



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

**2013 FINANCIAL REPORT**

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# Message from the President

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.

As the state's premier public four-year research university and a vital driving force of the state's economic health, we are committed to improving the well-being of all Missourians.

It is our responsibility to be good stewards of state resources. As you'll note in the following pages, our fiscal position and health remains strong and sound. Despite the challenges generated by relatively flat state funding and limited tuition increases, the university has been able to maintain its strong financial position due to diversified revenue sources, systemwide cost containment measures and historically low borrowing costs.

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

Earlier this year we announced substantial savings through efficiencies and increased effectiveness. With our strategic planning efforts fully implemented, we plan to continue to look for ways to be more efficient and effective in meeting our mission of teaching, research, service and economic development.

This information and more is available on our website at [www.umssystem.edu](http://www.umssystem.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,

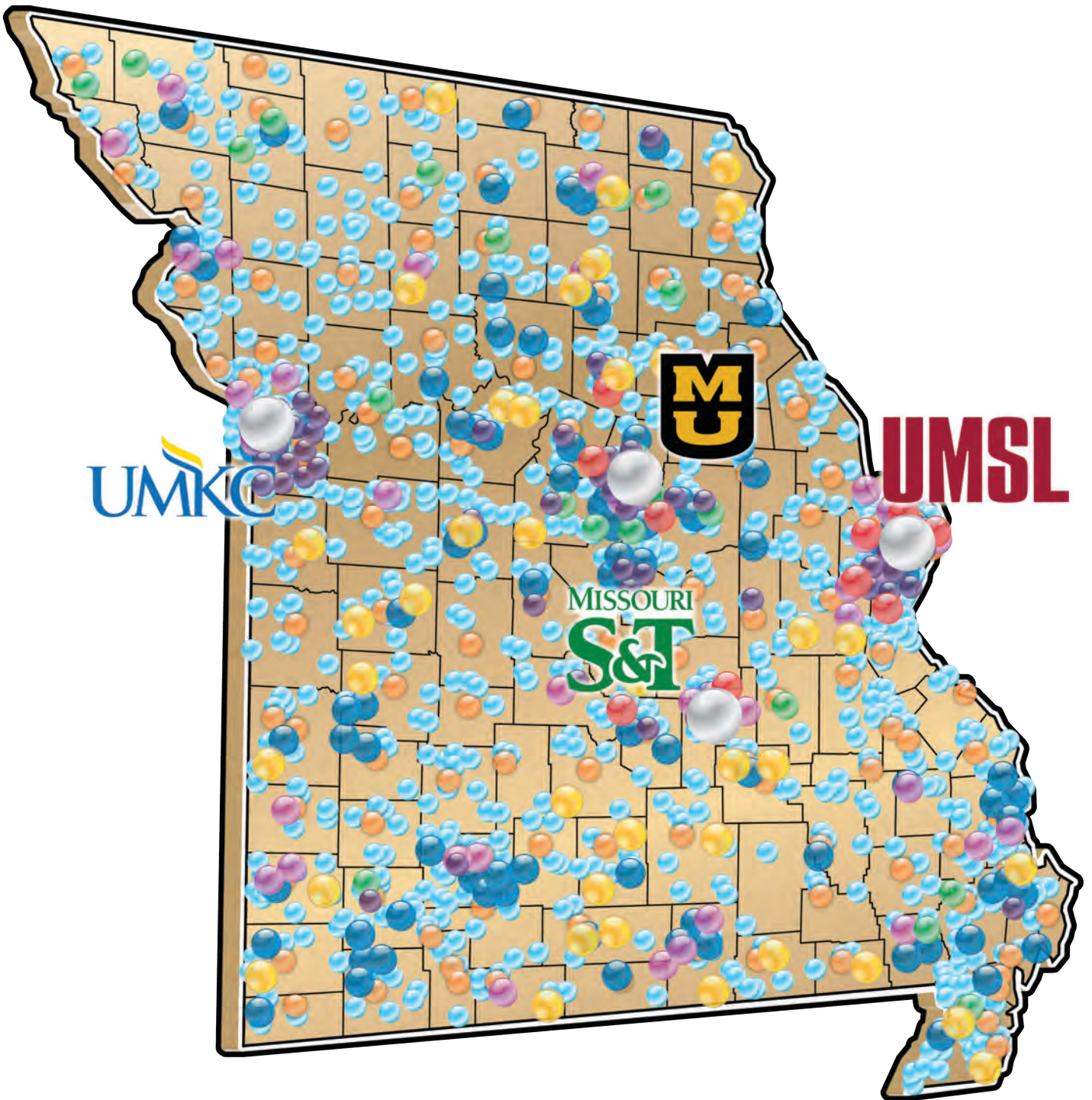


Timothy M. Wolfe

President, University of Missouri System



# University of Missouri System Statewide Reach



4

UM System Campuses

10

Research Parks /  
Business Incubators

22

Agricultural Research Stations

38

School Districts Served by  
eMINTS Investing in  
Innovation (i3) Project

39

Small Business & Technology  
Development Centers

56

Health Centers & Affiliates

787

MOREnet Sites

200

Missouri Telehealth  
Network Sites

114

Counties Served by  
Extension Centers

# Curators of the University of Missouri

The University of Missouri is governed by a nine-member board of curators, appointed by the Governor and confirmed by the Senate. Curators serve six-year terms. The student representative to the board of curators is appointed by the Governor and confirmed by the Senate. Student representatives serve two-year terms. No more than two curators 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. No more than five curators shall belong to any one political party.



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



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



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



**Ann Covington**  
Columbia  
Term Expires: Jan. 1, 2019



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



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



**John R. Phillips**  
Kansas City  
Term expires: Jan. 1, 2019



**J. Michael Ponder**  
Cape Girardeau  
Term expires: Jan. 1, 2019



**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

# 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



**Henry C. Foley, PhD**  
Executive Vice President for  
Academic Affairs



**Stephen C. Knorr**  
Vice President for  
University Relations



**Thomas Richards**  
Interim Vice President for  
Finance & Treasurer



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



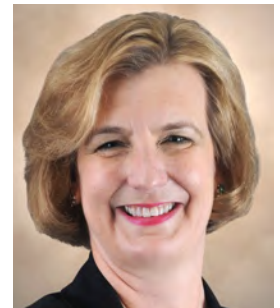
**Brady J. Deaton, PhD**  
Chancellor, University of Missouri-  
Columbia



**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

Thomas Richards, Interim Vice President for Finance & Treasurer

Jane E. Closterman, Controller

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. 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 five universities nationwide with programs in law, medicine, veterinary medicine and a nuclear research reactor on one campus. The university is nationally recognized for its collaborative strengths in Food for the Future, Sustainable Energy, One Health/One Medicine, and Media of the Future.



## University of Missouri-Kansas City

The University of Missouri-Kansas City celebrated its 80<sup>th</sup> anniversary in 2013. It is home to the nationally-ranked Institute for Entrepreneurship and Innovation in the Bloch School of Management and is ranked number one in the world for innovation management research. The university is widely known for KCSOURCELINK, a program that supports small business development. UMKC has long been at the heart of nurturing culture in the Kansas City region through renowned programs in music and dance, theater and visual arts. In addition, UMKC has four health science schools on one campus that provide outreach for community health needs and hands-on experience for students.





## 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. Missouri S&T graduates are highly sought by the business community, with the fifth highest starting salaries among all public universities in the nation. Missouri S&T is consistently ranked as a best investment university by numerous collegiate publications throughout the country.



## **UMSL** University of Missouri-St. Louis

The University of Missouri-St. Louis, the largest university in the St. Louis region, celebrated its 50th anniversary in 2013. 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. University of Missouri Health Care's state-of-the-art patient care tower implements technology developed in partnership with the Tiger Institute for Health Innovation. These advances earned the hospital recognition as one of the top ten hospitals in the nation for health care information technology. 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 & World Report's* prestigious Most Connected Hospitals 2012-13 list.



# University of Missouri System

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## FINANCIAL INFORMATION

# MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

October 10, 2013

The management of the University of Missouri System (the "University") is responsible for the preparation, integrity, and fair presentation of the financial statements. The financial statements, presented on pages 30 to 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 28-29.

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

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

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



Thomas F. Richards  
Interim Vice President for Finance & Treasurer

**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, 2013 and 2012 (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, 2013 and 2012, 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 and its Blended Component Units include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, 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 Position and the Statement of Changes in Plan Net Position.

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](http://www.umsystem.edu).

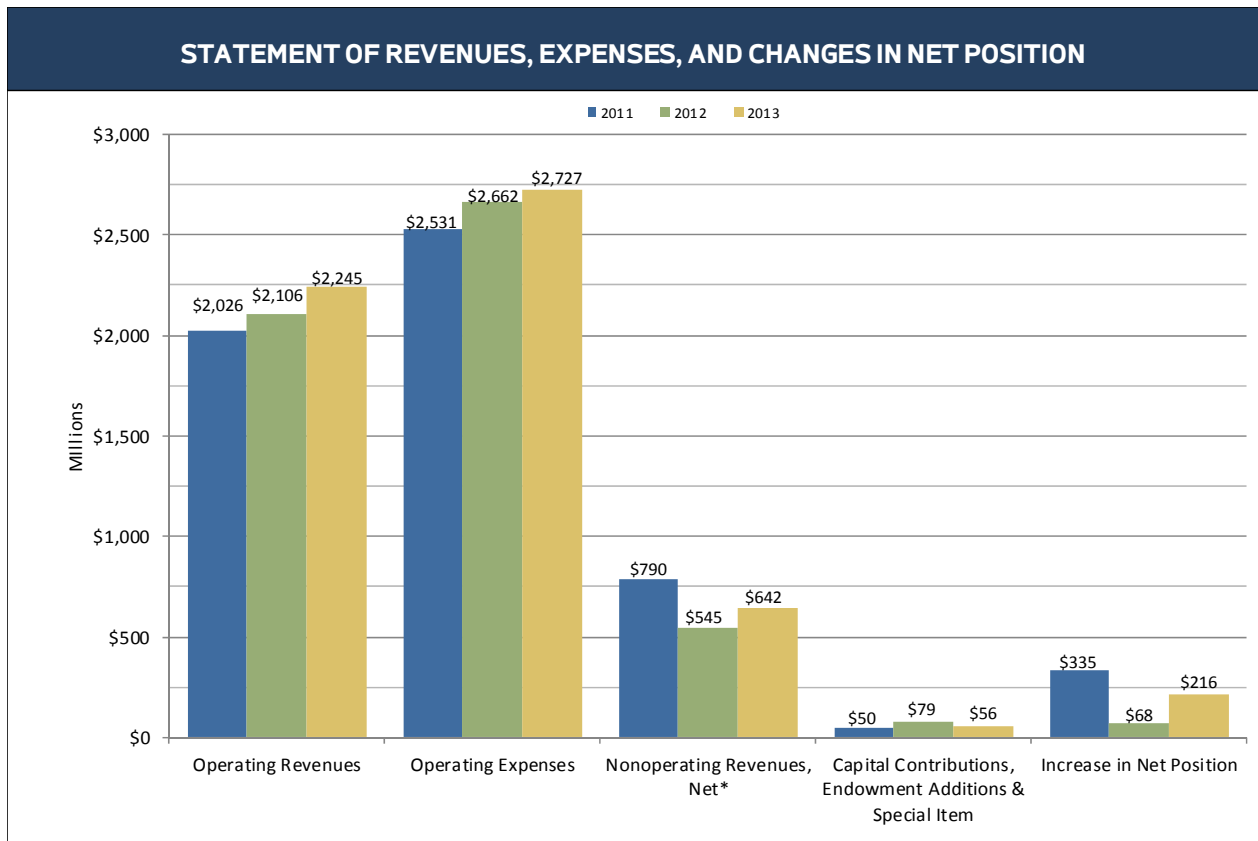
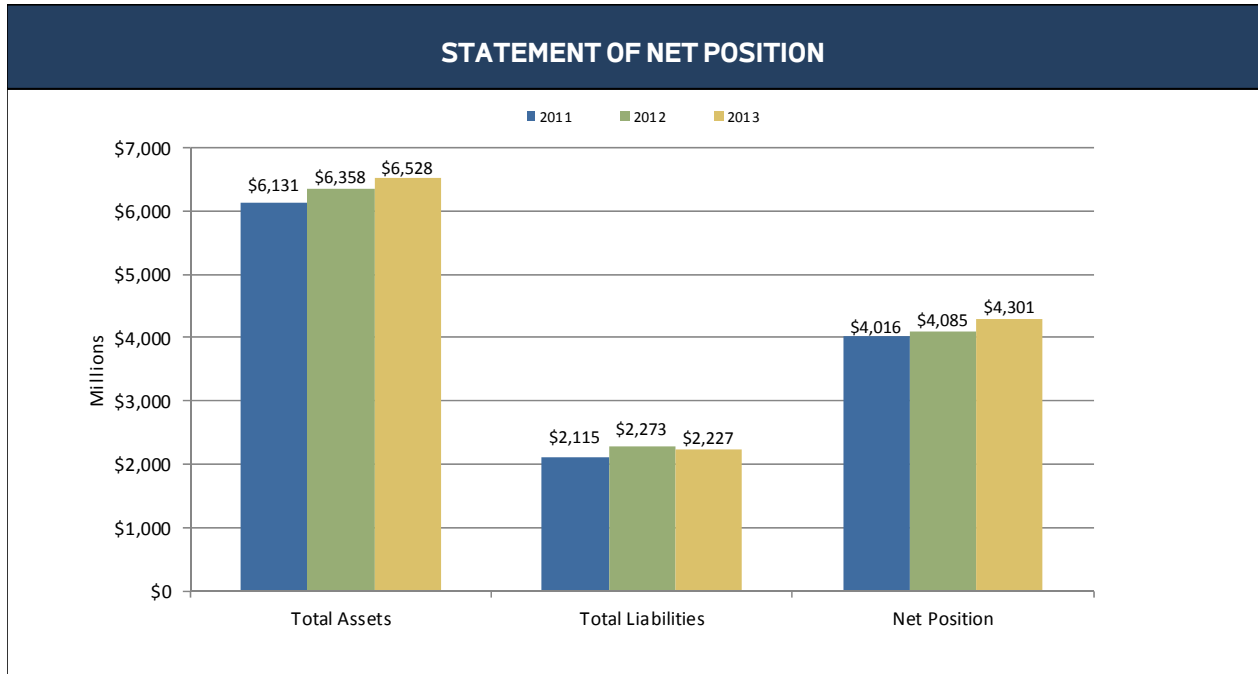
## FINANCIAL HIGHLIGHTS

At June 30, 2013, the University's financial position remained solid, with Total Assets of \$6.5 billion. Net Position, which represents the residual value of the University's assets after deducting liabilities, totaled \$4.3 billion. When operating, non-operating, and other changes are included, Net Position increased by approximately \$216.3 million in fiscal year (FY) 2013, driven primarily by Investment and Endowment Income Net of Fees due to improved market conditions and increases in Patient Medical Services Revenue and Other Auxiliary Operations as compared to FY 2012.

# UNIVERSITY OF MISSOURI SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012 (unaudited)

The following charts compare Total Assets, Liabilities, and Net Position at June 30, 2013, 2012 and 2011, and the major components of changes in Net Position for the years ended June 30, 2013, 2012 and 2011:



\*includes State Appropriations

# UNIVERSITY OF MISSOURI SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012 (unaudited)

## CONDENSED STATEMENT OF NET POSITION

The Statement of Net Position 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 Position is an indicator of financial condition and changes in Total Net Position

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 position at June 30, 2013, 2012 and 2011:

<b>CONDENSED STATEMENT OF NET POSITION</b>			
(in thousands of dollars)			
<b>As of June 30,</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Assets</b>			
Current Assets	\$ 950,039	\$ 940,748	\$ 869,091
Noncurrent Assets			
Endowment and Other Long-Term Investments	2,442,510	2,430,742	2,519,102
Capital Assets, Net	2,997,508	2,848,993	2,642,196
Other	116,475	106,659	82,128
Deferred Outflow of Resources	21,736	30,415	19,023
<b>Total Assets and Deferred Outflow of Resources</b>	<b>\$ 6,528,268</b>	<b>\$ 6,357,557</b>	<b>\$ 6,131,540</b>
<b>Liabilities</b>			
Current Liabilities			
Commercial Paper and Current Portion of Long-Term Debt	\$ 203,295	\$ 183,226	\$ 29,107
Long-Term Debt Subject to Remarketing Agreements	99,895	100,330	220,885
Other	582,292	651,831	563,676
Noncurrent Liabilities			
Long-Term Debt	1,103,004	1,122,312	1,140,934
Other	238,843	215,241	160,694
<b>Total Liabilities</b>	<b>2,227,329</b>	<b>2,272,940</b>	<b>2,115,296</b>
<b>Net Position</b>			
Net Investment in Capital Assets	1,636,334	1,545,227	1,516,095
Restricted -			
Nonexpendable	858,820	771,146	788,876
Expendable	415,128	389,029	360,343
Unrestricted	1,390,657	1,379,215	1,350,930
<b>Total Net Position</b>	<b>4,300,939</b>	<b>4,084,617</b>	<b>4,016,244</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 6,528,268</b>	<b>\$ 6,357,557</b>	<b>\$ 6,131,540</b>

## ASSETS

**Total Assets** increased by \$170.7 million, or 2.7%, to \$6.5 billion as of June 30, 2013 compared to the prior year. The increase during FY 2013 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 2012 to FY 2013, Total Assets increased by 2.7%, primarily due to strong performance of Investments and expansion of Capital Assets.

At June 30, 2013, the University's working capital, which is current assets less current liabilities, was \$64.6 million, an increase of \$59.2 million from the previous year. The largest driver of the increase was a \$70.8 million decrease in **Investment Settlements Payable** for purchases of investments occurring on or before June 30, but settling after June 30.

As a measurement of actual liquidity, working capital is adversely impacted by the inclusion, per accounting



**UNIVERSITY OF MISSOURI SYSTEM**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2013 and 2012 (unaudited)

guidelines, of Long-Term Debt Subject to Remarketing. If Long-Term Debt Subject to Remarketing were excluded from Current Liabilities, working capital

would be \$164.5 million at June 30, 2013, also expressed as Current Assets of 1.21 times Current Liabilities.

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

<b>SUMMARY OF WORKING CAPITAL</b>			
(in thousands of dollars)			
<b>As of June 30,</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Current Assets	\$ 950,039	\$ 940,748	\$ 869,091
Current Liabilities	885,482	935,387	813,668
<b>Working Capital</b>	<b>\$ 64,557</b>	<b>\$ 5,361</b>	<b>\$ 55,423</b>
<b>Ratio of Current Assets to Current Liabilities</b>	<b>1.07</b>	<b>1.01</b>	<b>1.07</b>
Current Assets	950,039	940,748	869,091
Current Liabilities	885,482	935,387	813,668
Less: Long-Term Debt Subject to Remarketing	(99,895)	(100,330)	(220,885)
Current Liabilities, As Adjusted	785,587	835,057	592,783
<b>Working Capital, As Adjusted</b>	<b>\$ 164,452</b>	<b>\$ 105,691</b>	<b>\$ 276,308</b>
<b>Ratio of Current Assets to Current Liabilities (As Adjusted)</b>	<b>1.21</b>	<b>1.13</b>	<b>1.47</b>

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

June 30, 2013 and 2012 (unaudited)

At June 30, 2013, the University held \$258.5 million in **Cash and Cash Equivalents**, a decrease of \$104.3 million from June 30, 2012. The June 30, 2012 cash balances of \$362.8 million were \$141.5 million higher than June 30, 2011. The decrease in cash at June 30, 2013 is largely due to timing differences as more working capital was invested at June 30, 2013 as compared to June 30, 2012. **Short-Term and Long-Term Investments** totaled \$2.8 billion as of June 30, 2013, representing an increase of 6.5% over the prior year as compared to a 4.8% decrease from FY 2011 to

FY 2012. The increase in investment balances during FY 2013 is primarily offset by decreases in cash and cash equivalents due to an increased investment of working capital. The financial markets improved during FY 2013; net realized and unrealized gains and losses increased by \$124.0 million, going from a net loss of \$27.5 million in FY 2012 to a net gain of \$96.5 million in FY 2013. The overall change in investment returns was most evident in the Endowment Pool, which experienced a net gain of 12.6% in FY 2013 as compared to a net loss of (0.9%) in FY 2012.

