,653
Other	6,409	5,657	9,806	11,857
	160,409	93,953	237,280	211,893
Equity Securities				
Euro	11,827	60,033	32,732	105,903
Japanese Yen	15,547	34,461	36,148	60,967
British Pound Sterling	17,741	37,169	40,774	68,568
Australian Dollar	4,264	8,119	10,931	16,739
Canadian Dollar	1,019	8,966	2,040	13,340
Swiss Franc	12,384	15,001	24,206	28,455
Hong Kong Dollar	6,375	6,868	12,417	13,540
Swedish Krona	3,954	1,646	7,888	4,296
Other	11,636	4,653	21,728	13,691
	84,747	176,916	188,864	325,499
Commingled Funds				
Various currency denominations:				
Debt Securities - Global	-	-	18,039	17,614
Debt Securities - Foreign	67,711	63,891	150,892	142,197
Equity Securities - Global	201,968		358,372	
Equity Securities - Foreign	110,359	169,426	196,169	297,546
	380,038	233,317	723,472	457,357
Cash and Cash Equivalents				
Euro	733	2,529	732	4,197
Hong Kong Dollar	251	30	422	102
Mexican New Peso	7,689	-	16,893	1
Japanese Yen	100	605	253	474
British Pound Sterling	90	364	20	163
Other	412	389	717	722
	9,275	3,917	19,037	5,659
Total Exposure to Foreign Exchange Risk	\$ 634,469	\$ 508,103	\$ 1,168,653	\$ 1,000,408

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2012 and 2011

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, 2012, approximately 90% and 86%, 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 11.

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, 2012 and 2011, there were a total of \$62,168,000 and \$101,582,000, respectively, of securities out on loan to borrowers.

The value of collateral received from the borrower for these securities consisted of \$32,032,000 cash and \$30,785,000 noncash collateral at June 30, 2012 and \$101,047,000 cash and \$3,687,000 noncash collateral at June 30, 2011.

For the Pension Trust Funds, at June 30, 2012 and 2011, there were a total of \$195,236,000 and \$272,633,000, respectively, of securities out on loan to borrowers. The value of collateral received from the borrower for these securities consisted of \$50,023,000 cash and \$151,320,000 noncash collateral at June 30, 2012 and \$257,463,000 cash and \$15,525,000 noncash collateral at June 30, 2011.

Cash collateral received from the borrower is invested by the custodial agent bank in commingled collateral 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, 2012 and 2011, 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, 2012 and 2011

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 Codification 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, 2012 and 2011, Medical Alliance held the following investments:

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

As of June 30, (in thousands)	2012	2011
Fair Value - Level 1		
Money Market Accounts	\$ 21,830	\$ 19,671
Federal Farm Callable Note	-	4,996
U.S. Treasury Obligations	73	74
Cash and Other Cash Equivalents	8,379	7,020
Total Fair Value - Level 1	30,282	31,761
Fair Value - Level 2		
Mortgage-Backed Securities	14,001	18,006
Certificates of Deposit	28,368	13,614
Corporate Bonds	5,490	5,025
Total Fair Value - Level 2	47,859	36,645
Total Cash, Cash Equivalents, and Investments	\$ 78,141	\$ 68,406

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2012 and 2011, are summarized as follows:

Table 4.1 - Accounts Receivable (in thousands)

	2012	2011
Grants and Contracts	\$ 60,858	\$ 57,256
Federal Appropriations	5,441	5,277
State Appropriations and State Bond Funds	35	573
Student Fees and Other Academic Charges	98,611	91,035
Patient Services, Net of Contractual Allowances	106,689	100,939
Medical Resident FICA Refund and Related Income	31,355	30,787
Subtotal	302,989	285,867
Less Provisions for Loss:		
Grants & Contracts	516	730
University Health Care Patient Services	21,438	23,809
Student Fees and Other Academic Charges	6,935	5,739
Subtotal	28,889	30,278
Total Accounts Receivable, Net	\$ 274,100	\$ 255,589

5. NOTES RECEIVABLE

Notes receivable generally 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, 2012 and 2011, are summarized as follows:

Table 5.1 - Notes Receivable (in thousands)

	2012	2011
Federal Health Profession Loans	\$ 15,994	\$ 16,097
Carl D. Perkins National Loans	28,662	28,992
University Loan Programs	18,680	18,501
Other	3,328	2,614
Subtotal	66,663	66,204
Less Provisions for Loss	3,814	3,657
Total Notes Receivable, Net	\$ 62,849	\$ 62,547

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2012 and 2011

6. CAPITAL ASSETS

UNIVERSITY OF MISSOURI

Capital assets activity for the years ended June 30, 2012 and 2011, is summarized as follows:

Table 6.1 - Capital Assets (in thousands)

	2012			2012
	Beginning	Additions	Retirements	Ending
	Balance			Balance
Capital Assets, Nondepreciable:				
Land	\$ 75,088	\$ 5,462	\$ (135)	\$ 80,415
Artwork and Historical Artifacts	12,740	144	-	12,884
Construction in Progress	130,216	150,313	-	280,529
Total Capital Assets, Nondepreciable	218,044	155,919	(135)	373,828
Capital Assets, Depreciable:				
Buildings and Improvements	2,919,468	138,205	(1,781)	3,055,892
Infrastructure	317,551	10,037	-	327,588
Equipment	680,322	61,818	(16,959)	725,181
Library Materials	247,939	4,197	-	252,136
Total Capital Assets, Depreciable	4,165,280	214,257	(18,740)	4,360,797
Less Accumulated Depreciation:				
Buildings and Improvements	1,015,562	84,320	(1,229)	1,098,653
Infrastructure	125,944	14,214	-	140,158
Equipment	441,014	56,036	(15,182)	481,868
Library Materials	158,608	6,345	-	164,953
Total Accumulated Depreciation	1,741,128	160,915	(16,411)	1,885,632
Total Capital Assets, Depreciable, Net	2,424,152	53,342	(2,329)	2,475,165
Total Capital Assets, Net	\$ 2,642,196	\$ 209,261	\$ (2,464)	\$ 2,848,993

	2011			2011
	Beginning	Additions/	Retirements	Ending
	Balance	Transfers		Balance
Capital Assets, Nondepreciable:				
Land	\$ 72,857	\$ 2,231	\$ -	\$ 75,088
Artwork and Historical Artifacts	12,624	116	-	12,740
Construction in Progress	156,601	(26,385)	-	130,216
Total Capital Assets, Nondepreciable	242,082	(24,038)	-	218,044
Capital Assets, Depreciable:				
Buildings and Improvements	2,754,619	167,452	(2,603)	2,919,468
Infrastructure	267,063	50,851	(363)	317,551
Equipment	634,360	64,944	(18,982)	680,322
Library Materials	240,590	7,349	-	247,939
Total Capital Assets, Depreciable	3,896,632	290,596	(21,948)	4,165,280
Less Accumulated Depreciation:				
Buildings and Improvements	937,541	79,662	(1,641)	1,015,562
Infrastructure	113,990	12,129	(175)	125,944
Equipment	402,165	55,357	(16,508)	441,014
Library Materials	150,653	7,955	-	158,608
Total Accumulated Depreciation	1,604,349	155,103	(18,324)	1,741,128
Total Capital Assets, Depreciable, Net	2,292,283	135,493	(3,624)	2,424,152
Total Capital Assets, Net	\$ 2,534,365	\$ 111,455	\$ (3,624)	\$ 2,642,196

UNIVERSITY OF MISSOURI SYSTEM

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For the Years Ended June 30, 2012 and 2011

The estimated cost to complete construction in progress at June 30, 2012, is \$518,671,000 of which \$294,295,000 is available from unrestricted net assets. The remaining costs are expected to be funded from \$34,506,000 of gifts, \$777,000 of grants, and \$189,093,000 of debt proceeds.

Capital assets include a building facility under a capital lease of \$8,332,000 and related accumulated depreciation of \$5,312,000 and \$4,895,000 at June 30, 2012 and 2011, respectively, and equipment under a capital lease of \$964,000 and related accumulated depreciation of \$543,000 and \$362,000 at June 30, 2012 and 2011, respectively.

DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

Capital assets at June 30, 2012 and 2011 are summarized as follows:

Table 6.2 - Medical Alliance - Capital Assets

<i>(in thousands)</i>	2012	2011
Land & Improvements	\$ 6,779	\$ 6,670
Buildings	114,905	113,990
Movable Equipment	75,697	73,931
Construction in Progress	103	734
	<u>197,484</u>	<u>195,325</u>
Less Accumulated Depreciation	133,618	126,304
Total Capital Assets, Net	\$ 63,866	\$ 69,021

7. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2012 and 2011, are summarized as follows:

Table 7.1 - Accrued Liabilities *(in thousands)*

	2012	2011
Accrued Salaries, Wages & Benefits	\$ 58,183	\$ 52,831
Accrued Vacation	45,862	42,877
Accrued Self Insurance Claims	36,322	37,592
Accrued Interest Payable	10,604	10,047
Total Accrued Liabilities	\$ 150,971	\$ 143,347

8. OTHER NONCURRENT LIABILITIES

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

Fiscal Year 2012	Beginning of			Total End of	Less Current	Noncurrent
	Year	Additions	Payments	Year	Portion	End of Year
Accrued Vacation	\$ 56,687	\$ 43,766	\$ (39,849)	\$ 60,604	\$ (45,862)	\$ 14,742
Accrued Self-Insurance Claims	72,949	213,357	(216,837)	69,469	(36,322)	33,147
	\$ 129,636	\$ 257,123	\$ (256,686)	\$ 130,073	\$ (82,184)	\$ 47,889

Fiscal Year 2011	Beginning of			Total End of	Less Current	Noncurrent
	Year	Additions	Payments	Year	Portion	End of Year
Accrued Vacation	\$ 55,741	\$ 40,111	\$ (39,165)	\$ 56,687	\$ (42,877)	\$ 13,810
Accrued Self-Insurance Claims	77,501	194,051	(198,603)	72,949	(37,592)	35,357
	\$ 133,242	\$ 234,162	\$ (237,768)	\$ 129,636	\$ (80,469)	\$ 49,167

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2012 and 2011

9. LONG-TERM DEBT

The University's outstanding debt at June 30, 2012 and 2011, with corresponding activity, is as follows:

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

As of June 30, 2012	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
System Facilities Revenue Bonds - Fixed	\$ 1,144,245	\$ 159,280	\$ (197,580)	\$ 1,105,945	\$ 20,875
System Facilities Revenue Bonds - Variable	223,680	-	(122,930)	100,750	420
Unamortized Premium	23,462	31,264	(7,266)	47,460	-
Unamortized Loss on Defeasance	(9,162)	-	(11,637)	(20,799)	-
Net System Facilities Revenue Bonds	1,382,225	190,544	(339,413)	1,233,356	21,295
Notes Payable	1,296	3,993	(328)	4,961	300
Capital Lease Obligations	7,405	-	(789)	6,616	696
Commercial Paper	-	160,935	-	160,935	160,935
Total Long-Term Debt	\$ 1,390,926	\$ 355,472	\$ (340,530)	\$ 1,405,868	\$ 183,226

As of June 30, 2011	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
System Facilities Revenue Bonds - Fixed	\$ 919,725	\$ 252,285	\$ (27,765)	\$ 1,144,245	\$ 25,195
System Facilities Revenue Bonds - Variable	224,925	-	(1,245)	223,680	2,795
Unamortized Premium	25,000	-	(1,538)	23,462	-
Unamortized Loss on Defeasance	(9,755)	-	593	(9,162)	-
Net System Facilities Revenue Bonds	1,159,895	252,285	(29,955)	1,382,225	27,990
Notes Payable	1,686	-	(390)	1,296	328
Capital Lease Obligations	8,144	-	(739)	7,405	789
Total Long-Term Debt	\$ 1,169,725	\$ 252,285	\$ (31,084)	\$ 1,390,926	\$ 29,107

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.

