



University of Missouri System

COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS

2014 FINANCIAL REPORT

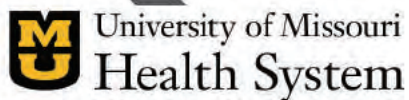


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Message from the President

As the state's largest public four-year research university and a vital driving force of the state's economic vitality, the University of Missouri System is committed to improving the well being of all 6 million Missourians. We take great pride in our responsibility to be good stewards of state resources.

We were encouraged this legislative session by the support of the entire General Assembly. In fact, we are in a position to receive the highest year over year funding increase to our budget in the past 14 years. We advocate proudly for our university and are appreciative of our lawmakers—who have demonstrated that they, too, value higher education in the state.

As you'll note in the following pages, our fiscal position and health remains strong and sound. Despite the decision to keep tuition flat for FY14, the university has been able to maintain its strong financial position through efficiency strategies across the system. These include lowering our administrative costs in order to allow for more investment toward the academic mission of the university.

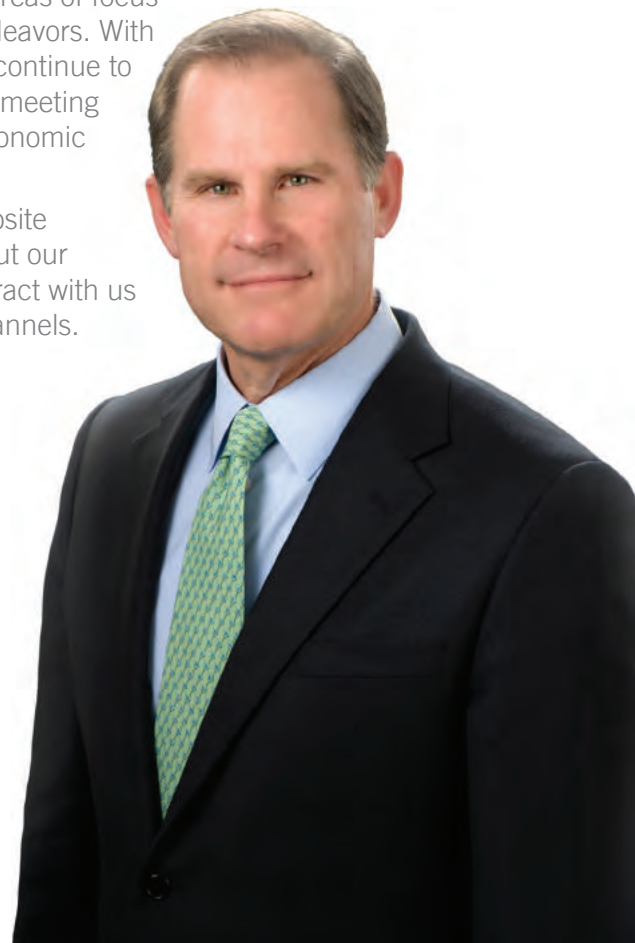
In order to continue to thrive, we must continue to make decisions that will help ensure our financial stability well into the future, which requires strategic thinking about the university's areas of focus and how to apply precious resources to those endeavors. With our strategic planning efforts in full force, we will continue to look for ways to be more efficient and effective in meeting our mission of research, teaching, service and economic development.

This information and more is available on our website at www.umsystem.edu. We invite you to read about 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



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.



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



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



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



Ann Covington
Columbia
Term Expires: Jan. 1, 2019



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



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



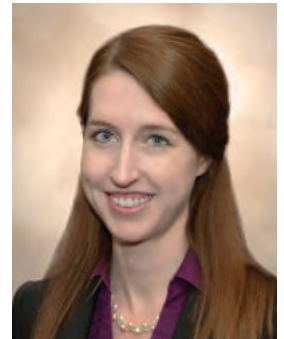
John R. Phillips
Kansas City
Term expires: Jan. 1, 2019



David L. Steelman
Rolla
Term expires: Jan. 1, 2019



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



Tracy Mulderig
Student Representative
to the Board of Curators,
UMSL
Term expires: Jan. 1, 2016

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



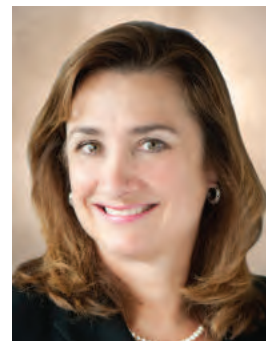
Brian D. Burnett, PhD
Vice President for Finance
and Chief Financial Officer



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



Stephen C. Knorr
Vice President for
University Relations



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



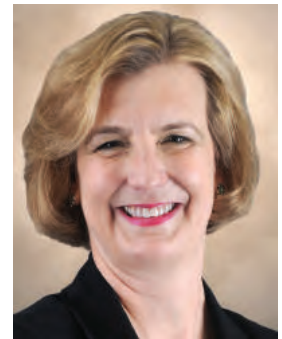
Thomas F. George, PhD
Chancellor,
University of Missouri-St. Louis



R. Bowen Loftin, PhD
Chancellor,
University of Missouri-Columbia



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

Brian D. Burnett, Vice President for Finance and Chief Financial Officer

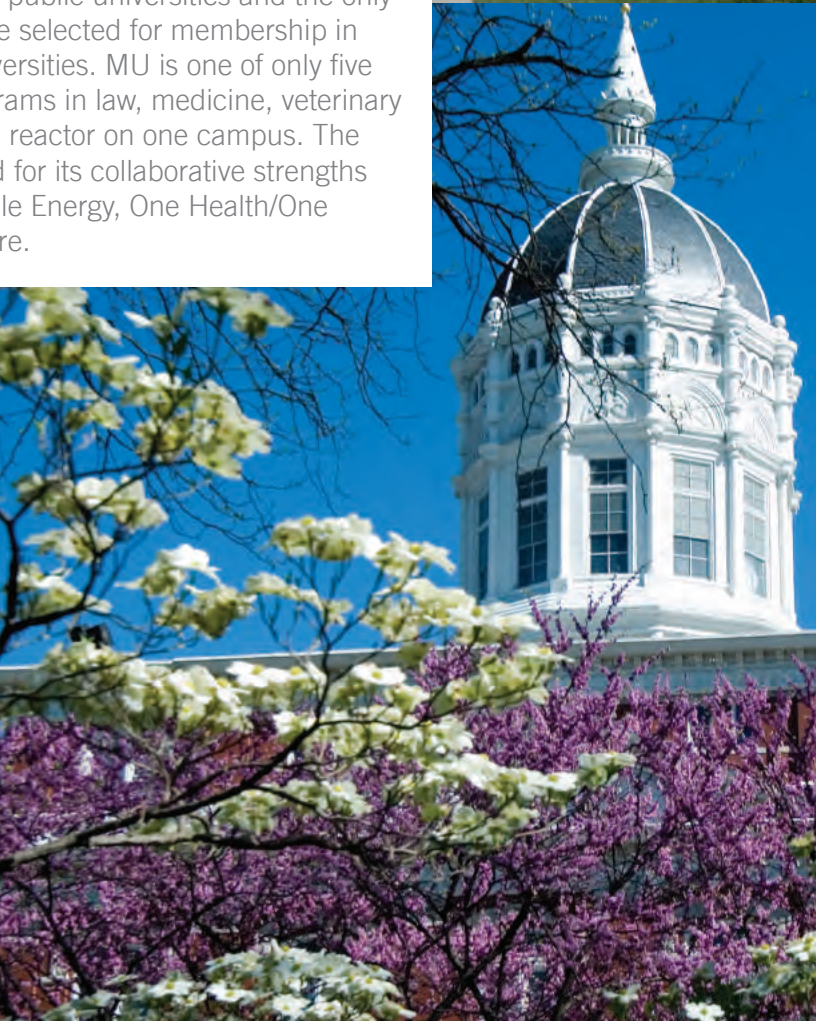
Ryan Rapp, Controller

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

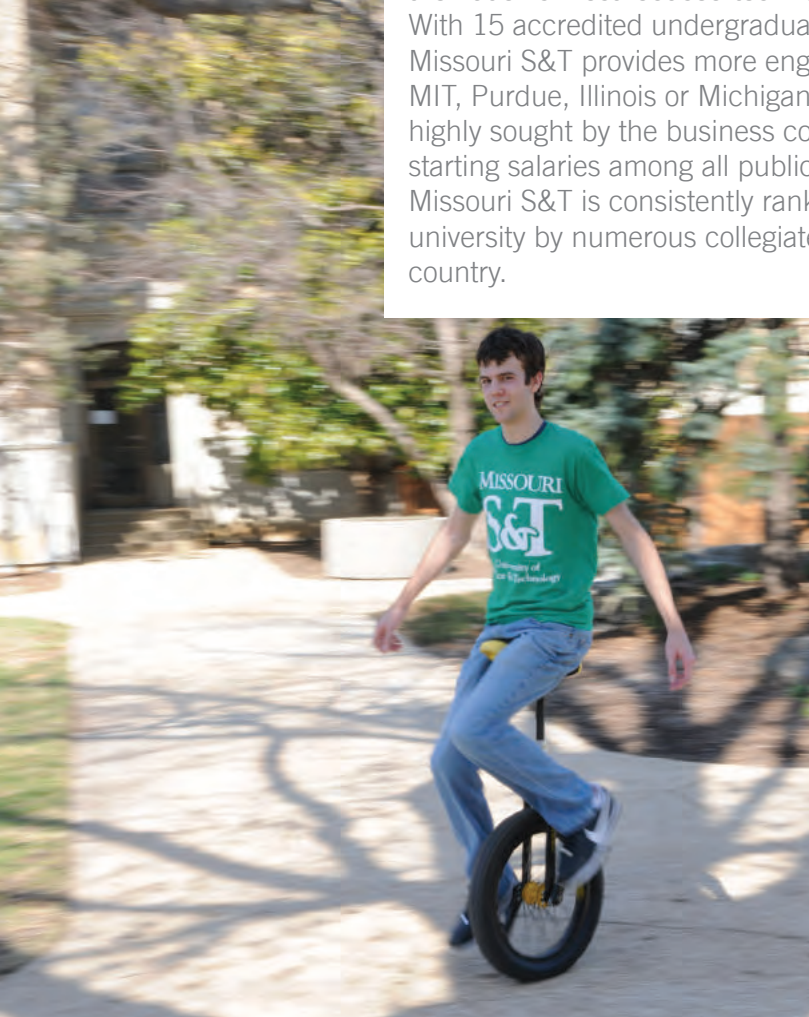
The University of Missouri-Kansas City, located in the heart of Kansas City, is a comprehensive, public research university offering more than 125 academic programs across a wide spectrum of academic units including the liberal arts, sciences, business, education, engineering, the performing arts and nursing as well as professional programs in dentistry, law, medicine and pharmacy. In 2014, the Princeton Review named UMKC a “Best Value” public university, for the third consecutive year. 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 largest research university located in Missouri's most populous and economically important region, the University of Missouri-St. Louis provides excellent learning experiences and leadership opportunities to a diverse student body whose influence on the region upon graduation is immense. 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.

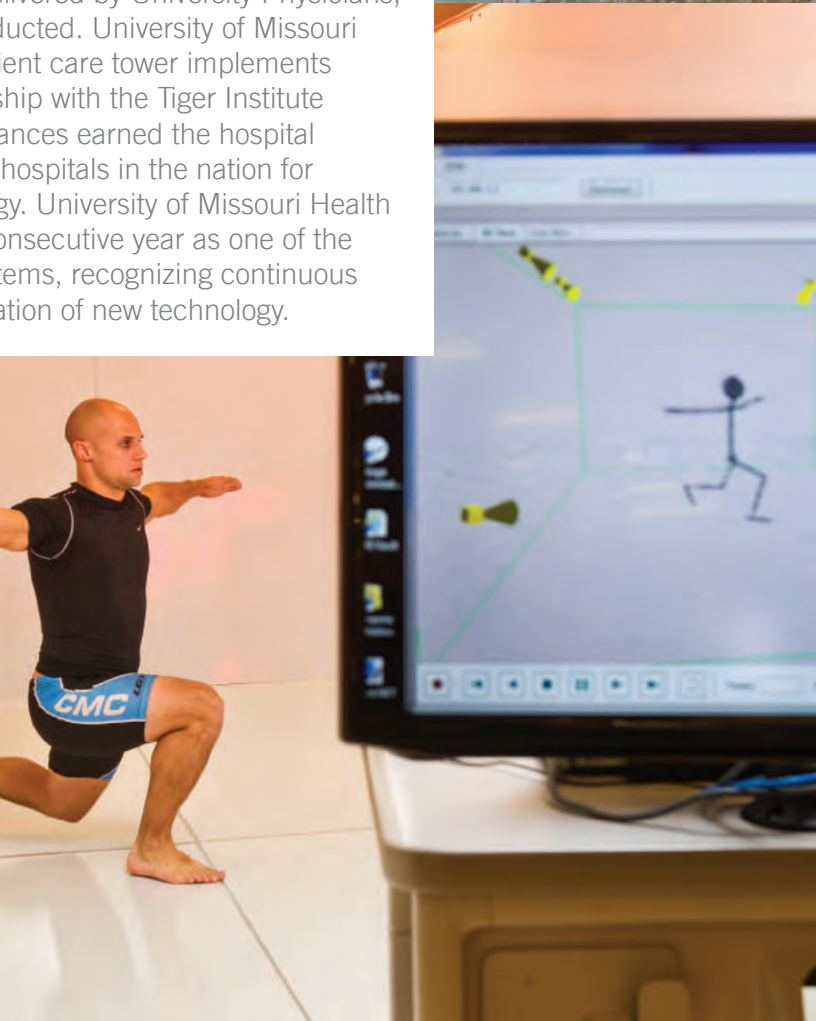




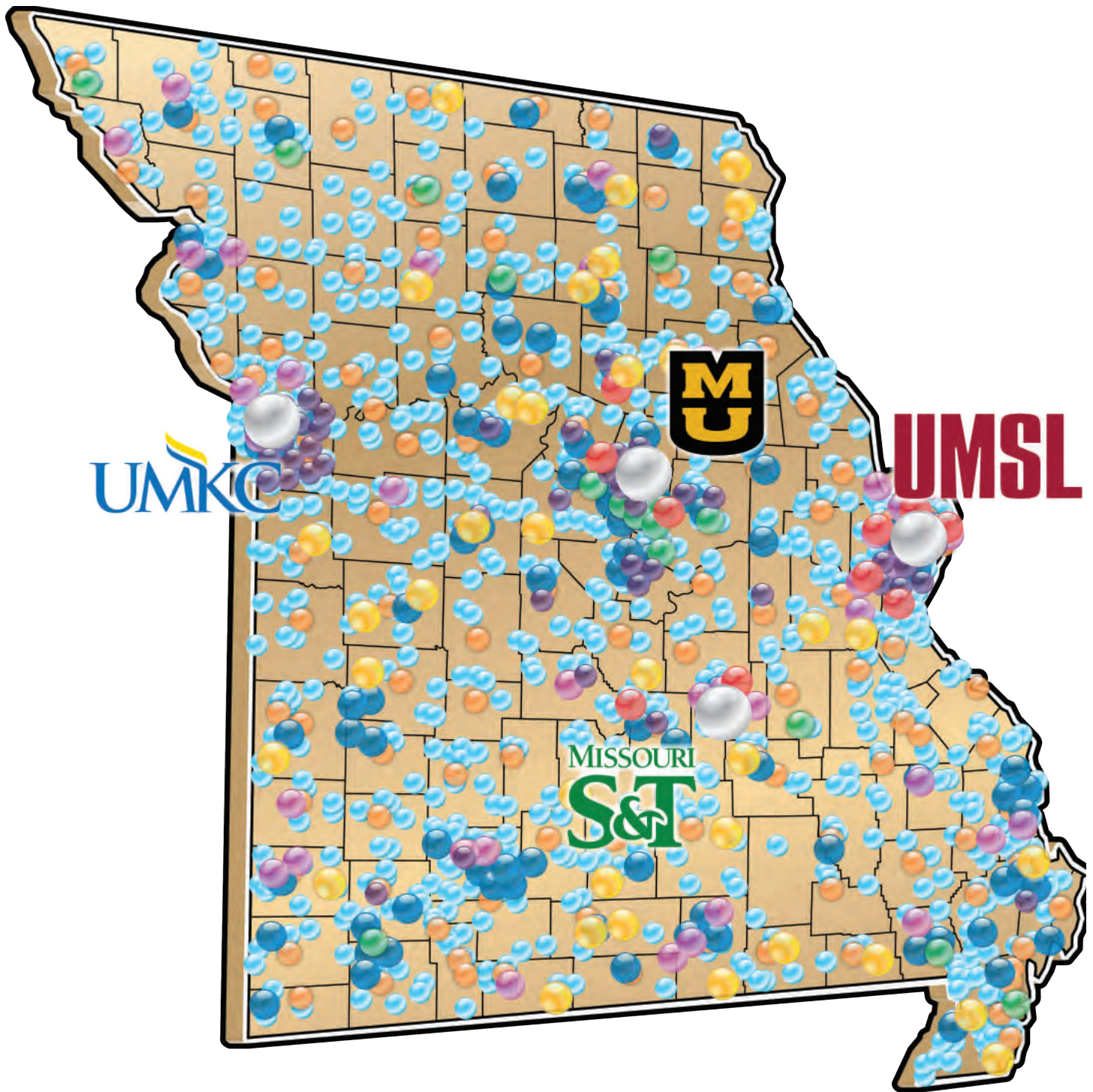
University of Missouri Health Care

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 named for the fourth consecutive year as one of the nation's "Most Wired" health systems, recognizing continuous advancements in the implementation of new technology.



University of Missouri System Statewide Reach



4 UM System Campuses

10 Research Parks /
Business Incubators

19 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

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS



MISSOURI

October 10, 2014

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 77, 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.

Brian D. Burnett
Vice President for Finance and Chief Financial Officer



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

FINANCIAL INFORMATION

UNIVERSITY OF MISSOURI SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 (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 year ended June 30, 2014, 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, its Blended Component Unit, and its Discretely Presented Component Unit 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.