Composition and returns of the University's various investment pools for the years ended June 30, 2013 and 2012 were as follows:

<b>CASH, CASH EQUIVALENTS AND INVESTMENTS</b>								
(in thousands of dollars)								
	June 30, 2013					June 30, 2012		
	Cash and Cash Equivalents	Short-Term and Long-Term Investments	Total	Total Return	Benchmark Index Return (A)	Total	Total Return	
General Pool	\$ 218,911	\$ 1,463,805	\$ 1,682,716	-0.9%	0.9%	\$ 1,712,662	2.4%	
Endowment Funds								
Endowment Pool	27,077	1,108,448	1,135,525	12.6%	12.4%	1,043,965	-0.9%	
Fixed Income Pool	595	72,774	73,369	3.5%	1.7%	77,785	5.1%	
Other	11,869	113,409	125,278	N/A	N/A	117,256	N/A	
<b>Total</b>	<b>\$ 258,452</b>	<b>\$ 2,758,436</b>	<b>\$ 3,016,888</b>			<b>\$ 2,951,668</b>		

(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, 2013 and 2012 (unaudited)

At June 30, 2013, the University's investment in **Capital Assets** totaled \$3.0 billion compared to \$2.8 billion at June 30, 2012. The University added \$316.3 million in capital assets, net of retirements, during FY 2013,

offset by depreciation of \$167.8 million for the year. FY 2012 capital asset additions of \$367.7 million, net of retirements, were offset by \$160.9 million in depreciation.

Note 6 presents additional information on changes by asset classification. Major capital projects either substantially completed in FY 2013 or ongoing are shown in the following table:

<b>SELECTED CAPITAL PROJECTS</b>			
(Fiscal Year Ended June 30, 2013)			
Campus	Project Budget	Expenditures	
		Through June 30, 2013	Source of Funding
Columbia:			
	\$ 21,700,000	\$ 19,500,000	Revenue Bonds
	42,800,000	6,500,000	Revenue Bonds, Campus Reserves
	55,300,000	13,900,000	Revenue Bonds
	119,603,000	96,000	Revenue Bonds, Campus Reserves
Kansas City:			
	24,800,000	4,960,000	Revenue Bonds
Missouri S&T:			
	32,400,000	17,900,000	Revenue Bonds
St. Louis:			
	36,000,000	980,000	Revenue Bonds
	30,000,000	970,000	Revenue Bonds, Campus Reserves

**Total Liabilities** were \$45.6 million lower at June 30, 2013 as compared to June 30, 2012, and \$157.6 million higher at June 30, 2012 as compared to June 30, 2011. Significant changes in **Current Liabilities** at June 30, 2013 include a \$70.8 million decrease in **Investment Settlements Payable** for purchases of investments occurring on or before June 30, but settling after June 30; and a \$20.1 million increase in **Commercial Paper and Current Portion of Long-Term Debt**.

**Current Liabilities** include long-term variable rate demand bonds subject to remarketing agreements totaling \$99.9 million, \$100.3 million and \$220.9 million at June 30, 2013, 2012 and 2011, respectively. The variable rate demand bond has a final contractual maturity in fiscal year 2032. Despite contractual maturities beyond one year, this variable rate demand bond is classified as a current liability 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 2013, the University issued \$18.9 million of Commercial Paper to finance capital projects. 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.

**Noncurrent Liabilities** represent those commitments beyond one year. No new bonds were issued in 2013. 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 were 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%.

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

June 30, 2013 and 2012 (unaudited)

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 were 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%.

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

<b>LONG-TERM DEBT</b> (in thousands of dollars)			
<b>As of June 30,</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
System Facilities Revenue Bonds	\$ 1,185,400	\$ 1,206,695	\$ 1,367,925
Unamortized Premium and Loss on Defeasance	23,489	26,661	14,300
<b>Total Bonds Payable</b>	<b>1,208,889</b>	<b>1,233,356</b>	<b>1,382,225</b>
Notes Payable	14,130	4,961	1,296
Capital Lease Obligations	5,920	6,616	7,405
Commercial Paper	177,255	160,935	-
<b>Total Long-Term Debt</b>	<b>\$ 1,406,194</b>	<b>\$ 1,405,868</b>	<b>\$ 1,390,926</b>
<b>Contractual Maturities Within One Year</b>			
Bonds Payable - Fixed Rate	\$ 23,890	\$ 20,875	\$ 25,195
Bonds Payable - Variable Rate Demand	435	420	2,795
Notes Payable	960	300	328
Capital Lease Obligations	755	696	789
Commercial Paper	177,255	160,935	-
<b>Total Contractual Maturities Within One Year</b>	<b>\$ 203,295</b>	<b>\$ 183,226</b>	<b>\$ 29,107</b>

The following is a summary of outstanding revenue bonds and commercial paper by campus and project type:

<b>Revenue Bonds and Commercial Paper</b> (in thousands of dollars)							
	June 30, 2013						
	MU	UMKC	UMSL	Missouri S&T	University Health Care	Unallocated	Total
Athletics	\$ 40,084	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,084
Campus Utilities	140,926	12,301	-	31,525	-	-	184,752
Classroom & Research	57,720	26,883	3,967	3,093	-	-	91,663
Critical Repairs/Maintenance	17,657	7,525	4,645	5,230	-	-	35,057
Housing	249,037	81,827	21,753	60,617	-	-	413,234
Health Care	-	-	-	-	315,218	-	315,218
Student Centers	28,443	41,149	18,172	10,198	-	-	97,962
Parking	47,484	45,657	21,516	-	-	-	114,657
Recreational Facilities	40,633	7,359	1,711	1,172	-	-	50,875
Other	882	1,085	-	-	-	17,186	19,153
Unamortized Premium	-	-	-	-	-	41,612	41,612
Unamortized Loss on Defeasance	-	-	-	-	-	(18,123)	(18,123)
<b>Total</b>	<b>\$ 622,866</b>	<b>\$ 223,786</b>	<b>\$ 71,764</b>	<b>\$ 111,835</b>	<b>\$ 315,218</b>	<b>\$ 40,675</b>	<b>\$ 1,386,144</b>

# UNIVERSITY OF MISSOURI SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

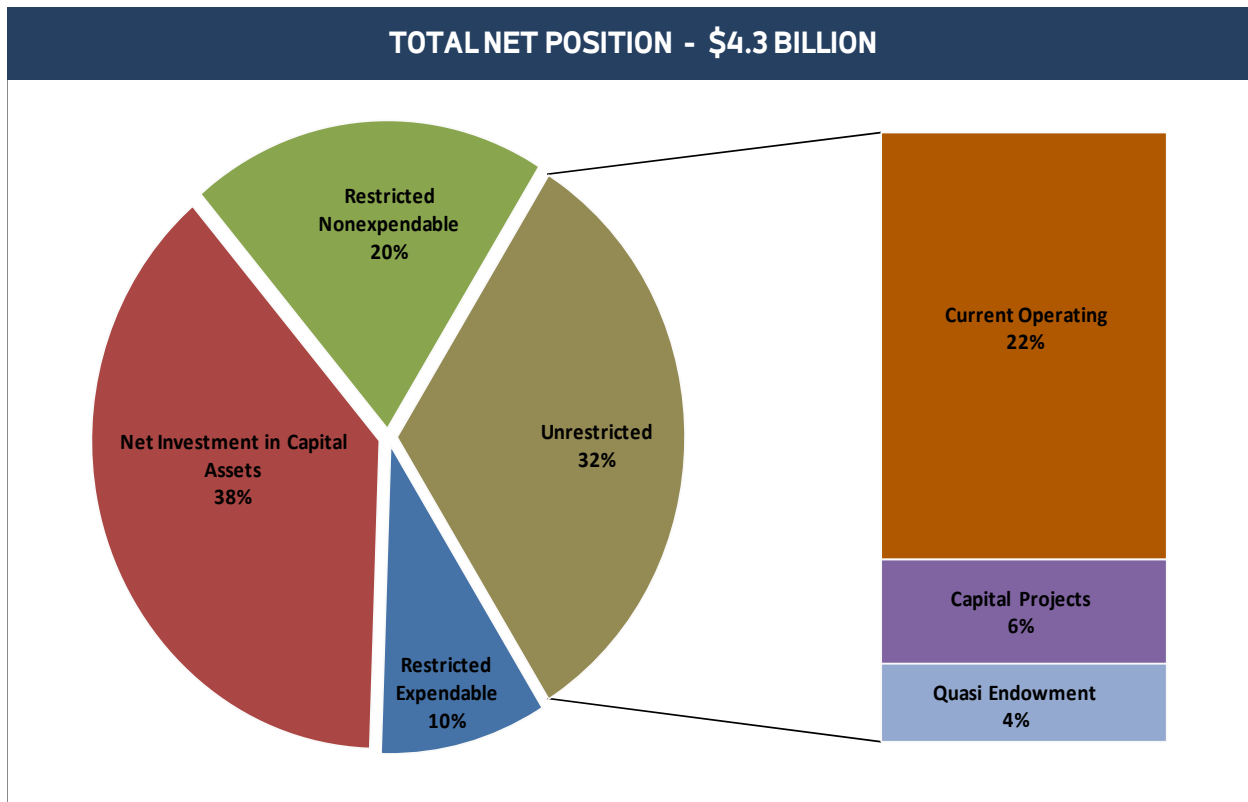
June 30, 2013 and 2012 (unaudited)

## NET POSITION

**Net Position** represents the value of the University's assets after liabilities are deducted. The University's

total **Net Position** increased by \$216.3 million during the year ended June 30, 2013, after increasing by \$68.4 million in the year ended June 30, 2012.

The distribution of the Net Position balances, including additional details on unrestricted net position by fund type, as of June 30, 2013, are as follows:



Total **Net Position** is reflected in the four component categories as follows:

**Net Investment in Capital Assets**, 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 \$91.1 million in FY 2013 and \$29.1 million in FY 2012. This increase is largely driven by construction of the new Patient Tower for University Health Care that is being partially funded with Unrestricted Net Position.

**Restricted Nonexpendable Net Position** includes endowment and similar assets that are subject to externally imposed stipulations for the principal to be maintained in perpetuity by the University. Favorable market conditions contributed to an \$87.7 million, or

11.4%, increase in Restricted Nonexpendable Net Position during FY 2013. Unrealized market losses were largely responsible for a \$17.7 million, or 2.2%, decrease during FY 2012.

**Restricted Expendable Net Position** represents resources that are subject to externally imposed stipulations regarding their use, but are not required to be maintained in perpetuity. This category increased by \$26.1 million, or 6.7%, during FY 2013 and \$28.7 million, or 8.0%, in FY 2012. As of June 30, 2013, this category includes:

- \$323.5 million of net position restricted for operations and giving purposes compared to \$299.8 million at June 30, 2012;

# UNIVERSITY OF MISSOURI SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012 (unaudited)

- \$80.4 million for student loan programs compared to \$79.1 million at June 30, 2012; and
- \$11.2 million for facilities compared to \$10.1 million at June 30, 2012.

**Unrestricted Net Position** is 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 \$11.4 million, or 0.8%, to \$1.4 billion at June 30, 2013 and \$28.3 million, or 2.1%, in FY 2012. Maintaining adequate levels of unrestricted net position is one of several key factors that have enabled

the University to maintain its Aa1 credit rating. As of June 30, 2013 and 2012, University Health Care designated funds totaled \$309.5 million and \$339.5 million, respectively; capital project-designated funds totaled \$238.2 million and \$224.3 million, respectively; student loan program-designated funds totaled \$8.7 million and \$8.5 million, respectively; and unrestricted funds functioning as endowments totaled \$177.9 million and \$161.8 million, respectively. The remaining Unrestricted Net Position is available for the University's instructional and public service missions and its general operations totaled \$656.4 million and \$645.1 million at June 30, 2013 and 2012, respectively.

**UNIVERSITY OF MISSOURI SYSTEM**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2013 and 2012 (unaudited)

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

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

<b>CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION</b>			
(in thousands of dollars)			
Fiscal Year Ended June 30,	2013	2012	2011
<b>Operating Revenues</b>			
Net Tuition and Fees	\$ 592,805	\$ 545,276	\$ 495,502
Grants and Contracts	309,683	311,742	320,522
Patient Medical Services, Net	847,681	795,302	741,626
Other Auxiliary Enterprises	412,351	374,823	390,585
Other Operating Revenues	82,308	78,418	77,482
Total Operating Revenues	2,244,828	2,105,561	2,025,717
<b>Operating Expenses</b>			
Salaries, Wages and Benefits	1,729,656	1,677,944	1,600,566
Supplies, Services and Other Operating Expenses	766,624	762,700	716,044
Other Operating Expenses	230,257	221,295	213,893
Total Operating Expenses	2,726,537	2,661,939	2,530,503
<b>Operating Loss Before State Appropriations</b>	<b>(481,709)</b>	<b>(556,378)</b>	<b>(504,786)</b>
State Appropriations	401,400	397,629	437,631
<b>Loss after State Appropriations, before Nonoperating Revenues (Expenses)</b>	<b>(80,309)</b>	<b>(158,749)</b>	<b>(67,155)</b>
<b>Nonoperating Revenues (Expenses)</b>			
Investment and Endowment Income, Net of Fees	147,433	30,855	266,633
Private Gifts	64,103	90,346	52,564
Interest Expense	(55,256)	(53,923)	(49,507)
Other Nonoperating Revenues, Net	84,249	80,319	83,088
Net Nonoperating Revenues (Expenses)	240,529	147,597	352,778
<b>Income (Loss) before Capital Contributions, Additions to Permanent Endowments and Special Item</b>	<b>160,220</b>	<b>(11,152)</b>	<b>285,623</b>
State Capital Appropriations	745	937	8,043
Capital Gifts and Grants	20,244	11,788	15,466
Private Gifts for Endowment Purposes	35,113	24,484	26,376
Special Item	-	42,316	-
<b>Increase in Net Position</b>	<b>216,322</b>	<b>68,373</b>	<b>335,508</b>
<b>Net Position, Beginning of Year</b>	<b>4,084,617</b>	<b>4,016,244</b>	<b>3,680,736</b>
<b>Net Position, End of Year</b>	<b>\$ 4,300,939</b>	<b>\$ 4,084,617</b>	<b>\$ 4,016,244</b>

**REVENUES**

**Operating Revenues** represent resources generated by the University in fulfilling its instruction, research, and public service missions. Total **Operating Revenues** increased \$139.3 million, or 6.6%, in FY 2013, and

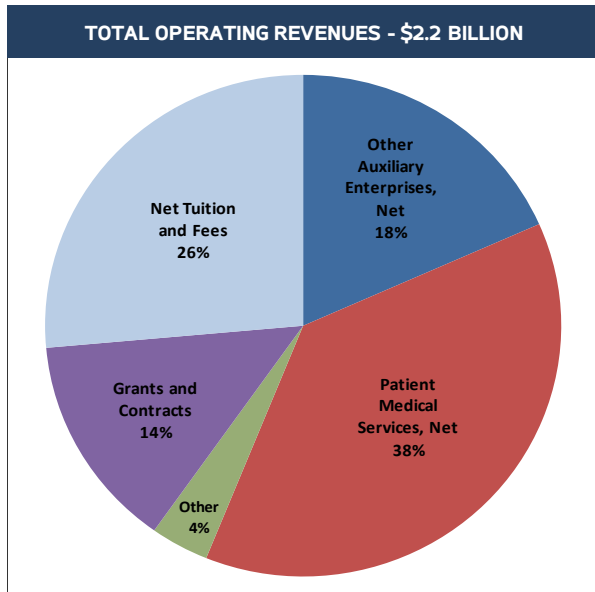
\$79.8 million, or 3.9%, in FY 2012. **Net Tuition and Fees, Patient Medical Services** and **Other Auxiliary Enterprises** contributed most significantly to the increased operating revenue in FY 2013 while **Net Tuition and Fees** and **Patient Medical Services** had the largest increases in the previous year.

# UNIVERSITY OF MISSOURI SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012 (unaudited)

**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.

The following is a graphic illustration of operating revenues by source for FY 2013:



### **Operating Revenues**

**Tuition and Fees**, net of **Scholarship Allowances**, increased by \$47.5 million, or 8.7%, in FY 2013 and by \$49.8 million, or 10.0%, in FY 2012. The increase in FY 2013 was driven by a 2% growth in full-time equivalent enrollment and increases of 3% in resident and between 3% and 8.5% in non-resident tuition rates varying by campus. The FY 2012 increase was primarily driven by increased student enrollment and an average increase of 5.5% in tuition and fee rates.

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 \$2.1 million, or 0.7%, in FY 2013 compared to a decrease of 2.7% in 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 \$89.9 million, or 7.7% in FY

2013 as compared to an increase of \$37.9 million, or 3.3%, in FY 2012. **Patient Medical Services**, which includes fees for services provided by University Health Care, had the largest increase in both FY 2013 and FY 2012 at \$52.4 million, or 6.6%, and \$53.7 million, or 7.2%, respectively. This was largely driven by growth in both inpatient and outpatient areas with increases in discharges, patient days, clinic visits and emergency room visits.

### **Nonoperating Revenues**

Total **State Appropriations** received for University operations, University Health Care operations, and other special programs increased by \$3.8 million, or 0.9%, in FY 2013, and decreased by \$40.0 million, or 9.1%, in FY 2012. Although state appropriations (gross) were slightly higher in FY 2012, a decrease in withholdings from 5.2% in FY 2012 to 3% in FY 2013 resulted in an increase in net state appropriations received in FY 2013.

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 \$147.4 million in FY 2013 as compared to a net gain of \$30.9 million in FY 2012, an increase of \$116.5 million for the year ended June 30, 2013, as compared to a \$235.8 million decrease for the year ended June 30, 2012.

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 2013, the University received gifts totaling \$119.5 million, as compared to \$126.6 million and \$94.4 million for FY 2012 and FY 2011, respectively.



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

June 30, 2013 and 2012 (unaudited)

Total **Interest Expense** for both years ended June 30, 2013 and 2012 was \$64.5 million. 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, 2013 and 2012, capitalization of interest earned on unspent bond proceeds totaled \$9.2 million and \$10.6 million, respectively, resulting in net interest expense of \$55.3 million and \$53.9 million, respectively.

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

<b>INTEREST EXPENSE</b>			
(in thousands of dollars)			
<b>Fiscal Year Ended June 30,</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
System Facilities Revenue Bonds	\$ 56,208	\$ 57,746	\$ 53,563
Net Payment on Interest Rate Swaps	7,104	5,754	5,129
<b>Total System Facilities Revenue Bonds</b>	<b>63,312</b>	<b>63,500</b>	<b>58,692</b>
Capitalized Lease Obligations	867	929	986
Notes Payable	35	34	45
Commercial Paper	255	71	-
<b>Total Interest Expense Before</b>			
Capitalization of Interest	64,469	64,534	59,723
<b>Capitalization of Interest, Net of Interest</b>			
Earned on Unspent Bond Proceeds	(9,213)	(10,611)	(10,216)
<b>Total Interest Expense</b>	<b>\$ 55,256</b>	<b>\$ 53,923</b>	<b>\$ 49,507</b>

In FY 2013, **Other Nonoperating Revenues, Net** of \$84.2 million increased \$3.9 million over FY 2012. The increase is primarily due to a \$9.8 million loss on 2006 swap related to the purchase of a housing and parking facility on the Kansas City campus in FY 2012. In FY 2013 and FY 2012, Federal Appropriations include cash

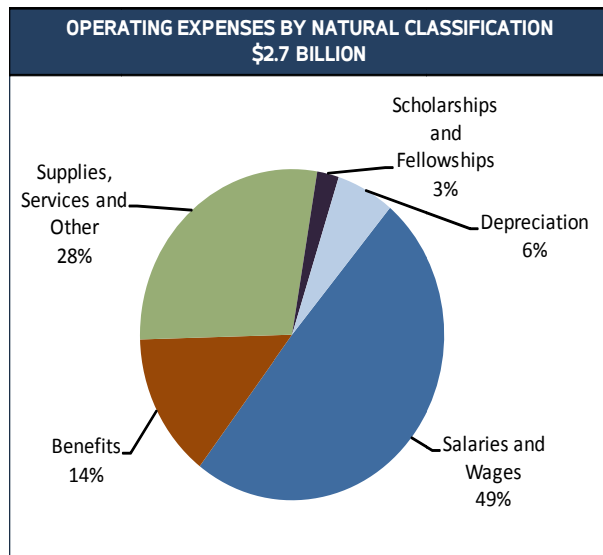
subsidy payments from the United States Treasury totaling \$10.5 million for both years, for designated Build America Bonds outstanding. Pell Grants decreased by \$2.4 million and were largely driven by eligibility changes enacted for fiscal year 2013.