On May 2, 2012, the University issued \$105,155,000 in Series 2012A System Facilities Revenue Bonds. Proceeds from issuance of the Series 2012A Bonds are being used to refund all of Series 2003A bonds, \$75,065,000 principal amount of the Series 2006A bonds, \$33,085,000 principal amount of the Series 2007A bonds, and paying cost of issuance of the Series 2012A bonds. The all-in-true interest cost of the Series 2012A bonds is 1.7%.

On August 3, 2011, the University issued \$54,125,000 in Series 2011 System Facilities Revenue Bonds. Proceeds from issuance of the Series 2011 bonds are being used to refund all of Series 1998A bonds, all of Series 2001B bonds, \$9,035,000 principal amount of the Series 2003B Bonds, and paying the cost of issuance of the Series 2011 bonds. The all-in-true interest cost of the Series 2011 bonds is 3.2%.

On December 21, 2010, the University issued \$252,285,000 in taxable Series 2010A System Facilities Revenue Bonds designated as "Build America Bonds" under the Internal Revenue Code of 1986, as amended. With respect to the Series 2010A 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. The all-in-true interest cost of the Series 2010A bonds, after taking into account the 35% interest payment from the federal government is 3.8%.

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Proceeds from issuance of the Series 2010A 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, energy management improvements on the Columbia and Missouri S&T campuses, construction of a new parking structure on the Kansas City campus, new patient care tower and Ellis Fischel Cancer Center relocation at University Health Care, and renovation, furnishing and equipping various other facilities, and to finance capitalized interest and certain costs of issuance.

Interest expense associated with financing projects during construction, net of any investment income earned on bond proceeds during construction, is

capitalized. Total interest expense during the years ended June 30, 2012 and 2011 was \$64,534,000 and \$59,723,000, respectively. Interest expense associated with financing projects during construction, net of any investment income earned on bond proceeds during construction, is capitalized. For the years ended June 30, 2012 and 2011, capitalization of interest earned on unspent bond proceeds totaled \$10,611,000 and \$10,216,000, respectively, resulting in net interest expense of \$53,923,000 and \$49,507,000, respectively. For the years ended June 30, 2012 and June 30, 2011, the University earned cash subsidy payments from the United States Treasury totaling \$10,461,000 and \$7,193,000, respectively 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	Weighted		Original Issue	Balance June 30,	
		Average Coupon	Final Maturity		2012	2011
1998	Fixed		11/1/2017	\$ 65,010	\$ -	\$ 9,985
2001B	Fixed		11/1/2027	44,975	-	40,635
2003A	Fixed		11/1/2014	118,080	-	9,520
2003B	Fixed	4.648%	11/1/2023	37,085	16,400	27,030
2006A	Fixed	4.938%	11/1/2026	260,975	144,150	227,385
2007A	Fixed	4.882%	11/1/2037	262,970	212,135	250,450
2009A (1)	Fixed	5.960%	11/1/2039	256,300	256,300	256,300
2009B	Fixed	4.160%	11/1/2021	75,760	65,395	70,655
2010A (1)	Fixed	5.792%	11/1/2041	252,285	252,285	252,285
2011	Fixed	4.495%	11/1/2027	54,125	54,125	-
2012A	Fixed	4.900%	11/1/2019	105,155	105,155	-
Total Fixed Rate Bonds				1,532,720	1,105,945	1,144,245
2000B	Variable		11/1/2030	50,000	-	50,000
2001A	Variable		11/1/2031	39,225	-	32,825
2006B	Variable		11/1/2035	39,705	-	39,705
2007B	Variable	0.15% (2)	11/1/2031	102,250	100,750	101,150
Total Variable Rate Demand Bonds				231,180	100,750	223,680
Total System Facilities Revenue Bonds				\$ 1,763,900	\$ 1,206,695	\$ 1,367,925

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

(2) As of June 30, 2012; 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 \$221,465,000 and \$96,965,000 are outstanding at June 30, 2012 and 2011, respectively.

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Interest Rate Swap Agreements

With an objective of lowering the University's borrowing costs, when compared against fixed-rate debt, the University entered into interest rate swap agreements in connection with certain variable-rate System Facilities Revenue Bonds and commercial paper. 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 debt to fixed rate

debt. The University assumed a 2006 interest rate swap with a negative fair market value of \$9,799,000 on March 21, 2012 to which the counterparty was Bank of America, N.A. The 2006 swap was acquired in conjunction with the purchase of a housing and parking facility at the Kansas City campus. The initial loss related to the 2006 swap is included in Other Non-Operating Revenues (Expenses). Table 9.3 presents the terms of the outstanding swaps and their fair values at June 30, 2012.

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	\$(14,608)	Aa3 / A+
Pay fixed; receive variable	51,570	12/14/2006	8/3/2026	Pay 3.902%; receive SIFMA Index	(12,833)	Baa2 / A-
Pay fixed; receive variable	101,150	7/26/2007	11/1/2031	Pay 3.798%; receive 68% of 1-Month LIBOR	(30,415)	Aa3 / A+
Total	\$ 192,720				\$(57,856)	

The 2002 and 2006 swaps do not specifically hedge any currently outstanding debt; rather, they serve to reduce the overall exposure to interest rate risk on the University's variable rate debt not otherwise specifically hedged. The notional amount of the 2002 swap is fixed over the life of the agreement. The notional amount of the 2006 swap decreases annually over the life of the swap. 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.

The University 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, with respective financial statement presentation, are presented in Table 9.4:

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

Type	Fair Value at June 30,		Fair Value on Acquisition	Change in Fair Value	Presentation of Change in Fair Value
	2012	2011			
2002 Swap - Investment Derivative	\$ (14,608)	\$ (7,679)	N/A	\$ (6,929)	Investment and Endowment Income, Net
2006 Swap - Investment Derivative	(12,833)	-	(9,799)	(3,034)	Investment and Endowment Income, Net
2007 Swap - Cash Flow Hedge	(30,415)	(19,023)	N/A	(11,392)	Deferred Outflow of Resources
Total	\$(57,856)	\$(26,702)	\$(9,799)	\$(21,355)	

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 counterparties, JPMorgan Chase Bank, N.A., and Bank of America, N.A., major U.S. financial institutions. 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, 2012.

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Credit Risk. Although the University has entered into the interest rate swaps with creditworthy financial institutions, there is credit risk for losses in the event of non-performance by the counterparties. 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 fair values are not exposed to credit risk. Collateral requirements apply to both parties for the 2002 and 2007 swaps and for the 2006 swap collateral requirements only apply to the counterparty. The collateral requirements are determined by a combination of credit ratings and the aggregate fair value of swaps outstanding with each counterparty as presented in Table 9.5:

Table 9.5 - Swap Collateral Requirements

Credit Rating (S&P / Moody's)	Fair Value
	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

If the aggregate fair value of swaps outstanding with each counterparty is positive and exceeds the fair value threshold for the applicable credit rating, the counterparties are required to post collateral. If the aggregate fair value of the 2002 and 2007 swaps 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. As the negative aggregate fair value of the 2002 and 2007 swaps exceeded \$30,000,000 on June 30, 2012, which is the current fair value threshold for the University given a Moody's rating of Aa1, the University had collateral posted with the counterparty 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 the 2002 and 2007 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 2006 interest rate swap is not exposed to termination risk. The SIFMA Index was .18% at June 30, 2012.

Pledged Revenues and Debt Service Requirements

For fiscal years 2012 and 2011, annual debt service, including net payments on associated interest rate swaps, totaled \$89,717,000 and \$88,237,000, respectively. For fiscal years 2012 and 2011, System Facilities Pledged Revenue was eleven and twelve times greater than the annual debt service. Net System Facilities Revenue was 133% and 122% of annual debt service, respectively. Table 9.6 provides the System Facilities pledged revenues and operating expenses.

Table 9.6 - System Facilities Pledged Revenues and Operating Expenses (in thousands)

	2012	2011
Pledged Revenues:		
Net Patient Revenue	\$ 811,598	\$ 745,010
Housing and Related Food Service	100,284	93,744
Bookstores	57,634	58,382
Net Tuition and Fees	26,117	24,950
Other Operating Revenue	17,486	36,914
Pledged Revenues	1,013,119	959,000
Operating Expenses	893,540	851,729
Net Revenues	\$ 119,579	\$ 107,271

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Table 9.7 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, 2012. As market rates vary, variable rate bond interest payments and net swap payments will vary.