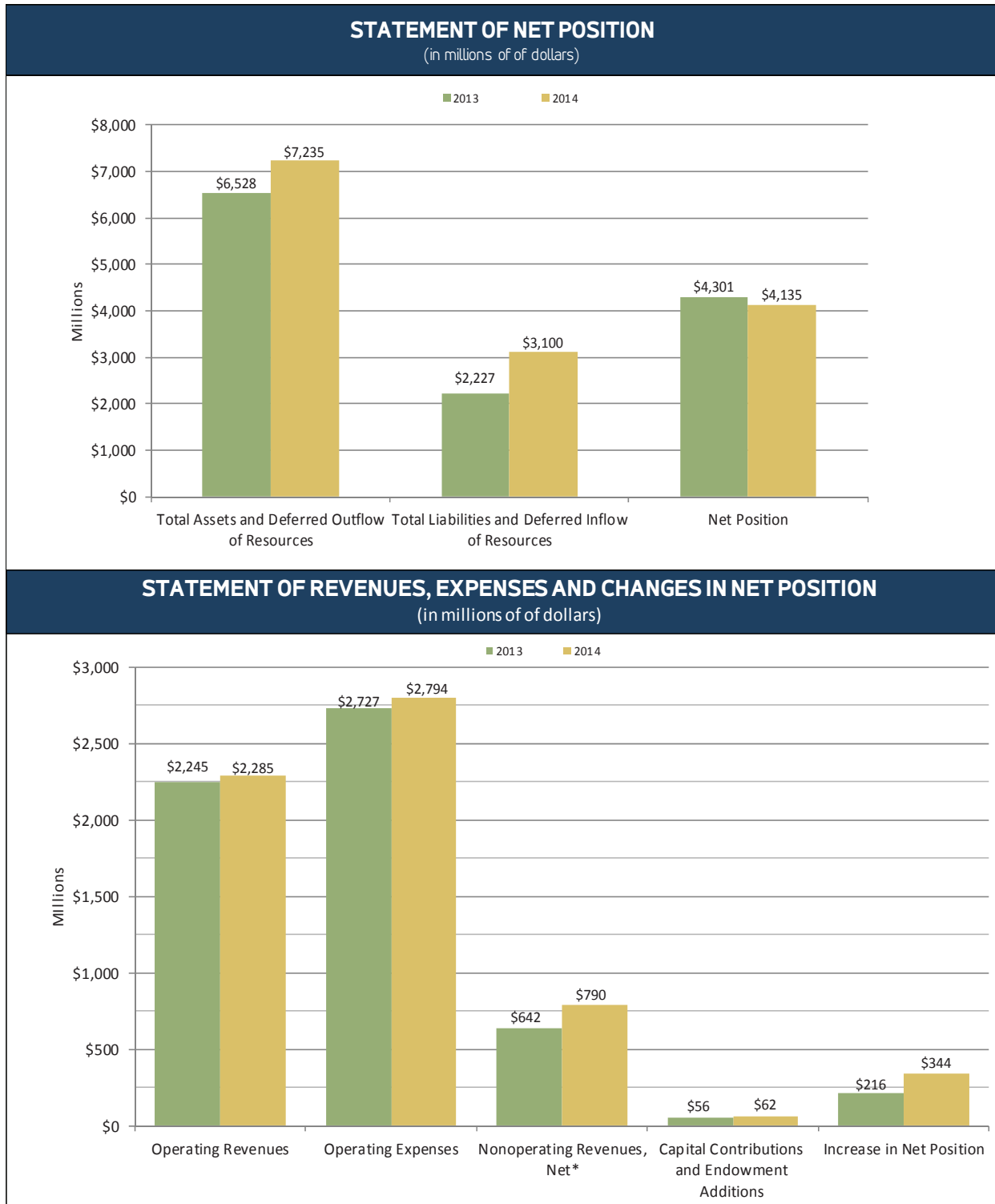
FINANCIAL HIGHLIGHTS

At June 30, 2014, the University's financial position remained solid, with Total Assets of \$7.2 billion. Net Position, which represents the residual value of the University's assets and deferred outflow of resources after deducting liabilities and deferred inflow of resources, totaled \$4.1 billion. When operating and non-operating changes are included, Net Position increased by approximately \$344.0 million as compared to fiscal year (FY) 2013. Taking into account a (\$509.9) million cumulative effect of a change in accounting principle, Net Position decreased by approximately \$166.0 million in fiscal year (FY) 2014, primarily driven by the net pension liability at the beginning of the year related to the implementation of GASB Statement No. 68.

UNIVERSITY OF MISSOURI SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 (unaudited)

The following charts compare Total Assets and Deferred Outflow of Resources, Liabilities and Deferred Inflow of Resources, and Net Position at June 30, 2014 and 2013, and the major components of changes in Net Position for the years ended June 30, 2014 and 2013:



*includes State Appropriations

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

June 30, 2014 (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 deferred outflow of resources and liabilities and deferred inflow of resources 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 deferred outflow of resources and liabilities and deferred inflow of resources 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 and deferred outflow of resources, liabilities and deferred inflow of resources and net position at June 30, 2014 and 2013:

CONDENSED STATEMENT OF NET POSITION		
(in thousands of dollars)		
As of June 30,	2014	2013
Assets		
Current Assets	\$ 1,110,174	\$ 950,039
Noncurrent Assets		
Endowment and Other Long-Term Investments	2,827,084	2,442,510
Capital Assets, Net	3,123,172	2,997,508
Other	122,208	116,475
Deferred Outflow of Resources	52,417	21,736
Total Assets and Deferred Outflow of Resources	\$ 7,235,055	\$ 6,528,268
Liabilities		
Current Liabilities		
Commercial Paper and Current Portion of Long-Term Debt	\$ 92,433	\$ 203,295
Long-Term Debt Subject to Remarketing Agreements	99,445	99,895
Other	770,196	582,292
Noncurrent Liabilities		
Long-Term Debt	1,411,225	1,103,004
Other	540,926	238,843
Deferred Inflow of Resources	185,860	-
Total Liabilities & Deferred Inflow of Resources	3,100,085	2,227,329
Net Position		
Net Investment in Capital Assets	1,626,371	1,636,334
Restricted -		
Nonexpendable	998,947	858,820
Expendable	477,728	415,128
Unrestricted	1,031,924	1,390,657
Total Net Position	4,134,970	4,300,939
Total Liabilities and Net Position	\$ 7,235,055	\$ 6,528,268

ASSETS AND DEFERRED OUTFLOW OF RESOURCES

Total Assets increased by \$706.8 million, or 10.8%, to \$7.2 billion as of June 30, 2014 compared to the prior

year. The increase during FY 2014 was driven primarily by strong returns on the University's **Investments**. At the same time, the University continued to expand **Capital Assets** across all of its campuses to meet housing, educational, and patient care needs.

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

June 30, 2014 (unaudited)

At June 30, 2014, the University's working capital, which is current assets less current liabilities, was \$148.1 million, an increase of \$83.5 million from the previous year. The largest driver of the increase was a \$208.2 million increase in **Investment Settlements Receivable** for sales 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 guidelines, of Long-Term Debt Subject to Remarketing. If Long-Term Debt Subject to Remarketing were excluded from Current Liabilities, working capital would be \$247.5 million at June 30, 2014, also expressed as Current Assets of 1.29 times Current Liabilities.

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

SUMMARY OF WORKING CAPITAL		
(in thousands of dollars)		
As of June 30,	2014	2013
Current Assets	\$ 1,110,174	\$ 950,039
Current Liabilities	962,074	885,482
Working Capital	\$ 148,100	\$ 64,557
Ratio of Current Assets to Current Liabilities	1.15	1.07
Current Assets	1,110,174	950,039
Current Liabilities	962,074	885,482
Less: Long-Term Debt Subject to Remarketing	(99,445)	(99,895)
Current Liabilities, As Restated	862,629	785,587
Working Capital, As Restated	\$ 247,545	\$ 164,452
Ratio of Current Assets to Current Liabilities (As Adjusted)	1.29	1.21

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

June 30, 2014 (unaudited)

At June 30, 2014, the University held \$146.9 million in **Cash and Cash Equivalents**, a decrease of \$111.5 million from June 30, 2013. The decrease in cash at June 30, 2014 is largely due to timing differences as more working capital was invested at June 30, 2014 as compared to June 30, 2013. **Short-Term and Long-Term Investments** totaled \$3.1 billion as of June 30, 2014, representing an increase of 11.7% over the prior year. The increase in investment balances during FY 2014 is partially offset by decreases in cash and cash equivalents due to an increased investment of working

capital. The financial markets improved during FY 2014; net realized and unrealized gains and losses increased by \$137.7 million, going from a net gain of \$96.5 million in FY 2013 to a net gain of \$234.2 million in FY 2014. The overall change in investment returns is evident across all investment pools. The Endowment Pool, Fixed Income Pool and General Pool experienced a net gain of 16.7%, 7.5% and 6.2% in FY 2014, respectively as compared to a net gain of 12.6%, 3.5% and (0.9)% in FY 2013, respectively.

Composition and returns of the University's various investment pools for the years ended June 30, 2014 and 2013 were as follows:

CASH, CASH EQUIVALENTS AND INVESTMENTS							
(in thousands of dollars)							
	June 30, 2014					June 30, 2013	
	Cash and Cash Equivalents	Short-Term and Long- Term	Total	Total Return	Benchmark Index Return (A)	Total	Total Return
General Pool	\$ 104,727	\$ 1,589,265	\$ 1,693,992	6.2%	3.1%	\$ 1,682,716	-0.9%
Endowment Funds							
Endowment Pool	27,302	1,299,224	1,326,526	16.7%	17.6%	1,135,525	12.6%
Fixed Income Pool	3,086	70,379	73,465	7.5%	6.5%	73,369	3.5%
Other	11,820	122,150	133,970	N/A		125,278	N/A
Total	\$ 146,935	\$ 3,081,018	\$ 3,227,953			\$ 3,016,888	

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

At June 30, 2014, the University's investment in **Capital Assets** totaled \$3.1 billion compared to \$3.0 billion at June 30, 2013. The University added \$308.9 million in capital assets, net of retirements, during FY 2014,

offset by depreciation of \$183.3 million for the year. FY 2013 capital asset additions of \$316.3 million, net of retirements, were offset by \$167.8 million in depreciation.

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

June 30, 2014 (unaudited)

Note 6 presents additional information on changes by asset classification. Major capital projects either substantially completed in FY 2014 or ongoing are shown in the following table:

SELECTED CAPITAL PROJECTS			
(Fiscal Year Ended June 30, 2014)			
Campus	Expenditures		Source of Funding
	Project Budget	Through June 30,	
Columbia:			
Virginia Avenue South	\$28,400,000	\$ 5,519,000	Revenue Bonds, Campus Reserves
Renovation of Johnston and Wolpers Memorial Stadium	42,800,000	26,806,000	Revenue Bonds, Campus Reserves
Dobbs Dining Replacement Project	55,300,000	33,498,000	Revenue Bonds
	139,603,000	1,559,000	Revenue Bonds, Campus Reserves
Hospital:			
Green Meadows	28,528,000	15,380,000	Revenue Bonds, Reserves
MO Orthopaedic Institute	35,334,000	654,000	Revenue Bonds, Reserves
Kansas City:			
Hospital Hill	32,400,000	23,780,000	Revenue Bonds
Missouri S&T:			
Geothermal Energy Project	32,400,000	26,085,000	Revenue Bonds, Campus Reserves
Bertelsmeyer Hall	30,509,000	11,381,000	Revenue Bonds, Campus Reserves, Gifts
St. Louis:			
Wellness Center	36,000,000	9,854,000	Revenue Bonds
Benton Science Learning Building	30,000,000	2,874,000	Revenue Bonds, Campus Reserves
Optometry Building	18,300,000	145,000	Revenue Bonds, Campus Reserves

LIABILITIES AND DEFERRED INFLOW OF RESOURCES

Total Liabilities and Deferred Inflow of Resources was \$872.8 million higher at June 30, 2014 as compared to June 30, 2013. Significant changes in **Current Liabilities** at June 30, 2014 include a \$84.3 million increase in **Investment Settlements Payable** for purchases of investments occurring on or before June 30, but settling after June 30; a \$89.0 million increase in **Collateral Held for Securities Lending**; and a \$110.9 million decrease in **Commercial Paper and Current Portion of Long-Term Debt**.

Current Liabilities include long-term variable rate demand bonds subject to remarketing agreements totaling \$99.4 million and \$99.9 million at June 30, 2014 and 2013, 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.

The University's Commercial Paper Program can issue up to an aggregate outstanding principal amount of \$375 million. During fiscal year 2014, the University refunded \$147.5 million of Commercial Paper with bond issuances and issued \$45.0 million of commercial paper to fund working capital needs. During fiscal year 2013, the University issued \$18.9 million of Commercial Paper to finance capital projects.

Noncurrent Liabilities represent those commitments beyond one year. Three new bonds were issued in FY 2014. On November 26, 2013 the University issued \$11.3 million and \$150.0 million in Series 2013A System Facilities Revenue Bonds and 2013B Taxable System Facilities Revenue Bonds, respectively. Proceeds from issuance of the Series 2013A and 2013B Bonds were used to refund the Series 2003B bonds, finance construction projects across multiple campuses and the health system, and finance the cost of issuance of the Series 2013A and 2013B bonds. The all-in-true interest cost of the Series 2013A and 2013B bonds is 2.2% and 4.9%, respectively.

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

June 30, 2014 (unaudited)

On May 22, 2014 the University issued \$294.5 million in Series 2014A System Facilities Revenue Bonds. Proceeds from issuance of the Series 2014A bonds were used to refund a portion of Series 2007A bonds, repaying a portion of outstanding Commercial Paper

Notes and paying the cost of issuance of the Series 2014A bonds. The all-in-true interest cost of the Series 2014A bonds is 3.2%.

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

LONG-TERM DEBT (in thousands of dollars)		
As of June 30,	2014	2013
System Facilities Revenue Bonds	\$ 1,420,420	\$ 1,185,400
Unamortized Premium and Loss on Defeasance	72,556	23,489
Total Bonds Payable	1,492,976	1,208,889
Notes Payable	33,389	14,130
Capital Lease Obligations	5,166	5,920
Commercial Paper	71,572	177,255
Total Long-Term Debt	\$ 1,603,103	\$ 1,406,194
Contractual Maturities Within One Year		
Bonds Payable - Fixed Rate	\$ 18,640	\$ 23,890
Bonds Payable - Variable Rate Demand	450	435
Notes Payable	951	960
Capital Lease Obligations	820	755
Commercial Paper	71,572	177,255
Total Contractual Maturities Within One Year	\$ 92,433	\$ 203,295

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

Revenue Bonds and Commercial Paper (in thousands of dollars)							
	June 30, 2014						
	MU	UMKC	UMSL	Missouri S&T	University Health Care	Unallocated Bond Cost	Total
Athletics	\$ 81,268	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 81,268
Campus Utilities	143,910	11,325	-	30,945	-	-	186,180
Classroom & Research	56,367	26,368	12,275	15,281	-	-	110,291
Critical Repairs/Maintenance	17,313	7,386	4,558	5,132	-	-	34,389
Housing	261,674	106,015	20,554	58,920	-	-	447,163
Health Care	-	-	-	-	306,257	-	306,257
Student Centers	45,952	46,002	20,666	-	-	-	112,620
Parking	39,555	7,222	15,762	1,089	-	-	63,628
Recreational Facilities	27,851	40,378	17,395	9,922	-	-	95,546
Other	811	1,008	-	-	-	7,831	9,650
Short-term working capital	-	-	-	-	-	45,000	45,000
Unamortized Premium	-	-	-	-	-	72,556	72,556
Total	\$ 674,701	\$ 245,704	\$ 91,210	\$ 121,289	\$ 306,257	\$ 125,387	\$ 1,564,548

UNIVERSITY OF MISSOURI SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

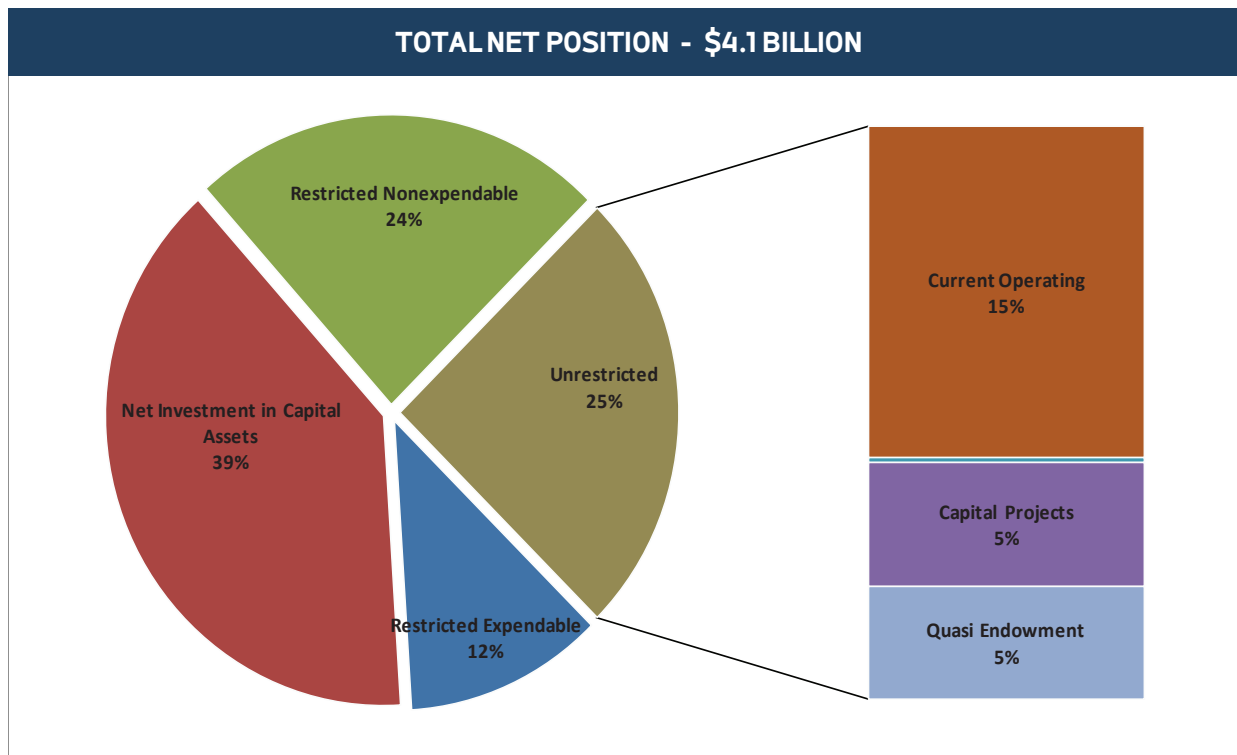
June 30, 2014 (unaudited)

Deferred Inflow Resources represent an acquisition of net position by the University that is applicable to a future period. During FY 2014, the University recognized \$185.9 million of deferred inflow resources representing the difference between actual and expected earnings on pension plan investments.

NET POSITION

Net Position represents the value of the University's assets after liabilities are deducted. The University's total **Net Position** decreased by \$166.0 million during the year ended June 30, 2014.

The distribution of the Net Position balances, including additional details on unrestricted net position by fund type, as of June 30, 2014, 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 decreased by \$10.0 million in FY 2014. This decrease was driven by a change in accounting principle requiring the write-down of previously capitalized bond issue costs.

Restricted Nonexpendable Net Position includes endowment assets that are subject to externally imposed stipulations for the principal to be maintained in perpetuity by the University. Favorable market

experience led to a \$140.1 million, or 16.3%, increase in Restricted Nonexpendable Net Position during FY 2014. Favorable market conditions were largely responsible for an \$87.7 million, or 11.4%, increase during FY 2013.

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 \$62.6 million, or 15.1%, during FY 2014 and \$26.1 million, or 6.7%, in FY 2013. As of June 30, 2014, this category includes:

UNIVERSITY OF MISSOURI SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 (unaudited)

- \$349.6 million of net position restricted for operations and giving purposes compared to \$323.4 million at June 30, 2013;
- \$81.8 million for student loan programs compared to \$80.4 million at June 30, 2013; and
- \$46.4 million for facilities compared to \$11.2 million at June 30, 2013.

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 decreased by \$358.7 million, or 25.8%, to \$1.0 billion at June 30, 2014. A (\$509.9) million cumulative effect of a change in accounting principle from the implementation of GASB 68 was the primary driver of

the decrease in FY 2014. 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, 2014 and 2013, University Health Care designated funds totaled \$351.8 million and \$309.5 million, respectively; capital project-designated funds totaled \$221.3 million and \$238.2 million, respectively; student loan program-designated funds totaled \$8.8 million and \$8.7 million, respectively; and unrestricted funds functioning as endowments totaled \$204.3 million and \$177.9 million, respectively. The remaining Unrestricted Net Position is available for the University's instructional and public service missions and its general operations totaled \$245.7 million and \$656.4 million at June 30, 2014 and 2013, respectively.