# UNIVERSITY OF MISSOURI SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012 (unaudited)

## OPERATING EXPENSES

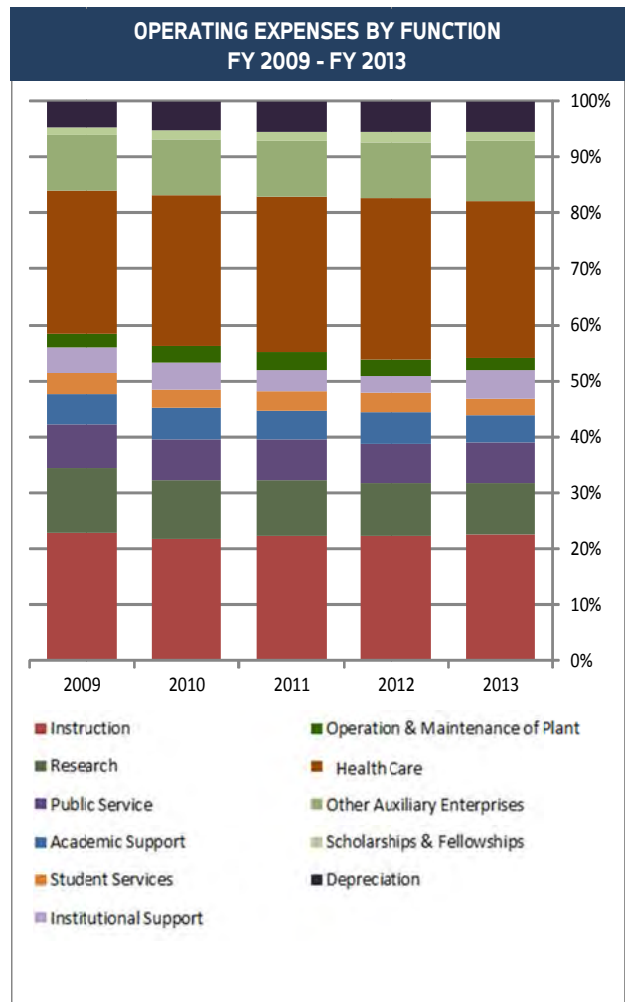
**Total Operating Expenses** increased by \$64.6 million, or 2.4%, in FY 2013 compared to an increase of \$131.4 million, or 5.1%, in FY 2012. The following graph illustrates the University's operating expenses by natural classification for FY 2013:



During FY 2013 and FY 2012, **Salaries, Wages and Benefits** increased approximately 3.1% and 4.8%, respectively, over the prior fiscal year. Salaries and Wages increased by \$25.5 million, or 1.9%, driven by merit increases. Staff Benefits in FY 2013 increased \$26.2 million, or 7.3%, over FY 2012 primarily due to an increase in the employer contributions rate for the retirement plan.

In FY 2013 and FY 2012, the University's **Supplies, Services, and Other Operating** expenses of \$766.6 million and \$762.7 million increased by \$3.9 million, or 0.5%, and \$46.7 million, or 6.5%, respectively, over the prior fiscal year. The reduction in growth for FY 2013 was due to cost containment measures.

The following illustrates the University's operating expenses by function for FY 2009 through FY 2013:



The core missions of instruction, research, and public service account for the largest proportion of Operating Expenses at 35.9% for FY 2013. University Health Care constitutes the next highest proportion at 24.7% of expenses for FY 2013. Excluding University Health Care, instruction, research, and public service account for 47.6% of Operating Expenses for FY 2013. 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, 2013 and 2012 (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, 2013, 2012 and 2011:

<b>CONDENSED STATEMENT OF CASH FLOWS</b>			
(in thousands of dollars)			
<b>Fiscal Year Ended June 30,</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Net Cash Used in Operating Activities	\$ (251,188)	\$ (369,270)	\$ (332,797)
Net Cash Provided by Noncapital Financing Activities	581,032	620,913	617,306
Net Cash Used in Capital and Related Financing Activities	(356,843)	(388,389)	(64,886)
Net Cash Provided by (Used in) Investing Activities	(77,329)	278,239	(325,649)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(104,328)</b>	<b>141,493</b>	<b>(106,026)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>362,780</b>	<b>221,287</b>	<b>327,313</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 258,452</b>	<b>\$ 362,780</b>	<b>\$ 221,287</b>

**Net Cash Used in Operating Activities** reflects the continued need for funding from the state of Missouri, as funding received from tuition and fees and related sales and services of auxiliary and educational activities are not sufficient to cover operational needs. In FY 2013, cash used in operating activities decreased by \$118.1 million as compared to FY 2012 due primarily to increased cash inflows from tuition and fees and patient care receipts. In FY 2012, cash used in operating activities increased by \$36.5 million over FY 2011.

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 \$581.0 million, \$620.9 million and \$617.3 million in FY 2013, FY 2012 and FY 2011, respectively, directly offset the additional cash needs resulting from operations.

**Net Cash Used In Capital and Related Financing Activities** decreased slightly by \$31.5 million in FY 2013 due largely to a decrease in the cash outflows for capital asset purchases. Net Cash Used in Capital and Related Financing Activities of \$388.4 million in FY 2012 was due largely to the spend down of bond proceeds for capital projects.

**Net Cash Provided by (Used In) Investing Activities** reflects a net cash outflow of \$77.3 million in FY 2013

as to a net cash inflow of \$278.2 million in FY 2012. 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 75,000 students, delivering quality healthcare to the citizens of Missouri, and providing extension services throughout the state.

The University has experienced 23% enrollment growth over the past 10 years and is now educating 14,000 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 within the University of Missouri System. 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. In FY 2013 growth in Operating Revenue exceeded the growth in Operating Expense for the first time since FY 2010, indicating that the University is managing its costs while continuing to make strategic investments in its future, all within the constraints of relatively modest revenue growth over the past several years.

# UNIVERSITY OF MISSOURI SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012 (unaudited)

State appropriations for operations increased only slightly by 0.9% in FY 2013 and will likely increase by 4.9% in FY 2014. Without significant increases in general revenues, the state will continue to be challenged to increase funding for higher education for FY 2015 and beyond.

Despite the challenges generated by relatively flat state funding and limited tuition increases, the University has been able to maintain its strong financial position due to diversified revenue sources, system-wide cost containment measures and historically low borrowing costs.

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 have continued to decline as the funding provided by the American Recovery and Reinvestment Act began to wane and the impacts of sequestration are felt. To offset these decreases the University is looking for other opportunities to stimulate research and economic development. This includes increased partnerships with private industry.

For FY 2013, 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. During FY 2013, University Health Care completed an eight-story, 90 bed patient care tower, which includes a replacement of the Ellis Fischel Cancer Center. University Health Care has also begun construction on a new replacement outpatient facility in Columbia, with expected completion in FY 2015. The capital investments assist in providing quality care to patients, including a significant increase in private rooms, and enhanced facilities for physician recruitments.

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:

### **Report on the Financial Statements**

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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the University of Missouri System's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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



## INDEPENDENT AUDITORS' REPORT

### *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, 2013 and 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

### *Other Matters*

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis on pages 13 through 27, 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 appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University of Missouri System's basic financial statements. The introductory section and the statistical section presented on pages 2 through 12 and 72 through 86, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University of Missouri System's internal control over financial reporting and compliance.

/s/ KPMG LLP

St. Louis, Missouri  
October 10, 2013

# UNIVERSITY OF MISSOURI SYSTEM

## STATEMENT OF NET POSITION

As of June 30, 2013 and 2012 (in thousands)

	University		Discretely Presented Component Unit	
	2013	2012	2013	2012
<b>Assets</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 177,722	\$ 228,639	\$ 6,956	\$ 10,301
Restricted Cash and Cash Equivalents	80,730	134,141	-	-
Short-Term Investments	272,839	126,054	-	-
Restricted Short-Term Investments	43,087	32,092	-	-
Investment of Cash Collateral	24,428	32,032	-	-
Accounts Receivable, Net	255,081	274,100	17,631	17,417
Pledges Receivable, Net	14,803	11,898	-	-
Investment Settlements Receivable	16,176	37,316	-	-
Notes Receivable, Net	8,068	8,151	-	-
Due (To) From Component Unit	(7,826)	(7,029)	7,826	7,029
Inventories	37,398	36,022	3,322	3,486
Prepaid Expenses and Other Current Assets	27,533	27,332	2,184	1,837
<b>Total Current Assets</b>	<b>950,039</b>	<b>940,748</b>	<b>37,919</b>	<b>40,070</b>
<b>Noncurrent Assets</b>				
Restricted Cash and Cash Equivalents	-	-	4,540	4,318
Pledges Receivable, Net	43,911	41,708	-	-
Notes Receivable, Net	62,829	54,698	-	-
Deferred Charges and Other Assets	9,735	10,253	4,242	3,679
Restricted Other Assets	-	-	3,232	3,151
Long-Term Investments	1,338,894	1,363,827	71,924	63,522
Restricted Long-Term Investments	1,103,616	1,066,915	-	-
Capital Assets, Net	2,997,508	2,848,993	58,310	63,866
<b>Total Noncurrent Assets</b>	<b>5,556,493</b>	<b>5,386,394</b>	<b>142,248</b>	<b>138,536</b>
Deferred Outflow of Resources	21,736	30,415	-	-
<b>Total Assets and Deferred Outflow of Resources</b>	<b>\$ 6,528,268</b>	<b>\$ 6,357,557</b>	<b>\$ 180,167</b>	<b>\$ 178,606</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 131,410	\$ 140,274	\$ 3,766	\$ 4,037
Accrued Liabilities	162,779	150,971	14,011	15,505
Deferred Revenue	85,323	84,923	-	-
Funds Held for Others	71,169	65,643	-	-
Investment Settlements Payable	107,183	177,988	-	-
Collateral Held for Securities Lending	24,428	32,032	-	-
Commercial Paper and Current Portion of Long-Term Debt	203,295	183,226	2,065	2,917
Long-Term Debt Subject to Remarketing Agreements	99,895	100,330	-	-
<b>Total Current Liabilities</b>	<b>885,482</b>	<b>935,387</b>	<b>19,842</b>	<b>22,459</b>

(continued)

# UNIVERSITY OF MISSOURI SYSTEM

## STATEMENT OF NET POSITION

As of June 30, 2013 and 2012 (in thousands)

	University		Discretely Presented Component Unit	
	2013	2012	2013	2012
<b>Liabilities, Continued</b>				
<b>Noncurrent Liabilities</b>				
Long-Term Debt	1,103,004	1,122,312	29,380	31,445
Derivative Instrument Liability	39,869	57,856	-	-
Other Postemployment Benefits Liability	142,209	109,496	-	-
Other Noncurrent Liabilities	56,765	47,889	3,782	3,209
<b>Total Noncurrent Liabilities</b>	<b>1,341,847</b>	<b>1,337,553</b>	<b>33,162</b>	<b>34,654</b>
<b>Total Liabilities</b>	<b>2,227,329</b>	<b>2,272,940</b>	<b>53,004</b>	<b>57,113</b>
<b>Net Position</b>				
Net Investment in Capital Assets	1,636,334	1,545,227	27,023	29,715
Restricted				
Nonexpendable -				
Endowment	858,820	771,146	-	-
Expendable -				
Scholarship, Research, Instruction and Other	323,473	299,789	3,232	3,151
Loans	80,436	79,091	-	-
Capital Projects	11,219	10,149	-	-
Unrestricted	1,390,657	1,379,215	96,908	88,627
<b>Total Net Position</b>	<b>4,300,939</b>	<b>4,084,617</b>	<b>127,163</b>	<b>121,493</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 6,528,268</b>	<b>\$ 6,357,557</b>	<b>\$ 180,167</b>	<b>\$ 178,606</b>

See notes to the financial statements.



**UNIVERSITY OF MISSOURI SYSTEM**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
For the Years Ended June 30, 2013 and 2012 (in thousands)

	University		Discretely Presented Component Unit	
	2013	2012	2013	2012
<b>Operating Revenues</b>				
Tuition and Fees (Net of Provision for Doubtful Accounts of \$7,324 in 2013 and \$6,935 in 2012)	\$ 791,319	\$ 736,074	\$ -	\$ -
Less Scholarship Allowances	198,514	190,798	-	-
Net Tuition and Fees	592,805	545,276	-	-
Federal Grants and Contracts	183,654	184,882	-	-
State and Local Grants and Contracts	54,298	55,837	-	-
Private Grants and Contracts	71,731	71,023	-	-
Sales and Services of Educational Activities	24,129	23,106	-	-
Auxiliary Enterprises -				
Patient Medical Services, Net	847,681	795,302	159,885	168,311
Housing and Dining Services (Net of Scholarship Allowance of \$670 in 2013 and \$617 in 2012)	105,794	99,667	-	-
Bookstores	55,582	57,566	-	-
Other Auxiliary Enterprises (Net of Scholarship Allowance of \$8,337 in 2013 and \$8,339 in 2012)	250,975	217,590	-	-
Other Operating Revenues	58,179	55,312	-	-
<b>Total Operating Revenues</b>	<b>2,244,828</b>	<b>2,105,561</b>	<b>159,885</b>	<b>168,311</b>
<b>Operating Expenses</b>				
Salaries and Wages	1,343,889	1,318,349	67,231	70,227
Benefits	385,767	359,595	15,891	15,050
Supplies, Services and Other Operating Expenses	766,624	762,700	60,380	63,490
Scholarships and Fellowships	62,461	60,380	-	-
Depreciation	167,796	160,915	10,433	10,559
<b>Total Operating Expenses</b>	<b>2,726,537</b>	<b>2,661,939</b>	<b>153,935</b>	<b>159,326</b>
<b>Operating Income (Loss) before State</b>				
<b>Appropriations</b>	<b>(481,709)</b>	<b>(556,378)</b>	<b>5,950</b>	<b>8,985</b>
State Appropriations	401,400	397,629	-	-
<b>Operating Income (Loss) after State Appropriations, before Nonoperating Revenues (Expenses)</b>				
	<b>(80,309)</b>	<b>(158,749)</b>	<b>5,950</b>	<b>8,985</b>
<b>Nonoperating Revenues (Expenses)</b>				
Federal Appropriations	29,154	28,222	-	-
Federal Pell Grants	59,917	62,311	-	-
Investment and Endowment Income, Net of Fees	147,433	30,855	581	602
Private Gifts	64,103	90,346	-	-
Interest Expense	(55,256)	(53,923)	(1,218)	(1,519)
Other Nonoperating Revenues (Expenses)	(4,822)	(10,214)	357	(445)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>240,529</b>	<b>147,597</b>	<b>(280)</b>	<b>(1,362)</b>

*(continued)*

**UNIVERSITY OF MISSOURI SYSTEM**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
For the Years Ended June 30, 2013 and 2012 (in thousands)

	University		Discretely Presented Component Unit	
	2013	2012	2013	2012
<b>Income (Loss) before Capital Contributions, Additions to Permanent Endowments and Special Item</b>	<b>160,220</b>	<b>(11,152)</b>	<b>5,670</b>	<b>7,623</b>
State Capital Appropriations	745	937	-	-
Capital Gifts and Grants	20,244	11,788	-	-
Private Gifts for Endowment Purposes	35,113	24,484	-	-
Special Item	-	42,316	-	-
<b>Increase in Net Position</b>	<b>216,322</b>	<b>68,373</b>	<b>5,670</b>	<b>7,623</b>
<b>Net Position, Beginning of Year</b>	<b>4,084,617</b>	<b>4,016,244</b>	<b>121,493</b>	<b>113,870</b>
<b>Net Position, End of Year</b>	<b>\$ 4,300,939</b>	<b>\$ 4,084,617</b>	<b>\$ 127,163</b>	<b>\$ 121,493</b>

*See notes to the financial statements.*

**UNIVERSITY OF MISSOURI SYSTEM**  
**STATEMENT OF CASH FLOWS**  
For the Years Ended June 30, 2013 and 2012 (in thousands)

	<b>2013</b>	<b>2012</b>
<b>Cash Flows from Operating Activities</b>		
Tuition and Fees	\$ 599,737	\$ 541,629
Federal, State and Private Grants and Contracts	303,007	307,097
Sales and Services of Educational Activities and Other Auxiliaries	248,249	227,249
Patient Care Revenues	869,536	804,903
Student Housing Fees	105,806	99,775
Bookstore Collections	55,781	58,085
Payments to Suppliers	(747,534)	(760,592)
Payments to Employees	(1,335,113)	(1,309,080)
Payments for Benefits	(346,090)	(333,405)
Payments for Scholarships and Fellowships	(62,461)	(60,380)
Student Loans Issued	(9,441)	(8,711)
Student Loans Collected	8,706	8,559
Student Loan Interest and Fees	1,640	1,538
Other Receipts, Net	56,989	54,063
<b>Net Cash Used in Operating Activities</b>	<b>(251,188)</b>	<b>(369,270)</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
State Appropriations	401,400	397,629
Federal Appropriations and Pell Grants	83,602	90,369
Private Gifts	58,995	64,009
Endowment and Similar Funds Gifts	35,113	24,484
Direct Lending Receipts	344,842	356,718
Direct Lending Disbursements	(344,842)	(356,718)
PLUS Loan Receipts	85,682	92,509
PLUS Loan Disbursements	(85,682)	(92,509)
Other Receipts, Net	(3,604)	41,730
Deposits (Receipts) of Affiliates	5,526	2,692
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>581,032</b>	<b>620,913</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital State Appropriations	780	1,475
Capital Gifts and Grants	17,240	5,491
Proceeds from Sales of Capital Assets	1,282	4,035
Purchase of Capital Assets	(315,953)	(362,015)
Proceeds from Issuance of Capital Debt, Net	28,404	355,472
Principal Payments on Capital Debt	(24,210)	(25,603)
Payments on Capital Lease	(696)	(789)
Payments on Debt Defeasance	-	(310,911)
Payments of Bond Issuance Costs	(20)	(1,226)
Interest Payments on Capital Debt	(57,069)	(54,318)
Other Receipts, Net	(6,601)	-
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(356,843)</b>	<b>(388,389)</b>

*(continued)*

**UNIVERSITY OF MISSOURI SYSTEM**  
**STATEMENT OF CASH FLOWS**  
For the Years Ended June 30, 2013 and 2012 (in thousands)

	<b>2013</b>	<b>2012</b>
<b>Cash Flows from Investing Activities</b>		
Interest and Dividends on Investments, Net	54,049	58,325
Purchase of Investments, Net of Sales and Maturities	(132,065)	221,535
Other Investing Activities	687	(1,621)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(77,329)</b>	<b>278,239</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(104,328)</b>	<b>141,493</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>362,780</b>	<b>221,287</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 258,452</b>	<b>\$ 362,780</b>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating Loss	\$ (481,709)	\$ (556,378)
Adjustments to Net Cash Used in Operating Activities		
Depreciation Expense	167,796	160,915
Changes in Assets and Liabilities:		
Accounts Receivable, Net	20,533	(18,682)
Inventory, Prepaid Expenses and Other Assets	(1,589)	(2,103)
Notes Receivable	(47)	411
Accounts Payable	(9,257)	7,575
Accrued Liabilities	52,685	31,979
Deferred Revenue	400	7,013
<b>Net Cash Used in Operating Activities</b>	<b>\$ (251,188)</b>	<b>\$ (369,270)</b>
<b>Supplemental Disclosure of Noncash Activities</b>		
Net Increase (Decrease) in Fair Value of Investments	\$ 33,865	\$ (105,689)
Noncash Gifts	12,758	12,878

*See notes to the financial statements.*

## UNIVERSITY OF MISSOURI SYSTEM

### STATEMENT OF PLAN NET POSITION

As of June 30, 2013 and 2012 (in thousands)

	2013	2012
<b>Assets</b>		
Cash and Cash Equivalents	\$ 128,593	\$ 106,033
Investment of Cash Collateral	48,560	50,023
Investment Settlements Receivable	41,450	83,396
Investments:		
Debt Securities	457,001	933,561
Equity Securities	715,580	505,512
Commingled Funds	1,429,374	1,085,669
Nonmarketable Alternative Investments	255,082	212,993
Other	-	11,895
<b>Total Assets</b>	<b>3,075,640</b>	<b>2,989,082</b>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	224	169
Collateral Held for Securities Lending	48,560	50,023
Investment Settlements Payable	59,016	206,980
<b>Total Liabilities</b>	<b>107,800</b>	<b>257,172</b>
<b>Net Position Held in Trust for Retirement and OPEB</b>	<b>\$2,967,840</b>	<b>\$2,731,910</b>

## UNIVERSITY OF MISSOURI SYSTEM

### STATEMENT OF CHANGES IN PLAN NET POSITION

For the Years Ended June 30, 2013 and 2012 (in thousands)

	2013	2012
<b>Net Revenues and Other Additions</b>		
Investment Income:		
Interest & Dividend Income, Net of Fees	\$ 51,890	\$ 58,589
Net Appreciation (Depreciation) in Fair Value of Investments	237,192	(31,548)
Net Investment Income	289,082	27,041
Contributions:		
University	113,353	100,095
Members	28,558	27,320
Total Contributions	141,911	127,415
Other Revenues	-	1,218
<b>Total Net Revenues and Other Additions</b>	<b>430,993</b>	<b>155,674</b>
<b>Expenses and Other Deductions</b>		
Administrative Expenses	2,652	2,630
Payments to Retirees and Beneficiaries	192,411	180,316
<b>Total Expenses and Other Deductions</b>	<b>195,063</b>	<b>182,946</b>
<b>Increase (Decrease) in Net Position Held in Trust for Retirement and OPEB</b>	<b>235,930</b>	<b>(27,272)</b>
<b>Net Position Held in Trust for Retirement and OPEB, Beginning of Year</b>	<b>2,731,910</b>	<b>2,759,182</b>
<b>Net Position Held in Trust for Retirement and OPEB, End of Year</b>	<b>\$2,967,840</b>	<b>\$2,731,910</b>

See notes to the financial statements.