Table 9.7 - Future Debt Service - System Facilities Revenue Bonds (*in thousands*)

Fiscal Year	Principal	Interest	Total Before			Total Future Debt Service
			Hedging Derivatives, Net	Investment Derivatives	Investment Derivatives, Net	
2013	21,295	57,964	3,653	82,912	3,427	86,339
2014	24,325	57,048	3,637	85,010	3,417	88,427
2015	26,145	56,000	3,621	85,766	3,411	89,177
2016	30,945	54,794	3,540	89,279	3,398	92,677
2017	32,095	53,482	3,423	89,000	3,392	92,392
2018-2022	249,130	235,708	15,091	499,929	16,764	516,693
2023-2027	186,670	189,719	10,994	387,383	16,376	403,759
2028-2032	165,570	150,779	3,851	320,200	15,840	336,040
2033-2037	146,900	114,055	-	260,955	8,126	269,081
2038-2042	323,620	56,585	-	380,205	4,628	384,833
	\$ 1,206,695	\$ 1,026,134	\$ 47,810	\$ 2,280,639	\$ 78,779	\$ 2,359,418

Commercial Paper

During fiscal year 2012, the University issued \$160,935,000 of commercial paper to fund the purchase of housing and parking facilities and refund System Facilities Revenue Bonds, Series 2000B, Series 2001A, and Series 2006B.

On October 21, 2011, the Board adopted a flexible financing program for the University referred to as the University's Commercial Paper Program ("CP Program"). The CP Program authorizes the periodic issuance of up to an aggregate outstanding principal amount of \$375 million in Commercial Paper Notes. The initial term of the authorization is approximately fifteen years.

The primary objective of the CP Program is to provide flexibility in managing the University's overall debt program through a flexible financing vehicle at attractive interest rates for various University financial needs including but not limited to: (a) financing capital projects, including the acquisition or construction of buildings, infrastructure or equipment, (b) allowing for the refunding/refinancing of outstanding debt, and (c) providing a readily accessible source of funds for various working capital purposes.

Notes Payable

Notes payable consist of loans from the state Department of Natural Resources Energy Efficiency Leveraged Loan Program. Interest is payable semiannually and ranges from 2.0% to 3.2%.

The future payments on all notes payable at June 30, 2012, are as follows:

Table 9.8 - Future Notes Payable Payments

Year Ending June 30	Amount (<i>in thousands</i>)
2013	\$ 329
2014	855
2015	855
2016	780
2017	577
2018-2022	1,885
Total Future Notes Payable Payments	5,280
Less: Amount Representing Interest	(319)
Future Notes Payable	
Principal Payments	\$ 4,961

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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, 2012, are as follows:

Table 9.9 - Future Capital Lease Payments

Year Ending June 30	Amount <i>(in thousands)</i>
2013	1,563
2014	1,563
2015	1,563
2016	1,563
2017	1,563
2018-2020	3,515
Total Future Minimum Payments	11,330
Less: Amount Representing Interest	(4,714)
Present Value of Future Minimum Lease Payments	\$ 6,616

DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

The Medical Alliance's outstanding debt at June 30, 2012 and 2011, with corresponding activity, is as follows:

Table 9.10 - Long-Term Debt - Medical Alliance *(in thousands)*

As of June 30, 2012	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Health Facilities Revenue Bonds Series 1998	\$ 18,875	\$ -	\$ (18,875)	\$ -	\$ -
Health Facilities Revenue Bonds Series 2004	15,150	-	(15,150)	-	-
Health Facilities Revenue Bonds Series 2011	-	32,835	-	32,835	1,715
Total Bonds Payable	34,025	32,835	(34,025)	32,835	1,715
Capital Lease Obligations	2,685	-	(1,158)	1,527	1,202
Total Long-Term Debt	\$ 36,710	\$ 32,835	\$ (35,183)	\$ 34,362	\$ 2,917

As of June 30, 2011	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Health Facilities Revenue Bonds Series 1998	\$ 19,510	\$ -	\$ (635)	\$ 18,875	\$ 660
Health Facilities Revenue Bonds Series 2004	15,570	-	(420)	15,150	445
Total Bonds Payable	35,080	-	(1,055)	34,025	1,105
Capital Lease Obligations	3,753	-	(1,068)	2,685	1,158
Total Long-Term Debt	\$ 38,833	\$ -	\$ (2,123)	\$ 36,710	\$ 2,263

Bonds Payable

Tax-exempt revenue bonds (Series 2011 Bonds) in the principal amount of \$32,835,000 were issued by the Health and Education Facilities Authority of the State of Missouri (the Authority) on behalf of the Medical Alliance dated November 1, 2011. The proceeds were used to refund all of the outstanding Series 1998 and 2004 Bonds and costs of issuance. The premium and the deferred financing costs on the Series 2011 Bonds are amortized on the straight-line method over the life

of the respective bonds. The Series 2011 Bonds are secured by the unrestricted receivables of the Medical Alliance. Under the terms of the Master Indenture, the Medical Alliance is required to make payments of principal, premium, if any, and interest on the bonds. In addition, the Master Indenture contains certain restrictions on the operations and activities of the 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.

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The Master Indenture has mandatory sinking fund redemption requirements in which funds are required to be set aside beginning in 2021 for the Series 2011 bonds.

Interest expense incurred on the bonds during the years ended June 30, 2012 and 2011 was \$1,433,000 and \$1,830,000, respectively, of which no interest was capitalized.

As of June 30, 2012, the total of principal and interest due on bonds during the next five years and in subsequent five-year periods is as follows:

Table 9.11 - Future Debt Service -
Medical Alliance (in thousands)

Fiscal Year	Principal	Interest	Total
2013	1,715	1,190	2,905
2014	1,740	1,139	2,879
2015	1,795	1,085	2,880
2016	1,840	1,038	2,878
2017	1,885	992	2,877
2018-2022	10,320	4,007	14,327
2023-2027	12,480	1,753	14,233
2028-2031	1,060	27	1,087
	\$ 32,835	\$ 11,231	\$ 44,066

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, 2012, are as follows:

Table 9.12 - Future Capital Lease Payments
Medical Alliance (in thousands)

Year Ending June 30	Amount
2013	\$ 1,240
2014	328
Total Future Minimum Payments	1,568
Less: Amount Representing Interest	(41)
Present Value of Future Minimum Lease Payments	\$ 1,527

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, 2012 and 2011 of \$69,469,000 and \$72,949,000, respectively, represents the present value of amounts estimated to have been incurred by those dates, using discount rates ranging from 1.5% to 2.7% for fiscal year 2012 and 2.0% to 3.4% for fiscal year 2011, based on expected future investment yield assumptions.

Changes in the self-insurance liability during fiscal years 2012, 2011, and 2010 were as follows:

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

Fiscal Year	New Claims			
	Beginning of Year	and Changes in Estimates	Claim Payments	End of Year
2012	\$ 72,949	\$ 213,357	\$(216,837)	\$ 69,469
2011	77,501	194,051	(198,603)	72,949
2010	73,266	191,350	(187,115)	77,501

11. COMMITMENTS AND CONTINGENCIES

Endowment and Pension Trust Funds

The University Endowment Fund 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 \$45,339,000 and \$96,138,000 for the University and the Pension Trust Funds, respectively, at June 30, 2012.

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University Operating Leases

The University leases various facilities and equipment under agreements recorded as operating leases. Operating lease expenses for the years ended June 30, 2012 and 2011 were \$20,247,000 and \$20,251,000, respectively.

Future minimum payments on all significant operating leases with initial or remaining terms of one year or more at June 30, 2012, are as follows:

Table 11.1 - Future Operating Lease Payments

Fiscal Year	Amount
2013	\$ 4,166
2014	3,759
2015	2,788
2016	2,059
2017	1,421
2018-2022	16
Total Future Lease Payments	\$ 14,209

In addition to the above lease obligations, the University has outstanding commitments for the usage and ongoing support of University Health Care's information technology environment. As of January 2010, University Health Care 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 University Health Care 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, 2012, this contracted commitment totaled \$139,216,000 and will be paid in the following amounts: \$16,819,000 in 2013, \$17,323,000 in 2014, \$17,843,000 in 2015, \$18,378,000 in 2016, \$18,930,000 in 2017 and \$49,923,000 thereafter.

Medical Resident FICA Refunds

In March 2010, the United States Internal Revenue Service accepted the position that medical residents

are exempted from FICA taxes based upon the "student exception" for tax periods ending before April 1, 2005 when new regulations became effective. In December 2010, the University of Missouri perfected its claims for the refund of taxes withheld for the relevant periods.

For fiscal year 2011, the University recorded a receivable for this refund and related accrued interest income in the amounts of \$19,187,000 and \$11,600,000, respectively, which reflects the estimated total refund from the Internal Revenue Service. In addition, accounts payable increased by \$21,026,000 representing the portion of the refund and accrued interest income due to individual medical residents and third-party entities. A net amount of \$6,761,000 was recorded as a contra expense to benefits and \$3,000,000 as investment income.

For fiscal year 2012, the University has made no change to the receivable for this refund and has accrued an additional \$568,000 in accrued interest income of which a net amount of \$72,000 was recorded as investment income.

Pollution Remediation

The University has been working with the Voluntary Cleanup Program of the Missouri Department of Natural Resources (MDNR) to characterize subsurface contamination on a University owned property. The results were reported to MDNR during fiscal year 2011 and the University continues to await direction on how to proceed. As a result, the University is unable to estimate future costs to clean up the site at this time.

Radiology Investigation

The University has engaged an outside law firm to investigate allegations of improper billings since November 2011 after it learned that a federal investigation led by the U.S Attorney's Office was under way. The University's investigation has identified indications that two radiologists improperly certified that they had performed services that were actually performed by resident physicians. The University is cooperating with the investigation of the U.S. Attorney's Office in an effort to achieve a resolution of the matter. The University is unable to estimate the potential future losses or penalties at this time.

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12. RETIREMENT, DISABILITY AND DEATH BENEFIT PLAN

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 a certain rate times the credited service years times the compensation base (average compensation for the five highest consecutive salary years). The rate is 2.2% if the employee was hired before October 1, 2012, or 1.0% if the employee was hired after September 30, 2012. Academic members who provide summer teaching and research service receive additional summer service credit. The Board of Curators may periodically approve increases to 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

	2012	2011
Active Members		
Vested	11,000	10,758
Nonvested	7,274	7,634
Pensioners and Beneficiaries	7,644	7,323
Former Employees with		
Deferred Pensions	5,447	4,211
Total Members	31,365	29,926

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.

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.

In addition, 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 minimum value is calculated as 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 7.2% and 5.7% for the years ended June 30, 2012 and 2011, respectively. 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. An actuarial valuation of the Plan is performed annually and the University’s contribution rate is updated 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.

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2012 and 2011

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
6/30/2010	\$ 48,040	\$ 48,040	\$ 48,040	100%	-
6/30/2011	57,541	57,541	57,541	100%	-
6/30/2012	74,618	74,618	74,618	100%	-

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.