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 (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.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
(in thousands of dollars)

Fiscal Year Ended June 30,	2014	2013
Operating Revenues		
Net Tuition and Fees	\$ 627,273	\$ 592,805
Grants and Contracts	286,987	309,683
Patient Medical Services, Net	873,638	847,681
Other Auxiliary Enterprises	409,184	412,351
Other Operating Revenues	88,174	82,308
Total Operating Revenues	2,285,256	2,244,828
Operating Expenses		
Salaries, Wages and Benefits	1,709,706	1,729,656
Supplies, Services and Other Operating Expenses	833,799	766,624
Other Operating Expenses	250,169	230,257
Total Operating Expenses	2,793,674	2,726,537
Operating Loss Before State Appropriations	(508,418)	(481,709)
State Appropriations	412,650	401,400
Loss after State Appropriations, before		
Nonoperating Revenues (Expenses)	(95,768)	(80,309)
Nonoperating Revenues (Expenses)		
Investment and Endowment Income , Net of Fees	281,837	147,433
Private Gifts	66,780	64,103
Interest Expense	(59,916)	(55,256)
Other Nonoperating Revenues, Net	88,928	84,249
Net Nonoperating Revenues (Expenses)	377,629	240,529
Income before Capital Contributions and Additions to Permanent Endowments	281,861	160,220
State Capital Appropriations	-	745
Capital Gifts and Grants	14,727	20,244
Private Gifts for Endowment Purposes	47,390	35,113
Increase in Net Position	343,978	216,322
Net Position, Beginning of Year	4,300,939	4,084,617
Cumulative Effect of a Change in Accounting Principle	(509,947)	-
Net Position, Beginning of Year, Restated	3,790,992	4,084,617
Net Position, End of Year	\$ 4,134,970	\$ 4,300,939

OPERATING REVENUES

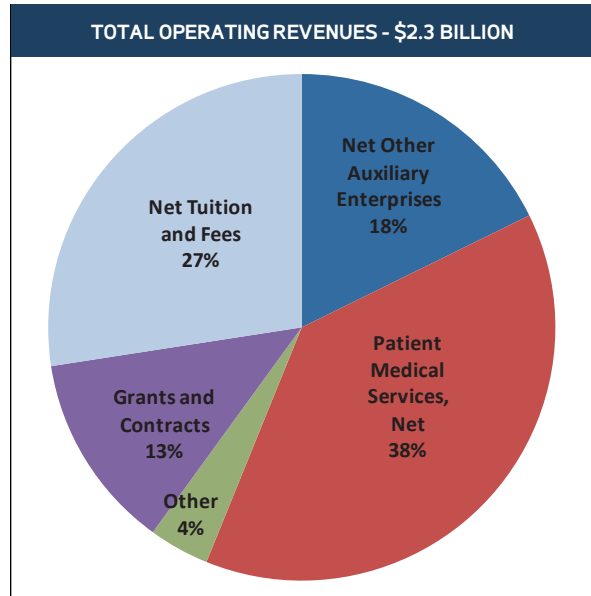
Operating Revenues represent resources generated by the University in fulfilling its instruction, research, and public service missions. Total **Operating Revenues** increased \$40.4 million, or 1.8%, in FY 2014. **Net Tuition and Fees, Patient Medical Services** and **Other**

Auxiliary Enterprises continued to grow over FY 2013, but this growth was offset by a decrease in **Grants and Contracts**.

UNIVERSITY OF MISSOURI SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 (unaudited)

The following is a graphic illustration of operating revenues by source for FY 2014:



Tuition and Fees, net of **Scholarship Allowances**, increased by \$34.5 million, or 5.8%, in FY 2014 and by \$47.5 million, or 8.7%, in FY 2013. The increase in FY 2014 was driven by a 1% growth in full-time equivalent enrollment and increases of 1.7% in resident and between 1.7% and 6.8% in non-resident tuition rates varying by campus.

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 \$22.7 million, or 7.3%, in FY 2014 compared to a decrease of 0.7% in FY 2013. Federal Grants and Contracts declined in FY 2014 as projects funded by the American Recovery and Reinvestment Act expired.

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 \$22.8 million, or 1.8% in FY 2014. **Patient Medical Services**, which includes fees for services provided by University Health Care, had the largest increase among auxiliaries at \$26.0 million, or 3.1%. This was largely driven by growth in inpatient areas with discharges increasing by 3.9% over FY 2013.

NONOPERATING REVENUES

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.

Total **State Appropriations** received for University operations, University Health Care operations, and other special programs increased by \$11.3 million, or 2.8%, in FY 2014. Even though State Appropriations increased over FY 2013, the increase was not as high as expected as the State's lottery revenue fell short of expectations, resulting in increased withholdings for FY 2014.

As one of the more volatile sources of non-operating 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 \$281.8 million in FY 2014 as compared to a net gain of \$147.4 million in FY 2013, an increase of \$134.4 million for the year ended June 30, 2014.

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 2014, the University received gifts totaling \$128.9 million, as compared to \$119.5 million for FY 2013.

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

June 30, 2014 (unaudited)

Total **Interest Expense** for the year ended June 30, 2014 was \$67.9 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, 2014 and 2013, capitalization of interest earned on unspent bond proceeds totaled \$8.0 million and \$9.2 million, respectively, resulting in net interest expense of \$59.9 million and \$55.3 million, respectively.

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

INTEREST EXPENSE (in thousands of dollars)		
Fiscal Year Ended June 30,	2014	2013
System Facilities Revenue Bonds	\$ 59,401	\$ 56,208
Net Payment on Interest Rate Swaps	7,176	7,104
Total System Facilities Revenue Bonds	66,577	63,312
Capitalized Lease Obligations	807	867
Notes Payable	385	35
Commercial Paper	150	255
Total Interest Expense Before		
Capitalization of Interest	67,919	64,469
Capitalization of Interest, Net of Interest		
Earned on Unspent Bond Proceeds	(8,003)	(9,213)
Total Interest Expense	\$ 59,916	\$ 55,256

In FY 2014, **Other Nonoperating Revenues, Net** of \$88.9 million increased \$4.7 million over FY 2013. The increase is primarily due to positive experience on insurance recoveries for FY 2014. In FY 2014 and FY 2013, Federal Appropriations include cash

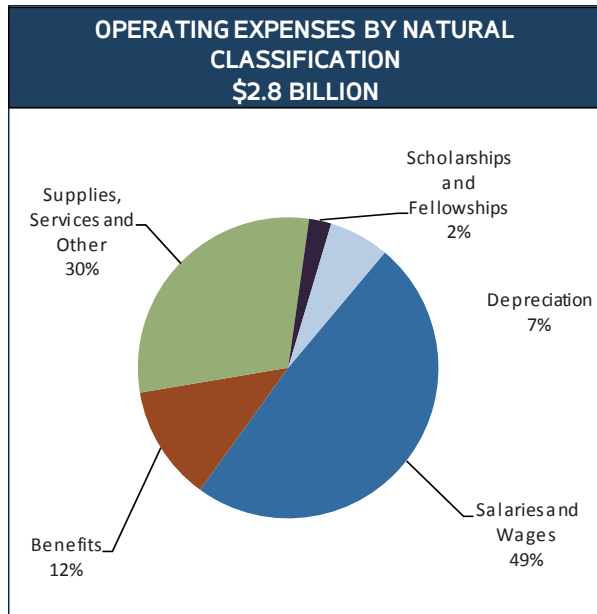
subsidy payments from the United States Treasury totaling \$9.8 million and \$10.5 million respectively, for designated Build America Bonds outstanding. Pell Grants were flat in FY 2014.

UNIVERSITY OF MISSOURI SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 (unaudited)

OPERATING EXPENSES

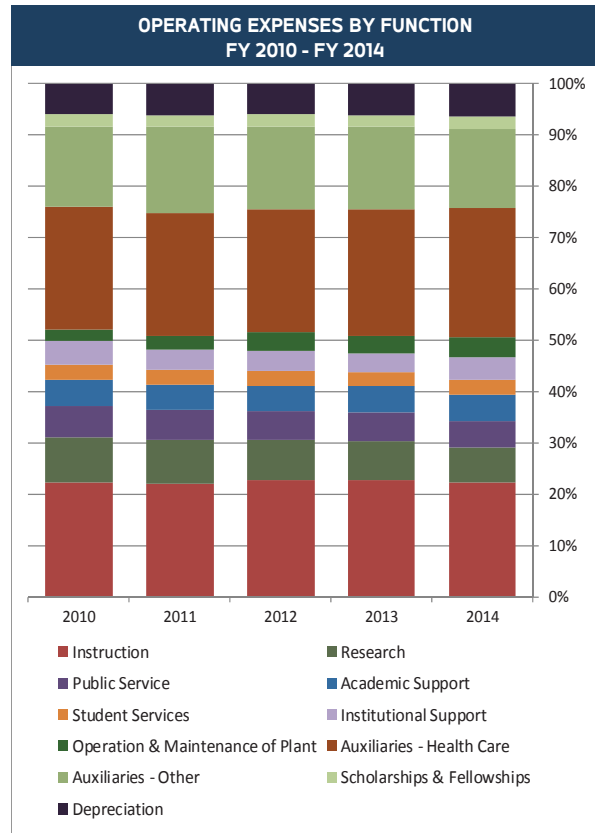
Total Operating Expenses increased by \$67.1 million, or 2.5%, in FY 2014 compared to an increase of \$64.6 million, or 2.4%, in FY 2013. The following graph illustrates the University's operating expenses by natural classification for FY 2014:



During FY 2014, **Salaries, Wages and Benefits** decreased by approximately 1.2% as compared to a 3.1% increase in the prior fiscal year. Salaries and Wages increased by \$19.6 million, or 1.5%, driven by merit increases. Staff Benefits in FY 2014 decreased \$39.5 million, or 10.2%, over FY 2013 primarily due to positive investment performance on the pension plan.

In FY 2014, the University's **Supplies, Services, and Other Operating** expenses of \$833.8 million increased by \$67.2 million, or 8.8%, over the prior fiscal year. The increase in growth for FY 2014 was due to increased volatility in self-insured expenses.

The following illustrates the University's operating expenses by function for FY 2010 through FY 2014:



The core missions of instruction, research, and public service account for the largest proportion of Operating Expenses at 34.3% for FY 2014. University Health Care constitutes the next highest proportion at 25.2% of expenses for FY 2014. Excluding University Health Care, instruction, research, and public service account for 45.9% of Operating Expenses for FY 2014. 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, 2014 (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, 2014 and 2013:

CONDENSED STATEMENT OF CASH FLOWS		
(in thousands of dollars)		
Fiscal Year Ended June 30,	2014	2013
Net Cash Used in Operating Activities	\$ (366,936)	\$ (251,188)
Net Cash Provided from Noncapital Financing Activities	621,579	581,032
Net Cash Used in Capital and Related Financing Activities	(202,284)	(356,843)
Net Cash Used in Investing Activities	(163,876)	(77,329)
Net Decrease in Cash and Cash Equivalents	(111,517)	(104,328)
Cash and Cash Equivalents, Beginning of Year	258,452	362,780
Cash and Cash Equivalents, End of Year	\$ 146,935	\$ 258,452

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 2014, cash used in operating activities increased by \$115.7 million as compared to FY 2013 due primarily to increased payments to employees and suppliers.

The University's most significant source of cash, **Net Cash Provided from Noncapital Financing Activities**, includes funding from State and Federal appropriations, Pell grants and noncapital private gifts. Cash from these sources totaling \$621.6 million and \$581.0 million in FY 2014 and FY 2013, respectively, directly offset the additional cash needs resulting from operations.

Net Cash Used In Capital Related Financing Activities increased by \$154.6 million in FY 2014 due largely to new issuances of debt to fund capital projects. Net Cash Used in Capital and Related Financing Activities of \$356.8 million in FY 2013 was due largely to the spend down of bond proceeds for capital projects.

Net Cash Used In Investing Activities reflects a net cash outflow of \$163.9 million in FY 2014 compared to a net cash outflow of \$77.3 million in FY 2013. This is largely driven by increased purchases of investments over the prior year as the University invested more working capital outside of cash.

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 ground-breaking 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 25% enrollment growth over the past 10 years and is now educating 12,000 more students each year. Approximately 98% of the state's growth in undergraduate enrollment among public 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 2014, growth in Operating Expense exceeded the growth in Operating Revenue, largely due to increases in self-insurance claims on benefit plans and decreases in research revenue. The University formed a task force to address benefit costs over the coming years.

State appropriations for operations increased by 2.8% in FY 2014 as the University performed well on state performance measures and received money to start additional programs. For FY 2015, the University expects to receive a small increase in state

UNIVERSITY OF MISSOURI SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 (unaudited)

appropriations as the state releases performance measure withholdings. Without significant increases in general revenues, the state will continue to be challenged to increase funding for higher education for FY 2016 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 faced significant downward pressure in FY 2014 as the funding provided by the American Recovery and Reinvestment Act began to wane and the impacts of sequestration were 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 2014, 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 2014, University Health formed the Health Network of Missouri with four other hospitals in central Missouri in an effort to improve patient outcomes and access to care, share best practices, create efficiencies and lower healthcare costs to communities served by the network. University Health Care has also begun construction on a new replacement outpatient facility in Columbia, with expected completion in FY 2015.

The University continues to monitor the changing environment surrounding State and Federal health care programs and the corresponding legislation, including the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act, collectively referred to as 'Health Care Reform.' This legislation will significantly impact the future of healthcare. University Health Care management continues to review the effect that the legislation will have on the organization, but has not determined the full financial statement effect of this new Health Care Reform legislation.

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

INDEPENDENT AUDITORS' REPORT



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

The Board of Curators
University of Missouri System:

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 year ended June 30, 2014, 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 an opinion on these financial statements based on our audit. We conducted our audit 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.

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, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

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

INDEPENDENT AUDITORS' REPORT



Emphasis of Matter

Effective July 1, 2013 the University of Missouri System implemented Government Accounting Standards Board (GASB) No. 65, *Items Previously Reported as Assets and Liabilities*, GASB No. 67, *Financial Reporting for Pension Plans*, and GASB No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

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 schedule of changes in the net pension liability, the schedule of contributions, the schedule of annual money-weighted rate of return on pension plan investments, the notes to required supplementary information, the OPEB plan schedule of funding progress, and the OPEB plan schedule of employer contributions on pages 73 through 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University of Missouri System's basic financial statements. The introductory section and the statistical section presented on pages 2 through 27 and 72 through 93, 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, 2014 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.

KPMG LLP

St. Louis, Missouri
October 10, 2014

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF NET POSITION

As of June 30, 2014 (in thousands)

	University 2014	Discretely Presented Component Unit 2014
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 90,750	\$ 7,245
Restricted Cash and Cash Equivalents	56,185	-
Short-Term Investments	217,758	-
Restricted Short-Term Investments	36,176	-
Investment of Cash Collateral	113,477	-
Accounts Receivable, Net	292,854	17,289
Pledges Receivable, Net	15,930	-
Investment Settlements Receivable	224,423	-
Notes Receivable, Net	8,490	-
Due (To) From Component Unit	(8,107)	8,107
Inventories	35,354	3,602
Prepaid Expenses and Other Current Assets	26,884	2,781
Total Current Assets	1,110,174	39,024
Noncurrent Assets		
Restricted Cash and Cash Equivalents		4,347
Pledges Receivable, Net	40,004	-
Notes Receivable, Net	79,961	-
Other Assets	2,243	5,138
Restricted Other Assets		3,368
Long-Term Investments	1,526,603	72,254
Restricted Long-Term Investments	1,300,481	-
Capital Assets, Net	3,123,172	59,656
Total Noncurrent Assets	6,072,464	144,763
Deferred Outflow of Resources	52,417	-
Total Assets and Deferred Outflow of Resources	\$ 7,235,055	\$ 183,787
Liabilities		
Current Liabilities		
Accounts Payable	\$ 137,956	\$ 5,408
Accrued Liabilities	159,209	14,087
Unearned Revenue	89,318	-
Funds Held for Others	78,787	-
Investment Settlements Payable	191,449	-
Collateral Held for Securities Lending	113,477	-
Commercial Paper and Current Portion of Long-Term Debt	92,433	1,795
Long-Term Debt Subject to Remarketing Agreements	99,445	-
Total Current Liabilities	962,074	21,290

(continued)

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF NET POSITION

As of June 30, 2014 (in thousands)

	University 2014	Discretely Presented Component Unit 2014
Liabilities, Continued		
Noncurrent Liabilities		
Unearned Revenue	9,859	-
Long-Term Debt	1,411,225	27,585
Derivative Instrument Liability	39,571	-
Other Postemployment Benefits Liability	177,040	-
Net Pension Liability	253,804	-
Other Noncurrent Liabilities	60,652	4,728
Total Noncurrent Liabilities	1,952,151	32,313
Deferred Inflow of Resources	185,860	-
Total Liabilities and Deferred Inflow of Resources	3,100,085	53,603
Net Position		
Net Investment in Capital Assets	1,626,371	30,400
Restricted		
Nonexpendable -		
Endowment	998,947	-
Expendable -		
Scholarship, Research, Instruction and Other	349,560	3,368
Loans	81,805	-
Capital Projects	46,363	-
Unrestricted	1,031,924	96,416
Total Net Position	4,134,970	130,184
Total Liabilities, Deferred Inflow of Resources and Net Position	\$ 7,235,055	\$ 183,787

See notes to the financial statements

UNIVERSITY OF MISSOURI SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2014 (in thousands)

	University 2014	Discretely Presented Component Unit 2014
Operating Revenues		
Tuition and Fees (Net of Provision for Doubtful Accounts of \$7,908 in 2014 and \$7,324 in 2013)	\$ 829,920	\$ -
Less Scholarship Allowances	202,647	-
Net Tuition and Fees	627,273	-
Federal Grants and Contracts	160,582	-
State and Local Grants and Contracts	49,538	-
Private Grants and Contracts	76,867	-
Sales and Services of Educational Activities	24,137	-
Auxiliary Enterprises -		
Patient Medical Services, Net	873,638	164,211
Housing and Dining Services (Net of Scholarship Allowance of \$1,317 in 2014 and \$670 in 2013)	106,818	-
Bookstores	54,444	-
Other Auxiliary Enterprises (Net of Scholarship Allowance of \$11,166 in 2014 and \$8,337 in 2013)	247,922	-
Other Operating Revenues	64,037	-
Total Operating Revenues	2,285,256	164,211
Operating Expenses		
Salaries and Wages	1,363,449	69,401
Benefits	346,257	17,092
Supplies, Services and Other Operating Expenses	833,799	64,799
Scholarships and Fellowships	66,919	-
Depreciation	183,250	9,817
Total Operating Expenses	2,793,674	161,109
Operating Income (Loss) before State		
Appropriations	(508,418)	3,102
State Appropriations	412,650	-
Operating Income (Loss) after State Appropriations, before Nonoperating Revenues (Expenses)	(95,768)	3,102
Nonoperating Revenues (Expenses)		
Federal Appropriations	27,675	-
Federal Pell Grants	59,776	-
Investment and Endowment Income, Net of Fees	281,837	520
Private Gifts	66,780	-
Interest Expense	(59,916)	(1,111)
Other Nonoperating Revenues (Expenses)	1,477	510
Net Nonoperating Revenues (Expenses)	377,629	(81)

(continued)

UNIVERSITY OF MISSOURI SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2014 (in thousands)