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

### 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. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*, 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 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 (MREC) is considered a component unit of the University, for financial reporting purposes, according to the criteria in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*, and is included in the University’s financial statements using the blended method. MREC is a for-profit corporation and the University holds the majority equity interest. MREC provides green energy facilities exclusively to the University. At June 30, 2013, the University was the majority owner of MREC. Financial statements for MREC are not available. Condensed combining information regarding MREC is provided in Note 14.

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** –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

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2012 and 2011

that are financed in whole or part by funds received by external parties for goods or services.

**Basis of Accounting** – The University’s financial statements have been prepared using the economic 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 Position, 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 16.

**Cash, Cash Equivalents and Investments** – Cash and cash equivalents consist of the University’s bank deposits, repurchase agreements, money market funds, and other investments with original maturities of three months or less. 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 Position.

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 Position.

**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 Position and as private or capital gift revenues on the Statement of Revenues, Expenses, and Changes in Net Position, at the present value of the estimated future cash flows. An allowance of \$8,242,000 and \$10,444,000 as of June 30, 2013 and 2012, 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, 2013 and 2012

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 Position** – The University's net position is classified as follows:

*Net Investment in Capital Assets* 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 position is 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 position is subject to externally imposed stipulations on the University's use of the resources.

*Unrestricted* net position is 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 position 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 Tricare/Champus reimbursement agreements are subject to examination and certain retroactive adjustments by the related programs. These adjustments increased net patient services revenues by \$934,000 and \$320,000 for the years ended June 30, 2013, and 2012, 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, 2013 and 2012

For the years ended June 30, 2013 and 2012, 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)

	2013	2012
Medicare	27%	24%
Commercial Insurance	10%	12%
Medicaid	23%	22%
Self Pay & Other	18%	18%
Managed Care Agreements	22%	24%
	100%	100%

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

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

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

	2013	2012
Patient Medical Services		
Revenue, Gross	\$1,937,965	\$ 1,797,072
Deductions for Contractuals	(1,011,128)	(922,418)
Deductions for Bad Debt	(79,156)	(79,352)
<b>Patient Medical Services</b>		
<b>Revenue, Net</b>	<b>\$ 847,681</b>	<b>\$ 795,302</b>

**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)

	2013	2012
Cost of Charity Care	\$ 20,459	\$ 14,158
Unreimbursed cost under state and local government assistance programs, net of Medicaid disproportionate share funding, less Medicaid provider taxes	(5,077)	446
Cost of uncollectible accounts	35,291	36,866
<b>Patient Medical Services</b>		
<b>Revenue, Net</b>	<b>\$ 50,673</b>	<b>\$ 51,470</b>

**New Accounting Pronouncements** – Effective for fiscal year 2013, the University adopted GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which applies to service concession arrangements (SCAs) defined as public-private partnerships where the public institution retains specific control criteria. The University has evaluated this statement and does not currently have any SCAs that meet the criteria set forth. Adoption of GASB Statement No. 60 had no effect on the University's financial statements.

Effective for fiscal year 2013, the University adopted GASB Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*, which intends to improve financial reporting for a governmental financial reporting entity. The Statement amends the requirements of Statement No. 14. Adoption of GASB Statement No. 61 requires MREC to be presented as a blended component unit and requires a condensed combining schedule be presented that is provided in Note 14.

Effective for fiscal year 2013, the University adopted GASB Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which addresses how to report elements of financial statements that are deferrals, and explains that net position is the residual of all other elements presented in a statement of net position. Adoption of GASB Statement No. 63 has no effect on the University's financial statements other than renaming various report titles and certain line items. These changes have been incorporated in the University's financial statements presented.

In March 2012, GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which intends to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reports. The University has not yet determined the effect that adoption of GASB Statement No. 65 will have on its financial statements.

In June 2012, GASB issued GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which intends to improve financial reporting by state and local governmental pension plans. Also, in June 2012, GASB issued GASB Statement No. 68, *Accounting and Financial Reporting*

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

*for Pensions – an amendment to GASB Statement No. 27*, which will enhance accounting and financial reporting by state and local governments for pensions and improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The adoption of Statements No. 67 and No. 68 will require the University to record a Net Pension Liability on its Statement of Net Position. The University has determined adoption will have a significant impact on its financial statements and reduce its unrestricted net position when implemented.

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 incorporated 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 provided 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.

**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 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 Position** – As a not-for-profit organization, the Medical Alliance records its net position 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 position is redistributed amongst the net position components defined by GASB Statement No. 63.

**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

# UNIVERSITY OF MISSOURI SYSTEM

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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, 2013 and 2012, 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 component of the 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; certificates of deposit; repurchase agreements; commercial paper; and other similar short-term investment instruments of like or better quality. The externally managed component of the General Pool is allowed to invest in the following asset sectors: fixed income, absolute return and risk parity strategies. The General Pool’s total return (loss), including unrealized gains and losses, was (0.9%) and 2.4% for the years ended June 30, 2013 and 2012, 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: global equity, absolute return strategies, private equity, real estate, global fixed income, high-yield fixed income, floating rate bank loans, global inflation-linked bonds, emerging markets debt, and risk parity strategies. The Endowment Pool’s total return (loss), including unrealized gains and losses, was 12.6% and (0.9%) for the years ended June 30, 2013 and 2012, respectively.

The Fixed Income Pool is an additional investment vehicle for endowment funds. The Fixed Income Pool, as required by investment policy, is invested in externally managed U.S. core plus bond funds. The Fixed Income Pool’s total return, including unrealized gains and losses, was 3.5% and 5.1% for the years ended June 30, 2013 and 2012, 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

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established. Inclusive of both realized and unrealized gains and losses on investments, donor-restricted endowments experienced net appreciation of approximately \$74,893,000 in fiscal year 2013, as compared to net depreciation of approximately \$19,271,000 in fiscal year 2012.

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: global equity, absolute return strategies, private equity, real estate, global fixed income, high-yield fixed income, floating rate bank loans, global inflation-like bonds, emerging markets debt and risk parity strategies. The Retirement Trust's total return, including unrealized gains and losses, was 10.6% and 1.1% for the years ended June 30, 2013 and 2012, respectively.

The OPEB Trust held \$49,284,000 and \$50,212,000 of assets at June 30, 2013 and 2012, respectively. Subject to various limitations contained within the corresponding investment policy, the externally-managed OPEB Trust is allowed to invest in the following asset sectors: global fixed income, global equity, and absolute return strategies.

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## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

At June 30, 2013 and 2012, 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	
	2013	2012	2013	2012
<b>Debt Securities:</b>				
U.S. Treasury Obligations	\$ 189,011	\$ 144,576	\$ 29,292	\$ 311,985
U.S. Agency Obligations	497,980	483,020	931	4,775
Asset-Backed Securities	159,085	542,545	47,043	110,024
Government - Foreign	34,443	126,409	127,304	154,885
Corporate - Domestic	248,894	153,815	163,158	202,649
Corporate - Foreign	120,650	115,155	89,273	149,243
<b>Equity Securities:</b>				
Domestic	196,146	189,488	392,647	278,584
Foreign	97,804	107,913	322,933	226,928
<b>Commingled Funds:</b>				
Absolute Return	149,216	60,359	244,847	133,702
Risk Parity	357,638	-	-	-
Debt Securities - Global	38,191	-	17,948	18,038
Debt Securities - Domestic	88,597	100,541	222,595	183,545
Debt Securities - Foreign	73,802	67,711	160,576	150,892
Equity Securities - Domestic	34,233	44,395	-	5,224
Equity Securities - Foreign	101,688	110,359	249,824	196,169
Equity Securities - Global	213,620	201,968	501,961	358,372
Real Estate	14,731	14,033	31,623	39,727
<b>Nonmarketable Alternative Investments:</b>				
Real Estate	44,970	43,430	155,423	91,243
Private Equity	67,639	52,413	99,659	121,750
Other	30,098	30,758	-	11,895
<b>Total Investments</b>	<b>2,758,436</b>	<b>2,588,888</b>	<b>2,857,037</b>	<b>2,749,630</b>
Money Market Funds	111,668	124,648	113,848	94,534
Commercial Paper	76,900	213,300	-	-
Other	69,884	24,832	14,745	11,499
<b>Total Cash and Cash Equivalents</b>	<b>258,452</b>	<b>362,780</b>	<b>128,593</b>	<b>106,033</b>
<b>Total Investments and Cash and Cash Equivalents</b>	<b>\$ 3,016,888</b>	<b>\$ 2,951,668</b>	<b>\$ 2,985,630</b>	<b>\$ 2,855,663</b>

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

insured or registered and are held by the University, the Pension Trust Funds or an agent in its name.

**Concentration of Credit Risk** – Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments. The investment policies for the General Pool, Endowment Funds, and Retirement Trust

# UNIVERSITY OF MISSOURI SYSTEM

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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.

As of June 30, 2013, of the University's total investments and cash and cash equivalents, 7.7% are issues of the Federal Home Loan Bank (FHLB); and 6.8% are issues of Federal National Mortgage Association (FNMA). As of June 30, 2012, of the University's total investments and cash and cash equivalents, 14.5% are issues of FHLB, 10.2% are issues of FNMA and 5.5% are issues of Government National Mortgage Association.

At June 30, 2013 and 2012, 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, 2013 and 2012. All holdings of money market funds were rated AAA at June 30, 2013 and 2012.

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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, 2013 and 2012, is as follows:

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

<b>As of June 30,</b>	<b>University of Missouri</b>		<b>University of Missouri Pension Trust Funds</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
U.S. Treasury Obligations	\$ 189,011	\$ 144,576	\$ 29,292	\$ 311,985
U.S. Agency Obligations	497,980	483,020	931	4,775
Asset-Backed Securities				
Mortgage Backed Securities				
Guaranteed by U.S. Agencies	63,580	506,241	21,597	90,536
Aaa/AAA	3,069	3,256	5,807	1,256
Aa/AA	3,031	2,299	12,491	11,819
A/A	1,591	727	2,104	1,513
Baa/BBB	2,835	6,270	157	163
Ba/BB and lower	83,278	21,690	2,206	2,255
Unrated	1,701	2,062	2,681	2,482
Government - Foreign				
Aaa/AAA	6,037	37,988	40,913	50,348
Aa/AA	5,959	15,454	19,742	26,613
A/A	13,786	14,334	32,447	18,391
Baa/BBB	1,383	11,361	4,591	5,416
Ba/BB and lower	-	129	-	-
Unrated	7,278	47,143	29,611	54,117
Corporate - Domestic				
Aaa/AAA	4,730	22,954	1,605	4,088
Aa/AA	2,769	12,650	51	6,411
A/A	13,952	31,813	2,175	15,111
Baa/BBB	41,424	34,806	4,315	17,432
Ba/BB and lower	138,394	47,159	143,969	148,387
Unrated	47,625	4,433	11,043	11,220
Corporate - Foreign				
Aaa/AAA	9,094	35,952	23,715	61,443
Aa/AA	6,265	9,946	11,256	16,149
A/A	19,365	26,767	13,192	31,381
Baa/BBB	33,197	20,043	15,496	11,316
Ba/BB and lower	38,422	4,151	16,170	10,229
Unrated	14,307	18,296	9,444	18,725
<b>Total</b>	<b>\$ 1,250,063</b>	<b>\$ 1,565,520</b>	<b>\$ 457,001</b>	<b>\$ 933,561</b>

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

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

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

Table 3.3 presents the modified durations of the University's and Pension Trust Funds' debt securities as of June 30, 2013 and 2012, respectively:

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

<b>As of June 30,</b>	<b>University of Missouri</b>			
	<b>Duration (in years)</b>			
	<b>2013</b>		<b>2012</b>	
U.S. Treasury Obligations	\$ 189,011	7.1	\$ 144,576	7.8
U.S. Agency Obligations	497,980	2.2	483,020	1.4
Asset-Backed Securities	159,085	6.0	542,545	5.6
Government - Foreign	34,443	7.7	126,409	6.3
Corporate - Domestic	248,894	4.3	153,815	5.4
Corporate - Foreign	120,650	4.6	115,155	4.3
<b>Total Debt Securities</b>	<b>\$ 1,250,063</b>	<b>4.2</b>	<b>\$ 1,565,520</b>	<b>4.4</b>

<b>As of June 30,</b>	<b>University of Missouri Pension Trust</b>			
	<b>Funds Duration (in years)</b>			
	<b>2013</b>		<b>2012</b>	
U.S. Treasury Obligations	\$ 29,292	12.9	\$ 311,985	7.8
U.S. Agency Obligations	931	3.9	4,775	4.6
Asset-Backed Securities	47,043	4.5	110,024	3.8
Government - Foreign	127,304	7.9	154,885	7.1
Corporate - Domestic	163,158	4.9	202,649	5.3
Corporate - Foreign	89,273	4.2	149,243	3.8
<b>Total Debt Securities</b>	<b>\$ 457,001</b>	<b>6.1</b>	<b>\$ 933,561</b>	<b>6.0</b>

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

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

At June 30, 2013 and 2012, 19.3% and 21.5%, respectively, of the University's total investments and cash and cash equivalents were denominated in foreign currencies. Forward foreign currency contracts with notional amounts totaling \$295,382,000 and \$330,216,000 were in place at June 30, 2013 and 2012, respectively. At June 30, 2013 and 2012, 45.3% and 40.5%, respectively, of the Pension Trust Funds' total investments and cash equivalents were denominated in foreign currencies. Forward foreign currency contracts with notional amounts totaling \$234,792,000 and \$363,003,000 were in place at June 30, 2013 and 2012, respectively.



# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

The University's and Pension Trust Funds' exposure to foreign exchange risk as of June 30, 2013 and 2012:

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

As of June 30,	University of Missouri		University of Missouri Pension Trust Funds	
	2013	2012	2013	2012
<b>Debt Securities</b>				
Euro	\$ 39,794	\$ 70,071	\$ 63,385	\$ 118,207
Australian Dollar	584	11,082	14,950	19,878
Canadian Dollar	2,789	11,630	11,535	7,522
British Pound Sterling	23,981	24,968	23,403	32,625
Japanese Yen	2,951	10,835	(1,342)	19,353
Danish Krone	877	1,028	4,286	1,783
New Zealand Dollar	2,037	3,955	8,295	9,113
South Korean Won	-	1,226	-	2,118
Singapore Dollar	-	1,934	-	3,723
Mexican New Peso	1,602	14,460	8,598	7,739
Swedish Krona	237	2,811	1,231	5,413
Other	4,078	6,409	16,885	9,806
	<b>78,930</b>	<b>160,409</b>	<b>151,226</b>	<b>237,280</b>
<b>Equity Securities</b>				
Euro	7,749	11,827	37,726	32,732
Japanese Yen	14,847	15,547	54,538	36,148
British Pound Sterling	17,555	17,741	63,488	40,774
Australian Dollar	2,637	4,264	11,514	10,931
Canadian Dollar	881	1,019	2,609	2,040
Swiss Franc	11,222	12,384	33,694	24,206
Hong Kong Dollar	6,367	6,375	19,032	12,417
Swedish Krona	4,132	3,954	12,547	7,888
Other	8,569	11,636	26,402	21,728
	<b>73,959</b>	<b>84,747</b>	<b>261,550</b>	<b>188,864</b>
<b>Commingled Funds</b>				
Various currency denominations:				
Debt Securities - Global	38,191	-	17,948	18,039
Debt Securities - Foreign	73,802	67,711	160,576	150,892
Equity Securities - Global	213,620	201,968	501,961	358,372
Equity Securities - Foreign	101,688	110,359	249,824	196,169
	<b>427,301</b>	<b>380,038</b>	<b>930,309</b>	<b>723,472</b>
<b>Cash and Cash Equivalents</b>				
Euro	352	733	732	732
Hong Kong Dollar	-	251	2	422
Mexican New Peso	190	7,689	2,113	16,893
Japanese Yen	330	100	222	253
British Pound Sterling	492	90	2,153	20
Other	2,277	412	2,773	717
	<b>3,641</b>	<b>9,275</b>	<b>7,995</b>	<b>19,037</b>
<b>Total Exposure to Foreign Exchange Risk</b>	<b>\$ 583,831</b>	<b>\$ 634,469</b>	<b>\$ 1,351,080</b>	<b>\$ 1,168,653</b>

**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

# UNIVERSITY OF MISSOURI SYSTEM

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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, 2013, approximately 90% and 82%, 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, 2013 and 2012, there were a total of \$25,489,000 and \$62,168,000, respectively, of securities out on loan to borrowers. The value of collateral received from the borrower for these securities consisted of \$24,428,000 cash and \$1,803,000 noncash collateral at June 30, 2013 and \$32,032,000 cash and \$30,785,000 noncash collateral at June 30, 2012.

For the Pension Trust Funds, at June 30, 2013 and 2012, there were a total of \$54,622,000 and

\$195,236,000, respectively, of securities out on loan to borrowers. The value of collateral received from the borrower for these securities consisted of \$48,560,000 cash and \$7,855,000 noncash collateral at June 30, 2013 and \$50,023,000 cash and \$151,320,000 noncash collateral at June 30, 2012.

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 Position 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 Position. 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, 2013 and 2012, 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.