Funded Status – As of the most recent actuarial valuation date, October 1, 2011, the Retirement Plan was 90.1% funded. The actuarial accrued liability (AAL) for benefits was \$3,138,190,000 and the actuarial value of the assets was \$2,828,697,000, resulting in unfunded AAL of funding of \$309,493,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,031,891,000 and the ratio of unfunded AAL funding to covered payroll was 30.0%.

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, 2011 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. On June 29, 2012, a plan amendment was approved which will change the plan benefit for employees hired on or after October 1, 2012. Since no current employees on the October 1, 2011 valuation were impacted by these plan benefit changes, a "tabular" contribution was determined as part of the valuation and during fiscal year 2013 it will be applicable to the salaries of employees new to the plan on or after October 1, 2012. The underfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 20 years from the October 1, 2011 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 of June 30, 2012 and 2011, 6,319 and 6,080 retirees, respectively, were receiving benefits, and an estimated 18,336 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, 2012 and 2011, 233 and 227 long-term disability claimants, respectively, met those eligibility requirements.

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2012 and 2011

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 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, 2012, participants contributed \$13,681,000 or approximately 47.4% 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 2012, the University contributed \$25,477,000, or 50.0% of the ARC, which was \$50,954,000 and represented 4.9% of annual covered payroll. In fiscal year 2011, the University contributed \$30,242,000, or 50.0% of the ARC, which was \$60,484,000 and represented 6% 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 2012:

Table 13.1 - Changes in Net OPEB

<i>Obligation (in thousands)</i>	
Annual Required Contribution	\$ 50,954
Interest on Existing Net OPEB Obligation	4,790
<u>ARC Adjustment</u>	<u>(4,077)</u>
Annual OPEB Cost	51,667
<u>Contributions Made</u>	<u>(25,477)</u>
Increase in net OPEB obligation	26,190
<u>Net OPEB obligation - beginning of year</u>	<u>83,306</u>
<u>Net OPEB obligation - June 30, 2012</u>	<u>\$ 109,496</u>

Funding Status and Funding Progress – As of July 1, 2011, the date of the last valuation, the OPEB Plan was 8.4% funded. The actuarial accrued liability (AAL) for postemployment benefits was \$542,844,000, with \$45,745,000 in actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$497,099,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,041,413,000, and the ratio of UAAL to covered payroll was 47.7%.

UNIVERSITY OF MISSOURI SYSTEM

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For the Years Ended June 30, 2012 and 2011

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)
6/30/2010	\$ 52,563	\$ 52,763	\$ 23,789	45.1%	\$ 52,613
6/30/2011	60,485	60,935	30,242	49.6%	83,306
6/30/2012	50,954	51,667	25,477	49.3%	109,496

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, 2011 actuarial valuation. Actuarial assumptions included a

5.75% investment rate of return, net of administrative expenses. The projected annual healthcare trend rate is 5.0% to 9.0% 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.

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2012 and 2011

14. 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 14.1 - Operating Expenses by Functional and Natural Classifications (*in thousands*)

Fiscal Year Ended June 30, 2012	Salaries and Wages	Benefits	Supplies, Services and Other	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 417,895	\$ 113,406	\$ 73,394	\$ -	\$ -	\$ 604,695
Research	108,266	24,756	77,396	-	-	210,418
Public Service	74,601	21,076	51,631	-	-	147,308
Academic Support	78,044	23,708	31,990	-	-	133,742
Student Services	41,117	11,974	22,115	-	-	75,207
Institutional Support	98,278	30,703	(26,417)	-	-	102,565
Operation and Maintenance of Plant	35,245	11,503	50,365	-	-	97,114
Auxiliary Enterprises	464,902	122,469	482,224	-	-	1,069,595
Scholarships and Fellowships	-	-	-	60,380	-	60,380
Depreciation	-	-	-	-	160,915	160,915
Total Operating Expenses	\$ 1,318,349	\$ 359,595	\$ 762,700	\$ 60,380	\$ 160,915	\$ 2,661,939

Fiscal Year Ended June 30, 2011	Salaries and Wages	Benefits	Supplies, Services and Other	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 394,945	\$ 105,048	\$ 57,088	\$ -	\$ -	\$ 557,081
Research	113,872	24,441	81,590	-	-	219,903
Public Service	73,888	20,139	49,519	-	-	143,546
Academic Support	75,563	22,321	29,972	-	-	127,856
Student Services	38,454	10,971	20,567	-	-	69,992
Institutional Support	94,518	28,840	(25,424)	-	-	97,934
Operation and Maintenance of Plant	34,614	10,901	24,467	-	-	69,982
Auxiliary Enterprises	446,372	105,679	478,265	-	-	1,030,316
Scholarships and Fellowships	-	-	-	58,790	-	58,790
Depreciation	-	-	-	-	155,103	155,103
Total Operating Expenses	\$ 1,272,226	\$ 328,340	\$ 716,044	\$ 58,790	\$ 155,103	\$ 2,530,503

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2012 and 2011

15. 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 15.1 - Statement of Plan Net Assets *(in thousands)*

	2012			2011		
	Retirement	OPEB	Total	Retirement	OPEB	Total
Assets						
Cash and Cash Equivalents	\$ 79,083	\$ 26,949	\$ 106,033	\$ 88,085	\$ 28,131	\$ 116,216
Investment of Cash Collateral	50,023	-	50,023	257,463	-	257,463
Investment Settlements Receivable	83,396	-	83,396	27,003	3	27,006
Investments:						
Debt Securities	933,561	-	933,561	984,980	-	984,980
Equity Securities	505,512	-	505,512	607,800	-	607,800
Commingled Funds	1,062,406	23,263	1,085,669	967,821	17,614	985,435
Nonmarketable Alternative Investments	212,993	-	212,993	174,899	-	174,899
Other	11,895	-	11,895	15,022	-	15,022
Total Assets	2,938,870	50,212	2,989,082	3,123,073	45,748	3,168,821
Liabilities						
Accounts Payable and Accrued Liabilities	169	-	169	119	-	119
Collateral Held for Securities Lending	50,023	-	50,023	257,463	-	257,463
Investment Settlements Payable	206,980	-	206,980	152,054	3	152,057
Total Liabilities	257,172	-	257,172	409,636	3	409,639
Net Assets Held in Trust for						
Retirement and OPEB	\$ 2,681,698	\$ 50,212	\$ 2,731,910	\$ 2,713,437	\$ 45,745	\$ 2,759,182

Table 15.2 - Statement of Changes in Plan Net Assets *(in thousands)*

	2012			2011		
	Retirement	OPEB	Total	Retirement	OPEB	Total
Net Revenues and Other Additions						
Investment Income:						
Interest and Dividend Income, Net of Fees	\$ 57,947	\$ 642	\$ 58,589	\$ 61,718	\$ 5	\$ 61,723
Net Appreciation (Depreciation) in Fair Value of Investments	(31,357)	(191)	(31,548)	379,606	61	379,667
Net Investment Income (Loss)	26,590	451	27,041	441,324	66	441,390
Contributions:						
University	74,618	25,477	100,095	57,541	30,242	87,783
Members	13,232	14,088	27,320	12,610	13,390	26,000
Total Contributions	87,850	39,565	127,415	70,151	43,632	113,783
Other Revenues	-	1,218	1,218	-	695	695
Total Net Revenues and Other Additions	114,441	41,233	155,674	511,475	44,393	555,868
Expenses and Other Deductions						
Administrative Expenses	2,263	367	2,630	2,297	324	2,621
Payments to Retirees and Beneficiaries	143,917	36,399	180,316	135,440	36,741	172,181
Total Expenses and Other Deductions	146,180	36,766	182,946	137,737	37,065	174,802
Increase (decrease) in Net Assets Held in Trust for Retirement and OPEB	(31,739)	4,468	(27,271)	373,738	7,328	381,066
Net Assets Held in Trust for Retirement & OPEB, Beginning of Year	2,713,437	45,745	2,759,182	2,339,699	38,417	2,378,116
Net Assets Held in Trust for Retirement and OPEB, End of Year	\$ 2,681,698	\$ 50,213	\$ 2,731,911	\$ 2,713,437	\$ 45,745	\$ 2,759,182

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2012 and 2011

16. Special Item

On November 7, 2011, IDEXX Reference Laboratories, Incorporated purchased certain assets of a research and diagnostic lab on the Columbia campus and assumed certain liabilities as part of the sales agreement. The University received net proceeds of \$43,000,000 of which \$42,316,000 was recorded as a special item in the Statement of Revenues, Expenses, and Changes in Net Assets for the year ended June 30, 2012.

UNIVERSITY OF MISSOURI SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2012 and 2011 (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)
10/1/2006	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%
10/1/2010	2,851,957	2,960,832	108,875	96.3%	979,888	11.1%
10/1/2011	2,828,697	3,138,190	309,493	90.1%	1,031,891	30.0%

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

Year Ended	Actuarial Valuation Date	Annual Required Contribution	Annual Pension Cost	Contributions Made	Percentage Contributed	Net Pension Obligation (Asset)
6/30/2007	10/1/2005	74,736	74,736	74,736	100%	-
6/30/2008	10/1/2006	72,284	72,284	72,284	100%	-
6/30/2009	10/1/2007	56,663	56,663	56,663	100%	-
6/30/2010	10/1/2008	48,040	48,040	48,040	100%	-
6/30/2011	10/1/2009	57,541	57,541	57,541	100%	-
6/30/2012	10/1/2010	74,618	74,618	74,618	100%	-

See independent auditors' report.

UNIVERSITY OF MISSOURI SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2012 and 2011 (unaudited)

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

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a) / c)
7/1/2007 (a)	-	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%
7/1/2011 (b)	45,745	542,844	497,099	8.4%	1,041,413	47.7%

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

(b) Date of last valuation provided

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

Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed	Net Pension Obligation (Asset)
6/30/2010	7/1/2007 (a)	52,563	45%	52,613
6/30/2011	7/1/2009	60,485	50%	83,306
6/30/2012	7/1/2011	50,954	50%	109,496

(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.