	University 2014	Discretely Presented Component Unit 2014
Income before Capital Contributions, and Additions		
to Permanent Endowments	281,861	3,021
Capital Gifts and Grants	14,727	-
Private Gifts for Endowment Purposes	47,390	-
Increase in Net Position	343,978	3,021
Net Position, Beginning of Year	4,300,939	127,163
Cumulative Effect of Change in Accounting Principle	(509,947)	-
Net Position, Beginning of Year, Adjusted	3,790,992	127,163
Net Position, End of Year	\$ 4,134,970	\$ 130,184

See notes to the financial statements

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2014 (in thousands)

	2014
Cash Flows from Operating Activities	
Tuition and Fees	\$ 631,335
Federal, State and Private Grants and Contracts	291,060
Sales and Services of Educational Activities and Other Auxiliaries	256,724
Patient Care Revenues	869,862
Student Housing Fees	106,747
Bookstore Collections	50,038
Payments to Suppliers	(833,665)
Payments to Employees	(1,361,741)
Payments for Benefits	(374,136)
Payments for Scholarships and Fellowships	(66,919)
Student Loans Issued	(12,077)
Student Loans Collected	8,864
Student Loan Interest and Fees	5,301
Other Receipts, Net	61,671
Net Cash Used in Operating Activities	(366,936)
Cash Flows from Noncapital Financing Activities	
State Appropriations	412,650
Federal Appropriations and Pell Grants	86,438
Private Gifts	69,559
Endowment and Similar Funds Gifts	47,390
Direct Lending Receipts	332,603
Direct Lending Disbursements	(332,603)
PLUS Loan Receipts	83,357
PLUS Loan Disbursements	(83,357)
Other Receipts, Net	(2,076)
Deposits (Receipts) of Affiliates	7,618
Net Cash Provided by Noncapital Financing Activities	621,579
Cash Flows from Capital and Related Financing Activities	
Capital Gifts and Grants	13,623
Proceeds from Sales of Capital Assets	9,795
Purchase of Capital Assets	(317,168)
Proceeds from Issuance of Capital Debt, Net	546,038
Principal Payments on Capital Debt	(28,349)
Payments on Capital Lease	(754)
Payments on Debt Defeasance	(348,264)
Payments of Bond Issuance Costs	(1,315)
Interest Payments on Capital Debt	(61,510)
Payments to Leveraged Loan	(14,380)
Net Cash Used in Capital and Related Financing Activities	(202,284)

(continued)

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2014 (in thousands)

	2014
Cash Flows from Investing Activities	
Interest and Dividends on Investments, Net	47,660
Purchase of Investments, Net of Sales and Maturities	(211,817)
Other Investing Activities	281
Net Cash Provided by (Used in) Investing Activities	(163,876)
Net Increase (Decrease) in Cash and Cash Equivalents	(111,517)
Cash and Cash Equivalents, Beginning of Year	258,452
Cash and Cash Equivalents, End of Year	\$ 146,935
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	\$ (508,418)
Adjustments to Net Cash Used in Operating Activities	
Depreciation Expense	183,250
Changes in Assets and Liabilities:	
Accounts Receivable, Net	(36,759)
Inventory, Prepaid Expenses and Other Assets	2,612
Notes Receivable	919
Accounts Payable	6,498
Accrued Liabilities	33,818
Unearned Revenue	13,855
Pension Liability	(62,711)
Net Cash Used in Operating Activities	\$ (366,936)
Supplemental Disclosure of Noncash Activities	
Net Increase (Decrease) in Fair Value of Investments	\$ 184,538
Noncash Gifts	24,635
<i>See notes to the financial statements</i>	

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF PLAN NET POSITION

As of June 30, 2014 (in thousands)

	2014
Assets	
Cash and Cash Equivalents	\$ 92,512
Investment of Cash Collateral	263,048
Investment Settlements Receivable	44,920
Investments:	
Debt Securities	525,129
Equity Securities	707,632
Commingled Funds	1,839,054
Nonmarketable Alternative Investments	297,450
Total Assets	3,769,745
Liabilities	
Accounts Payable and Accrued Liabilities	279
Collateral Held for Securities Lending	263,048
Investment Settlements Payable	122,092
Total Liabilities	385,419
Net Position Held in Trust for Retirement and OPEB	\$3,384,326

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF CHANGES IN PLAN NET POSITION

For the Year Ended June 30, 2014 (in thousands)

	2014
Net Revenues and Other Additions	
Investment Income:	
Interest & Dividend Income	\$ 61,364
Net Appreciation in Fair Value of Investments	410,958
Less investment expense	(11,091)
Net Investment Income	461,231
Contributions:	
University	138,782
Members	28,618
Total Contributions	167,400
Total Net Revenues and Other Additions	628,631
Expenses and Other Deductions	
Administrative Expenses	3,043
Payments to Retirees and Beneficiaries	209,102
Total Expenses and Other Deductions	212,145
Increase in Net Position Held in Trust for Retirement and OPEB	416,486
Net Position Held in Trust for Retirement and OPEB, Beginning of Year	2,967,840
Net Position Held in Trust for Retirement and OPEB, End of Year	\$3,384,326

See notes to the financial statements

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

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 of Missouri (the “State”). The University is a component unit of 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, 2014, the University was the majority owner of MREC. Financial statements for MREC are available at the University of Missouri System Controller’s Office. 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 Year Ended June 30, 2014

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 \$5,416,000 as of June 30, 2014 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 Year Ended June 30, 2014

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.

Unearned Revenue – Unearned 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. Unearned revenues also include grant and contract amounts that have been received but not yet earned.

Pensions - Pension related items, including: net pension liability, deferred outflow of resources, deferred inflow of resources, net pension expense, fiduciary net assets, additions to and deductions from fiduciary net assets have been determined on the same basis as they are reported by the University of Missouri. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 is 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

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

adjustments increased net patient services revenues by \$621,000 for the year ended June 30, 2014.

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. For the year ended June 30, 2014 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)

	2014
Medicare	28%
Commercial Insurance	13%
Medicaid	19%
Self Pay & Other	18%
Managed Care Agreements	22%
	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)

	2014
Patient Medical Services	
Revenue, Gross	\$ 2,050,850
Deductions for Contractuals	(1,091,815)
Deductions for Bad Debt	(85,397)
Patient Medical Services	
 Revenue, Net	\$ 873,638

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)	
	2014
Cost of Charity Care	\$ 23,082
Unreimbursed cost under state and local government assistance programs, net of Medicaid disproportionate share funding, less Medicaid provider taxes	3,820
Cost of uncollectible accounts	36,075
Total Uncompensated Care	\$ 62,977

New Accounting Pronouncements – Effective for fiscal year 2014, the University Adopted 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. In adopting this standard, the University recognized the effect of a change in accounting principle, which decreased net position by \$7.6 million for prior periods' capitalized bond issue costs which were previously reported as "Deferred Charges and Other Assets" on the Statement of Net Position. Future bond issue costs will be included in interest expense when incurred. The University also changed the classification of the difference between the carrying value of defeased debt and the offsetting new debt to a deferred outflow of resources from long-term debt. The Statement also limited the use of the term deferred to deferred outflow resources and deferred inflow resources. To comply with this naming convention, the University changed "Deferred Revenue" to "Unearned Revenue" in the current liabilities section of the Statement of Net Position and "Deferred Charges and Other Assets" to "Other Assets" in the non-current asset section of the Statement of Net Position.

Effective for fiscal year 2014, the University adopted 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. Effective for fiscal year 2014, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting*

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

for Pensions – an amendment to GASB Statement No. 27, which enhances 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. In adopting these standards, the University recognized the effect of a change in accounting principle in the amount of \$502.3 million for the net pension liability at the beginning of fiscal year 2014, with no impact to Deferred Inflow of Resources or Deferred Outflow of Resources for any prior year. The University will now recognize a long-term liability for the net pension liability in the Statement of Net Position. The University will continue to report pension expense as a component of benefits expense. The amount of expense reported now includes the overall change in the pension liability. See Note 12 for additional details on the University's pension plan.

Effective for fiscal year 2014, the University adopted GASB Statement No. 66, *Technical Corrections – 2012* which intends to improve financial reporting by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Adoption of GASB Statement No. 66 had no effect on the University's financial statements.

Effective for fiscal year 2014, the University adopted GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* which intends to improve financial reporting by state and local governments that extend and receive nonexchange financial guarantees. Adoption of GASB Statement No. 70 had no effect on the University's financial statements.

In January 2013, GASB issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* effective for financial statements for periods beginning after December 15, 2013, which intends to improve financial reporting by establishing standards for reporting government combinations and disposals of government operations. The University has not yet determined the effect that adoption of GASB Statement No. 69 will have on its 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.

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

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

of the American Hospital Association. Equipment under capital lease obligations is amortized on the straight-line basis over the shorter period of the lease term or the estimated useful life of the equipment. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a cost of acquiring those assets.

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

2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk – The custodial credit risk for deposits is the risk that in the event of bank failure, the University's deposits may not be recovered. State law requires collateralization of all deposits with federal depository insurance, bonds and other obligations of the U.S. Treasury, U.S. Agencies and instrumentalities of the state of Missouri; bonds of any city, county, school district or special road district of the state of Missouri; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits. The University's cash deposits were fully insured or collateralized at June 30, 2014.

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 6.2% for the year ended June 30, 2014.

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 16.7% for the year ended June 30, 2014.

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 7.5% for the year ended June 30, 2014.

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

If a donor has not provided specific restrictions, state law permits the Board to appropriate an amount of the Endowment Funds' net appreciation, realized and unrealized, as the Board considers to be prudent. In establishing this amount, the Board is required to consider the University's long- and short-term needs, present and anticipated financial requirements, expected total return on investments, price level trends, and general economic conditions. Further, any expenditure of net appreciation is required to be for the purposes for which the endowment was established. Inclusive of both realized and unrealized gains and losses on investments, donor-restricted endowments experienced net appreciation of approximately \$117,930,000 in fiscal year 2014.

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 16.2% for the year ended June 30, 2014.

The OPEB Trust held \$51,631,000 of net position at June 30, 2014. 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.

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

At June 30, 2014, the University and Pension Trust Funds held the following types of investments:

Table 3.1 - Investments by Type (in thousands)

As of June 30, 2014	University of Missouri		University of Missouri Pension Trust Funds	
Debt Securities:				
U.S. Treasury Obligations	\$	191,473	\$	34,064
U.S. Agency Obligations		514,011		1,141
Asset-Backed Securities		32,599		35,251
Government - Foreign		95,970		186,076
Corporate - Domestic		288,550		180,118
Corporate - Foreign		174,190		88,479
Equity Securities:				
Domestic		206,354		393,991
Foreign		90,025		313,641
Commingled Funds:				
Absolute Return		175,256		268,950
Risk Parity		440,146		68,832
Debt Securities - Global		41,981		19,553
Debt Securities - Domestic		130,673		223,683
Debt Securities - Foreign		77,309		177,340
Equity Securities - Domestic		115,345		270,410
Equity Securities - Foreign		251,142		544,761
Equity Securities - Global		77,803		231,146
Real Estate		13,253		34,379
Nonmarketable Alternative Investments:				
Real Estate		50,235		102,438
Private Equity		83,771		195,012
Other		30,932		-
Total Investments		3,081,018		3,369,265
Money Market Funds		105,785		84,675
Commercial Paper		13,300		-
Other		27,850		7,837
Total Cash and Cash Equivalents		146,935		92,512
Total Investments and Cash and				
Cash Equivalents	\$	3,227,953	\$	3,461,777

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

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

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

UNIVERSITY OF MISSOURI SYSTEM

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For the Year Ended June 30, 2014

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, 2014, of the University's total investments and cash and cash equivalents, 10.0% are issues of the Federal Home Loan Bank (FHLB). At June 30, 2014 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, 2014. All holdings of money market funds were rated AAA at June 30, 2014.

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NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

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, 2014, is as follows:

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

As of June 30, 2014	University of Missouri		University of Missouri Pension Trust Funds	
U.S. Treasury Obligations	\$	191,473	\$	34,064
U.S. Agency Obligations		514,011		1,141
Asset-Backed Securities				
Mortgage Backed Securities				
Guaranteed by U.S. Agencies		(95,374)		4,912
Aaa/AAA		1,670		8,494
Aa/AA		2,753		10,425
A/A		3,389		3,053
Baa/BBB		3,482		230
Ba/BB and lower		115,285		6,264
Unrated		1,394		1,873
Government - Foreign				
Aaa/AAA		2,952		24,324
Aa/AA		1,923		28,145
A/A		9,095		22,719
Baa/BBB		58,973		55,153
Ba/BB and lower		2,951		2,230
Unrated		20,076		53,505
Corporate - Domestic				
Aaa/AAA		4,693		367
Aa/AA		4,278		-
A/A		17,957		2,812
Baa/BBB		51,528		5,569
Ba/BB and lower		171,524		163,376
Unrated		38,570		7,994
Corporate - Foreign				
Aaa/AAA		11,712		6,504
Aa/AA		21,209		9,016
A/A		32,795		16,002
Baa/BBB		36,510		17,324
Ba/BB and lower		44,501		25,537
Unrated		27,463		14,096
Total	\$	1,296,793	\$	525,129

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

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underlying securities. An asset-backed security may have repayments that vary significantly with changes in market interest rates.

The University and Pension Trust Funds invest in forward settling To Be Announced (TBA) Mortgage Backed Securities (MBS). TBA MBS with notional amounts totaling \$110,000,000 and \$4,000,000 and fair values of (\$119,916,000) and (\$4,553,000) were in place at June 30, 2014 for the University and Pension Trust Funds, respectively. The forward settling MBS instruments expose the University to interest rate risk of mortgage backed securities.

Table 3.3 presents the modified durations of the University's and Pension Trust Funds' debt securities as of June 30, 2014:

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

As of June 30, 2014	University of Missouri	
	Duration (in years)	
U.S. Treasury Obligations	\$ 191,473	8.3
U.S. Agency Obligations	514,011	3.3
Asset-Backed Securities	32,599	7.3
Government - Foreign	95,970	5.8
Corporate - Domestic	288,550	4.5
Corporate - Foreign	174,190	5.2
Total Debt Securities	\$ 1,296,793	4.8

As of June 30, 2014	University of Missouri	
	Pension Trust	
	Duration (in years)	
U.S. Treasury Obligations	\$ 34,064	10.5
U.S. Agency Obligations	1,141	3.1
Asset-Backed Securities	35,251	4.9
Government - Foreign	186,076	7.2
Corporate - Domestic	180,118	5.0
Corporate - Foreign	88,479	4.0
Total Debt Securities	\$ 525,129	6.0

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, 2014, 20.7% of the University's total investments and cash and cash equivalents were denominated in foreign currencies. Forward foreign currency contracts with notional amounts totaling \$519,207,000 were in place at June 30, 2014. At June 30, 2014, 41.8% of the Pension Trust Funds' total investments and cash equivalents were denominated in foreign currencies. Forward foreign currency contracts with notional amounts totaling \$337,390,000 were in place at June 30, 2014.

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The University's and Pension Trust Funds' exposure to foreign exchange risk as of June 30, 2014:

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

As of June 30, 2014	University of Missouri		University of Missouri Pension Trust Funds	
Debt Securities				
Euro	\$	80,086	\$	104,144
Australian Dollar		3,428		14,844
Canadian Dollar		494		7,657
British Pound Sterling		21,104		22,783
Japanese Yen		1,026		4,275
Danish Krone		436		2,672
New Zealand Dollar		773		8,365
Brazil Real		37,423		16,966
Singapore Dollar		-		-
Mexican New Peso		2,350		14,845
Polish Zloty		288		1,561
Other		1,419		9,621
		148,827		207,733
Equity Securities				
Euro		5,426		39,081
Japanese Yen		11,376		47,363
British Pound Sterling		13,401		56,094
Australian Dollar		3,030		13,544
Canadian Dollar		1,282		3,648
Swiss Franc		10,570		34,104
Hong Kong Dollar		7,232		21,420
Swedish Krona		4,306		14,391
Other		7,585		29,462
		64,208		259,107
Commingled Funds				
Various currency denominations:				
Debt Securities - Global		41,981		19,553
Debt Securities - Foreign		77,309		177,340
Equity Securities - Global		77,803		231,146
Equity Securities - Foreign		251,142		544,761
		448,235		972,800
Cash and Cash Equivalents				
Euro		3,174		5,928
Hong Kong Dollar		-		9
Mexican New Peso		1,454		86
Japanese Yen		110		673
British Pound Sterling		111		235
Other		1,326		835
		6,175		7,766
Total Exposure to Foreign Exchange Risk	\$	667,445	\$	1,447,406

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

Of the University's and Pension Trust Funds' commingled funds at June 30, 2014, approximately 91% and 85%, 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, 2014, there were a total of \$113,148,000 of securities out on loan to borrowers. The value of collateral received from the borrower for

these securities consisted of \$113,477,000 cash and \$2,692,000 noncash collateral at June 30, 2014.

For the Pension Trust Funds, at June 30, 2014, there was a total of \$263,023,000 of securities out on loan to borrowers. The value of collateral received from the borrower for these securities consisted of \$263,048,000 cash and \$6,953,000 noncash collateral at June 30, 2014.

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, 2014, 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.

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

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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, 2014, Medical Alliance held the following investments:

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

<i>(in thousands)</i>	
As of June 30, 2014	
Fair Value - Level 1	
Money Market Accounts	\$ 40,579
U.S. Treasury Obligations	73
Cash and Other Cash Equivalents	5,265
Total Fair Value - Level 1	45,917
Fair Value - Level 2	
Mortgage-Backed Securities	7,898
Certificates of Deposit	26,599
Corporate Bonds	3,432
Total Fair Value - Level 2	37,929
Total Cash, Cash Equivalents, and Investments	\$ 83,846

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2014, are summarized as follows:

Table 4.1 - Accounts Receivable

<i>(in thousands)</i>	
2014	
Grants and Contracts	\$ 62,576
Federal Appropriations	11,923
State Appropriations and State Bond Funds	431
Student Fees and Other Academic Charges	130,452
Patient Services, Net of Contractual Allowances	116,832
Subtotal	322,214
Less Provisions for Loss:	
Grants & Contracts	1,131
University Health Care Patient Services	20,321
Student Fees and Other Academic Charges	7,908
Subtotal	29,360
Total Accounts Receivable, Net	\$ 292,854

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, 2014, are summarized as follows:

Table 5.1 - Notes Receivable *(in thousands)*

2014	
Federal Health Profession Loans	\$ 17,829
Carl D. Perkins National Loans	31,201
University Loan Programs	17,352
Other	26,474
Subtotal	92,856
Less Provisions for Loss	4,405
Total Notes Receivable, Net	\$ 88,451

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6. CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2014 is summarized as follows:

Table 6.1 - Capital Assets (in thousands)

	2014 Beginning Balance	Additions/ Transfers	Retirements	2014 Ending Balance
Capital Assets, Nondepreciable:				
Land	\$ 80,549	\$ 727	\$ (15)	\$ 81,261
Artwork and Historical Artifacts	13,424	934	-	14,358
Construction in Progress	240,960	(6,011)	-	234,949
Total Capital Assets, Nondepreciable	334,933	(4,350)	(15)	330,568
Capital Assets, Depreciable:				
Buildings and Improvements	3,296,382	171,027	(5,026)	3,462,383
Infrastructure	369,213	84,361	(684)	452,890
Equipment	770,851	57,657	(21,107)	807,401
Library Materials	256,653	6,415	-	263,068
Total Capital Assets, Depreciable	4,693,099	319,460	(26,817)	4,985,742
Less Accumulated Depreciation:				
Buildings and Improvements	1,189,096	98,127	(528)	1,286,695
Infrastructure	154,883	17,442	-	172,325
Equipment	515,611	60,425	(20,108)	555,928
Library Materials	170,934	7,256	-	178,190
Total Accumulated Depreciation	2,030,524	183,250	(20,636)	2,193,138
Total Capital Assets, Depreciable, Net	2,662,575	136,210	(6,181)	2,792,604
Total Capital Assets, Net	\$ 2,997,508	\$ 131,860	\$ (6,196)	\$ 3,123,172

The estimated cost to complete construction in progress at June 30, 2014, is \$727,172,000 of which \$456,858,000 is available from unrestricted net position. The remaining costs are expected to be funded from \$23,558,000 of gifts, \$29,000 of grants, and \$246,727,000 of debt proceeds.