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### 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, 2013 and 2012, Medical Alliance held the following investments:

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

As of June 30, (in thousands)	2013	2012
Fair Value - Level 1		
Money Market Accounts	\$ 38,401	\$ 21,830
U.S. Treasury Obligations	73	73
Cash and Other Cash Equivalents	5,019	8,379
<b>Total Fair Value - Level 1</b>	<b>43,493</b>	<b>30,282</b>
Fair Value - Level 2		
Mortgage-Backed Securities	12,995	14,001
Certificates of Deposit	21,478	28,368
Corporate Bonds	5,454	5,490
<b>Total Fair Value - Level 2</b>	<b>39,927</b>	<b>47,859</b>
<b>Total Cash, Cash Equivalents, and Investments</b>	<b>\$ 83,420</b>	<b>\$ 78,141</b>

### 4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2013 and 2012, are summarized as follows:

Table 4.1 - Accounts Receivable (in thousands)

	2013	2012
Grants and Contracts	\$ 65,933	\$ 60,858
Federal Appropriations	10,910	5,441
State Appropriations and State Bond Funds	-	35
Student Fees and Other Academic Charges	99,742	98,611
Patient Services, Net of Contractual Allowances	106,253	106,689
Medical Resident FICA Refund and Related Income	-	31,355
<b>Subtotal</b>	<b>282,838</b>	<b>302,989</b>
Less Provisions for Loss:		
Grants & Contracts	579	516
University Health Care Patient Services	19,854	21,438
Student Fees and Other Academic Charges	7,324	6,935
<b>Subtotal</b>	<b>27,757</b>	<b>28,889</b>
<b>Total Accounts Receivable, Net</b>	<b>\$ 255,081</b>	<b>\$ 274,100</b>

### 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, 2013 and 2012, are summarized as follows:

Table 5.1 - Notes Receivable (in thousands)

	2013	2012
Federal Health Profession Loans	\$ 15,757	\$ 15,994
Carl D. Perkins National Loans	29,572	28,662
University Loan Programs	18,283	18,680
Other	11,327	3,327
<b>Subtotal</b>	<b>74,939</b>	<b>66,663</b>
Less Provisions for Loss	4,042	3,814
<b>Total Notes Receivable, Net</b>	<b>\$ 70,897</b>	<b>\$ 62,849</b>

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

### 6. CAPITAL ASSETS

#### UNIVERSITY OF MISSOURI

Capital assets activity for the years ended June 30, 2013 and 2012, is summarized as follows:

Table 6.1 - Capital Assets (in thousands)

	<b>2013</b>			<b>2013</b>
	<b>Beginning</b>	<b>Additions/</b>	<b>Retirements</b>	<b>Ending</b>
	<b>Balance</b>	<b>Transfers</b>		<b>Balance</b>
<b>Capital Assets, Nondepreciable:</b>				
Land	\$ 80,415	\$ 134	\$ -	\$ 80,549
Artwork and Historical Artifacts	12,884	540	-	13,424
Construction in Progress	280,529	(39,569)	-	240,960
<b>Total Capital Assets, Nondepreciable</b>	<b>373,828</b>	<b>(38,895)</b>	<b>-</b>	<b>334,933</b>
<b>Capital Assets, Depreciable:</b>				
Buildings and Improvements	3,055,892	240,613	(123)	3,296,382
Infrastructure	327,588	41,636	(11)	369,213
Equipment	725,181	69,699	(24,029)	770,851
Library Materials	252,136	4,517	-	256,653
<b>Total Capital Assets, Depreciable</b>	<b>4,360,797</b>	<b>356,465</b>	<b>(24,163)</b>	<b>4,693,099</b>
<b>Less Accumulated Depreciation:</b>				
Buildings and Improvements	1,098,653	90,497	(54)	1,189,096
Infrastructure	140,158	14,730	(5)	154,883
Equipment	481,868	56,588	(22,845)	515,611
Library Materials	164,953	5,981	-	170,934
<b>Total Accumulated Depreciation</b>	<b>1,885,632</b>	<b>167,796</b>	<b>(22,904)</b>	<b>2,030,524</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>2,475,165</b>	<b>188,669</b>	<b>(1,259)</b>	<b>2,662,575</b>
<b>Total Capital Assets, Net</b>	<b>\$ 2,848,993</b>	<b>\$ 149,774</b>	<b>\$ (1,259)</b>	<b>\$ 2,997,508</b>
<hr/>				
	<b>2012</b>			<b>2012</b>
	<b>Beginning</b>	<b>Additions/</b>	<b>Retirements</b>	<b>Ending</b>
	<b>Balance</b>	<b>Transfers</b>		<b>Balance</b>
<b>Capital Assets, Nondepreciable:</b>				
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
<b>Total Capital Assets, Nondepreciable</b>	<b>218,044</b>	<b>155,919</b>	<b>(135)</b>	<b>373,828</b>
<b>Capital Assets, Depreciable:</b>				
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
<b>Total Capital Assets, Depreciable</b>	<b>4,165,280</b>	<b>214,257</b>	<b>(18,740)</b>	<b>4,360,797</b>
<b>Less Accumulated Depreciation:</b>				
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
<b>Total Accumulated Depreciation</b>	<b>1,741,128</b>	<b>160,915</b>	<b>(16,411)</b>	<b>1,885,632</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>2,424,152</b>	<b>53,342</b>	<b>(2,329)</b>	<b>2,475,165</b>
<b>Total Capital Assets, Net</b>	<b>\$ 2,642,196</b>	<b>\$ 209,261</b>	<b>\$ (2,464)</b>	<b>\$ 2,848,993</b>

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

The estimated cost to complete construction in progress at June 30, 2013, is \$685,623,000 of which \$384,116,000 is available from unrestricted net position. The remaining costs are expected to be funded from \$27,878,000 of gifts, \$12,000 of grants, and \$273,617,000 of debt proceeds.

Capital assets include a building facility under a capital lease of \$10,364,000 and \$8,332,000 and related accumulated depreciation of \$6,139,000 and \$5,312,000 at June 30, 2013 and 2012, respectively.

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

Capital assets at June 30, 2013 and 2012 are summarized as follows:

Table 6.2 - Medical Alliance - Capital Assets

<i>(in thousands)</i>	<b>2013</b>	<b>2012</b>
Land & Improvements	\$ 7,374	\$ 6,779
Buildings	115,032	114,905
Movable Equipment	73,870	75,697
Construction in Progress	245	103
	<u>196,521</u>	<u>197,484</u>
Less Accumulated Depreciation	138,211	133,618
<b>Total Capital Assets, Net</b>	<b>\$ 58,310</b>	<b>\$ 63,866</b>

## 7. ACCRUED SHORT-TERM LIABILITIES

Accrued liabilities at June 30, 2013 and 2012, are summarized as follows:

Table 7.1 - Accrued Liabilities *(in thousands)*

	<b>2013</b>	<b>2012</b>
Accrued Salaries, Wages & Benefits	\$ 63,095	\$ 58,183
Accrued Vacation	47,280	45,862
Accrued Self Insurance Claims	41,087	36,322
Accrued Interest Payable	11,317	10,604
<b>Total Accrued Liabilities</b>	<b>\$ 162,779</b>	<b>\$ 150,971</b>

## 8. OTHER NONCURRENT LIABILITIES

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

<b>Fiscal Year 2013</b>	<b>Beginning of Year</b>	<b>Additions</b>	<b>Payments</b>	<b>Total End of Year</b>	<b>Less Current Portion</b>	<b>Noncurrent End of Year</b>
Accrued Vacation	\$ 60,604	\$ 45,151	\$ (41,288)	\$ 64,467	\$ (47,280)	\$ 17,187
Accrued Self-Insurance Claims	69,469	210,872	(199,676)	80,665	(41,087)	39,578
	<b>\$ 130,073</b>	<b>\$ 256,023</b>	<b>\$ (240,964)</b>	<b>\$ 145,132</b>	<b>\$ (88,367)</b>	<b>\$ 56,765</b>

<b>Fiscal Year 2012</b>	<b>Beginning of Year</b>	<b>Additions</b>	<b>Payments</b>	<b>Total End of Year</b>	<b>Less Current Portion</b>	<b>Noncurrent End of Year</b>
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
	<b>\$ 129,636</b>	<b>\$ 257,123</b>	<b>\$ (256,686)</b>	<b>\$ 130,073</b>	<b>\$ (82,184)</b>	<b>\$ 47,889</b>

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

### 9. LONG-TERM DEBT

The University's outstanding debt at June 30, 2013 and 2012, with corresponding activity, is as follows:

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

<b>As of June 30, 2013</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
System Facilities Revenue Bonds - Fixed	\$ 1,105,945	\$ -	\$ (20,875)	\$ 1,085,070	\$ 23,890
System Facilities Revenue Bonds - Variable	100,750	-	(420)	100,330	435
Unamortized Premium	47,460	-	(5,848)	41,612	-
Unamortized Loss on Defeasance	(20,799)	-	2,676	(18,123)	-
<b>Net System Facilities Revenue Bonds</b>	<b>1,233,356</b>	<b>-</b>	<b>(24,467)</b>	<b>1,208,889</b>	<b>24,325</b>
Notes Payable	4,961	9,553	(384)	14,130	960
Capital Lease Obligations	6,616	-	(696)	5,920	755
Commercial Paper	160,935	18,850	(2,530)	177,255	177,255
<b>Total Long-Term Debt</b>	<b>\$ 1,405,868</b>	<b>\$ 28,403</b>	<b>\$ (28,077)</b>	<b>\$ 1,406,194</b>	<b>\$ 203,295</b>

<b>As of June 30, 2012</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
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)	-
<b>Net System Facilities Revenue Bonds</b>	<b>1,382,225</b>	<b>190,544</b>	<b>(339,413)</b>	<b>1,233,356</b>	<b>21,295</b>
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
<b>Total Long-Term Debt</b>	<b>\$ 1,390,926</b>	<b>\$ 355,472</b>	<b>\$ (340,530)</b>	<b>\$ 1,405,868</b>	<b>\$ 183,226</b>

#### System Facilities Revenue Bonds

System Facilities Revenue Bonds have provided financing for capital expansion or renovation of various University facilities. The principal and interest of the bonds are payable from, and secured by a first lien on and pledge of, designated revenues which include the following: a portion of tuition and fees, sales and services from the financed facilities, such as bookstore collections, housing and dining charges, patient services, and parking collections, as well as certain assessed fees, such as the recreational facility fees, stadium surcharges, and student center fees.

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%.

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, 2013 and 2012 was \$64,469,000 and \$64,534,000, 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, 2013 and 2012, capitalization of interest earned on unspent bond proceeds totaled \$9,213,000 and \$10,611,000, respectively, resulting in net interest

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

expense of \$55,256,000 and \$53,923,000, respectively. For the years ended June 30, 2013 and 2012, the University earned cash subsidy payments from the United States Treasury totaling \$10,461,000 for

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

Table 9.2 - System Facilities Revenue Bonds (in thousands)

Series	Type	Weighted Avg. Cost of Capital		Original Issue	Balance June 30,	
		at June 30, 2013	Final Maturity		2013	2012
2003B	Fixed	4.37%	11/1/2023	37,085	\$ 14,750	\$ 16,400
2006A	Fixed	4.19%	11/1/2026	260,975	136,060	144,150
2007A	Fixed	4.60%	11/1/2037	262,970	206,665	212,135
2009A (1)	Fixed	3.87%	11/1/2039	256,300	256,300	256,300
2009B	Fixed	2.89%	11/1/2021	75,760	59,730	65,395
2010A (1)	Fixed	3.76%	11/1/2041	252,285	252,285	252,285
2011	Fixed	2.59%	11/1/2027	54,125	54,125	54,125
2012A	Fixed	1.58%	11/1/2019	105,155	105,155	105,155
<b>Total Fixed Rate Bonds</b>				<b>1,304,655</b>	<b>1,085,070</b>	<b>1,105,945</b>
2007B	Variable	0.04% (2)	11/1/2031	102,250	100,330	100,750
<b>Total Variable Rate Demand Bonds</b>				<b>102,250</b>	<b>100,330</b>	<b>100,750</b>
<b>Total System Facilities Revenue Bonds</b>				<b>\$ 1,406,905</b>	<b>\$ 1,185,400</b>	<b>\$ 1,206,695</b>

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

(2) As of June 30, 2013; 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 Bond Series 2007B is a variable rate demand bond 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 Position, with the balance in excess of actual current principal maturities reported as Long-Term Debt Subject to Remarketing.

In-substance defeased bonds aggregating \$218,645,000 and \$221,465,000 are outstanding at June 30, 2013 and 2012, respectively.

### 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, 2013.

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 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	\$ (9,611)	Aa3 / A+
Pay fixed; receive variable	51,135	12/14/2006	8/3/2026	Pay 3.902%; receive SIFMA Index	(8,522)	Baa2 / A-
Pay fixed; receive variable	100,330	7/26/2007	11/1/2031	Pay 3.798%; receive 68% of 1-Month LIBOR	(21,736)	Aa3 / A+
<b>Total</b>	<b>\$ 191,465</b>				<b>\$ (39,869)</b>	

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
	2013	2012			
2002 Swap - Investment Derivative	\$ (9,611)	\$ (14,608)	N/A	\$ 4,997	Investment and Endowment Income, Net
2006 Swap - Investment Derivative	(8,522)	(12,833)	N/A	4,311	Investment and Endowment Income, Net
2007 Swap - Cash Flow Hedge	(21,736)	(30,415)	N/A	8,679	Deferred Outflow of Resources
<b>Total</b>	<b>\$ (39,869)</b>	<b>\$ (57,856)</b>	<b>\$ -</b>	<b>\$ 17,987</b>	

**Fair Value.** There is a risk that the fair value of a swap could be adversely affected by changing market conditions. The fair values, developed using the zero coupon method with proprietary models, were prepared by the 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, 2013.

**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:



# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

Table 9.5 - Swap Collateral Requirements

Credit Rating (S&P / Moody's)	Fair Value Threshold <i>(in thousands)</i>
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, 2013, 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 .06% at June 30, 2013.

### ***Pledged Revenues and Debt Service Requirements***

For fiscal years 2013 and 2012, annual debt service, including net payments on associated interest rate swaps, totaled \$89,062,000 and \$89,717,000, respectively. For fiscal years 2013 and 2012, System Facilities Pledged Revenue was twelve and eleven times greater than the annual debt service. Net System Facilities Revenue was 165% and 133% 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)*

	2013	2012
<b>Pledged Revenues:</b>		
Net Patient Revenue	\$ 844,747	\$ 793,876
Housing and Related Food Service	106,435	100,284
Bookstores	55,645	57,634
Net Tuition and Fees	26,670	26,117
Other Operating Revenue	39,381	35,208
<b>Pledged Revenues</b>	<b>1,072,878</b>	<b>1,013,119</b>
Operating Expenses	925,493	893,540
<b>Net Revenues</b>	<b>\$ 147,385</b>	<b>\$ 119,579</b>

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, 2013. As market rates vary, variable rate bond interest payments and net swap payments will vary.

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

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

Fiscal Year	Principal	Interest	Hedging Derivatives, Net	Total Before		Total Future Debt Service
				Investment Derivatives	Investment Derivatives, Net	
2014	24,325	56,938	3,606	84,869	3,216	88,085
2015	26,145	55,890	3,590	85,625	3,193	88,818
2016	30,945	54,686	3,509	89,140	3,168	92,308
2017	32,095	53,378	3,393	88,866	3,138	92,004
2018	30,550	52,083	3,201	85,834	3,104	88,938
2019-2023	248,065	224,153	14,358	486,576	14,853	501,429
2024-2028	190,430	181,149	9,688	381,267	13,461	394,728
2029-2033	159,205	143,875	2,431	305,511	12,332	317,843
2034-2038	153,375	105,844	-	259,219	6,853	266,072
2039-2042	290,265	38,816	-	329,081	3,198	332,279
	<b>\$ 1,185,400</b>	<b>\$ 966,812</b>	<b>\$ 43,776</b>	<b>\$ 2,195,988</b>	<b>\$ 66,516</b>	<b>\$ 2,262,504</b>

### Commercial Paper

During fiscal year 2013, the University issued \$18,850,000 of commercial paper to finance capital projects.

During fiscal year 2012, the University issued \$160,935,000 of commercial paper to fund the purchase of a housing and parking facility 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 Commercial Paper Notes are limited obligations of the University secured by a pledge of the University's Unrestricted Revenues. "Unrestricted Revenues" includes state appropriations for general operations, student fee revenues, and all other operating revenues of the University other than System Facilities Revenues. The primary objective of the CP Program is to provide flexibility in managing the University's overall debt program to meet its various financial needs including: (a) financing capital projects, (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%.

During fiscal year 2013, Rolla Renewable Energy Company, LLC, a wholly owned subsidiary of MREC entered into a Qualified Low-Income Community Investment loan agreement with Midwest Renewable Capital XIII, LLC. The proceeds of this note are to develop, construct, own and lease the geothermal construction project. Interest is payable quarterly at 1.6%.

The future payments on all notes payable at June 30, 2013, are as follows:

Table 9.8 - Future Notes Payable Payments

Year Ending June 30	Amount <i>(in thousands)</i>
2014	\$ 1,189
2015	1,162
2016	1,088
2017	887
2018	887
2019-2023	3,373
2024-2028	2,216
2029-2033	2,209
2034-2038	2,202
2039-2043	1,792
Total Future Notes Payable Payments	17,005
Less: Amount Representing Interest	(2,876)
<b>Future Notes Payable</b>	
<b>Principal Payments</b>	<b>\$ 14,129</b>

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

### 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, 2013, are as follows:

Table 9.9 - Future Capital Lease Payments

Year Ending June 30	Amount <i>(in thousands)</i>
2014	1,563
2015	1,563
2016	1,563
2017	1,563
2018	1,563
2019-2020	1,952
Total Future Minimum Payments	9,767
Less: Amount Representing Interest	(3,847)
<b>Present Value of Future Minimum Lease Payments</b>	<b>\$ 5,920</b>

### DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

The Medical Alliance's outstanding debt at June 30, 2013 and 2012, with corresponding activity, is as follows:

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

As of June 30, 2013	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Health Facilities Revenue Bonds Series 2011	\$ 32,835	\$ -	\$ (1,715)	\$ 31,120	\$ 1,740
Total Bonds Payable	32,835	-	(1,715)	31,120	1,740
Capital Lease Obligations	1,527	-	(1,202)	325	325
<b>Total Long-Term Debt</b>	<b>\$ 34,362</b>	<b>\$ -</b>	<b>\$ (2,917)</b>	<b>\$ 31,445</b>	<b>\$ 2,065</b>

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
<b>Total Long-Term Debt</b>	<b>\$ 36,710</b>	<b>\$ 32,835</b>	<b>\$ (35,183)</b>	<b>\$ 34,362</b>	<b>\$ 2,917</b>

### 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.

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.

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

Interest expense incurred on the bonds during the years ended June 30, 2013 and 2012 was \$1,169,000 and \$1,433,000, respectively, of which no interest was capitalized.

As of June 30, 2013, 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
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	1,930	939	2,869
2019-2023	10,690	3,627	14,317
2024-2028	11,240	1,221	12,461
	<b>\$ 31,120</b>	<b>\$ 10,041</b>	<b>\$ 41,161</b>

### Capital Leases

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

The future minimum payments on all capital leases at June 30, 2013, are as follows:

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

Year Ending June 30	Amount
2014	328
Total Future Minimum Payments	328
Less: Amount Representing Interest	(3)
<b>Present Value of Future Minimum Lease Payments</b>	<b>\$ 325</b>

## 10. RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; natural disasters; and various medically related benefit programs for employees. The University funds these losses through a combination of self-insured retentions and

commercially purchased insurance. The amount of self-insurance funds and commercial insurance maintained are based upon analysis of historical information and actuarial estimates. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

The liability for self-insurance claims at June 30, 2013 and 2012 of \$80,665,000 and \$69,469,000, respectively, represents the present value of amounts estimated to have been incurred by those dates, using discount rates ranging from 1.0% to 2.2% for fiscal year 2013 and 1.5% to 2.7% for fiscal year 2012, based on expected future investment yield assumptions.

Changes in the self-insurance liability during fiscal years 2013, 2012, and 2011 were as follows:

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

Fiscal Year	New Claims			End of Year
	Beginning of Year	and Changes in Estimates	Claim Payments	
2013	\$ 69,469	\$ 210,872	\$(199,676)	\$ 80,665
2012	72,949	213,357	(216,837)	69,469
2011	77,501	194,051	(198,603)	72,949

## 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 \$68,889,000 and \$149,968,000 for the University and the Pension Trust Funds, respectively, at June 30, 2013.

### 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, 2013 and 2012 were \$21,969,000 and \$20,247,000, respectively.

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

Future minimum payments on all significant operating leases with initial or remaining terms of one year or more at June 30, 2013, are as follows:

Table 11.1 - Future Operating Lease Payments

<b>Fiscal Year</b>	<b>Amount</b> <i>(in thousands)</i>
2014	\$ 4,709
2015	3,878
2016	3,098
2017	2,326
2018	462
<b>Total Future Lease Payments</b>	<b>\$ 14,473</b>

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 is not a legally separate entity and is included within the financial statements of the University. 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, 2013, this contracted commitment totaled \$123,757,000 and will be paid in the following amounts: \$17,516,000 in 2014, \$18,041,000 in 2015, \$18,583,000 in 2016, \$19,140,000 in 2017, \$19,714,000 in 2018 and \$30,763,000 thereafter.

### 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 University is awaiting a cost estimate to perform the additional evaluation requested by MDNR. Long term costs will depend on the results of the two-year

sampling process. As a result, the University is unable to estimate future costs on cleanup of the site at this time.

### Radiology and Other Health Care Matters

Since November 2011, the University has been investigating allegations of improper billings after learning 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 has estimated minimum likely exposure of \$1,965,000. Also, the University has reviewed other potential federal health program reimbursement issues contemporaneous with the radiology investigation noted above. The University is in process of self-disclosure and has estimated minimum likely exposure of \$2,462,000 in aggregate for these matters. Because the federal government could assess penalties or assert alternative theories or analyses concerning amounts of liability, the potential for additional exposure for these issues exists but cannot be estimated at this time, as these matters have not yet been resolved.

### Charitable Gift Annuities

A charitable gift annuity is a contractual agreement between one or two donors (typically husband and wife) and a charity. The donor(s) transfers assets as a gift to the charity and in return the charity is obligated to pay a fixed annuity to one or two annuitants, of the donor(s)' choosing, for the life of the donor(s). As part of the University's "Planned Giving" program, the University enters into Charitable Gift Annuity contracts with donors. The University's liability related to the annuity obligations was \$7,202,000 and \$6,470,000 at June 30, 2013 and 2012, respectively.

### Medical Resident FICA Refunds

In March 2010, the United State Internal Revenue Service (IRS) 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.

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

In December 2010, the University of Missouri perfected its claims for the refund of taxes withheld for the relevant periods. During fiscal year 2013 the University received payment for all outstanding claims and related interest from the IRS.

### 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

	2013	2012
Active Members		
Vested	11,223	11,000
Nonvested	7,106	7,274
Pensioners and Beneficiaries	7,661	7,644
Former Employees with		
Deferred Pensions	5,992	5,447
<b>Total Members</b>	<b>31,982</b>	<b>31,365</b>

Vested employees who are at least age 55 and have ten years or more of credited service or age 60 with at least five years of service may choose early retirement with a reduced benefit. However, if the employee retires at age 62 and has at least 25 years of credited service, the benefit is not reduced. Up to 30% of the retirement annuity can be taken in a lump sum

payment. In addition, the standard annuity can be exchanged for an actuarially-equivalent annuity selected from an array of options with joint and survivor, period certain, and guaranteed annual increase features.