University of Missouri System
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STATISTICAL SECTION



STATEMENT OF NET ASSETS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2012	2011	2010	2009	2008
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 228,639	\$ 44,249	\$ 149,515	\$ 115,919	\$ 57,987
Restricted Cash and Cash Equivalents	134,141	177,038	177,798	137,022	109,022
Short-Term Investments	126,054	151,070	40,268	124,609	172,294
Restricted Short-Term Investments	32,092	49,264	30,619	25,882	91,800
Investment of Cash Collateral	32,032	101,047	111,557	111,719	106,360
Accounts Receivable, Net	274,100	255,589	249,460	241,325	249,654
Pledges Receivable, Net	11,898	12,374	14,505	13,382	9,796
Investment Settlements Receivable	37,316	15,634	6,200	15,800	72,878
Notes Receivable, Net	8,151	8,532	9,046	12,564	13,747
Due To Component Units	(7,029)	(6,658)	(5,285)	(3,900)	(4,355)
Inventories	36,022	35,193	28,401	33,009	33,063
Prepaid Expenses and Other Current Assets	27,332	25,759	25,604	21,618	18,636
Total Current Assets	940,748	869,091	837,688	848,949	930,882
Noncurrent Assets					
Pledges Receivable, Net	41,708	14,895	16,256	17,231	21,147
Notes Receivable, Net	54,698	54,015	50,635	47,524	46,898
Deferred Charges and Other Assets	10,253	13,218	12,374	9,836	10,397
Long-Term Investments	1,363,827	1,357,918	1,171,998	778,538	810,655
Restricted Long-Term Investments	1,066,915	1,161,184	891,067	741,556	919,364
Capital Assets, Net	2,848,993	2,642,196	2,534,365	2,392,852	2,227,427
Total Noncurrent Assets	5,386,394	5,243,426	4,676,695	3,987,537	4,035,888
Deferred Outflow of Resources	30,415	19,023	22,192	-	-
Total Assets and Deferred Outflow of Resources	\$ 6,357,557	\$ 6,131,540	\$ 5,536,575	\$ 4,836,486	\$ 4,966,770
Liabilities					
Current Liabilities					
Accounts Payable	\$ 140,274	\$ 130,803	\$ 123,809	\$ 94,531	\$ 105,024
Accrued Liabilities	150,971	143,347	138,309	130,837	120,967
Deferred Revenue	84,923	78,209	78,200	80,703	67,821
Funds Held for Others	65,643	62,951	53,245	66,403	70,744
Investment Settlements Payable	177,988	47,319	41,931	50,318	136,606
Collateral Held for Securities Lending	32,032	101,047	111,557	115,291	106,360
Commercial Paper and Current Portion of Long-Term Debt	183,226	29,107	30,139	24,922	21,697
Long-Term Debt Subject to Remarketing	100,330	220,885	223,680	224,925	226,120
Total Current Liabilities	935,387	813,668	800,870	787,930	855,339
Noncurrent Liabilities					
Long-Term Debt	1,122,312	1,140,934	915,906	608,114	631,742
Deferred Revenue	-	1,519	1,925	1,603	1,876
Derivative Instrument Liability	57,856	26,702	30,680	-	-
Other Postemployment Benefits Liability	109,496	83,306	52,613	23,639	-
Other Noncurrent Liabilities	47,889	49,167	53,845	50,423	47,371
Total Noncurrent Liabilities	1,337,553	1,301,628	1,054,969	683,779	680,989
Total Liabilities	2,272,940	2,115,296	1,855,839	1,471,709	1,536,328
Net Assets					
Invested in Capital Assets, Net of Related Debt Restricted	1,545,227	1,516,095	1,485,090	1,540,654	1,439,753
Nonexpendable -					
Endowment	771,146	788,876	679,494	612,119	718,314
Expendable -					
Scholarship, Research, Instruction & Other	299,789	264,605	244,226	235,405	262,266
Loans	79,091	77,300	75,637	78,357	77,656
Capital Projects	10,149	18,438	32,373	30,043	27,597
Unrestricted	1,379,215	1,350,930	1,163,916	868,199	904,856
Total Net Assets	4,084,617	4,016,244	3,680,736	3,364,777	3,430,442
Total Liabilities & Net Assets	\$ 6,357,557	\$ 6,131,540	\$ 5,536,575	\$ 4,836,486	\$ 4,966,770

CHANGES IN NET ASSETS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2012	2011	2010	2009	2008
Operating Revenues					
Tuition and Fees, Net	\$ 736,074	\$ 671,419	\$ 630,498	\$ 601,742	\$ 557,085
Less: Scholarship Allowances	190,798	175,917	164,187	148,578	139,880
Net Tuition and Fees	545,276	495,502	466,311	453,164	417,205
Federal Grants and Contracts	184,882	196,122	183,885	172,669	184,416
State and Local Grants and Contracts	55,837	57,375	66,194	53,042	54,414
Private Grants and Contracts	71,023	67,025	68,044	71,034	60,318
Sales and Services of Educational Activities	23,106	21,671	22,560	22,088	19,569
Auxiliary Enterprises -					
Patient Medical Services, Net	813,024	759,734	736,799	702,424	681,312
Housing and Dining Services, Net	99,667	93,724	89,743	81,939	72,503
Bookstores	57,566	58,591	59,288	62,113	61,423
Other Auxiliary Enterprises, Net	199,868	220,162	198,748	190,315	181,893
Other Operating Revenues	55,312	55,811	49,250	53,681	46,968
Total Operating Revenues	2,105,561	2,025,717	1,940,822	1,862,469	1,780,021
Operating Expenses					
Salaries and Wages	1,318,349	1,272,226	1,236,965	1,213,837	1,153,676
Benefits	359,595	328,340	303,300	299,586	310,375
Supplies, Services and Other Operating Expenses	762,700	716,044	676,362	672,711	662,331
Scholarships and Fellowships	60,380	58,790	55,469	48,456	39,485
Depreciation	160,915	155,103	146,753	131,167	125,996
Total Operating Expenses	2,661,939	2,530,503	2,418,849	2,365,757	2,291,863
Operating Loss before State Appropriations	(556,378)	(504,786)	(478,027)	(503,288)	(511,842)
State Appropriations	397,629	437,631	498,358	479,478	462,281
Operating Income (Loss) after State Appropriations, Before Nonoperating Revenues (Expenses)	(158,749)	(67,155)	20,331	(23,810)	(49,561)
Nonoperating Revenues (Expenses)					
Federal Appropriations	28,222	28,416	21,455	14,858	14,277
Federal Pell Grants	62,311	57,951	48,281	31,649	27,232
Investment and Endowment Income (Losses), Net	30,855	266,633	172,833	(173,355)	45,629
Private Gifts	90,346	52,564	48,695	52,552	51,680
Interest Expense	(53,923)	(49,507)	(46,103)	(31,432)	(43,055)
Other Nonoperating Revenues (Expenses)	(10,214)	(3,279)	(1,659)	(3,930)	(4,750)
Net Nonoperating Revenues (Expenses)	147,597	352,778	243,502	(109,658)	91,013
Income (Loss) before Capital Contributions, Additions to Permanent Endowments, Extraordinary and Special Items					
State Capital Appropriations	937	8,043	14,205	17,817	15,532
Capital Gifts and Grants	11,788	15,466	19,381	13,009	17,341
Private Gifts for Endowment Purposes	24,484	26,376	24,703	21,093	32,995
Extraordinary Item:					
Net Proceeds from Sale of Missouri Care Special Item	42,316	-	-	2,550	-
Increase (Decrease) in Net Assets	68,373	335,508	322,122	(78,999)	107,320
Net Assets, Beginning of Year	4,016,244	3,680,736	3,364,777	3,430,442	3,303,206
Cumulative Effect of Change in Accounting Principles	-	-	(6,163)	13,334	19,916
Net Assets, Beginning of Year, as Adjusted	4,016,244	3,680,736	3,358,614	3,443,776	3,323,122
Net Assets, End of Year	\$ 4,084,617	\$ 4,016,244	\$ 3,680,736	\$ 3,364,777	\$ 3,430,442

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2012	2011	2010	2009	2008
Operating Revenues					
Tuition and Fees, Net	9.6%	6.5%	4.8%	8.0%	3.6%
Less: Scholarship Allowances	8.5%	7.1%	10.5%	6.2%	2.5%
Net Tuition and Fees	10.0%	6.3%	2.9%	8.6%	4.0%
Federal Grants and Contracts	-5.7%	6.7%	6.5%	-6.4%	12.8%
State and Local Grants and Contracts	-2.7%	-13.3%	24.8%	-2.5%	15.7%
Private Grants and Contracts	6.0%	-1.5%	-4.2%	17.8%	11.1%
Sales and Services of Educational Activities	6.6%	-3.9%	2.1%	12.9%	-12.4%
Auxiliary Enterprises -					
Patient Medical Services, Net	7.0%	3.1%	4.9%	3.1%	5.0%
Housing and Dining Services, Net	6.3%	4.4%	9.5%	13.0%	8.5%
Bookstores	-1.7%	-1.2%	-4.5%	1.1%	7.9%
Other Auxiliary Enterprises, Net	-9.2%	10.8%	4.4%	4.6%	18.0%
Other Operating Revenues	-0.9%	13.3%	-8.3%	14.3%	-12.2%
Total Operating Revenues	3.9%	4.4%	4.2%	4.6%	6.7%
Operating Expenses					
Salaries and Wages	3.6%	2.9%	1.9%	5.2%	4.7%
Benefits	9.5%	8.3%	1.2%	-3.5%	13.7%
Supplies, Services and Other Operating Expenses	6.5%	5.9%	0.5%	1.6%	8.9%
Scholarships and Fellowships	2.7%	6.0%	14.5%	22.7%	2.3%
Depreciation	3.7%	5.7%	11.9%	4.1%	5.8%
Total Operating Expenses	5.2%	4.6%	2.2%	3.2%	7.1%
Operating Loss before State Appropriations	-10.2%	-5.6%	5.0%	1.7%	-8.5%
State Appropriations	-9.1%	-12.2%	3.9%	3.7%	4.9%
Operating Income (Loss) after State Appropriations, Before Nonoperating Revenues (Expenses)					
	-136.4%	-430.3%	185.4%	52.0%	-59.5%
Nonoperating Revenues (Expenses)					
Federal Appropriations	-0.7%	32.4%	44.4%	4.1%	1.2%
Federal Pell Grants	7.5%	20.0%	52.6%	16.2%	15.3%
Investment and Endowment Income (Losses), Net	-88.4%	54.3%	199.7%	-479.9%	-77.5%
Private Gifts	71.9%	7.9%	-7.3%	1.7%	-3.0%
Interest Expense	8.9%	7.4%	46.7%	-27.0%	46.0%
Other Nonoperating Revenues (Expenses)	-211.5%	-97.6%	57.8%	17.3%	-50.9%
Net Nonoperating Revenues (Expenses)	-58.2%	44.9%	322.1%	-220.5%	-65.1%
Income (Loss) before Capital Contributions, Additions to Permanent Endowments and Extraordinary Item					
	-103.9%	8.3%	297.7%	-422.0%	-82.0%
State Capital Appropriations	-88.4%	-43.4%	-20.3%	14.7%	-14.4%
Capital Gifts and Grants	-23.8%	-20.2%	49.0%	-25.0%	34.0%
Private Gifts for Endowment Purposes	-7.2%	6.8%	17.1%	-36.1%	18.2%
Extraordinary Item:					
Net Proceeds from Sale of Missouri Care	-	-	-	-	-
Special Item	-	-	-	-	-
Increase (Decrease) in Net Assets	-79.6%	4.2%	507.8%	-173.6%	-65.2%
Net Assets, Beginning of Year	9.1%	9.4%	-1.9%	3.9%	10.3%
Cumulative Effect of Change in Accounting Principles	0.0%	-100.0%	-146.2%	-33.0%	100.0%
Net Assets, Beginning of Year, as Adjusted	9.1%	9.6%	-2.5%	3.6%	11.0%
Net Assets, End of Year	1.7%	9.1%	9.4%	-1.9%	3.9%