Capital assets include a building facility under a capital lease of \$10,364,000 and related accumulated depreciation of \$6,815,000 at June 30, 2014.

DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

Capital assets at June 30, 2014 are summarized as follows:

Table 6.2 - Medical Alliance - Capital Assets
(in thousands)

(in thousands)	2014
Land & Improvements	\$ 7,876
Buildings	115,563
Movable Equipment	78,751
Construction in Progress	4,116
	206,306
Less Accumulated Depreciation	146,650
Total Capital Assets, Net	\$ 59,656

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7. ACCRUED SHORT-TERM LIABILITIES

Accrued liabilities at June 30, 2014 are summarized as follows:

Table 7.1 - Accrued Liabilities (in thousands)

	2014
Accrued Salaries, Wages & Benefits	\$ 62,159
Accrued Vacation	47,719
Accrued Self Insurance Claims	36,686
Accrued Interest Payable	12,645
Total Accrued Liabilities	\$ 159,209

8. OTHER NONCURRENT LIABILITIES

Table 8.1 - Other Noncurrent Liabilities (in thousands)

Fiscal Year 2014	Beginning of Year	Additions	Payments	Total End of Year	Less Current Portion	Noncurrent End of Year
Accrued Vacation	\$ 64,467	\$ 45,226	\$ (42,580)	\$ 67,113	\$ (47,719)	\$ 19,394
Accrued Self-Insurance Claims	80,665	231,121	(233,842)	77,944	(36,686)	41,258
	\$ 145,132	\$ 276,347	\$ (276,422)	\$ 145,057	\$ (84,405)	\$ 60,652

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9. LONG-TERM DEBT

The University's outstanding debt at June 30, 2014, with corresponding activity, is as follows:

Table 9.1 - Long-Term Debt (in thousands)

As of June 30, 2014	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
System Facilities Revenue Bonds - Fixed	\$ 1,085,070	\$ 455,835	\$ (220,380)	\$ 1,320,525	\$ 18,640
System Facilities Revenue Bonds - Variable	100,330	-	(435)	99,895	450
Unamortized Premium	41,612	41,755	(10,811)	72,556	-
Net System Facilities Revenue Bonds	1,227,012	497,590	(231,626)	1,492,976	19,090
Notes Payable	14,130	20,061	(802)	33,389	951
Capital Lease Obligations	5,920	-	(754)	5,166	820
Commercial Paper	177,255	44,989	(150,672)	71,572	71,572
Total Long-Term Debt	\$ 1,424,317	\$ 562,640	\$ (383,854)	\$ 1,603,103	\$ 92,433

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 November 26, 2013, the University issued \$11,325,000 and \$150,000,000 in Series 2013A System Facilities Revenue Bonds and Series 2013B Taxable System Facilities Revenue Bonds, respectively. Proceeds from issuance of the Series 2013 Bonds are being used to refund all of Series 2003B bonds in the outstanding principal amount of \$13,035,000, finance construction or renovation of housing facilities on the Columbia and Kansas City campuses, energy management improvements on the Columbia campus, renovations and construction to Memorial Stadium and other athletic projects, construction of a wellness center on the St. Louis campus, construction and renovations of academic buildings on the St. Louis and Missouri S&T campuses, expansion of the Missouri Orthopedic Institute, and paying cost of issuance of the Series 2013 bonds. The all-in-true interest cost of the

Series 2013A and 2013B bonds is 2.2% and 4.9%, respectively.

On May 22, 2014, the University issued \$294,510,000 in Series 2014A System Facilities Revenue Bonds. Proceeds from issuance of the Series 2014A bonds are being used to refund \$183,455,000 principal amount of the Series 2007A Bonds, repaying \$128,600,000 principal amount of the University's outstanding Commercial Paper Notes, and paying the cost of issuance of the Series 2014A bonds. The all-in-true interest cost of the Series 2014A 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 year ended June 30, 2014 was \$67,919,000. 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, 2014, capitalization of interest earned on unspent bond proceeds totaled \$8,003,000, resulting in net interest expense of \$59,916,000. For the year ended June 30, 2014, the University earned cash subsidy payments from the United States Treasury totaling \$9,709,000 for designated Build America Bonds outstanding, which was recorded as Federal Appropriations on the Statement of Revenues, Expenses, and Changes in Net Position.

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

Series	Type	Weighted Avg. Cost of Capital		Final Maturity	Original Issue	Balance June 30, 2014
		at June 30, 2014				
2003B	Fixed	N/A		11/1/2023	37,085	\$ -
2006A	Fixed	4.22%		11/1/2026	260,975	127,540
2007A	Fixed	4.18%		11/1/2037	262,970	17,480
2009A (1)	Fixed	3.87%		11/1/2039	256,300	256,300
2009B	Fixed	3.02%		11/1/2021	75,760	53,925
2010A (1)	Fixed	3.76%		11/1/2041	252,285	252,285
2011	Fixed	2.66%		11/1/2027	54,125	52,005
2012A	Fixed	1.58%		11/1/2019	105,155	105,155
2013A	Fixed	1.77%		11/1/2023	11,325	11,325
2013B	Fixed	4.87%		11/1/2043	150,000	150,000
2014A	Fixed	3.16%		11/1/2037	294,510	294,510
Total Fixed Rate Bonds					1,760,490	1,320,525
2007B	Variable	0.06% (2)		11/1/2031	102,250	99,895
Total Variable Rate Demand Bonds					102,250	99,895
Total System Facilities Revenue Bonds					\$ 1,862,740	\$ 1,420,420

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

(2) As of June 30, 2014; 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 \$315,230,000 are outstanding at June 30, 2014.

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. Table 9.3 presents the terms of the outstanding swaps and their fair values at June 30, 2014.

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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	\$ (9,977)	Aa3 / A+
Pay fixed; receive variable	50,615	12/14/2006	8/1/2026	Pay 3.902%; receive SIFMA Index	(8,725)	Baa2 / A-
Pay fixed; receive variable	99,895	7/26/2007	11/1/2031	Pay 3.798%; receive 68% of 1-Month LIBOR	(20,869)	Aa3 / A+
Total	\$ 190,510				\$ (39,571)	

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, 2014	Fair Value on Acquisition	Change in Fair Value	Presentation of Change in Fair Value
2002 Swap - Investment Derivative	\$ (9,977)	N/A	\$ (365)	Investment and Endowment Income, Net
2006 Swap - Investment Derivative	(8,725)	N/A	(203)	Investment and Endowment Income, Net
2007 Swap - Cash Flow Hedge	(20,869)	N/A	867	Deferred Outflow of Resources
Total	\$ (39,571)	\$ -	\$ 299	

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, 2014.

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.

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For the Year Ended June 30, 2014

The collateral requirements are determined by a combination of credit ratings and the aggregate fair value of swaps outstanding with each counterparty as presented in Table 9.5:

Table 9.5 - Swap Collateral Requirements

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

If the aggregate fair value of swaps outstanding with each counterparty is positive and exceeds the fair value threshold for the applicable credit rating, the counterparties are required to post collateral. If the aggregate fair value of the 2002 and 2007 swaps is negative and exceeds the fair value threshold for the applicable credit rating, the University is required to post collateral. Permitted collateral for either party includes U.S. Treasuries, U.S. government agencies, cash, and commercial paper rated A1/P1 by S&P or Moody's, respectively. As the negative aggregate fair value of the 2002 and 2007 swaps exceeded \$30,000,000 on June 30, 2014, 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, 2014.

Debt-Related Items Presented as Deferred Outflows of Resources

As required by GASB, the University recognizes certain debt-related items as deferred outflows of resources. The detail of the debt related items recognized as deferred outflow resources is presented in Table 9.6.

Table 9.6 - Debt-Related Deferred Outflow of Resources (in thousands)

	June 30, 2014
Swaps - Cash Flow Hedge	\$ 20,869
Loss on Bond Defeasance	31,548
Deferred Outflow of Resources	\$ 52,417

For the year ended June 30, 2014, the University increased the Loss on Bond Defeasance by \$16,602,000 for the issuance of the 2014A and 2013A bonds. For fiscal year 2014 the amortization of the Loss on Bond Defeasance totaled \$2,791,000 which reduces interest expense.

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For the Year Ended June 30, 2014

Pledged Revenues and Debt Service Requirements

For fiscal year 2014, annual debt service, including net payments on associated interest rate swaps, totaled \$96,606,000. For fiscal year 2014, System Facilities Pledged Revenue was twelve times greater than the annual debt service. Net System Facilities Revenue was 160% of annual debt service. Table 9.7 provides the System Facilities pledged revenues and operating expenses.

Table 9.7 - System Facilities Pledged Revenues and Operating Expenses

(in thousands)

		June 30, 2014
Pledged Revenues:		
Net Patient Revenue	\$	873,638
Housing and Food Service		107,547
Bookstores		54,503
Net Tuition and Fees		23,900
Other Operating Revenue		35,749
Pledged Revenues		1,095,337
Operating Expenses		953,372
Net Revenues	\$	141,965

Table 9.8 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, 2014. As market rates vary, variable rate bond interest payments and net swap payments will vary.

Table 9.8 - Future Debt Service - System Facilities Revenue Bonds *(in thousands)*

Fiscal Year	Principal	Interest	Hedging Derivatives, Net	Total Before Investment Derivatives	Investment Derivatives, Net	Total Future Debt Service
2015	19,090	70,423	3,680	93,193	3,485	96,678
2016	28,015	66,072	3,598	97,685	3,459	101,144
2017	43,440	64,670	3,479	111,589	3,430	115,019
2018	39,370	63,035	3,282	105,687	3,396	109,083
2019	39,485	61,374	3,191	104,050	3,358	107,408
2020-2024	299,500	260,917	14,039	574,456	16,045	590,501
2025-2029	227,870	209,687	8,539	446,096	14,755	460,851
2030-2034	158,230	171,461	1,376	331,067	12,040	343,107
2035-2039	143,780	134,390	-	278,170	6,853	285,023
2040-2044	421,640	55,395	-	477,035	1,828	478,863
	\$ 1,420,420	\$ 1,157,424	\$ 41,184	\$ 2,619,028	\$ 68,649	\$ 2,687,677

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For the Year Ended June 30, 2014

Commercial Paper

During fiscal year 2014, the University issued \$44,989,000 of commercial paper to fund working capital and finance capital projects.

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%.

Rolla Renewable Energy Company, LLC, a wholly owned subsidiary of MREC, holds Qualified Low-Income Community Investment loan agreements with CCM Community Development LV, LLC (CCM) and Midwest Renewable Capital XIII, LLC (MRC). The proceeds of these notes are to develop, construct, own and lease the geothermal construction project. Interest is payable quarterly at 1.3% on the CCM note and 1.6% on the MRC note.

The future payments on all notes payable at June 30, 2014, are as follows:

Table 9.9 - Future Notes Payable Payments

Year Ending June 30	Amount <i>(in thousands)</i>
2015	\$ 1,346
2016	1,354
2017	1,152
2018	1,153
2019	1,082
2020-2024	7,856
2025-2029	7,202
2030-2034	7,202
2035-2039	7,202
2040-2044	5,340
Total Future Notes Payable Payments	40,889
Less: Amount Representing Interest	(7,500)
Future Notes Payable	
Principal Payments	\$ 33,389

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, 2014, are as follows:

Table 9.10 - Future Capital Lease Payments

Year Ending June 30	Amount <i>(in thousands)</i>
2015	1,563
2016	1,563
2017	1,563
2018	1,563
2019	1,563
2020	391
Total Future Minimum Payments	8,206
Less: Amount Representing Interest	(3,040)
Present Value of Future Minimum	
Lease Payments	\$ 5,166

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For the Year Ended June 30, 2014

DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

The Medical Alliance’s outstanding debt at June 30, 2014, with corresponding activity, is as follows:

Table 9.11 - Long-Term Debt - Medical Alliance (in thousands)

As of June 30, 2014	Beginning		Ending		Current
	Balance	Additions	Reductions	Balance	Portion
Health Facilities Revenue Bonds Series 2011	\$ 31,120	\$ -	\$ (1,740)	\$ 29,380	\$ 1,795
Total Bonds Payable	31,120	-	(1,740)	29,380	1,795
Capital Lease Obligations	325	-	(325)	-	-
Total Long-Term Debt	\$ 31,445	\$ -	\$ (2,065)	\$ 29,380	\$ 1,795

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 effective interest 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. Interest expense incurred on the bonds during the years ended June 30, 2014 was \$1,145,000, of which \$32,000 in interest was capitalized.

As of June 30, 2014, the total of principal and interest due on bonds during the next five years and in subsequent five-year periods is as follows:

Table 9.12 - Future Debt Service - Medical Alliance (in thousands)

Fiscal Year	Principal	Interest	Total
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	1,995	877	2,872
2020-2024	11,085	3,215	14,300
2025-2029	8,850	756	9,606
	\$ 29,380	\$ 8,902	\$ 38,282

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For the Year Ended June 30, 2014

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, 2014 of \$77,944,000 represents the present value of amounts estimated to have been incurred by those dates, using discount rates ranging from 1.0% to 3.8% for fiscal year 2014, based on expected future investment yield assumptions.

Changes in the self-insurance liability during fiscal year 2014 were as follows:

Table 10.1 - Self-Insurance Claims

Liability (in thousands)				
Fiscal Year	New Claims		Claim Payments	End of Year
	Beginning of Year	and Changes in Estimates		
2014	80,665	\$ 231,121	\$(233,842)	\$77,944

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 \$106,321,000 and \$215,224,000 for the University and the Pension Trust Funds, respectively, at June 30, 2014.

University Operating Leases

The University leases various facilities and equipment under agreements recorded as operating leases. Operating lease expense for the year ended June 30, 2014 was \$22,575,000.

Future minimum payments on all significant operating leases with initial or remaining terms of one year or more at June 30, 2014, are as follows:

Table 11.1 - Future Operating Lease Payments

Fiscal Year	Amount
	(in thousands)
2015	\$ 7,128
2016	6,339
2017	4,692
2018	2,019
2019	1,262
2020-2024	1,267
Total Future Lease Payments	\$ 22,707

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, 2014, 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 \$20,306,000 in 2019 and \$10,457,000 in 2020.

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

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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 that began in 2013. 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 including penalties of \$3,929,000. Also, the University has reviewed other potential federal health program reimbursement issues contemporaneous with the radiology investigation noted above. The University is in the process of self-disclosure and has estimated minimum likely exposure including penalties of \$4,862,000 in aggregate for these matters. Because the federal government could assess additional penalties or assert alternative theories or analysis 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 \$6,512,000 at June 30, 2014.

12. RETIREMENT, DISABILITY AND DEATH BENEFIT PLAN

DEFINED 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.

Benefits provided - 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

	2014
Active Members	
Vested	11,293
Nonvested	7,038
Pensioners and Beneficiaries	8,410
Former Employees with Deferred Pensions	6,259
Total Members	33,000

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

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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. The actuarial equivalent may also 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.

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.

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 10.8% of covered payroll for the year ending June 30, 2014. The ARC for those employees hired after September 30, 2012 averaged 6.8% of covered payroll for the year ended June 30, 2014. 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.

Net Pension Liability – The Retirement Plan's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2013.

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Table 12.2 Changes in the Net Pension Liability *(In Thousands)*

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a) - (b)
Balances at June 30, 2013	\$3,420,930	\$2,918,556	\$502,374
Changes for the year:			
Service cost	71,995	-	71,995
Interest	263,566	-	263,566
Differences between expected and actual experience	-	-	-
Contributions – employer	-	113,688	(113,688)
Contributions – employee	-	14,113	(14,113)
Net investment income	-	456,330	(456,330)
Benefit payments, including refunds of employee contributions	(169,992)	(169,992)	-
Other changes	-	-	-
Net changes	165,569	414,139	(248,570)
Balances at June 30, 2014	\$3,586,499	\$3,332,695	\$253,804

Actuarial Methods and Assumptions – The October 1, 2013 actuarial valuation utilized the entry age actuarial cost method. Actuarial assumptions included:

Inflation	2.75%
Rate of Investment Return net of administrative expenses (including inflation)	7.75%
Projected salary increases (Including inflation)	4.1- 4.9%
Cost-of-living adjustments	0%

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 a closed basis over 30 years from the October 1, 2013 valuation date. Mortality rates were based on the RP-2000 Combined Health Mortality Table projected to 2023 using Scale BB.

The actuarial assumptions used in the October 1, 2013 valuation were based on the results the most recent quinquennial study of the University's own experience covering 2008 to 2012.

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Discount Rate – The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that University contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. For the October 1, 2013 actuarial valuation, a 7.75% discount rate was used.

Table 12.3 Sensitivity of the Net Pension Liability to Changes in the Discount Rate
(In Thousands)

	Rate	Net Pension Liability
1% Decrease	6.75%	\$711,800
Current Discount Rate	7.75%	\$253,804
1% Increase	8.75%	(\$127,799)

Annual Rate of Return- The annual money-weighted rate of return is calculated as the internal rate of return on pension investments, net of pension plan investment expense. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return on pension plan investments for the year ended June 30, 2014 was 15.7%.

Table 12.4 - Asset Class Allocation

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic large cap equity	18%	6.5%
Domestic small cap equity	2%	6.5%
Domestic fixed income	3%	1.7%
International equity	19%	6.7%
Emerging markets equity	6%	9.3%
International fixed income	4%	1.8%
Real estate	6%	4.3%
Private equity	10%	11.6%
Absolute return strategies	8%	4.1%
High yield fixed income	10%	4.1%
Emerging markets fixed income	6%	4.5%
Treasury inflation protection	2%	1.7%
Floating rate bank loans	4%	2.6%
Global inflation-linked bonds	2%	1.7%
	<u>100%</u>	

Pension Expense- For the year ended June 30, 2014, the Retirement Plan recognized pension expense of \$50,979,000. Annual pension expense consists of service cost and interest on the pension liability less employee contributions and projected earnings on pension plan investments. The difference between actual and expected earnings is recorded as a deferred outflow/inflow of resources and recognized in pension expense over a five year period.