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 (ARC). The ARC for those employees hired before October 1, 2012 averaged 8.9% and 7.2% of covered payroll for the years ending June 30, 2013 and 2012, respectively. The ARC for those employees hired after September 30, 2013 averaged 4.9% of covered payroll for the year ended June 30, 2013. 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, 2013 and 2012

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		Annual Pension Cost (APC)	Contributions Made	Percentage of	
	Contribution (ARC)				APC Contributed	Net Pension Obligation
6/30/2011	\$ 57,541	\$ 57,541	\$ 57,541	100%	-	-
6/30/2012	74,618	74,618	74,618	100%	-	-
6/30/2013	94,176	94,176	94,176	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, 2012, the Retirement Plan was 84.3% funded. The actuarial accrued liability (AAL) for benefits was \$3,308,967,000 and the actuarial value of the assets was \$2,790,622,000, resulting in unfunded AAL of funding of \$518,345,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,046,075,000 and the ratio of unfunded AAL funding to covered payroll was 49.6%.

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, 2012 actuarial valuation, the entry age actuarial cost method was used. Actuarial assumptions included (1) an 8% rate of investment return net of administrative expenses, and (2) projected salary increases ranging from 4.5% to 5.3% per year. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using techniques that

spread effects of short-term volatility in the market value of investments over a 5-year period. The underfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 20 years from the October 1, 2012 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 postemployment 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, 2013 and 2012, 6,522 and 6,319 retirees, respectively, were receiving benefits, and an estimated 18,379 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, 2013 and 2012, 227 and 233 long-term disability claimants, respectively, met those eligibility requirements.

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

**Basis of Accounting** – The OPEB Plan's accounting records are prepared using the accrual basis of accounting, in accordance with GASB Statements No. 43 and No. 45, which established requirements for

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

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, 2013, participants contributed \$14,458,000, or approximately 47.6%, 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 years 2013 and 2012, the University contributed \$19,177,000 and \$25,477,000, or 37.6% and 50.0% of the ARC, respectively. The ARC, which was \$50,954,000 for fiscal years 2013 and 2012, represented 4.9% 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 2013:

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

Annual Required Contribution	\$ 50,954
Interest on Existing Net OPEB Obligation	6,296
ARC Adjustment	(5,360)
Annual OPEB Cost	51,890
Contributions Made	(19,177)
Increase in net OPEB obligation	32,713
Net OPEB obligation - beginning of year	109,496
Net OPEB obligation - June 30, 2013	\$ 142,209

**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, 2013 and 2012

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)*

<b>Fiscal Year Ending</b>	<b>Annual Required Contribution</b>	<b>Annual OPEB Cost (AOC)</b>	<b>Contributions Made</b>	<b>Percentage of AOC Contributed</b>	<b>Net OPEB Obligation (Asset)</b>
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
6/30/2013	50,954	51,890	19,177	37.0%	142,209

**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, 2013 and 2012

### 14. BLENDED COMPONENT UNIT

Condensed combining information for the University's blended component unit for the years ended June 30, 2013 and 2012 is presented as follows:

Table 14.1 - Missouri Renewable Energy Corporation Condensed Financial Statements *(in thousands)*

Condensed Statement of Net Position	2013			2012		
	MREC	Eliminations	Total	MREC	Eliminations	Total
Assets:						
Current Assets	\$ 660	\$ -	\$ 660	\$ -	\$ -	\$ -
Capital Assets, Net	95,058	(13,245)	81,813	16,150	-	16,150
<b>Total Assets and Deferred Outflow of Resources</b>	<b>\$ 95,718</b>	<b>\$ (13,245)</b>	<b>\$ 82,473</b>	<b>\$ 16,150</b>	<b>\$ -</b>	<b>\$ 16,150</b>
Liabilities:						
Current Liabilities	\$ 2,509	\$ (2,494)	\$ 15	\$ 285	\$ (285)	\$ -
Noncurrent Liabilities	83,606	(75,162)	8,444	14,278	(14,278)	-
Total Liabilities	86,115	(77,656)	8,459	14,563	(14,563)	-
Net Position:						
Net Investment in Capital Assets	11,452	61,917	73,369	1,872	14,278	16,150
Restricted -						
Nonexpendable	-	-	-	-	-	-
Expendable	(1,849)	2,494	645	(285)	285	-
Unrestricted	-	-	-	-	-	-
Total Net Position	9,603	64,411	74,014	1,587	14,563	16,150
<b>Total Liabilities and Net Position</b>	<b>\$ 95,718</b>	<b>\$ (13,245)</b>	<b>\$ 82,473</b>	<b>\$ 16,150</b>	<b>\$ -</b>	<b>\$ 16,150</b>
<b>Condensed Statement of Revenues, Expenses and Changes in Net Position</b>						
	2013			2012		
	MREC	Eliminations	Total	MREC	Eliminations	Total
Operating Revenues:						
Other Operating Revenue	\$ 172	\$ (77)	\$ 95	\$ -	\$ -	\$ -
Total Operating Revenues	172	(77)	95	-	-	-
Operating Expenses:						
Depreciation	17	-	17	-	-	-
All Other Operating Expenses	164	(56)	108	-	-	-
Total Operating Expenses	181	(56)	125	-	-	-
Operating Income (Loss)	(9)	(21)	(30)	-	-	-
Capital Contribution	8,025	49,869	57,894	1,587	14,563	16,150
<b>Increase in Net Position</b>	<b>8,016</b>	<b>49,848</b>	<b>57,864</b>	<b>1,587</b>	<b>14,563</b>	<b>16,150</b>
Net Position, Beginning of Year	1,587	14,563	16,150	-	-	-
<b>Net Position, End of Year</b>	<b>\$ 9,603</b>	<b>\$ 64,411</b>	<b>\$ 74,014</b>	<b>\$ 1,587</b>	<b>\$ 14,563</b>	<b>\$ 16,150</b>
<b>Condensed Statement of Cash Flows</b>						
	2013			2012		
	MREC	Eliminations	Total	MREC	Eliminations	Total
Net Cash Flows Provided by (Used in) Operating Activities	\$ (58)	\$ 35	\$ (23)	\$ -	\$ -	\$ -
Net Cash Flows Provided by (Used in) Capital and Related Financing Activities	718	(35)	683	-	-	-
Net Increase in Cash and Cash Equivalents	660	-	660	-	-	-
Cash and Cash Equivalents, Beginning of Year	-	-	-	-	-	-
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 660</b>	<b>\$ -</b>	<b>\$ 660</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

### 15. OPERATING EXPENSES BY FUNCTION

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

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

Fiscal Year Ended June 30, 2013	Salaries and Wages	Benefits	Supplies, Services and Other	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 432,119	\$ 121,774	\$ 69,950	\$ -	\$ -	\$ 623,843
Research	105,449	25,995	74,526	-	-	205,970
Public Service	77,153	22,953	48,649	-	-	148,755
Academic Support	79,445	25,272	34,696	-	-	139,413
Student Services	42,516	12,939	21,570	-	-	77,025
Institutional Support	100,650	32,870	(33,067)	-	-	100,453
Operation and Maintenance of Plant	36,594	12,236	40,555	-	-	89,385
Auxiliary Enterprises	469,963	131,728	509,745	-	-	1,111,436
Scholarships and Fellowships	-	-	-	62,461	-	62,461
Depreciation	-	-	-	-	167,796	167,796
<b>Total Operating Expenses</b>	<b>\$ 1,343,889</b>	<b>\$ 385,767</b>	<b>\$ 766,624</b>	<b>\$ 62,461</b>	<b>\$ 167,796</b>	<b>\$ 2,726,537</b>

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	-	-	75,206
Institutional Support	98,278	30,703	(26,417)	-	-	102,564
Operation and Maintenance of Plant	35,245	1,503	50,366	-	-	87,114
Auxiliary Enterprises	464,903	112,469	482,225	-	-	1,059,597
Scholarships and Fellowships	-	-	-	60,380	-	60,380
Depreciation	-	-	-	-	160,915	160,915
<b>Total Operating Expenses</b>	<b>\$ 1,318,349</b>	<b>\$ 339,595</b>	<b>\$ 762,700</b>	<b>\$ 60,380</b>	<b>\$ 160,915</b>	<b>\$ 2,641,939</b>

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

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

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

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

	2013			2012		
	Retirement	OPEB	Total	Retirement	OPEB	Total
<b>Assets</b>						
Cash and Cash Equivalents	\$ 103,119	\$ 25,474	\$ 128,593	\$ 79,083	\$ 26,950	\$ 106,033
Investment of Cash Collateral	48,560	-	48,560	50,023	-	50,023
Investment Settlements Receivable	41,450	-	41,450	83,396	-	83,396
Investments:						
Debt Securities	457,001	-	457,001	933,561	-	933,561
Equity Securities	715,580	-	715,580	505,512	-	505,512
Commingled Funds	1,405,564	23,810	1,429,374	1,062,406	23,263	1,085,669
Nonmarketable Alternative Investments	255,082	-	255,082	212,993	-	212,993
Other	-	-	-	11,895	-	11,895
<b>Total Assets</b>	<b>3,026,356</b>	<b>49,284</b>	<b>3,075,640</b>	<b>2,938,869</b>	<b>50,213</b>	<b>2,989,082</b>
<b>Liabilities</b>						
Accounts Payable and Accrued Liabilities	224	-	224	169	-	169
Collateral Held for Securities Lending	48,560	-	48,560	50,023	-	50,023
Investment Settlements Payable	59,016	-	59,016	206,980	-	206,980
<b>Total Liabilities</b>	<b>107,800</b>	<b>-</b>	<b>107,800</b>	<b>257,172</b>	<b>-</b>	<b>257,172</b>
<b>Net Position Held in Trust for Retirement and OPEB</b>	<b>\$ 2,918,556</b>	<b>\$ 49,284</b>	<b>\$ 2,967,840</b>	<b>\$ 2,681,697</b>	<b>\$ 50,213</b>	<b>\$ 2,731,910</b>

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

	2013			2012		
	Retirement	OPEB	Total	Retirement	OPEB	Total
<b>Net Revenues and Other Additions</b>						
Investment Income:						
Interest and Dividend Income, Net of Fees	\$ 51,521	\$ 369	\$ 51,890	\$ 57,947	\$ 642	\$ 58,589
Net Appreciation (Depreciation) in Fair Value of Investments	237,014	178	237,192	(31,357)	(191)	(31,548)
Net Investment Income	288,535	547	289,082	26,590	451	27,041
Contributions:						
University	94,176	19,177	113,353	74,618	25,477	100,095
Members	13,694	14,864	28,558	13,232	14,088	27,320
Total Contributions	107,870	34,041	141,911	87,850	39,565	127,415
Other Revenues	-	-	-	-	1,218	1,218
<b>Total Net Revenues and Other Additions</b>	<b>396,405</b>	<b>34,588</b>	<b>430,993</b>	<b>114,440</b>	<b>41,234</b>	<b>155,674</b>
<b>Expenses and Other Deductions</b>						
Administrative Expenses	2,233	419	2,652	2,263	367	2,630
Payments to Retirees and Beneficiaries	157,313	35,098	192,411	143,917	36,399	180,316
<b>Total Expenses and Other Deductions</b>	<b>159,546</b>	<b>35,517</b>	<b>195,063</b>	<b>146,180</b>	<b>36,766</b>	<b>182,946</b>
<b>Increase (decrease) in Net Position Held in Trust for Retirement and OPEB</b>	<b>236,859</b>	<b>(929)</b>	<b>235,930</b>	<b>(31,740)</b>	<b>4,468</b>	<b>(27,272)</b>
Net Position Held in Trust for Retirement & OPEB, Beginning of Year	2,681,697	50,213	2,731,910	2,713,437	45,745	2,759,182
<b>Net Position Held in Trust for Retirement and OPEB, End of Year</b>	<b>\$ 2,918,556</b>	<b>\$ 49,284</b>	<b>\$ 2,967,840</b>	<b>\$ 2,681,697</b>	<b>\$ 50,213</b>	<b>\$ 2,731,910</b>

# UNIVERSITY OF MISSOURI SYSTEM

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

### 17. 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 Position for the year ended June 30, 2012.

### 18. SUBSEQUENT EVENT

On September 27, 2013 the Rolla Renewable Energy Company, LLC, a wholly owned subsidiary of MREC, entered into a Qualified Low-Income Community Investment loan agreement with CCM Community Development LV LLC. The loan agreement was in the amount of \$20,000,000 and had two notes. Note A was in the amount of \$14,980,000 with a stated interest rate of 1.3081% per annum. Note B was in the amount of \$5,020,000 with a stated interest rate of 1.3081% per annum. The notes will be used to fund construction cost for the Geothermal project.

On September 27, 2013 the University executed a promissory note as the lender with RREC 2 Investment Fund, LLC as part of the financing for the Geothermal project being completed by Rolla Renewable Energy Company, LLC, a wholly owned subsidiary of MREC. The University's note receivable was in the amount of \$14,380,000 and carried a stated interest rate of 1%.

**UNIVERSITY OF MISSOURI SYSTEM**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
(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)
10/1/2007	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%
10/1/2012	2,790,622	3,308,967	518,345	84.3%	1,046,075	49.6%

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)
6/30/2008	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%	-
6/30/2013	10/1/2011	94,176	94,176	94,176	100%	-

See independent auditors' report.

**UNIVERSITY OF MISSOURI SYSTEM**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
(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)
6/30/2011	7/1/2009	60,485	50%	83,306
6/30/2012	7/1/2011	50,954	50%	109,496
6/30/2013	7/1/2011	50,954	38%	142,209

(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

COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS

## STATISTICAL SECTION



# STATEMENT OF NET POSITION

## Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
<b>Assets</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 177,722	\$ 228,639	\$ 44,249	\$ 149,515	\$ 115,919
Restricted Cash and Cash Equivalents	80,730	134,141	177,038	177,798	137,022
Short-Term Investments	272,839	126,054	151,070	40,268	124,609
Restricted Short-Term Investments	43,087	32,092	49,264	30,619	25,882
Investment of Cash Collateral	24,428	32,032	101,047	111,557	111,719
Accounts Receivable, Net	255,081	274,100	255,589	249,460	241,325
Pledges Receivable, Net	14,803	11,898	12,374	14,505	13,382
Investment Settlements Receivable	16,176	37,316	15,634	6,200	15,800
Notes Receivable, Net	8,068	8,151	8,532	9,046	12,564
Due To Component Units	(7,826)	(7,029)	(6,658)	(5,285)	(3,900)
Inventories	37,398	36,022	35,193	28,401	33,009
Prepaid Expenses and Other Current Assets	27,533	27,332	25,759	25,604	21,618
<b>Total Current Assets</b>	<b>950,039</b>	<b>940,748</b>	<b>869,091</b>	<b>837,688</b>	<b>848,949</b>
<b>Noncurrent Assets</b>					
Pledges Receivable, Net	43,911	41,708	14,895	16,256	17,231
Notes Receivable, Net	62,829	54,698	54,015	50,635	47,524
Deferred Charges and Other Assets	9,735	10,253	13,218	12,374	9,836
Long-Term Investments	1,338,894	1,363,827	1,357,918	1,171,998	778,538
Restricted Long-Term Investments	1,103,616	1,066,915	1,161,184	891,067	741,556
Capital Assets, Net	2,997,508	2,848,993	2,642,196	2,534,365	2,392,852
<b>Total Noncurrent Assets</b>	<b>5,556,493</b>	<b>5,386,394</b>	<b>5,243,426</b>	<b>4,676,695</b>	<b>3,987,537</b>
<b>Deferred Outflow of Resources</b>	<b>21,736</b>	<b>30,415</b>	<b>19,023</b>	<b>22,192</b>	<b>-</b>
<b>Total Assets and Deferred Outflow of Resources</b>	<b>\$ 6,528,268</b>	<b>\$ 6,357,557</b>	<b>\$ 6,131,540</b>	<b>\$ 5,536,575</b>	<b>\$ 4,836,486</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts Payable	\$ 131,410	\$ 140,274	\$ 130,803	\$ 123,809	\$ 94,531
Accrued Liabilities	162,779	150,971	143,347	138,309	130,837
Deferred Revenue	85,323	84,923	78,209	78,200	80,703
Funds Held for Others	71,169	65,643	62,951	53,245	66,403
Investment Settlements Payable	107,183	177,988	47,319	41,931	50,318
Collateral Held for Securities Lending	24,428	32,032	101,047	111,557	115,291
Commercial Paper and Current Portion of Long-Term Debt	203,295	183,226	29,107	30,139	24,922
Long-Term Debt Subject to Remarketing	99,895	100,330	220,885	223,680	224,925
<b>Total Current Liabilities</b>	<b>885,482</b>	<b>935,387</b>	<b>813,668</b>	<b>800,870</b>	<b>787,930</b>
<b>Noncurrent Liabilities</b>					
Long-Term Debt	1,103,004	1,122,312	1,140,934	915,906	608,114
Deferred Revenue	-	-	1,519	1,925	1,603
Derivative Instrument Liability	39,869	57,856	26,702	30,680	-
Other Postemployment Benefits Liability	142,209	109,496	83,306	52,613	23,639
Other Noncurrent Liabilities	56,765	47,889	49,167	53,845	50,423
<b>Total Noncurrent Liabilities</b>	<b>1,341,847</b>	<b>1,337,553</b>	<b>1,301,628</b>	<b>1,054,969</b>	<b>683,779</b>
<b>Total Liabilities</b>	<b>2,227,329</b>	<b>2,272,940</b>	<b>2,115,296</b>	<b>1,855,839</b>	<b>1,471,709</b>
<b>Net Position</b>					
Net Investment in Capital Assets	1,636,334	1,545,227	1,516,095	1,485,090	1,540,654
Restricted					
Nonexpendable -					
Endowment	858,820	771,146	788,876	679,494	612,119
Expendable -					
Scholarship, Research, Instruction & Other	323,473	299,789	264,605	244,226	235,405
Loans	80,436	79,091	77,300	75,637	78,357
Capital Projects	11,219	10,149	18,438	32,373	30,043
Unrestricted	1,390,657	1,379,215	1,350,930	1,163,916	868,199
<b>Total Net Position</b>	<b>4,300,939</b>	<b>4,084,617</b>	<b>4,016,244</b>	<b>3,680,736</b>	<b>3,364,777</b>
<b>Total Liabilities &amp; Net Position</b>	<b>\$ 6,528,268</b>	<b>\$ 6,357,557</b>	<b>\$ 6,131,540</b>	<b>\$ 5,536,575</b>	<b>\$ 4,836,486</b>