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2012	2011	2010	2009	2008
+ Primary Reserve Ratio	0.66	0.67	0.62	0.50	0.54
/ Conversion Factor	0.133	0.133	0.133	0.133	0.133
= Strength Factor	4.98	5.05	4.63	3.78	4.08
x Weighting Factor	35%	35%	35%	35%	35%
= Ratio Subtotal	1.74	1.77	1.62	1.32	1.43

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

+ Return on Assets Ratio	1.7%	8.7%	9.2%	-2.3%	3.2%
/ Conversion Factor	0.020	0.020	0.020	0.020	0.020
= Strength Factor	0.84	4.36	4.58	(1.16)	1.59
x Weighting Factor	20%	20%	20%	20%	20%
= Ratio Subtotal	0.17	0.87	0.92	(0.23)	0.32

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

+ Net Operating Revenues Ratio	3.5%	5.1%	7.7%	6.0%	4.0%
/ Conversion Factor	0.013	0.013	0.013	0.013	0.013
= Strength Factor	2.68	3.96	5.89	4.60	3.10
x Weighting Factor	10%	10%	10%	10%	10%
= Ratio Subtotal	0.27	0.40	0.59	0.46	0.31

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

+ Viability Ratio	1.25	1.22	1.27	1.38	1.42
/ Conversion Factor	0.417	0.417	0.417	0.417	0.417
= Strength Factor	3.00	2.92	3.04	3.30	3.39
x Weighting Factor	35%	35%	35%	35%	35%
= Ratio Subtotal	1.05	1.02	1.06	1.16	1.19

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

Composite Financial Index	3.23	4.06	4.19	2.71	3.24
Composite Financial Index - Three Year Average	3.82	3.65	3.38	3.41	3.77

Composite Financial Index (CFI) - provides a methodology for a single overall financial measurement of the institution's health based on 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 institution. The CFI scores are not intended to be precise measures; they are indicators of ranges of financial health that can be used to assess 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,	2012	2011	2010	2009	2008
Gross Tuition and Fees	\$ 736,074	\$ 671,419	\$ 630,498	\$ 601,742	\$ 557,085
Less: Scholarship Discounts / Allowances	(190,798)	(175,917)	(164,187)	(148,578)	(139,880)
Less: Scholarship / Fellowship Expenses	(60,380)	(58,790)	(55,469)	(48,456)	(39,485)
Net Tuition	\$ 484,896	\$ 436,712	\$ 410,842	\$ 404,708	\$ 377,720
Net Tuition	\$ 484,896	\$ 436,712	\$ 410,842	\$ 404,708	\$ 377,720
Number of Students - Fall Semester (FTEs)	56,843	55,272	53,292	51,025	48,994
Net Tuition per Student	\$ 8,530	\$ 7,901	\$ 7,709	\$ 7,932	\$ 7,710

State Appropriations per Student

Fiscal Year Ended June 30,	2012	2011	2010	2009	2008
State Appropriations	\$ 397,629	\$ 437,631	\$ 498,358	\$ 479,478	\$ 462,281
Number of Students - Fall Semester (FTEs)	56,843	55,272	53,292	51,025	48,994
State Appropriations per Student	\$ 6,995	\$ 7,918	\$ 9,351	\$ 9,397	\$ 9,435

Educational Expenses per Student

Fiscal Year Ended June 30,	2012	2011	2010	2009	2008
Total Operating Expenses	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849	\$ 2,365,757	\$ 2,291,863
Less: Scholarships / Fellowships Expense	(60,380)	(58,790)	(55,469)	(48,456)	(39,485)
Less: Auxiliary Operating Expenses	(1,067,820)	(1,028,491)	(956,455)	(901,089)	(886,774)
Less: Grants and Contracts Expenses	(311,742)	(320,522)	(318,123)	(296,745)	(299,148)
Interest Expense	53,923	49,507	46,103	31,432	43,055
Less: Auxiliary Interest Expense	(8,427)	(9,006)	(9,197)	(7,437)	(7,905)
Net Educational Expenses	\$ 1,267,493	\$ 1,163,201	\$ 1,125,708	\$ 1,143,462	\$ 1,101,606
Net Educational Expenses	\$ 1,267,493	\$ 1,163,201	\$ 1,125,708	\$ 1,143,462	\$ 1,101,606
Number of Students - Fall Semester (FTEs)	56,843	55,272	53,292	51,025	48,994
Educational Expenses per Student	\$ 22,298	\$ 21,045	\$ 21,123	\$ 22,410	\$ 22,485

Total Tuition Discount

Fiscal Year Ended June 30,	2012	2011	2010	2009	2008
Scholarship Allowances	\$ 190,798	\$ 175,917	\$ 164,187	\$ 148,578	\$ 139,880
Scholarships / Fellowships Expense	60,380	58,790	55,469	48,456	39,485
Total Tuition Discounts (\$)	\$ 251,178	\$ 234,707	\$ 219,656	\$ 197,034	\$ 179,365
Total Tuition Discounts (\$)	\$ 251,178	\$ 234,707	\$ 219,656	\$ 197,034	\$ 179,365
Gross Tuition and Fees	\$ 736,074	\$ 671,419	\$ 630,498	\$ 601,742	\$ 557,085
Total Tuition Discount (%)	34.1%	35.0%	34.8%	32.7%	32.2%

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Unrestricted Financial Resources to Direct Debt

Fiscal Year Ended June 30,	2012	2011	2010	2009	2008
Current Portion of Long-Term Debt	\$ 183,226	\$ 29,107	\$ 30,139	\$ 24,922	\$ 21,697
Long-Term Debt Subject to Remarketing	100,330	220,885	223,680	224,925	226,120
Long-Term Debt	1,122,312	1,140,934	915,906	608,114	631,742
Total Direct Debt	\$ 1,405,868	\$ 1,390,926	\$ 1,169,725	\$ 857,961	\$ 879,559
Net Assets - Unrestricted	\$ 1,379,215	\$ 1,350,930	\$ 1,163,916	\$ 868,199	\$ 904,856
Total Direct Debt	\$ 1,405,868	\$ 1,390,926	\$ 1,169,725	\$ 857,961	\$ 879,559

**Unrestricted Financial Resources
to Direct Debt**

0.98 0.97 1.00 1.01 1.03

Expendable Financial Resources to Direct Debt (Viability Ratio)

Fiscal Year Ended June 30,	2012	2011	2010	2009	2008
Net Assets - Unrestricted	\$ 1,379,215	\$ 1,350,930	\$ 1,163,916	\$ 868,199	\$ 904,856
Net Assets - Restricted Expendable - Scholarships, Research, Instruction and Other	299,789	264,605	244,226	235,405	262,266
Net Assets - Restricted Expendable - Loans	79,091	77,300	75,637	78,357	77,656
Expendable Net Assets	\$ 1,758,095	\$ 1,692,835	\$ 1,483,779	\$ 1,181,961	\$ 1,244,778
Expendable Net Assets	\$ 1,758,095	\$ 1,692,835	\$ 1,483,779	\$ 1,181,961	\$ 1,244,778
Total Direct Debt	\$ 1,405,868	\$ 1,390,926	\$ 1,169,725	\$ 857,961	\$ 879,559

Viability Ratio

1.25 1.22 1.27 1.38 1.42

Total Financial Resources to Direct Debt

Fiscal Year Ended June 30,	2012	2011	2010	2009	2008
Net Assets - Unrestricted	\$ 1,379,215	\$ 1,350,930	\$ 1,163,916	\$ 868,199	\$ 904,856
Net Assets - Restricted Expendable - Scholarships, Research, Instruction and Other	299,789	264,605	244,226	235,405	262,266
Net Assets - Restricted Expendable - Loans	79,091	77,300	75,637	78,357	77,656
Net Assets - Restricted Nonexpendable	771,146	788,876	679,494	612,119	718,314
Total Financial Resources	\$ 2,529,241	\$ 2,481,711	\$ 2,163,273	\$ 1,794,080	\$ 1,963,092
Total Financial Resources	\$ 2,529,241	\$ 2,481,711	\$ 2,163,273	\$ 1,794,080	\$ 1,963,092
Total Direct Debt	\$ 1,405,868	\$ 1,390,926	\$ 1,169,725	\$ 857,961	\$ 879,559

**Total Financial Resources
to Direct Debt**

1.80 1.78 1.85 2.09 2.23

Direct Debt per Student

Fiscal Year Ended June 30,	2012	2011	2010	2009	2008
Total Direct Debt	\$ 1,405,868	\$ 1,390,926	\$ 1,169,725	\$ 857,961	\$ 879,559
Number of Students - End of Fiscal Year (FTEs)	57,806	56,843	55,272	53,292	51,025

Direct Debt per Student

\$ 24,320 \$ 24,470 \$ 21,163 \$ 16,099 \$ 17,238

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Actual Debt Service to Operations