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The pension expense for the year ended June 30, 2014 is as follows:

Table 12.5 Pension expense for the year ended June 30, 2014 *(In Thousands)*

Service cost	\$71,995
Interest	263,566
Recognized portion of current-period difference between expected and actual experience	-
Contributions – employee	(14,113)
Projected earnings on pension plan investments	(224,004)
Recognized portion of current-period difference between projected and actual earnings on pension plan investments	(46,465)
Recognition of deferred outflows of resources	-
Recognition of deferred inflows of resources	-
Pension expense for fiscal year ended June 30, 2014	\$50,979

Deferred Outflows/Inflows of Resources- In accordance with GASB Statements No. 67 and 68, the University recognizes differences between actual and expected experience with regard to economic or demographic factors, changes of assumptions about future economic or demographic factors, and the difference between actual and expected investment returns as Deferred Outflows/Inflows of Resources. At June 30, 2014, the Retirement Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Table 12.6 Deferred outflows/inflows of resources related to pensions *(In Thousands)*

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	--	--
Changes of assumptions	--	--
Changes of benefit terms	--	--
Net difference between projected and actual earnings on pension plan investments	--	185,860
Total	--	185,860

The University recognizes differences between actual and expected investment performance included in deferred outflows/inflows of resources on a straight-line basis over five years. The following table summarizes the future recognition of these items:

Table 12.7 Projected recognition of deferred outflows/(inflows) *(In Thousands)*

Year Ended June 30,	Recognition
2015	(46,465)
2016	(46,465)
2017	(46,465)
2018	(46,465)
2019	--
Thereafter	--

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DEFINED CONTRIBUTION PLAN

Plan Description - Employees hired after September 30, 2012 participate in a single employer, defined contribution plan. Each year the University contributes 2% of each employee's eligible salary to a 401(a) plan. Employees are able to contribute to a 457(b) plan. The University will match up to 3% of that 457(b) plan contribution with those funds going into the 401(a) plan. Employees are immediately 100% vested in their contributions. The University's base contribution and matching contributions vest following three years of consecutive or nonconsecutive service. The defined contribution plan recognized \$4,829,000 of pension expense and \$138,000 of forfeitures for the year ended June 30, 2014.

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, 2014, 6,764 were receiving benefits, and an estimated 18,319 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, 2014, 223 long-term disability claimants met those eligibility requirements.

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

Basis of Accounting - The OPEB Plan's accounting records are prepared using the accrual basis of accounting, in accordance with GASB Statements No. 43 and No. 45, which established requirements for financial reporting for postemployment benefits other than pension plans. The assets of the OPEB Trust Fund are irrevocable and legally protected from creditors

and dedicated to providing postemployment benefits in accordance with terms of the plan. The OPEB Plan does not issue a separate financial report.

Contributions and Reserves - Contribution requirements of employees and the University are established and may be amended by the University's Board of Curators. For employees retiring prior to September 1, 1990, the University contributes 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, 2014, participants contributed \$14,505,000, or approximately 36.6%, 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.

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The Annual Required Contribution (ARC) represents a level of funding that an employer is projected to need in order to prefund its obligations for postemployment benefits over its employees' years of service. The University has no obligation to make contributions in advance of when insurance premiums or claims are due for payment and currently funds postemployment benefits at a level no less than the pay-as-you-go basis. In fiscal year 2014, the University contributed \$25,094,000, or 41.8% of the ARC, which was \$59,966,000 and represented 5.4% of annual covered payroll.

unfunded actuarial accrued liability (UAAL) of \$620,552,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,103,558,000, and the ratio of UAAL to covered payroll was 56.2%.

Table 13.1 presents the OPEB cost for the year, the amount contributed, and changes in the OPEB obligation for fiscal year 2014:

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.

Table 13.1 - Changes in Net OPEB

Obligation (in thousands)	
Annual Required Contribution	\$ 59,966
Interest on Existing Net OPEB Obligation	5,688
ARC Adjustment	(5,729)
Annual OPEB Cost	59,925
Contributions Made	(25,094)
Increase in net OPEB obligation	34,831
Net OPEB obligation - beginning of year	142,209
Net OPEB obligation - June 30, 2014	\$ 177,040

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.

Funding Status and Funding Progress – As of July 1, 2013, the date of the last valuation, the OPEB Plan was 7.4% funded. The actuarial accrued liability (AAL) for postemployment benefits was \$669,836,000, with \$49,284,000 in actuarial value of assets, resulting in an

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

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

Fiscal Year Ending	Annual Required Contribution	Annual OPEB Cost (AOC)	Contributions Made	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
6/30/2014	\$ 59,966	\$ 59,925	\$ 25,094	41.9%	\$ 177,040
6/30/2013	50,954	51,890	19,177	37.0%	142,209
6/30/2012	50,954	51,667	25,477	49.3%	109,496

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

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, 2013 actuarial valuation. Actuarial assumptions included a

4.0% investment rate of return, net of administrative expenses. The projected annual healthcare trend rate is 5.0% to 8.0% 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 Year Ended June 30, 2014

14. BLENDED COMPONENT UNIT

Condensed combining information for the University's blended component unit as of and for the year ended June 30, 2014 is presented as follows:

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

Condensed Statement of Net Position	2014		
	MREC	Eliminations	Total
Assets:			
Current Assets	\$ 25,333	\$ (4,132)	\$ 21,201
Non Current Other Assets	-	20,982	\$ 20,982
Capital Assets, Net	124,894	(13,305)	111,589
Total Assets and Deferred Outflow of Resources	\$150,227	\$ 3,545	\$153,772
Liabilities:			
Current Liabilities	\$ 3,780	\$ (3,422)	\$ 358
Noncurrent Liabilities	131,102	(92,740)	38,362
Total Liabilities	134,882	(96,162)	38,720
Net Position:			
Net Investment in Capital Assets	3,650	75,303	78,953
Restricted -			
Nonexpendable	-	-	-
Expendable	11,695	24,404	36,099
Unrestricted	-	-	-
Total Net Position	15,345	99,707	115,052
Total Liabilities and Net Position	\$150,227	\$ 3,545	\$153,772
Condensed Statement of Revenues, Expenses and Changes in Net Position	2014		
	MREC	Eliminations	Total
Operating Revenues:			
Other Operating Revenue	\$ 2,276	\$ (1,922)	\$ 354
Total Operating Revenues	2,276	(1,922)	354
Operating Expenses:			
Depreciation	1,772	-	1,772
All Other Operating Expenses	2,180	(2,134)	46
Total Operating Expenses	3,952	(2,134)	1,818
Operating Income (Loss)	(1,676)	212	(1,464)
Capital Contribution	7,418	35,084	42,502
Increase in Net Position	5,742	35,296	41,038
Net Position, Beginning of Year	9,603	64,411	74,014
Net Position, End of Year	\$ 15,345	\$ 99,707	\$115,052

(Continued)

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

Condensed Statement of Cash Flows	2014		
	MREC	Eliminations	Total
Net Cash Flows Provided by (Used in) Operating Activities	\$ 1,610	\$ (1,662)	\$ (52)
Net Cash Flows Provided by (Used in) Capital and Related Financing Activities	8,447	1,662	10,109
Net Increase in Cash and Cash Equivalents	10,057	-	10,057
Cash and Cash Equivalents, Beginning of Year	660	-	660
Cash and Cash Equivalents, End of Year	\$ 10,717	\$ -	\$ 10,717

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, 2014	Salaries and Wages	Benefits	Supplies, Services and Other	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 441,841	\$ 96,041	\$ 84,802	\$ -	\$ -	\$ 622,684
Research	102,064	19,322	69,020	-	-	190,406
Public Service	77,378	18,550	49,701	-	-	145,629
Academic Support	82,559	20,822	35,737	-	-	139,118
Student Services	47,486	10,996	26,305	-	-	84,787
Institutional Support	106,067	32,401	(14,817)	-	-	123,651
Operation and Maintenance of Plant	38,224	10,192	56,267	-	-	104,683
Auxiliary Enterprises	467,830	137,933	526,784	-	-	1,132,547
Scholarships and Fellowships	-	-	-	66,919	-	66,919
Depreciation	-	-	-	-	183,250	183,250
Total Operating Expenses	\$ 1,363,449	\$ 346,257	\$ 833,799	\$ 66,919	\$ 183,250	\$ 2,793,674

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

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)*

	June 30, 2014		
	Retirement	OPEB	Total
Assets			
Cash and Cash Equivalents	\$ 67,325	\$ 25,187	\$ 92,512
Investment of Cash Collateral	263,048	-	263,048
Investment Settlements Receivable	44,920	-	44,920
Investments:			
Debt Securities	525,129	-	525,129
Equity Securities	707,632	-	707,632
Commingled Funds	1,772,610	66,444	1,839,054
Nonmarketable Alternative Investments	297,450	-	297,450
Total Assets	3,678,114	91,631	3,769,745
Liabilities			
Accounts Payable and Accrued Liabilities	279	-	279
Collateral Held for Securities Lending	263,048	-	263,048
Investment Settlements Payable	82,092	40,000	122,092
Total Liabilities	345,419	40,000	385,419
Net Position Held in Trust for Retirement and OPEB	\$ 3,332,695	\$ 51,631	\$ 3,384,326

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

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

	June 30, 2014		
	Retirement	OPEB	Total
Net Revenues and Other Additions			
Investment Income:			
Interest and Dividend Income	\$ 60,721	\$ 643	\$ 61,364
Net Appreciation (Depreciation) in			
Fair Value of Investments	409,250	1,708	410,958
Less Investment Expense	(11,087)	(4)	(11,091)
Net Investment Income	458,884	2,347	461,231
Contributions:			
University	113,688	25,094	138,782
Members	14,113	14,505	28,618
Total Contributions	127,801	39,599	167,400
Total Net Revenues and Other Additions	586,685	41,946	628,631
Expenses and Other Deductions			
Administrative Expenses	2,554	489	3,043
Payments to Retirees and Beneficiaries	169,992	39,110	209,102
Total Expenses and Other Deductions	172,546	39,599	212,145
Increase (decrease) in Net Position Held in Trust for Retirement and OPEB	414,139	2,347	416,486
Net Position Held in Trust for			
Retirement & OPEB, Beginning of Year	2,918,556	49,284	2,967,840
Net Position Held in Trust for Retirement and OPEB, End of Year	\$ 3,332,695	\$ 51,631	\$ 3,384,326

17. SUBSEQUENT EVENTS

On August 11, 2014, University of Missouri Health Care announced the closure of its long-term acute care facility, Missouri Rehabilitation Center (MRC), in Mount Vernon, Missouri. Inpatient services will continue through October 31, 2014, with certain outpatient services continuing through December 31, 2014. MUHC will receive a final appropriation of \$5,014,000 from the State of Missouri related to the normal operations of MRC during fiscal year 2015. MUHC will recognize an estimated loss of \$7,783,000 on the write-down of the facility at the time of closure.

In September of 2014, the University of Missouri, Santarus, Inc., Salix Pharmaceuticals, Inc., and Par Pharmaceutical, Inc. entered into a settlement agreement regarding Santarus, Inc. et al v. Par Pharmaceutical, Inc. (the "Zegerid Patent Litigation"). The Zegerid® Patent Litigation consists of civil actions for infringement of patents covering certain Zegerid® products brought by the University

and Santarus against Par in U.S. District Court. As a part of the Settlement Agreement, Par will make a one-time payment of \$100 million to an escrow account approved by Santarus and the University, and these funds will be allocated between Santarus and the University pursuant to the terms of the Exclusive License Agreement between Santarus and the University. The University has not determined the full amount of the settlement, but expects to receive the funds and recognize a gain during fiscal year 2015.

UNIVERSITY OF MISSOURI SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014
(unaudited)

Schedule of Changes in the Net Pension Liability – Last Ten Fiscal Years *(In Thousands)*

	Fiscal Year End June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total pension liability										
Service cost	\$71,995									
Interest	263,566									
Differences between expected and actual experience	--									
Changes of assumptions	--	(Historical information prior to implementation of GASB 67/68 is not required)								
Changes of benefit terms	--	67/68 is not required)								
Benefit payments, including refunds of employee contributions	(169,992)									
Net change in total pension liability	165,569									
Total pension liability - beginning	3,420,930									
Total pension liability - ending (a)	\$3,586,499									
Plan fiduciary net position										
Contributions - employer	\$113,688									
Contributions - employee	14,113									
Net investment income	456,330									
Benefit payments, including refunds of employee contributions	(169,992)	(Historical information prior to implementation of GASB 67/68 is not required)								
Other	--									
Net change in fiduciary net position	414,139									
Plan fiduciary net position - beginning	2,918,556									
Plan fiduciary net position - ending (b)	\$3,332,695									

UNIVERSITY OF MISSOURI SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2014

(unaudited)

Schedule of Changes in the Net Pension Liability – Last Ten Fiscal Years *(In Thousands)*

	Fiscal Year End June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net pension liability – ending: (a)-(b)	\$253,804									
Plan's fiduciary net position as a percentage of the total pension liability	92.92%	(Historical information prior to implementation of GASB 67/68 is not required)								
Covered-employee payroll	\$1,078,347*									
Net pension liability as a percentage of covered-employee payroll	23.54%									

**Covered-employee payroll as reported in the October 1, 2013 funding valuation report*

UNIVERSITY OF MISSOURI SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014
(unaudited)

Schedule of Contributions – Last Ten Fiscal Years *(In Thousands)*

Fiscal Year Ended June 30,	Covered Employee Payroll		Contributions as % of covered-employee payroll**		Actuarially determined contribution**		Contributions in relation to the actuarially determined contribution**		Contribution deficiency (excess)	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
2014	\$ 984,787	\$93,560	10.78%	6.77%	10.78%	6.77%	10.78%	6.77%	-	-
2013	1,046,075	-	8.88%	4.87%	8.88%	4.87%	8.88%	4.87%	-	-
2012	1,031,891	-	7.07%	-	7.07%	-	7.07%	-	-	-
2011	979,888	-	5.74%	-	5.74%	-	5.74%	-	-	-
2010	970,060	-	4.88%	-	4.88%	-	4.88%	-	-	-
2009	954,430	-	5.87%	-	5.87%	-	5.87%	-	-	-
2008	891,648	-	7.78%	-	7.78%	-	7.78%	-	-	-
2007	846,884	-	8.69%	-	8.69%	-	8.69%	-	-	-
2006	795,758	-	7.80%	-	7.80%	-	7.80%	-	-	-
2005	753,266	-	6.40%	-	6.40%	-	6.40%	-	-	-

* Covered-employee payroll as reported in the October 1, 2013 funding valuation report

** Net of employee contributions

Schedule of Annual Money-Weighted Rate of Return on Pension Plan Investments - Last Ten Fiscal Years

	Fiscal Year End June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005

Money-Weighted Rate of Return 16.2% (Historical information prior to implementation of GASB 67/68 is not required)

UNIVERSITY OF MISSOURI SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2014

(unaudited)

Notes to Required Supplementary Information

Valuation Date	Actuarial determined contribution rates are calculated as of September 30, 21 months prior to the end of the fiscal year in which contributions are reported.
Methods and assumptions used to determine contribution rates:	
Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar, Closed
Amortization Period	30 years
Asset Valuation Method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period. The actuarial value is further adjusted, if necessary, to be within 20% of the market value.
Actuarial Assumptions:	The actuarial assumptions used in the October 1, 2013 actuarial valuation were based on the results of an experience study for the period October 1, 2007 to September 30, 2012. See Section IV of the October 1, 2013 funding valuation report for a full summary of actuarial assumptions.
Investment Rate of Return	7.75%, net of expenses
Inflation	2.75%
Projected Salary Increases	4.9% average (including inflation) for academic and administrative; 4.1% average (including inflation) for clerical and service
Cost-of-living Adjustments	No future retiree ad-hoc increases assumed
Retirement Age	See Section IV of the October 1, 2013 funding valuation report for summary of assumption
Mortality	
Healthy lives	95% of the RP-2000 Combined Health Mortality Table projected to 2023 using Scale BB
Disabled lives	RP-2000 Disabled Retiree Mortality Table projected to 2023 using Scale BB

UNIVERSITY OF MISSOURI SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2014

(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)
7/1/2009	37,171	646,655	609,484	5.7%	1,009,800	60.4%
7/1/2011	45,745	542,844	497,099	8.4%	1,041,413	47.7%
7/1/2013 (a)(b)	49,284	669,836	620,552	7.4%	1,103,558	56.2%

(a) The 7/1/2013 Actuarial Valuation was revised based on a change in the discount rate from 5.75% to 4.00%.

(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)
6/30/2012	7/1/2011	50,954	50%	109,496
6/30/2013	7/1/2011	50,954	38%	142,209
6/30/2014	7/1/2013(a)	59,965	42%	177,040

(a) The 7/1/2013 Actuarial Valuation was revised based on a change in the discount rate from 5.75% to 4.00%.



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,	2014	2013	2012	2011	2010
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 90,750	\$ 177,722	\$ 228,639	\$ 44,249	\$ 149,515
Restricted Cash and Cash Equivalents	56,185	80,730	134,141	177,038	177,798
Short-Term Investments	217,758	272,839	126,054	151,070	40,268
Restricted Short-Term Investments	36,176	43,087	32,092	49,264	30,619
Investment of Cash Collateral	113,477	24,428	32,032	101,047	111,557
Accounts Receivable, Net	292,854	255,081	274,100	255,589	249,460
Pledges Receivable, Net	15,930	14,803	11,898	12,374	14,505
Investment Settlements Receivable	224,423	16,176	37,316	15,634	6,200
Notes Receivable, Net	8,490	8,068	8,151	8,532	9,046
Due To Component Units	(8,107)	(7,826)	(7,029)	(6,658)	(5,285)
Inventories	35,354	37,398	36,022	35,193	28,401
Prepaid Expenses and Other Current Assets	26,884	27,533	27,332	25,759	25,604
Total Current Assets	1,110,174	950,039	940,748	869,091	837,688
Noncurrent Assets					
Pledges Receivable, Net	40,004	43,911	41,708	14,895	16,256
Notes Receivable, Net	79,961	62,829	54,698	54,015	50,635
Deferred Charges and Other Assets	2,243	9,735	10,253	13,218	12,374
Long-Term Investments	1,526,603	1,338,894	1,363,827	1,357,918	1,171,998
Restricted Long-Term Investments	1,300,481	1,103,616	1,066,915	1,161,184	891,067
Capital Assets, Net	3,123,172	2,997,508	2,848,993	2,642,196	2,534,365
Total Noncurrent Assets	6,072,464	5,556,493	5,386,394	5,243,426	4,676,695
Deferred Outflow of Resources	52,417	39,859	51,214	28,185	31,947
Total Assets and Deferred Outflow of Resources	\$ 7,235,055	\$ 6,546,391	\$ 6,378,356	\$ 6,140,702	\$ 5,546,330
Liabilities					
Current Liabilities					
Accounts Payable	\$ 137,956	\$ 131,410	\$ 140,274	\$ 130,803	\$ 123,809
Accrued Liabilities	159,209	162,779	150,971	143,347	138,309
Deferred Revenue	89,318	85,323	84,923	78,209	78,200
Funds Held for Others	78,787	71,169	65,643	62,951	53,245
Investment Settlements Payable	191,449	107,183	177,988	47,319	41,931
Collateral Held for Securities Lending	113,477	24,428	32,032	101,047	111,557
Commercial Paper and Current Portion of Long-Term Debt	92,433	203,295	183,226	29,107	30,139
Long-Term Debt Subject to Remarketing	99,445	99,895	100,330	220,885	223,680
Total Current Liabilities	962,074	885,482	935,387	813,668	800,870
Noncurrent Liabilities					
Unearned Revenue	9,859				
Long-Term Debt	1,411,225	1,121,127	1,143,111	1,150,096	925,661
Deferred Revenue	39,571	-	-	1,519	1,925
Derivative Instrument Liability	177,040	39,869	57,856	26,702	30,680
Other Postemployment Benefits Liability	253,804	142,209	109,496	83,306	52,613
Other Noncurrent Liabilities	60,652	56,765	47,889	49,167	53,845
Total Noncurrent Liabilities	1,952,151	1,359,970	1,358,352	1,310,790	1,064,724
Deferred Inflow Resources	185,860				
Total Liabilities and Deferred Inflow of Resources	\$ 3,100,085	\$ 2,245,452	\$ 2,293,739	\$ 2,124,458	\$ 1,865,594
Net Position					
Net Investment in Capital Assets	1,626,371	1,636,334	1,545,227	1,516,095	1,485,090
Restricted					
Nonexpendable -					
Endowment	998,947	858,820	771,146	788,876	679,494
Expendable -					
Scholarship, Research, Instruction & Other	349,560	323,473	299,789	264,605	244,226
Loans	81,805	80,436	79,091	77,300	75,637
Capital Projects	46,363	42,357	29,063	18,438	32,373
Unrestricted	1,031,924	1,359,519	1,360,301	1,350,930	1,163,916
Total Net Position	4,134,970	4,300,939	4,084,617	4,016,244	3,680,736
Total Liabilities & Net Position	\$ 7,235,055	\$ 6,546,391	\$ 6,378,356	\$ 6,140,702	\$ 5,546,330