# CHANGES IN NET POSITION

## Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
<b>Operating Revenues</b>					
Tuition and Fees, Net	\$ 791,319	\$ 736,074	\$ 671,419	\$ 630,498	\$ 601,742
Less: Scholarship Allowances	198,514	190,798	175,917	164,187	148,578
Net Tuition and Fees	592,805	545,276	495,502	466,311	453,164
Federal Grants and Contracts	183,654	184,882	196,122	183,885	172,669
State and Local Grants and Contracts	54,298	55,837	57,375	66,194	53,042
Private Grants and Contracts	71,731	71,023	67,025	68,044	71,034
Sales and Services of Educational Activities	24,129	23,106	21,671	22,560	22,088
Auxiliary Enterprises -					
Patient Medical Services, Net	847,681	795,302	741,626	720,050	685,404
Housing and Dining Services, Net	105,794	99,667	93,724	89,743	81,939
Bookstores	55,582	57,566	58,591	59,288	62,113
Other Auxiliary Enterprises, Net	250,975	217,590	238,270	215,497	207,335
Other Operating Revenues	58,179	55,312	55,811	49,250	53,681
<b>Total Operating Revenues</b>	<b>2,244,828</b>	<b>2,105,561</b>	<b>2,025,717</b>	<b>1,940,822</b>	<b>1,862,469</b>
<b>Operating Expenses</b>					
Salaries and Wages	1,343,889	1,318,349	1,272,226	1,236,965	1,213,837
Benefits	385,767	359,595	328,340	303,300	299,586
Supplies, Services and Other Operating Expenses	766,624	762,700	716,044	676,362	672,711
Scholarships and Fellowships	62,461	60,380	58,790	55,469	48,456
Depreciation	167,796	160,915	155,103	146,753	131,167
<b>Total Operating Expenses</b>	<b>2,726,537</b>	<b>2,661,939</b>	<b>2,530,503</b>	<b>2,418,849</b>	<b>2,365,757</b>
<b>Operating Loss before State Appropriations</b>	<b>(481,709)</b>	<b>(556,378)</b>	<b>(504,786)</b>	<b>(478,027)</b>	<b>(503,288)</b>
State Appropriations	401,400	397,629	437,631	498,358	479,478
<b>Operating Income (Loss) after State Appropriations, Before Nonoperating Revenues (Expenses)</b>	<b>(80,309)</b>	<b>(158,749)</b>	<b>(67,155)</b>	<b>20,331</b>	<b>(23,810)</b>
<b>Nonoperating Revenues (Expenses)</b>					
Federal Appropriations	29,154	28,222	28,416	21,455	14,858
Federal Pell Grants	59,917	62,311	57,951	48,281	31,649
Investment and Endowment Income (Losses), Net	147,433	30,855	266,633	172,833	(173,355)
Private Gifts	64,103	90,346	52,564	48,695	52,552
Interest Expense	(55,256)	(53,923)	(49,507)	(46,103)	(31,432)
Other Nonoperating Revenues (Expenses)	(4,822)	(10,214)	(3,279)	(1,659)	(3,930)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>240,529</b>	<b>147,597</b>	<b>352,778</b>	<b>243,502</b>	<b>(109,658)</b>
<b>Income (Loss) before Capital Contributions, Additions to Permanent Endowments, Extraordinary and Special Items</b>					
State Capital Appropriations	745	937	8,043	14,205	17,817
Capital Gifts and Grants	20,244	11,788	15,466	19,381	13,009
Private Gifts for Endowment Purposes	35,113	24,484	26,376	24,703	21,093
Extraordinary Item:					
Net Proceeds from Sale of Missouri Care	-	-	-	-	2,550
Special Item	-	42,316	-	-	-
<b>Increase (Decrease) in Net Position</b>	<b>216,322</b>	<b>68,373</b>	<b>335,508</b>	<b>322,122</b>	<b>(78,999)</b>
<b>Net Position, Beginning of Year</b>	<b>4,084,617</b>	<b>4,016,244</b>	<b>3,680,736</b>	<b>3,364,777</b>	<b>3,430,442</b>
Cumulative Effect of Change in Accounting Principles	-	-	-	(6,163)	13,334
<b>Net Position, Beginning of Year, as Adjusted</b>	<b>4,084,617</b>	<b>4,016,244</b>	<b>3,680,736</b>	<b>3,358,614</b>	<b>3,443,776</b>
<b>Net Position, End of Year</b>	<b>\$ 4,300,939</b>	<b>\$ 4,084,617</b>	<b>\$ 4,016,244</b>	<b>\$ 3,680,736</b>	<b>\$ 3,364,777</b>

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

## Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
<b>Operating Revenues</b>					
Tuition and Fees, Net	7.5%	9.6%	6.5%	4.8%	8.0%
Less: Scholarship Allowances	4.0%	8.5%	7.1%	10.5%	6.2%
Net Tuition and Fees	8.7%	10.0%	6.3%	2.9%	8.6%
Federal Grants and Contracts	-0.7%	-5.7%	6.7%	6.5%	-6.4%
State and Local Grants and Contracts	-2.8%	-2.7%	-13.3%	24.8%	-2.5%
Private Grants and Contracts	1.0%	6.0%	-1.5%	-4.2%	17.8%
Sales and Services of Educational Activities	4.4%	6.6%	-3.9%	2.1%	12.9%
Auxiliary Enterprises -					
Patient Medical Services, Net	6.6%	7.2%	3.0%	5.1%	0.6%
Housing and Dining Services, Net	6.1%	6.3%	4.4%	9.5%	13.0%
Bookstores	-3.4%	-1.7%	-1.2%	-4.5%	1.1%
Other Auxiliary Enterprises, Net	15.3%	-8.7%	10.6%	3.9%	14.0%
Other Operating Revenues	5.2%	-0.9%	13.3%	-8.3%	14.3%
<b>Total Operating Revenues</b>	<b>6.6%</b>	<b>3.9%</b>	<b>4.4%</b>	<b>4.2%</b>	<b>4.6%</b>
<b>Operating Expenses</b>					
Salaries and Wages	1.9%	3.6%	2.9%	1.9%	5.2%
Benefits	7.3%	9.5%	8.3%	1.2%	-3.5%
Supplies, Services and Other Operating Expenses	0.5%	6.5%	5.9%	0.5%	1.6%
Scholarships and Fellowships	3.4%	2.7%	6.0%	14.5%	22.7%
Depreciation	4.3%	3.7%	5.7%	11.9%	4.1%
<b>Total Operating Expenses</b>	<b>2.4%</b>	<b>5.2%</b>	<b>4.6%</b>	<b>2.2%</b>	<b>3.2%</b>
<b>Operating Loss before State Appropriations</b>	<b>13.4%</b>	<b>-10.2%</b>	<b>-5.6%</b>	<b>5.0%</b>	<b>1.7%</b>
State Appropriations	0.9%	-9.1%	-12.2%	3.9%	3.7%
<b>Operating Income (Loss) after State Appropriations, Before Nonoperating Revenues (Expenses)</b>					
	49.4%	-136.4%	-430.3%	185.4%	52.0%
<b>Nonoperating Revenues (Expenses)</b>					
Federal Appropriations	3.3%	-0.7%	32.4%	44.4%	4.1%
Federal Pell Grants	-3.8%	7.5%	20.0%	52.6%	16.2%
Investment and Endowment Income (Losses), Net	377.8%	-88.4%	54.3%	199.7%	-479.9%
Private Gifts	-29.0%	71.9%	7.9%	-7.3%	1.7%
Interest Expense	2.5%	8.9%	7.4%	46.7%	-27.0%
Other Nonoperating Revenues (Expenses)	52.8%	-211.5%	-97.6%	57.8%	17.3%
<b>Net Nonoperating Revenues (Expenses)</b>	<b>63.0%</b>	<b>-58.2%</b>	<b>44.9%</b>	<b>322.1%</b>	<b>-220.5%</b>
<b>Income (Loss) before Capital Contributions, Additions to Permanent Endowments and Extraordinary Item</b>					
Extraordinary Item	1536.7%	-103.9%	8.3%	297.7%	-422.0%
State Capital Appropriations	-20.5%	-88.4%	-43.4%	-20.3%	14.7%
Capital Gifts and Grants	71.7%	-23.8%	-20.2%	49.0%	-25.0%
Private Gifts for Endowment Purposes	43.4%	-7.2%	6.8%	17.1%	-36.1%
Extraordinary Item:					
Net Proceeds from Sale of Missouri Care	-	-	-	-	-
Special Item	-	-	-	-	-
<b>Increase (Decrease) in Net Position</b>	<b>216.4%</b>	<b>-79.6%</b>	<b>4.2%</b>	<b>507.8%</b>	<b>-173.6%</b>
<b>Net Position, Beginning of Year</b>	<b>1.7%</b>	<b>9.1%</b>	<b>9.4%</b>	<b>-1.9%</b>	<b>3.9%</b>
Cumulative Effect of Change in Accounting Principles	0.0%	0.0%	100.0%	-146.2%	-33.0%
<b>Net Position, Beginning of Year, as Adjusted</b>	<b>1.7%</b>	<b>9.1%</b>	<b>9.6%</b>	<b>-2.5%</b>	<b>3.6%</b>
<b>Net Position, End of Year</b>	<b>5.3%</b>	<b>1.7%</b>	<b>9.1%</b>	<b>9.4%</b>	<b>-1.9%</b>

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Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
<b>+ Primary Reserve Ratio</b>	0.66	0.66	0.67	0.62	0.50
/ Conversion Factor	0.133	0.133	0.133	0.133	0.133
= Strength Factor	4.96	4.98	5.05	4.63	3.78
x Weighting Factor	35%	35%	35%	35%	35%
= Ratio Subtotal	1.74	1.74	1.77	1.62	1.32

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

<b>+ Return on Assets Ratio</b>	5.2%	1.7%	8.7%	9.2%	-2.3%
/ Conversion Factor	0.020	0.020	0.020	0.020	0.020
= Strength Factor	2.58	0.84	4.36	4.58	(1.16)
x Weighting Factor	20%	20%	20%	20%	20%
= Ratio Subtotal	0.52	0.17	0.87	0.92	(0.23)

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

<b>+ Net Operating Revenues Ratio</b>	5.6%	3.5%	5.1%	7.7%	6.0%
/ Conversion Factor	0.013	0.013	0.013	0.013	0.013
= Strength Factor	4.30	2.68	3.96	5.89	4.60
x Weighting Factor	10%	10%	10%	10%	10%
= Ratio Subtotal	0.43	0.27	0.40	0.59	0.46

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

<b>+ Viability Ratio</b>	1.28	1.25	1.22	1.27	1.38
/ Conversion Factor	0.417	0.417	0.417	0.417	0.417
= Strength Factor	3.06	3.00	2.92	3.04	3.30
x Weighting Factor	35%	35%	35%	35%	35%
= Ratio Subtotal	1.07	1.05	1.02	1.06	1.16

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

<b>Composite Financial Index</b>	<b>3.75</b>	<b>3.23</b>	<b>4.06</b>	<b>4.19</b>	<b>2.71</b>
<b>Composite Financial Index - Three Year Average</b>	<b>3.68</b>	<b>3.82</b>	<b>3.65</b>	<b>3.38</b>	<b>3.41</b>

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

*Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report*

**Net Tuition per Student**

<b>Fiscal Year Ended June 30,</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Gross Tuition and Fees	\$ 791,319	\$ 736,074	\$ 671,419	\$ 630,498	\$ 601,742
Less: Scholarship Discounts / Allowances	(198,514)	(190,798)	(175,917)	(164,187)	(148,578)
Less: Scholarship / Fellowship Expenses	(62,461)	(60,380)	(58,790)	(55,469)	(48,456)
<b>Net Tuition</b>	<b>\$ 530,344</b>	<b>\$ 484,896</b>	<b>\$ 436,712</b>	<b>\$ 410,842</b>	<b>\$ 404,708</b>
Net Tuition	\$ 530,344	\$ 484,896	\$ 436,712	\$ 410,842	\$ 404,708
Number of Students - Fall Semester (FTEs)	57,806	56,843	55,272	53,292	51,025
<b>Net Tuition per Student</b>	<b>\$ 9,175</b>	<b>\$ 8,530</b>	<b>\$ 7,901</b>	<b>\$ 7,709</b>	<b>\$ 7,932</b>

**State Appropriations per Student**

<b>Fiscal Year Ended June 30,</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
State Appropriations	\$ 401,400	\$ 397,629	\$ 437,631	\$ 498,358	\$ 479,478
Number of Students - Fall Semester (FTEs)	57,806	56,843	55,272	53,292	51,025
<b>State Appropriations per Student</b>	<b>\$ 6,944</b>	<b>\$ 6,995</b>	<b>\$ 7,918</b>	<b>\$ 9,351</b>	<b>\$ 9,397</b>

**Educational Expenses per Student**

<b>Fiscal Year Ended June 30,</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Total Operating Expenses	\$ 2,726,537	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849	\$ 2,365,757
Less: Scholarships / Fellowships Expense	(62,461)	(60,380)	(58,790)	(55,469)	(48,456)
Less: Auxiliary Operating Expenses	(1,109,157)	(1,067,820)	(1,028,491)	(956,455)	(901,089)
Less: Grants and Contracts Expenses	(309,683)	(311,742)	(320,522)	(318,123)	(296,745)
Interest Expense	55,256	53,923	49,507	46,103	31,432
Less: Auxiliary Interest Expense	(9,753)	(8,427)	(9,006)	(9,197)	(7,437)
<b>Net Educational Expenses</b>	<b>\$ 1,290,739</b>	<b>\$ 1,267,493</b>	<b>\$ 1,163,201</b>	<b>\$ 1,125,708</b>	<b>\$ 1,143,462</b>
Net Educational Expenses	\$ 1,290,739	\$ 1,267,493	\$ 1,163,201	\$ 1,125,708	\$ 1,143,462
Number of Students - Fall Semester (FTEs)	57,806	56,843	55,272	53,292	51,025
<b>Educational Expenses per Student</b>	<b>\$ 22,329</b>	<b>\$ 22,298</b>	<b>\$ 21,045</b>	<b>\$ 21,123</b>	<b>\$ 22,410</b>

**Total Tuition Discount**

<b>Fiscal Year Ended June 30,</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Scholarship Allowances	\$ 198,514	\$ 190,798	\$ 175,917	\$ 164,187	\$ 148,578
Scholarships / Fellowships Expense	62,461	60,380	58,790	55,469	48,456
<b>Total Tuition Discounts (\$)</b>	<b>\$ 260,975</b>	<b>\$ 251,178</b>	<b>\$ 234,707</b>	<b>\$ 219,656</b>	<b>\$ 197,034</b>
Total Tuition Discounts (\$)	\$ 260,975	\$ 251,178	\$ 234,707	\$ 219,656	\$ 197,034
Gross Tuition and Fees	\$ 791,319	\$ 736,074	\$ 671,419	\$ 630,498	\$ 601,742
<b>Total Tuition Discount (%)</b>	<b>33.0%</b>	<b>34.1%</b>	<b>35.0%</b>	<b>34.8%</b>	<b>32.7%</b>

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

## Unrestricted Financial Resources to Direct Debt

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Current Portion of Long-Term Debt	\$ 203,295	\$ 183,226	\$ 29,107	\$ 30,139	\$ 24,922
Long-Term Debt Subject to Remarketing	99,895	100,330	220,885	223,680	224,925
Long-Term Debt	1,103,004	1,122,312	1,140,934	915,906	608,114
Total Direct Debt	\$ 1,406,194	\$ 1,405,868	\$ 1,390,926	\$ 1,169,725	\$ 857,961
Net Position - Unrestricted	\$ 1,390,657	\$ 1,379,215	\$ 1,350,930	\$ 1,163,916	\$ 868,199
Total Direct Debt	\$ 1,406,194	\$ 1,405,868	\$ 1,390,926	\$ 1,169,725	\$ 857,961

**Unrestricted Financial Resources  
to Direct Debt**
**0.99      0.98      0.97      1.00      1.01**
Expendable Financial Resources to Direct Debt (*Viability Ratio*)

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Net Position - Unrestricted	\$ 1,390,657	\$ 1,379,215	\$ 1,350,930	\$ 1,163,916	\$ 868,199
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	323,473	299,789	264,605	244,226	235,405
Net Position - Restricted Expendable - Loans	80,436	79,091	77,300	75,637	78,357
Expendable Net Position	\$ 1,794,566	\$ 1,758,095	\$ 1,692,835	\$ 1,483,779	\$ 1,181,961
Expendable Net Position	\$ 1,794,566	\$ 1,758,095	\$ 1,692,835	\$ 1,483,779	\$ 1,181,961
Total Direct Debt	\$ 1,406,194	\$ 1,405,868	\$ 1,390,926	\$ 1,169,725	\$ 857,961

**Viability Ratio**
**1.28      1.25      1.22      1.27      1.38**

## Total Financial Resources to Direct Debt

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Net Position - Unrestricted	\$ 1,390,657	\$ 1,379,215	\$ 1,350,930	\$ 1,163,916	\$ 868,199
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	323,473	299,789	264,605	244,226	235,405
Net Position - Restricted Expendable - Loans	80,436	79,091	77,300	75,637	78,357
Net Position - Restricted Nonexpendable	858,820	771,146	788,876	679,494	612,119
Total Financial Resources	\$ 2,653,386	\$ 2,529,241	\$ 2,481,711	\$ 2,163,273	\$ 1,794,080
Total Financial Resources	\$ 2,653,386	\$ 2,529,241	\$ 2,481,711	\$ 2,163,273	\$ 1,794,080
Total Direct Debt	\$ 1,406,194	\$ 1,405,868	\$ 1,390,926	\$ 1,169,725	\$ 857,961

**Total Financial Resources  
to Direct Debt**
**1.89      1.80      1.78      1.85      2.09**

## Direct Debt per Student

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Total Direct Debt	\$ 1,406,194	\$ 1,405,868	\$ 1,390,926	\$ 1,169,725	\$ 857,961
Number of Students - End of Fiscal Year (FTEs)	58,163	57,806	56,843	55,272	53,292

**Direct Debt per Student**
**\$ 24,177    \$ 24,320    \$ 24,470    \$ 21,163    \$ 16,099**

*Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report*

**Actual Debt Service to Operations**

<b>Fiscal Year Ended June 30,</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Debt Service - Principal	\$ 24,849	\$ 26,393	\$ 29,010	\$ 24,922	\$ 21,987
Debt Service - Interest	55,256	53,923	49,507	46,103	31,432
<b>Total Debt Service</b>	<b>\$ 80,105</b>	<b>\$ 80,316</b>	<b>\$ 78,517</b>	<b>\$ 71,025</b>	<b>\$ 53,419</b>
Operating Expenses	\$ 2,726,537	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849	\$ 2,365,757
Less: Scholarships & Fellowships Expense	(62,461)	(60,380)	(58,790)	(55,469)	(48,456)
Interest Expense	55,256	53,923	49,507	46,103	31,432
<b>Adjusted Total Operating Expense</b>	<b>\$ 2,719,332</b>	<b>\$ 2,655,482</b>	<b>\$ 2,521,220</b>	<b>\$ 2,409,483</b>	<b>\$ 2,348,733</b>
<b>Total Debt Service</b>	<b>\$ 80,105</b>	<b>\$ 80,316</b>	<b>\$ 78,517</b>	<b>\$ 71,025</b>	<b>\$ 53,419</b>
<b>Adjusted Total Operating Expense</b>	<b>\$ 2,719,332</b>	<b>\$ 2,655,482</b>	<b>\$ 2,521,220</b>	<b>\$ 2,409,483</b>	<b>\$ 2,348,733</b>
<b>Actual Debt Service to Operations</b>	<b>2.9%</b>	<b>3.0%</b>	<b>3.1%</b>	<b>2.9%</b>	<b>2.3%</b>

**Capital Expense to Operations**

<b>Fiscal Year Ended June 30,</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Depreciation Expense	\$ 167,796	\$ 160,915	\$ 155,103	\$ 146,753	\$ 131,167
Interest Expense	55,256	53,923	49,507	46,103	31,432
<b>Total Capital Expense</b>	<b>\$ 223,052</b>	<b>\$ 214,838</b>	<b>\$ 204,610</b>	<b>\$ 192,856</b>	<b>\$ 162,599</b>
Operating Expenses	\$ 2,726,537	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849	\$ 2,365,757
Less: Scholarships & Fellowships Expense	(62,461)	(60,380)	(58,790)	(55,469)	(48,456)
Interest Expense	55,256	53,923	49,507	46,103	31,432
<b>Adjusted Total Operating Expense</b>	<b>\$ 2,719,332</b>	<b>\$ 2,655,482</b>	<b>\$ 2,521,220</b>	<b>\$ 2,409,483</b>	<b>\$ 2,348,733</b>
<b>Total Capital Expense</b>	<b>\$ 223,052</b>	<b>\$ 214,838</b>	<b>\$ 204,610</b>	<b>\$ 192,856</b>	<b>\$ 162,599</b>
<b>Adjusted Total Operating Expense</b>	<b>\$ 2,719,332</b>	<b>\$ 2,655,482</b>	<b>\$ 2,521,220</b>	<b>\$ 2,409,483</b>	<b>\$ 2,348,733</b>
<b>Capital Expense to Operations</b>	<b>8.2%</b>	<b>8.1%</b>	<b>8.1%</b>	<b>8.0%</b>	<b>6.9%</b>

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## Unrestricted Financial Resources to Operations

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Net Position - Unrestricted	\$ 1,390,657	\$ 1,379,215	\$ 1,350,930	\$ 1,163,916	\$ 868,199
Operating Expenses	\$ 2,726,537	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849	\$ 2,365,757
Less: Scholarships & Fellowships Expense	(62,461)	(60,380)	(58,790)	(55,469)	(48,456)
Interest Expense	55,256	53,923	49,507	46,103	31,432
Adjusted Total Operating Expense	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483	\$ 2,348,733
Net Position - Unrestricted	\$ 1,390,657	\$ 1,379,215	\$ 1,350,930	\$ 1,163,916	\$ 868,199
Adjusted Total Operating Expense	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483	\$ 2,348,733