Fiscal Year Ended June 30,	2012	2011	2010	2009	2008
Debt Service - Principal	\$ 26,393	\$ 29,010	\$ 24,922	\$ 21,987	\$ 17,437
Debt Service - Interest	53,923	49,507	46,103	31,432	43,055
Total Debt Service	\$ 80,316	\$ 78,517	\$ 71,025	\$ 53,419	\$ 60,492
Operating Expenses	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849	\$ 2,365,757	\$ 2,291,863
Less: Scholarships & Fellowships Expense	(60,380)	(58,790)	(55,469)	(48,456)	(39,485)
Interest Expense	53,923	49,507	46,103	31,432	43,055
Adjusted Total Operating Expense	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483	\$ 2,348,733	\$ 2,295,433
Total Debt Service	\$ 80,316	\$ 78,517	\$ 71,025	\$ 53,419	\$ 60,492
Adjusted Total Operating Expense	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483	\$ 2,348,733	\$ 2,295,433
Actual Debt Service to Operations	3.0%	3.1%	2.9%	2.3%	2.6%

Capital Expense to Operations

Fiscal Year Ended June 30,	2012	2011	2010	2009	2008
Depreciation Expense	\$ 160,915	\$ 155,103	\$ 146,753	\$ 131,167	\$ 125,996
Interest Expense	53,923	49,507	46,103	31,432	43,055
Total Capital Expense	\$ 214,838	\$ 204,610	\$ 192,856	\$ 162,599	\$ 169,051
Operating Expenses	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849	\$ 2,365,757	\$ 2,291,863
Less: Scholarships & Fellowships Expense	(60,380)	(58,790)	(55,469)	(48,456)	(39,485)
Interest Expense	53,923	49,507	46,103	31,432	43,055
Adjusted Total Operating Expense	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483	\$ 2,348,733	\$ 2,295,433
Total Capital Expense	\$ 214,838	\$ 204,610	\$ 192,856	\$ 162,599	\$ 169,051
Adjusted Total Operating Expense	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483	\$ 2,348,733	\$ 2,295,433
Capital Expense to Operations	8.1%	8.1%	8.0%	6.9%	7.4%

BALANCE SHEET RATIOS**Statistical Section***Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report***Unrestricted Financial Resources to Operations**

Fiscal Year Ended June 30,	2012	2011	2010	2009	2008
Net Assets - Unrestricted	\$ 1,379,215	\$ 1,350,930	\$ 1,163,916	\$ 868,199	\$ 904,856
Operating Expenses	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849	\$ 2,365,757	\$ 2,291,863
Less: Scholarships & Fellowships Expense	(60,380)	(58,790)	(55,469)	(48,456)	(39,485)
Interest Expense	53,923	49,507	46,103	31,432	43,055
Adjusted Total Operating Expense	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483	\$ 2,348,733	\$ 2,295,433
Net Assets - Unrestricted	\$ 1,379,215	\$ 1,350,930	\$ 1,163,916	\$ 868,199	\$ 904,856
Adjusted Total Operating Expense	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483	\$ 2,348,733	\$ 2,295,433

**Unrestricted Financial Resources
to Operations**

0.52 0.54 0.48 0.37 0.39

Expendable Financial Resources to Operations (Primary Reserve Ratio)

Fiscal Year Ended June 30,	2012	2011	2010	2009	2008
Net Assets - Unrestricted	\$ 1,379,215	\$ 1,350,930	\$ 1,163,916	\$ 868,199	\$ 904,856
Net Assets - Restricted Expendable - Scholarships, Research, Instruction and Other	299,789	264,605	244,226	235,405	262,266
Net Assets - Restricted Expendable - Loans	79,091	77,300	75,637	78,357	77,656
Expendable Net Assets	\$ 1,758,095	\$ 1,692,835	\$ 1,483,779	\$ 1,181,961	\$ 1,244,778
Operating Expenses	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849	\$ 2,365,757	\$ 2,291,863
Less: Scholarships & Fellowships Expense	(60,380)	(58,790)	(55,469)	(48,456)	(39,485)
Interest Expense	53,923	49,507	46,103	31,432	43,055
Adjusted Total Operating Expense	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483	\$ 2,348,733	\$ 2,295,433
Expendable Net Assets	\$ 1,758,095	\$ 1,692,835	\$ 1,483,779	\$ 1,181,961	\$ 1,244,778
Adjusted Total Operating Expense	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483	\$ 2,348,733	\$ 2,295,433

Primary Reserve Ratio

0.66 0.67 0.62 0.50 0.54

Total Financial Resources per Student

Fiscal Year Ended June 30,	2012	2011	2010	2009	2008
Net Assets - Unrestricted	\$ 1,379,215	\$ 1,350,930	\$ 1,163,916	\$ 868,199	\$ 904,856
Net Assets - Restricted Expendable - Scholarships, Research, Instruction and Other	299,789	264,605	244,226	235,405	262,266
Net Assets - Restricted Expendable - Loans	79,091	77,300	75,637	78,357	77,656
Net Assets - Restricted Nonexpendable	771,146	788,876	679,494	612,119	718,314
Total Financial Resources	\$ 2,529,241	\$ 2,481,711	\$ 2,163,273	\$ 1,794,080	\$ 1,963,092
Total Financial Resources	\$ 2,529,241	\$ 2,481,711	\$ 2,163,273	\$ 1,794,080	\$ 1,963,092
Number of Students - End of Fiscal Year (FTE)	57,806	56,843	55,272	53,292	51,025

Total Financial Resources per Student \$ 43,754 \$ 43,659 \$ 39,139 \$ 33,665 \$ 38,473

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Contribution Ratios

Fiscal Year Ended June 30,	2012	2011	2010	2009	2008
State Appropriations	\$ 397,629	\$ 437,631	\$ 498,358	\$ 479,478	\$ 462,281
Tuition and Fees, Net of Scholarship Allow/Exp	484,896	436,712	410,842	404,708	377,720
Auxiliary Enterprises	357,101	372,477	347,779	334,367	315,819
Grants and Contracts	311,742	320,522	318,123	296,745	299,148
Federal Pell Grants	62,311	57,951	48,281	31,649	27,232
Gifts	90,346	52,564	48,695	52,552	51,680
Normalized Investment Income (a)	127,497	114,592	107,236	105,498	95,963
Patient Care	813,024	759,734	736,799	702,424	681,312
Other	106,640	105,898	93,265	90,627	80,814
Total	\$ 2,751,186	\$ 2,658,081	\$ 2,609,378	\$ 2,498,048	\$ 2,391,969
State Appropriations	14.5%	16.5%	19.1%	19.2%	19.3%
Tuition and Fees, Net of Scholarship Allow/Exp	17.6%	16.4%	15.7%	16.2%	15.8%
Auxiliary Enterprises	13.0%	14.0%	13.3%	13.4%	13.2%
Grants and Contracts	11.3%	12.1%	12.2%	11.9%	12.5%
Federal Pell Grants	2.3%	2.2%	1.9%	1.3%	1.1%
Gifts	3.3%	2.0%	1.9%	2.1%	2.2%
Normalized Investment Income (a)	4.6%	4.3%	4.1%	4.2%	4.0%
Patient Care	29.6%	28.6%	28.2%	28.1%	28.5%
Other	3.9%	4.0%	3.6%	3.6%	3.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

(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,	2012	2011	2010	2009	2008
Instruction	\$ 604,695	\$ 557,081	\$ 537,813	\$ 544,025	\$ 513,970
Research	210,418	219,903	214,540	214,491	206,803
Public Service	147,308	143,546	146,719	173,627	163,203
Academic Support	133,742	127,856	124,119	108,626	120,071
Student Services	75,207	69,992	70,671	69,234	69,669
Institutional Support	102,565	97,934	109,493	104,198	116,672
Operation and Maintenance of Plant	97,114	69,982	55,878	70,002	47,796
Auxiliary Enterprises	1,069,595	1,030,316	957,394	901,931	888,198
Scholarships and Fellowships	60,380	58,790	55,469	48,456	39,485
Depreciation	160,915	155,103	146,753	131,167	125,996
Total Operating Expenses	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849	\$ 2,365,757	\$ 2,291,863
Instruction	22.7%	22.0%	22.2%	23.0%	22.4%
Research	7.9%	8.7%	8.9%	9.1%	9.0%
Public Service	5.5%	5.7%	6.1%	7.3%	7.1%
Academic Support	5.0%	5.1%	5.1%	4.6%	5.2%
Student Services	2.8%	2.8%	2.9%	2.9%	3.0%
Institutional Support	3.9%	3.9%	4.5%	4.4%	5.1%
Operation and Maintenance of Plant	3.6%	2.8%	2.3%	3.0%	2.1%
Auxiliary Enterprises	40.2%	40.7%	39.6%	38.1%	38.8%
Scholarships and Fellowships	2.3%	2.3%	2.3%	2.0%	1.7%
Depreciation	6.0%	6.1%	6.1%	5.5%	5.5%
Total Operating Expenses	100.0%	100.0%	100.0%	100.0%	100.0%

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2011	2010	2009	2008	2007
Undergraduate Students (Head Count)	54,936	53,358	51,352	49,510	47,864
Graduate Students (Head Count)	15,562	15,232	15,080	14,336	13,846
Professional Students (Head Count)	3,067	3,006	2,952	2,873	2,830
Total Students (Head Count)	73,565	71,596	69,384	66,719	64,540
Undergraduate Students (FTE)	44,940	43,737	41,974	40,294	38,642
Graduate Students (FTE)	8,877	8,571	8,401	7,890	7,553
Professional Students (FTE)	3,026	2,964	2,917	2,841	2,799
Total Students (FTE)	56,843	55,272	53,292	51,025	48,994
Acceptance Rate - First-time Freshmen	79%	80%	80%	81%	80%
Acceptance Rate - Undergraduate Transfers	73%	73%	72%	72%	70%
Matriculation - First-time Freshmen	41%	42%	41%	46%	47%
Matriculation - Undergraduate Transfers	66%	67%	68%	68%	64%

Demographics

Fall Semester	2011	2010	2009	2008	2007
Male	47%	47%	47%	46%	47%
Female	53%	53%	53%	54%	53%
Undergraduate Residence - Missouri	82%	83%	84%	84%	85%
Undergraduate Residence - Out of State	18%	17%	16%	16%	15%
Undergraduate Full-Time	77%	77%	77%	76%	76%
Undergraduate Part-Time	23%	23%	23%	24%	24%
Graduate Full-Time	45%	45%	40%	38%	39%
Graduate Part-Time	55%	55%	60%	62%	61%
White	75.4%	76.5%	77.1%	78.2%	78.6%
Black or African American	10.0%	9.8%	9.9%	9.3%	9.3%
Non-Resident Alien	6.4%	6.2%	6.1%	6.0%	5.6%
Asian / Pacific Is.	3.6%	3.5%	3.5%	3.4%	3.6%
Hispanic	3.0%	2.8%	2.6%	2.5%	2.3%
Other	1.6%	1.2%	0.8%	0.6%	0.6%