CHANGES IN NET POSITION

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Operating Revenues					
Tuition and Fees, Net	\$ 829,920	\$ 791,319	\$ 736,074	\$ 671,419	\$ 630,498
Less: Scholarship Allowances	202,647	198,514	190,798	175,917	164,187
Net Tuition and Fees	627,273	592,805	545,276	495,502	466,311
Federal Grants and Contracts	160,582	183,654	184,882	196,122	183,885
State and Local Grants and Contracts	49,538	54,298	55,837	57,375	66,194
Private Grants and Contracts	76,867	71,731	71,023	67,025	68,044
Sales and Services of Educational Activities	24,137	24,129	23,106	21,671	22,560
Auxiliary Enterprises -					
Patient Medical Services, Net	873,638	847,681	795,302	741,626	720,050
Housing and Dining Services, Net	106,818	105,794	99,667	93,724	89,743
Bookstores	54,444	55,582	57,566	58,591	59,288
Other Auxiliary Enterprises, Net	247,922	250,975	217,590	238,270	215,497
Other Operating Revenues	64,037	58,179	55,312	55,811	49,250
Total Operating Revenues	2,285,256	2,244,828	2,105,561	2,025,717	1,940,822
Operating Expenses					
Salaries and Wages	1,363,449	1,343,889	1,318,349	1,272,226	1,236,965
Benefits	346,257	385,767	359,595	328,340	303,300
Supplies, Services and Other Operating Expenses	833,799	766,624	762,700	716,044	676,362
Scholarships and Fellowships	66,919	62,461	60,380	58,790	55,469
Depreciation	183,250	167,796	160,915	155,103	146,753
Total Operating Expenses	2,793,674	2,726,537	2,661,939	2,530,503	2,418,849
Operating Loss before State Appropriations	(508,418)	(481,709)	(556,378)	(504,786)	(478,027)
State Appropriations	412,650	401,400	397,629	437,631	498,358
Operating Income (Loss) after State Appropriations, Before Nonoperating Revenues (Expenses)					
	(95,768)	(80,309)	(158,749)	(67,155)	20,331
Nonoperating Revenues (Expenses)					
Federal Appropriations	27,675	29,154	28,222	28,416	21,455
Federal Pell Grants	59,776	59,917	62,311	57,951	48,281
Investment and Endowment Income (Losses), Net	281,837	147,433	30,855	266,633	172,833
Private Gifts	66,780	64,103	90,346	52,564	48,695
Interest Expense	(59,916)	(55,256)	(53,923)	(49,507)	(46,103)
Other Nonoperating Revenues (Expenses)	1,477	(4,822)	(10,214)	(3,279)	(1,659)
Net Nonoperating Revenues (Expenses)	377,629	240,529	147,597	352,778	243,502
Income (Loss) before Capital Contributions, Additions to Permanent Endowments, Extraordinary and Special Items					
State Capital Appropriations	-	745	937	8,043	14,205
Capital Gifts and Grants	14,727	20,244	11,788	15,466	19,381
Private Gifts for Endowment Purposes	47,390	35,113	24,484	26,376	24,703
Extraordinary Item:					
Special Item	-	-	42,316	-	-
Increase (Decrease) in Net Position	343,978	216,322	68,373	335,508	322,122
Net Position, Beginning of Year	4,300,939	4,084,617	4,016,244	3,680,736	3,364,777
Cumulative Effect of Change in Accounting Principle	(509,947)	-	-	-	(6,163)
Net Position, Beginning of Year, as Adjusted	3,790,992	4,084,617	4,016,244	3,680,736	3,358,614
Net Position, End of Year	\$ 4,134,970	\$ 4,300,939	\$ 4,084,617	\$ 4,016,244	\$ 3,680,736

CHANGES IN NET POSITION

(% increase / decrease from prior year)

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Operating Revenues					
Tuition and Fees, Net	4.9%	7.5%	9.6%	6.5%	4.8%
Less: Scholarship Allowances	2.1%	4.0%	8.5%	7.1%	10.5%
Net Tuition and Fees	5.8%	8.7%	10.0%	6.3%	2.9%
Federal Grants and Contracts	-12.6%	-0.7%	-5.7%	6.7%	6.5%
State and Local Grants and Contracts	-8.8%	-2.8%	-2.7%	-13.3%	24.8%
Private Grants and Contracts	7.2%	1.0%	6.0%	-1.5%	-4.2%
Sales and Services of Educational Activities	0.0%	4.4%	6.6%	-3.9%	2.1%
Auxiliary Enterprises -					
Patient Medical Services, Net	3.1%	6.6%	7.2%	3.0%	5.1%
Housing and Dining Services, Net	1.0%	6.1%	6.3%	4.4%	9.5%
Bookstores	-2.0%	-3.4%	-1.7%	-1.2%	-4.5%
Other Auxiliary Enterprises, Net	-1.2%	15.3%	-8.7%	10.6%	3.9%
Other Operating Revenues	10.1%	5.2%	-0.9%	13.3%	-8.3%
Total Operating Revenues	1.8%	6.6%	3.9%	4.4%	4.2%
Operating Expenses					
Salaries and Wages	1.5%	1.9%	3.6%	2.9%	1.9%
Benefits	-10.2%	7.3%	9.5%	8.3%	1.2%
Supplies, Services and Other Operating Expenses	8.8%	0.5%	6.5%	5.9%	0.5%
Scholarships and Fellowships	7.1%	3.4%	2.7%	6.0%	14.5%
Depreciation	9.2%	4.3%	3.7%	5.7%	11.9%
Total Operating Expenses	2.5%	2.4%	5.2%	4.6%	2.2%
Operating Loss before State Appropriations	-5.5%	13.4%	-10.2%	-5.6%	5.0%
State Appropriations	2.8%	0.9%	-9.1%	-12.2%	3.9%
Operating Income (Loss) after State Appropriations, Before Nonoperating Revenues (Expenses)					
	-19.2%	49.4%	-136.4%	430.3%	185.4%
Nonoperating Revenues (Expenses)					
Federal Appropriations	-5.1%	3.3%	-0.7%	32.4%	44.4%
Federal Pell Grants	-0.2%	-3.8%	7.5%	20.0%	52.6%
Investment and Endowment Income (Losses), Net	91.2%	377.8%	-88.4%	54.3%	199.7%
Private Gifts	4.2%	-29.0%	71.9%	7.9%	-7.3%
Interest Expense	8.4%	2.5%	8.9%	7.4%	46.7%
Other Nonoperating Revenues (Expenses)	130.6%	52.8%	-211.5%	-97.6%	57.8%
Net Nonoperating Revenues (Expenses)	57.0%	63.0%	-58.2%	44.9%	322.1%
Income (Loss) before Capital Contributions, Additions to Permanent Endowments and Extraordinary Item					
	-75.9%	1536.7%	-103.9%	8.3%	297.7%
State Capital Appropriations	-100.0%	-20.5%	-88.4%	-43.4%	-20.3%
Capital Gifts and Grants	-27.3%	71.7%	-23.8%	-20.2%	49.0%
Private Gifts for Endowment Purposes	35.0%	43.4%	-7.2%	6.8%	17.1%
Extraordinary Item:					
Special Item	-	-	-	-	-
Increase (Decrease) in Net Position	59.0%	216.4%	-79.6%	4.2%	507.8%
Net Position, Beginning of Year					
Cumulative Effect of Change in Accounting Principle	0.0%	0.0%	0.0%	100.0%	-146.2%
Net Position, Beginning of Year, as Adjusted	-7.2%	1.7%	9.1%	9.6%	-2.5%
Net Position, End of Year	-3.9%	5.3%	1.7%	9.1%	9.4%

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Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
+ Primary Reserve Ratio	0.525	0.65	0.65	0.67	0.62
/ Conversion Factor	0.133	0.133	0.133	0.133	0.133
= Strength Factor	3.95	4.88	4.92	5.05	4.63
x Weighting Factor	35%	35%	35%	35%	35%
= Ratio Subtotal	1.38	1.71	1.72	1.77	1.62

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.

+ Return on Assets Ratio	8.7%	5.2%	1.7%	8.7%	9.2%
/ Conversion Factor	0.020	0.020	0.020	0.020	0.020
= Strength Factor	4.34	2.58	0.84	4.36	4.58
x Weighting Factor	20%	20%	20%	20%	20%
= Ratio Subtotal	0.87	0.52	0.17	0.87	0.92

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.

+ Net Operating Revenues Ratio	5.1%	5.6%	3.5%	5.1%	7.7%
/ Conversion Factor	0.013	0.013	0.013	0.013	0.013
= Strength Factor	3.92	4.30	2.68	3.96	5.89
x Weighting Factor	10%	10%	10%	10%	10%
= Ratio Subtotal	0.39	0.43	0.27	0.40	0.59

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.

+ Viability Ratio	0.91	1.24	1.22	1.21	1.26
/ Conversion Factor	0.417	0.417	0.417	0.417	0.417
= Strength Factor	2.19	2.97	2.92	2.90	3.02
x Weighting Factor	35%	35%	35%	35%	35%
= Ratio Subtotal	0.77	1.04	1.02	1.01	1.06

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.

Composite Financial Index	3.41	3.69	3.18	4.05	4.18
Composite Financial Index - Three Year Average	3.43	3.64	3.80	3.65	3.38

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

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Net Tuition per Student

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Gross Tuition and Fees	\$ 829,920	\$ 791,319	\$ 736,074	\$ 671,419	\$ 630,498
Less: Scholarship Discounts / Allowances	(202,647)	(198,514)	(190,798)	(175,917)	(164,187)
Less: Scholarship / Fellowship Expenses	(66,919)	(62,461)	(60,380)	(58,790)	(55,469)
Net Tuition	\$ 560,354	\$ 530,344	\$ 484,896	\$ 436,712	\$ 410,842
Net Tuition	\$ 560,354	\$ 530,344	\$ 484,896	\$ 436,712	\$ 410,842
Number of Students - Fall Semester (FTEs)	58,163	57,806	56,843	55,272	53,292
Net Tuition per Student	\$ 9,634	\$ 9,175	\$ 8,530	\$ 7,901	\$ 7,709

State Appropriations per Student

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
State Appropriations	\$ 412,650	\$ 401,400	\$ 397,629	\$ 437,631	\$ 498,358
Number of Students - Fall Semester (FTEs)	58,163	57,806	56,843	55,272	53,292
State Appropriations per Student	\$ 7,095	\$ 6,944	\$ 6,995	\$ 7,918	\$ 9,351

Educational Expenses per Student

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Total Operating Expenses	\$ 2,793,674	\$ 2,726,537	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849
Less: Scholarships / Fellowships Expense	(66,919)	(62,461)	(60,380)	(58,790)	(55,469)
Less: Auxiliary Operating Expenses	(1,132,915)	(1,109,157)	(1,067,820)	(1,028,491)	(956,455)
Less: Grants and Contracts Expenses	(286,987)	(309,683)	(311,742)	(320,522)	(318,123)
Interest Expense	59,916	55,256	53,923	49,507	46,103
Less: Auxiliary Interest Expense	(12,538)	(9,753)	(8,427)	(9,006)	(9,197)
Net Educational Expenses	\$ 1,354,231	\$ 1,290,739	\$ 1,267,493	\$ 1,163,201	\$ 1,125,708
Net Educational Expenses	\$ 1,354,231	\$ 1,290,739	\$ 1,267,493	\$ 1,163,201	\$ 1,125,708
Number of Students - Fall Semester (FTEs)	58,163	57,806	56,843	55,272	53,292
Educational Expenses per Student	\$ 23,283	\$ 22,329	\$ 22,298	\$ 21,045	\$ 21,123

Total Tuition Discount

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Scholarship Allowances	\$ 202,647	\$ 198,514	\$ 190,798	\$ 175,917	\$ 164,187
Scholarships / Fellowships Expense	66,919	62,461	60,380	58,790	55,469
Total Tuition Discounts (\$)	\$ 269,566	\$ 260,975	\$ 251,178	\$ 234,707	\$ 219,656
Total Tuition Discounts (\$)	\$ 269,566	\$ 260,975	\$ 251,178	\$ 234,707	\$ 219,656
Gross Tuition and Fees	\$ 829,920	\$ 791,319	\$ 736,074	\$ 671,419	\$ 630,498
Total Tuition Discount (%)	32.5%	33.0%	34.1%	35.0%	34.8%

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Unrestricted Financial Resources to Direct Debt

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Current Portion of Long-Term Debt	\$ 92,433	\$ 203,295	\$ 183,226	\$ 29,107	\$ 30,139
Long-Term Debt Subject to Remarketing	99,445	99,895	100,330	220,885	223,680
Long-Term Debt	1,411,225	1,121,127	1,143,111	1,150,096	925,661
Total Direct Debt	\$ 1,603,103	\$ 1,424,317	\$ 1,426,667	\$ 1,400,088	\$ 1,179,480
Net Position - Unrestricted	\$ 1,031,924	\$ 1,359,519	\$ 1,360,301	\$ 1,350,930	\$ 1,163,916
Total Direct Debt	\$ 1,603,103	\$ 1,424,317	\$ 1,426,667	\$ 1,400,088	\$ 1,179,480

**Unrestricted Financial Resources
to Direct Debt**

0.64 0.95 0.95 0.96 0.99

Expendable Financial Resources to Direct Debt (Viability Ratio)

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Net Position - Unrestricted	\$ 1,031,924	\$ 1,359,519	\$ 1,360,301	\$ 1,350,930	\$ 1,163,916
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	349,560	323,473	299,789	264,605	244,226
Net Position - Restricted Expendable - Loans	81,805	80,436	79,091	77,300	75,637
Expendable Net Position	\$ 1,463,289	\$ 1,763,428	\$ 1,739,181	\$ 1,692,835	\$ 1,483,779
Expendable Net Position	\$ 1,463,289	\$ 1,763,428	\$ 1,739,181	\$ 1,692,835	\$ 1,483,779
Total Direct Debt	\$ 1,603,103	\$ 1,424,317	\$ 1,426,667	\$ 1,400,088	\$ 1,179,480

Viability Ratio

0.91 1.24 1.22 1.21 1.26

Total Financial Resources to Direct Debt

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Net Position - Unrestricted	\$ 1,031,924	\$ 1,359,519	\$ 1,360,301	\$ 1,350,930	\$ 1,163,916
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	349,560	323,473	299,789	264,605	244,226
Net Position - Restricted Expendable - Loans	81,805	80,436	79,091	77,300	75,637
Net Position - Restricted Nonexpendable	998,947	858,820	771,146	788,876	679,494
Total Financial Resources	\$ 2,462,236	\$ 2,622,248	\$ 2,510,327	\$ 2,481,711	\$ 2,163,273
Total Financial Resources	\$ 2,462,236	\$ 2,622,248	\$ 2,510,327	\$ 2,481,711	\$ 2,163,273
Total Direct Debt	\$ 1,603,103	\$ 1,424,317	\$ 1,426,667	\$ 1,400,088	\$ 1,179,480

**Total Financial Resources
to Direct Debt**

1.54 1.84 1.76 1.77 1.83

Direct Debt per Student

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Total Direct Debt	\$ 1,603,103	\$ 1,424,317	\$ 1,426,667	\$ 1,400,088	\$ 1,179,480
Number of Students - End of Fiscal Year (FTEs)	59,582	58,163	57,806	56,843	55,272

Direct Debt per Student

\$ 26,906 \$ 24,488 \$ 24,680 \$ 24,631 \$ 21,340

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Actual Debt Service to Operations

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Debt Service - Principal	\$ 24,325	\$ 24,849	\$ 26,393	\$ 29,010	\$ 24,922
Debt Service - Interest	59,916	55,256	53,923	49,507	46,103
Total Debt Service	\$ 84,241	\$ 80,105	\$ 80,316	\$ 78,517	\$ 71,025
Operating Expenses	\$ 2,793,674	\$ 2,726,537	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849
Less: Scholarships & Fellowships Expense	(66,919)	(62,461)	(60,380)	(58,790)	(55,469)
Interest Expense	59,916	55,256	53,923	49,507	46,103
Adjusted Total Operating Expense	\$ 2,786,671	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483
Total Debt Service	\$ 84,241	\$ 80,105	\$ 80,316	\$ 78,517	\$ 71,025
Adjusted Total Operating Expense	\$ 2,786,671	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483
Actual Debt Service to Operations	3.0%	2.9%	3.0%	3.1%	2.9%

Capital Expense to Operations

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Depreciation Expense	\$ 183,250	\$ 167,796	\$ 160,915	\$ 155,103	\$ 146,753
Interest Expense	59,916	55,256	53,923	49,507	46,103
Total Capital Expense	\$ 243,166	\$ 223,052	\$ 214,838	\$ 204,610	\$ 192,856
Operating Expenses	\$ 2,793,674	\$ 2,726,537	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849
Less: Scholarships & Fellowships Expense	(66,919)	(62,461)	(60,380)	(58,790)	(55,469)
Interest Expense	59,916	55,256	53,923	49,507	46,103
Adjusted Total Operating Expense	\$ 2,786,671	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483
Total Capital Expense	\$ 243,166	\$ 223,052	\$ 214,838	\$ 204,610	\$ 192,856
Adjusted Total Operating Expense	\$ 2,786,671	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483
Capital Expense to Operations	8.7%	8.2%	8.1%	8.1%	8.0%

BALANCE SHEET RATIOS

Statistical Section

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Unrestricted Financial Resources to Operations

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Net Position - Unrestricted	\$ 1,031,924	\$ 1,359,519	\$ 1,360,301	\$ 1,350,930	\$ 1,163,916
Operating Expenses	\$ 2,793,674	\$ 2,726,537	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849
Less: Scholarships & Fellowships Expense	(66,919)	(62,461)	(60,380)	(58,790)	(55,469)
Interest Expense	59,916	55,256	53,923	49,507	46,103
Adjusted Total Operating Expense	\$ 2,786,671	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483
Net Position - Unrestricted	\$ 1,031,924	\$ 1,359,519	\$ 1,360,301	\$ 1,350,930	\$ 1,163,916
Adjusted Total Operating Expense	\$ 2,786,671	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483

Unrestricted Financial Resources to Operations

0.37 0.50 0.51 0.54 0.48

Expendable Financial Resources to Operations (Primary Reserve Ratio)

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Net Position - Unrestricted	\$ 1,031,924	\$ 1,359,519	\$ 1,360,301	\$ 1,350,930	\$ 1,163,916
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	349,560	323,473	299,789	264,605	244,226
Net Position - Restricted Expendable - Loans	81,805	80,436	79,091	77,300	75,637
Expendable Net Position	\$ 1,463,289	\$ 1,763,428	\$ 1,739,181	\$ 1,692,835	\$ 1,483,779
Operating Expenses	\$ 2,793,674	\$ 2,726,537	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849
Less: Scholarships & Fellowships Expense	(66,919)	(62,461)	(60,380)	(58,790)	(55,469)
Interest Expense	59,916	55,256	53,923	49,507	46,103
Adjusted Total Operating Expense	\$ 2,786,671	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483
Expendable Net Position	\$ 1,463,289	\$ 1,763,428	\$ 1,739,181	\$ 1,692,835	\$ 1,483,779
Adjusted Total Operating Expense	\$ 2,786,671	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483