Unrestricted Financial Resources  
to Operations

**0.51                      0.52                      0.54                      0.48                      0.37**

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

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Net Position - Unrestricted	\$ 1,390,657	\$ 1,379,215	\$ 1,350,930	\$ 1,163,916	\$ 868,199
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	323,473	299,789	264,605	244,226	235,405
Net Position - Restricted Expendable - Loans	80,436	79,091	77,300	75,637	78,357
Expendable Net Position	\$ 1,794,566	\$ 1,758,095	\$ 1,692,835	\$ 1,483,779	\$ 1,181,961
Operating Expenses	\$ 2,726,537	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849	\$ 2,365,757
Less: Scholarships & Fellowships Expense	(62,461)	(60,380)	(58,790)	(55,469)	(48,456)
Interest Expense	55,256	53,923	49,507	46,103	31,432
Adjusted Total Operating Expense	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483	\$ 2,348,733
Expendable Net Position	\$ 1,794,566	\$ 1,758,095	\$ 1,692,835	\$ 1,483,779	\$ 1,181,961
Adjusted Total Operating Expense	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483	\$ 2,348,733

## Primary Reserve Ratio

**0.66                      0.66                      0.67                      0.62                      0.50**

## Total Financial Resources per Student

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Net Position - Unrestricted	\$ 1,390,657	\$ 1,379,215	\$ 1,350,930	\$ 1,163,916	\$ 868,199
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	323,473	299,789	264,605	244,226	235,405
Net Position - Restricted Expendable - Loans	80,436	79,091	77,300	75,637	78,357
Net Position - Restricted Nonexpendable	858,820	771,146	788,876	679,494	612,119
Total Financial Resources	\$ 2,653,386	\$ 2,529,241	\$ 2,481,711	\$ 2,163,273	\$ 1,794,080
Total Financial Resources	\$ 2,653,386	\$ 2,529,241	\$ 2,481,711	\$ 2,163,273	\$ 1,794,080
Number of Students - End of Fiscal Year (FTE)	58,163	57,806	56,843	55,272	53,292

**Total Financial Resources per Student      \$ 45,620    \$ 43,754    \$ 43,659    \$ 39,139    \$ 33,665**



*Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report*
**Annual Operating Margin (Net Operating Revenues Ratio)**

<b>Fiscal Year Ended June 30,</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Operating Inc (Loss) After State Appropriations	\$ (80,309)	\$ (158,749)	\$ (67,155)	\$ 20,331	\$ (23,810)
Federal Appropriations	29,154	28,222	28,416	21,455	14,858
Federal Pell Grants	59,917	62,311	57,951	48,281	31,649
Normalized Investment Income	143,305	127,497	114,592	107,236	105,498
Private Gifts	64,103	90,346	52,564	48,695	52,552
Interest Expense	(55,256)	(53,923)	(49,507)	(46,103)	(31,432)
<b>Net Operating Surplus (Deficit)</b>	<b>\$ 160,914</b>	<b>\$ 95,704</b>	<b>\$ 136,861</b>	<b>\$ 199,895</b>	<b>\$ 149,315</b>
Total Operating Revenues	\$ 2,244,828	\$ 2,105,561	\$ 2,025,717	\$ 1,940,822	\$ 1,862,469
Less: Scholarship & Fellowships Expense	(62,461)	(60,380)	(58,790)	(55,469)	(48,456)
State Appropriations	401,400	397,629	437,631	498,358	479,478
Federal Appropriations	29,154	28,222	28,416	21,455	14,858
Federal Pell Grants	59,917	62,311	57,951	48,281	31,649
Normalized Investment Income (a)	143,305	127,497	114,592	107,236	105,498
Private Gifts	64,103	90,346	52,564	48,695	52,552
<b>Total Operating Revenues</b>	<b>\$ 2,880,246</b>	<b>\$ 2,751,186</b>	<b>\$ 2,658,081</b>	<b>\$ 2,609,378</b>	<b>\$ 2,498,048</b>

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

Net Operating Surplus (Deficit)	\$ 160,914	\$ 95,704	\$ 136,861	\$ 199,895	\$ 149,315
Total Operating Revenues	\$ 2,880,246	\$ 2,751,186	\$ 2,658,081	\$ 2,609,378	\$ 2,498,048

**Net Operating Revenues Ratio** **5.6%** **3.5%** **5.1%** **7.7%** **6.0%**

**Debt Service Coverage**

<b>Fiscal Year Ended June 30,</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Total Debt Service	\$ 80,105	\$ 80,316	\$ 78,517	\$ 71,025	\$ 53,419
Net Operating Surplus (Deficit)	\$ 160,914	\$ 95,704	\$ 136,861	\$ 199,895	\$ 149,315
Add Back: Interest Expense	55,256	53,923	49,507	46,103	31,432
Add Back: Depreciation Expense	167,796	160,915	155,103	146,753	131,167
<b>Adjusted Net Operating Surplus (Deficit)</b>	<b>\$ 383,966</b>	<b>\$ 310,542</b>	<b>\$ 341,471</b>	<b>\$ 392,751</b>	<b>\$ 311,914</b>
Adjusted Net Operating Surplus (Deficit)	\$ 383,966	\$ 310,542	\$ 341,471	\$ 392,751	\$ 311,914
Total Debt Service	\$ 80,105	\$ 80,316	\$ 78,517	\$ 71,025	\$ 53,419

**Debt Service Coverage** **4.79** **3.87** **4.35** **5.53** **5.84**

**Return on Net Position**

<b>Fiscal Year Ended June 30,</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Change in Net Position	\$ 216,322	\$ 68,373	\$ 335,508	\$ 322,122	\$ (78,999)
Average Net Position	\$ 4,192,778	\$ 4,050,431	\$ 3,848,490	\$ 3,519,675	\$ 3,404,277

**Return on Net Position Ratio** **5.2%** **1.7%** **8.7%** **9.2%** **-2.3%**

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## Contribution Ratios

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
State Appropriations	\$ 401,400	\$ 397,629	\$ 437,631	\$ 498,358	\$ 479,478
Tuition and Fees, Net of Scholarship Allow/Exp	530,344	484,896	436,712	410,842	404,708
Auxiliary Enterprises	412,351	374,823	390,585	364,528	351,387
Grants and Contracts	309,683	311,742	320,522	318,123	296,745
Federal Pell Grants	59,917	62,311	57,951	48,281	31,649
Gifts	64,103	90,346	52,564	48,695	52,552
Normalized Investment Income (a)	143,305	127,497	114,592	107,236	105,498
Patient Care	847,681	795,302	741,626	720,050	685,404
Other	111,462	106,640	105,898	93,265	90,627
<b>Total</b>	<b>\$ 2,880,246</b>	<b>\$ 2,751,186</b>	<b>\$ 2,658,081</b>	<b>\$ 2,609,378</b>	<b>\$ 2,498,048</b>
State Appropriations	13.9%	14.5%	16.5%	19.1%	19.2%
Tuition and Fees, Net of Scholarship Allow/Exp	18.4%	17.6%	16.4%	15.7%	16.2%
Auxiliary Enterprises	14.3%	13.6%	14.7%	14.0%	14.1%
Grants and Contracts	10.8%	11.3%	12.1%	12.2%	11.9%
Federal Pell Grants	2.1%	2.3%	2.2%	1.9%	1.3%
Gifts	2.2%	3.3%	2.0%	1.9%	2.1%
Normalized Investment Income (a)	5.0%	4.6%	4.3%	4.1%	4.2%
Patient Care	29.4%	28.9%	27.9%	27.6%	27.4%
Other	3.9%	3.9%	4.0%	3.6%	3.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

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

## Operating Expenses by Functional Classifications

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Instruction	\$ 623,843	\$ 604,695	\$ 557,081	\$ 537,813	\$ 544,025
Research	205,970	210,418	219,903	214,540	214,491
Public Service	148,755	147,308	143,546	146,719	173,627
Academic Support	139,413	133,742	127,856	124,119	108,626
Student Services	77,025	75,207	69,992	70,671	69,234
Institutional Support	100,453	102,565	97,934	109,493	104,198
Operation and Maintenance of Plant	89,385	97,114	69,982	55,878	70,002
Auxiliary Enterprises	1,111,436	1,069,595	1,030,316	957,394	901,931
Scholarships and Fellowships	62,461	60,380	58,790	55,469	48,456
Depreciation	167,796	160,915	155,103	146,753	131,167
<b>Total Operating Expenses</b>	<b>\$ 2,726,537</b>	<b>\$ 2,661,939</b>	<b>\$ 2,530,503</b>	<b>\$ 2,418,849</b>	<b>\$ 2,365,757</b>
Instruction	22.9%	22.7%	22.0%	22.2%	23.0%
Research	7.6%	7.9%	8.7%	8.9%	9.1%
Public Service	5.5%	5.5%	5.7%	6.1%	7.3%
Academic Support	5.1%	5.0%	5.1%	5.1%	4.6%
Student Services	2.8%	2.8%	2.8%	2.9%	2.9%
Institutional Support	3.7%	3.9%	3.9%	4.5%	4.4%
Operation and Maintenance of Plant	3.3%	3.6%	2.8%	2.3%	3.0%
Auxiliary Enterprises	40.8%	40.2%	40.7%	39.6%	38.1%
Scholarships and Fellowships	2.3%	2.3%	2.3%	2.3%	2.0%
Depreciation	6.2%	6.0%	6.1%	6.1%	5.5%
<b>Total Operating Expenses</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

## Enrollment

Fall Semester	2012	2011	2010	2009	2008
Undergraduate Students (Head Count)	56,750	54,936	53,358	51,352	49,510
Graduate Students (Head Count)	15,130	15,562	15,232	15,080	14,336
Professional Students (Head Count)	3,164	3,067	3,006	2,952	2,873
Total Students (Head Count)	75,044	73,565	71,596	69,384	66,719
Undergraduate Students (FTE)	46,107	44,940	43,737	41,974	40,294
Graduate Students (FTE)	8,576	8,877	8,571	8,401	7,890
Professional Students (FTE)	3,123	3,026	2,964	2,917	2,841
Total Students (FTE)	57,806	56,843	55,272	53,292	51,025
Acceptance Rate - First-time Freshmen	78%	79%	80%	80%	81%
Acceptance Rate - Undergraduate Transfers	71%	73%	73%	72%	72%
Matriculation - First-time Freshmen	39%	41%	42%	41%	46%
Matriculation - Undergraduate Transfers	66%	66%	67%	68%	68%

## Demographics

Fall Semester	2012	2011	2010	2009	2008
Male	48%	47%	47%	47%	46%
Female	52%	53%	53%	53%	54%
Undergraduate Residence - Missouri	80%	82%	83%	84%	84%
Undergraduate Residence - Out of State	20%	18%	17%	16%	16%
Undergraduate Full-Time	76%	77%	77%	77%	76%
Undergraduate Part-Time	24%	23%	23%	23%	24%
Graduate Full-Time	46%	45%	45%	40%	38%
Graduate Part-Time	54%	55%	55%	60%	62%
White	74.7%	75.4%	76.5%	77.1%	78.2%
Black or African American	9.9%	10.0%	9.8%	9.9%	9.3%
Non-Resident Alien	6.5%	6.4%	6.2%	6.1%	6.0%
Asian / Pacific Is.	3.6%	3.6%	3.5%	3.5%	3.4%
Hispanic	3.2%	3.0%	2.8%	2.6%	2.5%
Other	2.1%	1.6%	1.2%	0.8%	0.6%

## Degrees Awarded

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Baccalaureate	10,545	10,319	9,703	9,605	9,291
Graduate Certificate	781	623	539	520	438
Master's	3,919	4,069	3,870	3,608	3,620
Educational Specialist	115	104	100	123	148
Doctoral	660	610	557	519	487
First Professional Degree	847	790	818	800	763
Total	16,867	16,515	15,587	15,175	14,747

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

## Enrollment

Fall Semester	2012	2011	2010	2009	2008
Undergraduate Students (Head Count)	26,960	25,992	24,834	23,799	22,980
Graduate Students (Head Count)	6,473	6,534	6,310	6,288	6,024
Professional Students (Head Count)	1,271	1,236	1,197	1,150	1,126
Total Students (Head Count)	34,704	33,762	32,341	31,237	30,130
Undergraduate Students (FTE)	24,677	23,840	22,899	21,943	21,197
Graduate Students (FTE)	3,921	3,966	3,765	3,721	3,536
Professional Students (FTE)	1,248	1,215	1,174	1,134	1,108
Total Students (FTE)	29,846	29,021	27,838	26,798	25,841
Acceptance Rate - First-time Freshmen	81%	82%	83%	83%	85%
Acceptance Rate - Undergraduate Transfers	67%	67%	67%	69%	71%
Matriculation - First-time Freshmen	39%	41%	42%	41%	47%
Matriculation - Undergraduate Transfers	61%	62%	66%	66%	68%

## Demographics

Fall Semester	2012	2011	2010	2009	2008
Male	47%	47%	47%	46%	46%
Female	53%	53%	53%	54%	54%
Undergraduate Residence - Missouri	77%	79%	81%	83%	84%
Undergraduate Residence - Out of State	23%	21%	19%	17%	16%
Undergraduate Full-Time	93%	94%	94%	94%	94%
Undergraduate Part-Time	7%	6%	6%	6%	6%
Graduate Full-Time	60%	58%	58%	48%	46%
Graduate Part-Time	40%	42%	42%	52%	54%
White	79.0%	80.3%	81.8%	82.9%	83.6%
Black or African American	7.2%	6.9%	6.6%	6.4%	5.9%
Non-Resident Alien	6.3%	5.9%	5.4%	5.4%	5.4%
Asian / Pacific Is.	2.3%	2.4%	2.4%	2.5%	2.5%
Hispanic	2.9%	2.7%	2.5%	2.2%	2.0%
Other	2.3%	1.8%	1.3%	0.6%	0.6%

## Degrees Awarded

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Baccalaureate	5,692	5,528	5,087	4,963	4,855
Graduate Certificate	225	179	162	142	88
Master's	1,515	1,631	1,513	1,515	1,506
Educational Specialist	63	43	53	59	57
Doctoral	411	367	365	322	306
First Professional Degree	332	299	306	304	307
Total	8,238	8,047	7,486	7,305	7,119

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

## Enrollment

Fall Semester	2012	2011	2010	2009	2008
Undergraduate Students (Head Count)	10,614	10,122	9,850	9,381	9,261
Graduate Students (Head Count)	3,651	3,692	3,771	3,795	3,651
Professional Students (Head Count)	1,725	1,659	1,638	1,623	1,569
Total Students (Head Count)	15,990	15,473	15,259	14,799	14,481
Undergraduate Students (FTE)	7,715	7,586	7,395	6,972	6,662
Graduate Students (FTE)	1,965	2,032	2,030	2,021	1,936
Professional Students (FTE)	1,707	1,638	1,618	1,604	1,555
Total Students (FTE)	11,387	11,256	11,043	10,597	10,153
Acceptance Rate - First-time Freshmen	68%	71%	71%	72%	73%
Acceptance Rate - Undergraduate Transfers	72%	80%	72%	70%	66%
Matriculation - First-time Freshmen	37%	39%	39%	40%	42%
Matriculation - Undergraduate Transfers	63%	64%	65%	68%	67%

## Demographics

Fall Semester	2012	2011	2010	2009	2008
Male	42%	43%	43%	43%	43%
Female	58%	57%	57%	57%	57%
Undergraduate Residence - Missouri	75%	74%	75%	75%	77%
Undergraduate Residence - Out of State	25%	26%	25%	25%	23%
Undergraduate Full-Time	65%	68%	68%	67%	63%
Undergraduate Part-Time	35%	32%	32%	33%	37%
Graduate Full-Time	33%	34%	33%	33%	33%
Graduate Part-Time	67%	66%	67%	67%	67%
White	67.2%	67.9%	67.7%	67.6%	68.9%
Black or African American	12.4%	12.6%	12.6%	12.7%	12.5%
Non-Resident Alien	6.3%	6.5%	7.1%	7.4%	7.3%
Asian / Pacific Is.	6.4%	6.5%	6.4%	6.5%	6.2%
Hispanic	5.2%	4.7%	4.7%	4.3%	4.4%
Other	2.5%	1.8%	1.5%	1.4%	0.7%

## Degrees Awarded

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Baccalaureate	1,759	1,749	1,523	1,633	1,496
Graduate Certificate	33	29	24	18	20
Master's	954	999	972	911	917
Educational Specialist	24	35	25	33	49
Doctoral	93	99	77	83	68
First Professional Degree	475	444	468	455	412
Total	3,338	3,355	3,089	3,133	2,962

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

## Enrollment

Fall Semester	2012	2011	2010	2009	2008
Undergraduate Students (Head Count)	5,841	5,671	5,503	5,206	4,911
Graduate Students (Head Count)	1,804	1,850	1,702	1,608	1,456
Professional Students (Head Count)	-	-	-	-	-
Total Students (Head Count)	7,645	7,521	7,205	6,814	6,367
Undergraduate Students (FTE)	5,352	5,236	5,127	4,886	4,622
Graduate Students (FTE)	1,101	1,141	1,036	979	831
Professional Students (FTE)	-	-	-	-	-
Total Students (FTE)	6,453	6,377	6,163	5,865	5,453
Acceptance Rate - First-time Freshmen	88%	88%	87%	89%	88%
Acceptance Rate - Undergraduate Transfers	65%	67%	67%	74%	74%
Matriculation - First-time Freshmen	44%	44%	47%	47%	49%
Matriculation - Undergraduate Transfers	76%	72%	80%	71%	67%

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

## Demographics

Fall Semester	2012	2011	2010	2009	2008
Male	77%	78%	78%	78%	78%
Female	23%	22%	22%	22%	22%
Undergraduate Residence - Missouri	79%	79%	80%	81%	81%
Undergraduate Residence - Out of State	21%	21%	20%	19%	19%
Undergraduate Full-Time	90%	91%	91%	92%	93%
Undergraduate Part-Time	10%	9%	9%	8%	7%
Graduate Full-Time	58%	59%	59%	59%	52%
Graduate Part-Time	42%	41%	41%	41%	48%
White	74.8%	74.6%	75.7%	76.4%	78.3%
Black or African American	4.3%	4.9%	4.6%	5.4%	4.9%
Non-Resident Alien	14.3%	14.4%	13.9%	12.6%	11.0%
Asian / Pacific Is.	2.4%	2.4%	2.5%	2.7%	3.1%
Hispanic	2.5%	2.5%	2.4%	2.3%	2.2%
Other	1.7%	1.2%	0.9%	0.6%	0.5%

## Degrees Awarded

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Baccalaureate	1,118	1,079	1,001	998	922
Graduate Certificate	435	319	282	278	250
Master's	579	567	517	411	426
Educational Specialist	-	-	-	-	-
Doctoral	95	70	65	51	50
First Professional Degree	-	-	-	-	-
Total	2,227	2,035	1,865	1,738	1,648

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

## Enrollment

Fall Semester	2012	2011	2010	2009	2008
Undergraduate Students (Head Count)	13,335	13,151	13,171	12,966	12,358
Graduate Students (Head Count)	3,202	3,486	3,449	3,389	3,205
Professional Students (Head Count)	168	172	171	179	178
Total Students (Head Count)	16,705	16,809	16,791	16,534	15,741
Undergraduate Students (FTE)	8,364	8,279	8,317	8,172	7,814
Graduate Students (FTE)	1,589	1,738	1,740	1,681	1,587
Professional Students (FTE)	168	172	171	179	178
Total Students (FTE)	10,121	10,189	10,228	10,032	9,579
Acceptance Rate - First-time Freshmen	54%	54%	58%	60%	59%
Acceptance Rate - Undergraduate Transfers	73%	75%	78%	77%	79%
Matriculation - First-time Freshmen	41%	41%	37%	39%	38%
Matriculation - Undergraduate Transfers	70%	71%	66%	69%	69%

## Demographics

Fall Semester	2012	2011	2010	2009	2008
Male	40%	40%	39%	38%	35%
Female	60%	60%	61%	62%	65%
Undergraduate Residence - Missouri	93%	93%	93%	93%	93%
Undergraduate Residence - Out of State	7%	7%	7%	7%	7%
Undergraduate Full-Time	46%	46%	46%	46%	47%
Undergraduate Part-Time	54%	54%	54%	54%	53%
Graduate Full-Time	26%	26%	28%	23%	23%
Graduate Part-Time	74%	74%	72%	77%	77%
White	72.6%	72.3%	73.7%	74.2%	75.4%
Black or African American	15.8%	16.7%	16.4%	16.6%	15.6%
Non-Resident Alien	3.6%	3.8%	3.7%	3.6%	3.9%
Asian / Pacific Is.	4.3%	3.9%	3.2%	3.2%	3.0%
Hispanic	2.4%	2.3%	2.1%	1.9%	1.7%
Other	1.3%	1.0%	0.9%	0.5%	0.4%

## Degrees Awarded

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Baccalaureate	1,976	1,963	2,092	2,011	2,018
Graduate Certificate	88	96	71	82	80
Master's	871	872	868	771	771
Educational Specialist	28	26	22	31	42
Doctoral	61	74	50	63	63
First Professional Degree	40	47	44	41	44
Total	3,064	3,078	3,147	2,999	3,018



# University of Missouri System

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