Degrees Awarded

Fiscal Year Ended June 30,	2012	2011	2010	2009	2008
Baccalaureate	10,319	9,703	9,605	9,291	8,997
Graduate Certificate	623	539	520	438	321
Master's	4,069	3,870	3,608	3,620	3,432
Educational Specialist	104	100	123	148	102
Doctoral	610	557	519	487	510
First Professional Degree	790	818	800	763	749
Total	16,515	15,587	15,175	14,747	14,111

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2011	2010	2009	2008	2007
Undergraduate Students (Head Count)	25,992	24,834	23,799	22,980	21,586
Graduate Students (Head Count)	6,534	6,310	6,288	6,024	5,708
Professional Students (Head Count)	1,236	1,197	1,150	1,126	1,111
Total Students (Head Count)	33,762	32,341	31,237	30,130	28,405
Undergraduate Students (FTE)	23,840	22,899	21,943	21,197	19,847
Graduate Students (FTE)	3,966	3,765	3,721	3,536	3,340
Professional Students (FTE)	1,215	1,174	1,134	1,108	1,094
Total Students (FTE)	29,021	27,838	26,798	25,841	24,281
Acceptance Rate - First-time Freshmen	82%	83%	83%	85%	85%
Acceptance Rate - Undergraduate Transfers	67%	67%	69%	71%	67%
Matriculation - First-time Freshmen	41%	42%	41%	47%	48%
Matriculation - Undergraduate Transfers	62%	66%	66%	68%	71%

Demographics

Fall Semester	2011	2010	2009	2008	2007
Male	47%	47%	46%	46%	46%
Female	53%	53%	54%	54%	54%
Undergraduate Residence - Missouri	79%	81%	83%	84%	85%
Undergraduate Residence - Out of State	21%	19%	17%	16%	15%
Undergraduate Full-Time	94%	94%	94%	94%	94%
Undergraduate Part-Time	6%	6%	6%	6%	6%
Graduate Full-Time	58%	58%	48%	46%	48%
Graduate Part-Time	42%	42%	52%	54%	52%
White	80.3%	81.8%	82.9%	83.6%	83.8%
Black or African American	6.9%	6.6%	6.4%	5.9%	5.8%
Non-Resident Alien	5.9%	5.4%	5.4%	5.4%	5.3%
Asian / Pacific Is.	2.4%	2.4%	2.5%	2.5%	2.7%
Hispanic	2.7%	2.5%	2.2%	2.0%	1.8%
Other	1.8%	1.3%	0.6%	0.6%	0.6%

Degrees Awarded

Fiscal Year Ended June 30,	2012	2011	2010	2009	2008
Baccalaureate	5,528	5,087	4,963	4,855	4,779
Graduate Certificate	179	162	142	88	69
Master's	1,631	1,513	1,515	1,506	1,421
Educational Specialist	43	53	59	57	34
Doctoral	367	365	322	306	326
First Professional Degree	299	306	304	307	303
Total	8,047	7,486	7,305	7,119	6,932

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2011	2010	2009	2008	2007
Undergraduate Students (Head Count)	10,122	9,850	9,381	9,261	9,094
Graduate Students (Head Count)	3,692	3,771	3,795	3,651	3,800
Professional Students (Head Count)	1,659	1,638	1,623	1,569	1,548
Total Students (Head Count)	15,473	15,259	14,799	14,481	14,442
Undergraduate Students (FTE)	7,586	7,395	6,972	6,662	6,400
Graduate Students (FTE)	2,032	2,030	2,021	1,936	1,909
Professional Students (FTE)	1,638	1,618	1,604	1,555	1,535
Total Students (FTE)	11,256	11,043	10,597	10,153	9,844
Acceptance Rate - First-time Freshmen	71%	71%	72%	73%	66%
Acceptance Rate - Undergraduate Transfers	80%	72%	70%	66%	61%
Matriculation - First-time Freshmen	39%	39%	40%	42%	44%
Matriculation - Undergraduate Transfers	64%	65%	68%	67%	67%

Demographics

Fall Semester	2011	2010	2009	2008	2007
Male	43%	43%	43%	43%	42%
Female	57%	57%	57%	57%	58%
Undergraduate Residence - Missouri	74%	75%	75%	77%	78%
Undergraduate Residence - Out of State	26%	25%	25%	23%	22%
Undergraduate Full-Time	68%	68%	67%	63%	61%
Undergraduate Part-Time	32%	32%	33%	37%	39%
Graduate Full-Time	34%	33%	33%	33%	30%
Graduate Part-Time	66%	67%	67%	67%	70%
White	67.9%	67.7%	67.6%	68.9%	71.1%
Black or African American	12.6%	12.6%	12.7%	12.5%	12.0%
Non-Resident Alien	6.5%	7.1%	7.4%	7.3%	6.3%
Asian / Pacific Is.	6.5%	6.4%	6.5%	6.2%	6.2%
Hispanic	4.7%	4.7%	4.3%	4.4%	3.8%
Other	1.8%	1.5%	1.4%	0.7%	0.7%

Degrees Awarded

Fiscal Year Ended June 30,	2012	2011	2010	2009	2008
Baccalaureate	1,749	1,523	1,633	1,496	1,289
Graduate Certificate	29	24	18	20	24
Master's	999	972	911	917	852
Educational Specialist	35	25	33	49	40
Doctoral	99	77	83	68	59
First Professional Degree	444	468	455	412	408
Total	3,355	3,089	3,133	2,962	2,672

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2011	2010	2009	2008	2007
Undergraduate Students (Head Count)	5,671	5,503	5,206	4,911	4,752
Graduate Students (Head Count)	1,850	1,702	1,608	1,456	1,414
Professional Students (Head Count)	-	-	-	-	-
Total Students (Head Count)	7,521	7,205	6,814	6,367	6,166
Undergraduate Students (FTE)	5,236	5,127	4,886	4,622	4,483
Graduate Students (FTE)	1,141	1,036	979	831	840
Professional Students (FTE)	-	-	-	-	-
Total Students (FTE)	6,377	6,163	5,865	5,453	5,323
Acceptance Rate - First-time Freshmen	88%	87%	89%	88%	90%
Acceptance Rate - Undergraduate Transfers	67%	67%	74%	74%	76%
Matriculation - First-time Freshmen	44%	47%	47%	49%	49%
Matriculation - Undergraduate Transfers	72%	80%	71%	67%	73%

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

Demographics

Fall Semester	2011	2010	2009	2008	2007
Male	78%	78%	78%	78%	77%
Female	22%	22%	22%	22%	23%
Undergraduate Residence - Missouri	79%	80%	81%	81%	81%
Undergraduate Residence - Out of State	21%	20%	19%	19%	19%
Undergraduate Full-Time	91%	91%	92%	93%	92%
Undergraduate Part-Time	9%	9%	8%	7%	8%
Graduate Full-Time	59%	59%	59%	52%	54%
Graduate Part-Time	41%	41%	41%	48%	46%
White	74.6%	75.7%	76.4%	78.3%	78.7%
Black or African American	4.9%	4.6%	5.4%	4.9%	4.6%
Non-Resident Alien	14.4%	13.9%	12.6%	11.0%	10.4%
Asian / Pacific Is.	2.4%	2.5%	2.7%	3.1%	3.3%
Hispanic	2.5%	2.4%	2.3%	2.2%	2.3%
Other	1.2%	0.9%	0.6%	0.5%	0.7%

Degrees Awarded

Fiscal Year Ended June 30,	2012	2011	2010	2009	2008
Baccalaureate	1,079	1,001	998	922	913
Graduate Certificate	319	282	278	250	164
Master's	567	517	411	426	430
Educational Specialist	-	-	-	-	-
Doctoral	70	65	51	50	63
First Professional Degree	-	-	-	-	-
Total	2,035	1,865	1,738	1,648	1,570

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2011	2010	2009	2008	2007
Undergraduate Students (Head Count)	13,151	13,171	12,966	12,358	12,432
Graduate Students (Head Count)	3,486	3,449	3,389	3,205	2,924
Professional Students (Head Count)	172	171	179	178	171
Total Students (Head Count)	16,809	16,791	16,534	15,741	15,527
Undergraduate Students (FTE)	8,279	8,317	8,172	7,814	7,912
Graduate Students (FTE)	1,738	1,740	1,681	1,587	1,464
Professional Students (FTE)	172	171	179	178	171
Total Students (FTE)	10,189	10,228	10,032	9,579	9,547
Acceptance Rate - First-time Freshmen	54%	58%	60%	59%	62%
Acceptance Rate - Undergraduate Transfers	75%	78%	77%	79%	78%
Matriculation - First-time Freshmen	41%	37%	39%	38%	38%
Matriculation - Undergraduate Transfers	71%	66%	69%	69%	57%

Demographics

Fall Semester	2011	2010	2009	2008	2007
Male	40%	39%	38%	35%	40%
Female	60%	61%	62%	65%	60%
Undergraduate Residence - Missouri	93%	93%	93%	93%	93%
Undergraduate Residence - Out of State	7%	7%	7%	7%	7%
Undergraduate Full-Time	46%	46%	46%	47%	48%
Undergraduate Part-Time	54%	54%	54%	53%	52%
Graduate Full-Time	26%	28%	23%	23%	26%
Graduate Part-Time	74%	72%	77%	77%	74%
White	72.3%	73.7%	74.2%	75.4%	75.1%
Black or African American	16.7%	16.4%	16.6%	15.6%	15.8%
Non-Resident Alien	3.8%	3.7%	3.6%	3.9%	3.7%
Asian / Pacific Is.	3.9%	3.2%	3.2%	3.0%	3.3%
Hispanic	2.3%	2.1%	1.9%	1.7%	1.8%
Other	1.0%	0.9%	0.5%	0.4%	0.3%

Degrees Awarded

Fiscal Year Ended June 30,	2012	2011	2010	2009	2008
Baccalaureate	1,963	2,092	2,011	2,018	2,016
Graduate Certificate	96	71	82	80	64
Master's	872	868	771	771	729
Educational Specialist	26	22	31	42	28
Doctoral	74	50	63	63	62
First Professional Degree	47	44	41	44	38
Total	3,078	3,147	2,999	3,018	2,937

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