Primary Reserve Ratio

0.53 0.65 0.65 0.67 0.62

Total Financial Resources per Student

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Net Position - Unrestricted	\$ 1,031,924	\$ 1,359,519	\$ 1,360,301	\$ 1,350,930	\$ 1,163,916
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	349,560	323,473	299,789	264,605	244,226
Net Position - Restricted Expendable - Loans	81,805	80,436	79,091	77,300	75,637
Net Position - Restricted Nonexpendable	998,947	858,820	771,146	788,876	679,494
Total Financial Resources	\$ 2,462,236	\$ 2,622,248	\$ 2,510,327	\$ 2,481,711	\$ 2,163,273
Total Financial Resources	\$ 2,462,236	\$ 2,622,248	\$ 2,510,327	\$ 2,481,711	\$ 2,163,273
Number of Students - End of Fiscal Year (FTE)	59,582	58,163	57,806	56,843	55,272

Total Financial Resources per Student \$ 41,325 \$ 45,084 \$ 43,427 \$ 43,659 \$ 39,139

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Annual Operating Margin (Net Operating Revenues Ratio)

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Operating Inc (Loss) After State Appropriations	\$ (95,768)	\$ (80,309)	\$ (158,749)	\$ (67,155)	\$ 20,331
Federal Appropriations	27,675	29,154	28,222	28,416	21,455
Federal Pell Grants	59,776	59,917	62,311	57,951	48,281
Normalized Investment Income	151,113	143,305	127,497	114,592	107,236
Private Gifts	66,780	64,103	90,346	52,564	48,695
Interest Expense	(59,916)	(55,256)	(53,923)	(49,507)	(46,103)
Net Operating Surplus (Deficit)	\$ 149,660	\$ 160,914	\$ 95,704	\$ 136,861	\$ 199,895
Total Operating Revenues	\$ 2,285,256	\$ 2,244,828	\$ 2,105,561	\$ 2,025,717	\$ 1,940,822
Less: Scholarship & Fellowships Expense	(66,919)	(62,461)	(60,380)	(58,790)	(55,469)
State Appropriations	412,650	401,400	397,629	437,631	498,358
Federal Appropriations	27,675	29,154	28,222	28,416	21,455
Federal Pell Grants	59,776	59,917	62,311	57,951	48,281
Normalized Investment Income (a)	151,113	143,305	127,497	114,592	107,236
Private Gifts	66,780	64,103	90,346	52,564	48,695
Total Operating Revenues	\$ 2,936,331	\$ 2,880,246	\$ 2,751,186	\$ 2,658,081	\$ 2,609,378

(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)	\$ 149,660	\$ 160,914	\$ 95,704	\$ 136,861	\$ 199,895
Total Operating Revenues	\$ 2,936,331	\$ 2,880,246	\$ 2,751,186	\$ 2,658,081	\$ 2,609,378

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

Debt Service Coverage

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Total Debt Service	\$ 84,241	\$ 80,105	\$ 80,316	\$ 78,517	\$ 71,025
Net Operating Surplus (Deficit)	\$ 149,660	\$ 160,914	\$ 95,704	\$ 136,861	\$ 199,895
Add Back: Interest Expense	59,916	55,256	53,923	49,507	46,103
Add Back: Depreciation Expense	183,250	167,796	160,915	155,103	146,753
Adjusted Net Operating Surplus (Deficit)	\$ 392,826	\$ 383,966	\$ 310,542	\$ 341,471	\$ 392,751
Adjusted Net Operating Surplus (Deficit)	\$ 392,826	\$ 383,966	\$ 310,542	\$ 341,471	\$ 392,751
Total Debt Service	\$ 84,241	\$ 80,105	\$ 80,316	\$ 78,517	\$ 71,025

Debt Service Coverage **4.66** **4.79** **3.87** **4.35** **5.53**

Return on Net Position

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Change in Net Position	\$ 343,978	\$ 216,322	\$ 68,373	\$ 335,508	\$ 322,122
Average Net Position	\$ 3,962,981	\$ 4,192,778	\$ 4,050,431	\$ 3,848,490	\$ 3,519,675

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

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Contribution Ratios

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
State Appropriations	\$ 412,650	\$ 401,400	\$ 397,629	\$ 437,631	\$ 498,358
Tuition and Fees, Net of Scholarship Allow/Exp	560,354	530,344	484,896	436,712	410,842
Auxiliary Enterprises	409,184	412,351	374,823	390,585	364,528
Grants and Contracts	286,987	309,683	311,742	320,522	318,123
Federal Pell Grants	59,776	59,917	62,311	57,951	48,281
Gifts	66,780	64,103	90,346	52,564	48,695
Normalized Investment Income (a)	151,113	143,305	127,497	114,592	107,236
Patient Care	873,638	847,681	795,302	741,626	720,050
Other	115,849	111,462	106,640	105,898	93,265
Total	\$ 2,936,331	\$ 2,880,246	\$ 2,751,186	\$ 2,658,081	\$ 2,609,378
State Appropriations	14.1%	13.9%	14.5%	16.5%	19.1%
Tuition and Fees, Net of Scholarship Allow/Exp	19.1%	18.4%	17.6%	16.4%	15.7%
Auxiliary Enterprises	13.9%	14.3%	13.6%	14.7%	14.0%
Grants and Contracts	9.8%	10.8%	11.3%	12.1%	12.2%
Federal Pell Grants	2.0%	2.1%	2.3%	2.2%	1.9%
Gifts	2.3%	2.2%	3.3%	2.0%	1.9%
Normalized Investment Income (a)	5.1%	5.0%	4.6%	4.3%	4.1%
Patient Care	29.8%	29.4%	28.9%	27.9%	27.6%
Other	3.9%	3.9%	3.9%	4.0%	3.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

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

Operating Expenses by Functional Classifications

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Instruction	\$ 622,684	\$ 623,843	\$ 604,695	\$ 557,081	\$ 537,813
Research	190,406	205,970	210,418	219,903	214,540
Public Service	145,629	148,755	147,308	143,546	146,719
Academic Support	139,118	139,413	133,742	127,856	124,119
Student Services	84,787	77,025	75,207	69,992	70,671
Institutional Support	123,651	100,453	102,565	97,934	109,493
Operation and Maintenance of Plant	104,683	89,385	97,114	69,982	55,878
Auxiliary Enterprises	1,132,547	1,111,436	1,069,595	1,030,316	957,394
Scholarships and Fellowships	66,919	62,461	60,380	58,790	55,469
Depreciation	183,250	167,796	160,915	155,103	146,753
Total Operating Expenses	\$ 2,793,674	\$ 2,726,537	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849
Instruction	22.3%	22.9%	22.7%	22.0%	22.2%
Research	6.8%	7.6%	7.9%	8.7%	8.9%
Public Service	5.2%	5.5%	5.5%	5.7%	6.1%
Academic Support	5.0%	5.1%	5.0%	5.1%	5.1%
Student Services	3.0%	2.8%	2.8%	2.8%	2.9%
Institutional Support	4.4%	3.7%	3.9%	3.9%	4.5%
Operation and Maintenance of Plant	3.7%	3.3%	3.6%	2.8%	2.3%
Auxiliary Enterprises	40.5%	40.8%	40.2%	40.7%	39.6%
Scholarships and Fellowships	2.4%	2.3%	2.3%	2.3%	2.3%
Depreciation	6.6%	6.2%	6.0%	6.1%	6.1%
Total Operating Expenses	100.0%	100.0%	100.0%	100.0%	100.0%

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2013	2012	2011	2010	2009
Undergraduate Students (Head Count)	56,869	56,750	54,936	53,358	51,352
Graduate Students (Head Count)	15,224	15,130	15,562	15,232	15,080
Professional Students (Head Count)	3,179	3,164	3,067	3,006	2,952
Total Students (Head Count)	75,272	75,044	73,565	71,596	69,384
Undergraduate Students (FTE)	46,334	46,107	44,940	43,737	41,974
Graduate Students (FTE)	8,696	8,576	8,877	8,571	8,401
Professional Students (FTE)	3,133	3,123	3,026	2,964	2,917
Total Students (FTE)	58,163	57,806	56,843	55,272	53,292
Acceptance Rate - First-time Freshmen	76%	78%	79%	80%	80%
Acceptance Rate - Undergraduate Transfers	68%	71%	73%	73%	72%
Matriculation - First-time Freshmen	39%	39%	41%	42%	41%
Matriculation - Undergraduate Transfers	66%	66%	66%	67%	68%

Demographics

Fall Semester	2013	2012	2011	2010	2009
Male	48%	48%	47%	47%	47%
Female	52%	52%	53%	53%	53%
Undergraduate Residence - Missouri	79%	80%	82%	83%	84%
Undergraduate Residence - Out of State	21%	20%	18%	17%	16%
Undergraduate Full-Time	77%	76%	77%	77%	77%
Undergraduate Part-Time	23%	24%	23%	23%	23%
Graduate Full-Time	47%	46%	45%	45%	40%
Graduate Part-Time	53%	54%	55%	55%	60%
White	73.7%	74.7%	75.4%	76.5%	77.1%
Black or African American	9.7%	9.9%	10.0%	9.8%	9.9%
Non-Resident Alien	7.1%	6.5%	6.4%	6.2%	6.1%
Asian / Pacific Is.	3.7%	3.6%	3.6%	3.5%	3.5%
Hispanic	3.4%	3.2%	3.0%	2.8%	2.6%
Other	2.4%	2.1%	1.6%	1.2%	0.8%

Degrees Awarded

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Baccalaureate	10,733	10,545	10,319	9,703	9,605
Graduate Certificate	740	781	623	539	520
Master's	4,013	3,919	4,069	3,870	3,608
Educational Specialist	113	115	104	100	123
Doctoral	640	660	610	557	519
First Professional Degree	837	847	790	818	800
Total	17,076	16,867	16,515	15,587	15,175

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2013	2012	2011	2010	2009
Undergraduate Students (Head Count)	26,928	26,960	25,992	24,834	23,799
Graduate Students (Head Count)	6,434	6,473	6,534	6,310	6,288
Professional Students (Head Count)	1,254	1,271	1,236	1,197	1,150
Total Students (Head Count)	34,616	34,704	33,762	32,341	31,237
Undergraduate Students (FTE)	24,753	24,677	23,840	22,899	21,943
Graduate Students (FTE)	3,894	3,921	3,966	3,765	3,721
Professional Students (FTE)	1,228	1,248	1,215	1,174	1,134
Total Students (FTE)	29,875	29,846	29,021	27,838	26,798
Acceptance Rate - First-time Freshmen	79%	81%	82%	83%	83%
Acceptance Rate - Undergraduate Transfers	66%	67%	67%	67%	69%
Matriculation - First-time Freshmen	38%	39%	41%	42%	41%
Matriculation - Undergraduate Transfers	59%	61%	62%	66%	66%

Demographics

Fall Semester	2013	2012	2011	2010	2009
Male	47%	47%	47%	47%	46%
Female	53%	53%	53%	53%	54%
Undergraduate Residence - Missouri	75%	77%	79%	81%	83%
Undergraduate Residence - Out of State	25%	23%	21%	19%	17%
Undergraduate Full-Time	94%	93%	94%	94%	94%
Undergraduate Part-Time	6%	7%	6%	6%	6%
Graduate Full-Time	60%	60%	58%	58%	48%
Graduate Part-Time	40%	40%	42%	42%	52%
White	78.2%	79.0%	80.3%	81.8%	82.9%
Black or African American	7.2%	7.2%	6.9%	6.6%	6.4%
Non-Resident Alien	6.6%	6.3%	5.9%	5.4%	5.4%
Asian / Pacific Is.	2.2%	2.3%	2.4%	2.4%	2.5%
Hispanic	3.1%	2.9%	2.7%	2.5%	2.2%
Other	2.6%	2.3%	1.8%	1.3%	0.6%

Degrees Awarded

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Baccalaureate	5,769	5,692	5,528	5,087	4,963
Graduate Certificate	226	225	179	162	142
Master's	1,580	1,515	1,631	1,513	1,515
Educational Specialist	65	63	43	53	59
Doctoral	390	411	367	365	322
First Professional Degree	339	332	299	306	304
Total	8,369	8,238	8,047	7,486	7,305

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2013	2012	2011	2010	2009
Undergraduate Students (Head Count)	10,227	10,614	10,122	9,850	9,381
Graduate Students (Head Count)	3,738	3,651	3,692	3,771	3,795
Professional Students (Head Count)	1,753	1,725	1,659	1,638	1,623
Total Students (Head Count)	15,718	15,990	15,473	15,259	14,799
Undergraduate Students (FTE)	7,590	7,715	7,586	7,395	6,972
Graduate Students (FTE)	2,069	1,965	2,032	2,030	2,021
Professional Students (FTE)	1,733	1,707	1,638	1,618	1,604
Total Students (FTE)	11,392	11,387	11,256	11,043	10,597
Acceptance Rate - First-time Freshmen	65%	68%	71%	71%	72%
Acceptance Rate - Undergraduate Transfers	66%	72%	80%	72%	70%
Matriculation - First-time Freshmen	37%	37%	39%	39%	40%
Matriculation - Undergraduate Transfers	68%	63%	64%	65%	68%

Demographics

Fall Semester	2013	2012	2011	2010	2009
Male	44%	42%	43%	43%	43%
Female	56%	58%	57%	57%	57%
Undergraduate Residence - Missouri	73%	75%	74%	75%	75%
Undergraduate Residence - Out of State	27%	25%	26%	25%	25%
Undergraduate Full-Time	67%	65%	68%	68%	67%
Undergraduate Part-Time	33%	35%	32%	32%	33%
Graduate Full-Time	37%	33%	34%	33%	33%
Graduate Part-Time	63%	67%	66%	67%	67%
White	64.6%	67.2%	67.9%	67.7%	67.6%
Black or African American	12.2%	12.4%	12.6%	12.6%	12.7%
Non-Resident Alien	7.5%	6.3%	6.5%	7.1%	7.4%
Asian / Pacific Is.	6.8%	6.4%	6.5%	6.4%	6.5%
Hispanic	5.7%	5.2%	4.7%	4.7%	4.3%
Other	3.1%	2.5%	1.8%	1.5%	1.4%

Degrees Awarded

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Baccalaureate	1,803	1,759	1,749	1,523	1,633
Graduate Certificate	33	33	29	24	18
Master's	1,028	954	999	972	911
Educational Specialist	35	24	35	25	33
Doctoral	116	93	99	77	83
First Professional Degree	459	475	444	468	455
Total	3,474	3,338	3,355	3,089	3,133

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2013	2012	2011	2010	2009
Undergraduate Students (Head Count)	6,145	5,841	5,671	5,503	5,206
Graduate Students (Head Count)	1,984	1,804	1,850	1,702	1,608
Professional Students (Head Count)	-	-	-	-	-
Total Students (Head Count)	8,129	7,645	7,521	7,205	6,814
Undergraduate Students (FTE)	5,559	5,352	5,236	5,127	4,886
Graduate Students (FTE)	1,234	1,101	1,141	1,036	979
Professional Students (FTE)	-	-	-	-	-
Total Students (FTE)	6,793	6,453	6,377	6,163	5,865
Acceptance Rate - First-time Freshmen	87%	88%	88%	87%	89%
Acceptance Rate - Undergraduate Transfers	70%	65%	67%	67%	74%
Matriculation - First-time Freshmen	48%	44%	44%	47%	47%
Matriculation - Undergraduate Transfers	76%	76%	72%	80%	71%

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

Demographics

Fall Semester	2013	2012	2011	2010	2009
Male	77%	77%	78%	78%	78%
Female	23%	23%	22%	22%	22%
Undergraduate Residence - Missouri	79%	79%	79%	80%	81%
Undergraduate Residence - Out of State	21%	21%	21%	20%	19%
Undergraduate Full-Time	89%	90%	91%	91%	92%
Undergraduate Part-Time	11%	10%	9%	9%	8%
Graduate Full-Time	60%	58%	59%	59%	59%
Graduate Part-Time	40%	42%	41%	41%	41%
White	72.4%	74.8%	74.6%	75.7%	76.4%
Black or African American	4.1%	4.3%	4.9%	4.6%	5.4%
Non-Resident Alien	16.3%	14.3%	14.4%	13.9%	12.6%
Asian / Pacific Is.	2.6%	2.4%	2.4%	2.5%	2.7%
Hispanic	2.5%	2.5%	2.5%	2.4%	2.3%
Other	2.0%	1.7%	1.2%	0.9%	0.6%

Degrees Awarded

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Baccalaureate	1,141	1,118	1,079	1,001	998
Graduate Certificate	401	435	319	282	278
Master's	551	579	567	517	411
Educational Specialist	-	-	-	-	-
Doctoral	70	95	70	65	51
First Professional Degree	-	-	-	-	-
Total	2,163	2,227	2,035	1,865	1,738

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2013	2012	2011	2010	2009
Undergraduate Students (Head Count)	13,569	13,335	13,151	13,171	12,966
Graduate Students (Head Count)	3,068	3,202	3,486	3,449	3,389
Professional Students (Head Count)	172	168	172	171	179
Total Students (Head Count)	16,809	16,705	16,809	16,791	16,534
Undergraduate Students (FTE)	8,432	8,364	8,279	8,317	8,172
Graduate Students (FTE)	1,499	1,589	1,738	1,740	1,681
Professional Students (FTE)	172	168	172	171	179
Total Students (FTE)	10,103	10,121	10,189	10,228	10,032
Acceptance Rate - First-time Freshmen	55%	54%	54%	58%	60%
Acceptance Rate - Undergraduate Transfers	69%	73%	75%	78%	77%
Matriculation - First-time Freshmen	37%	41%	41%	37%	39%
Matriculation - Undergraduate Transfers	69%	70%	71%	66%	69%

Demographics

Fall Semester	2013	2012	2011	2010	2009
Male	40%	40%	40%	39%	38%
Female	60%	60%	60%	61%	62%
Undergraduate Residence - Missouri	93%	93%	93%	93%	93%
Undergraduate Residence - Out of State	7%	7%	7%	7%	7%
Undergraduate Full-Time	44%	46%	46%	46%	46%
Undergraduate Part-Time	56%	54%	54%	54%	54%
Graduate Full-Time	25%	26%	26%	28%	23%
Graduate Part-Time	75%	74%	74%	72%	77%
White	73.1%	72.6%	72.3%	73.7%	74.2%
Black or African American	15.2%	15.8%	16.7%	16.4%	16.6%
Non-Resident Alien	3.5%	3.6%	3.8%	3.7%	3.6%
Asian / Pacific Is.	4.3%	4.3%	3.9%	3.2%	3.2%
Hispanic	2.4%	2.4%	2.3%	2.1%	1.9%
Other	1.5%	1.3%	1.0%	0.9%	0.5%

Degrees Awarded

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Baccalaureate	2,020	1,976	1,963	2,092	2,011
Graduate Certificate	80	88	96	71	82
Master's	854	871	872	868	771
Educational Specialist	13	28	26	22	31
Doctoral	64	61	74	50	63
First Professional Degree	39	40	47	44	41
Total	3,070	3,064	3,078	3,147	2,999



University of Missouri System
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2013 FINANCIAL INFORMATION

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University of Missouri System

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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. 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,

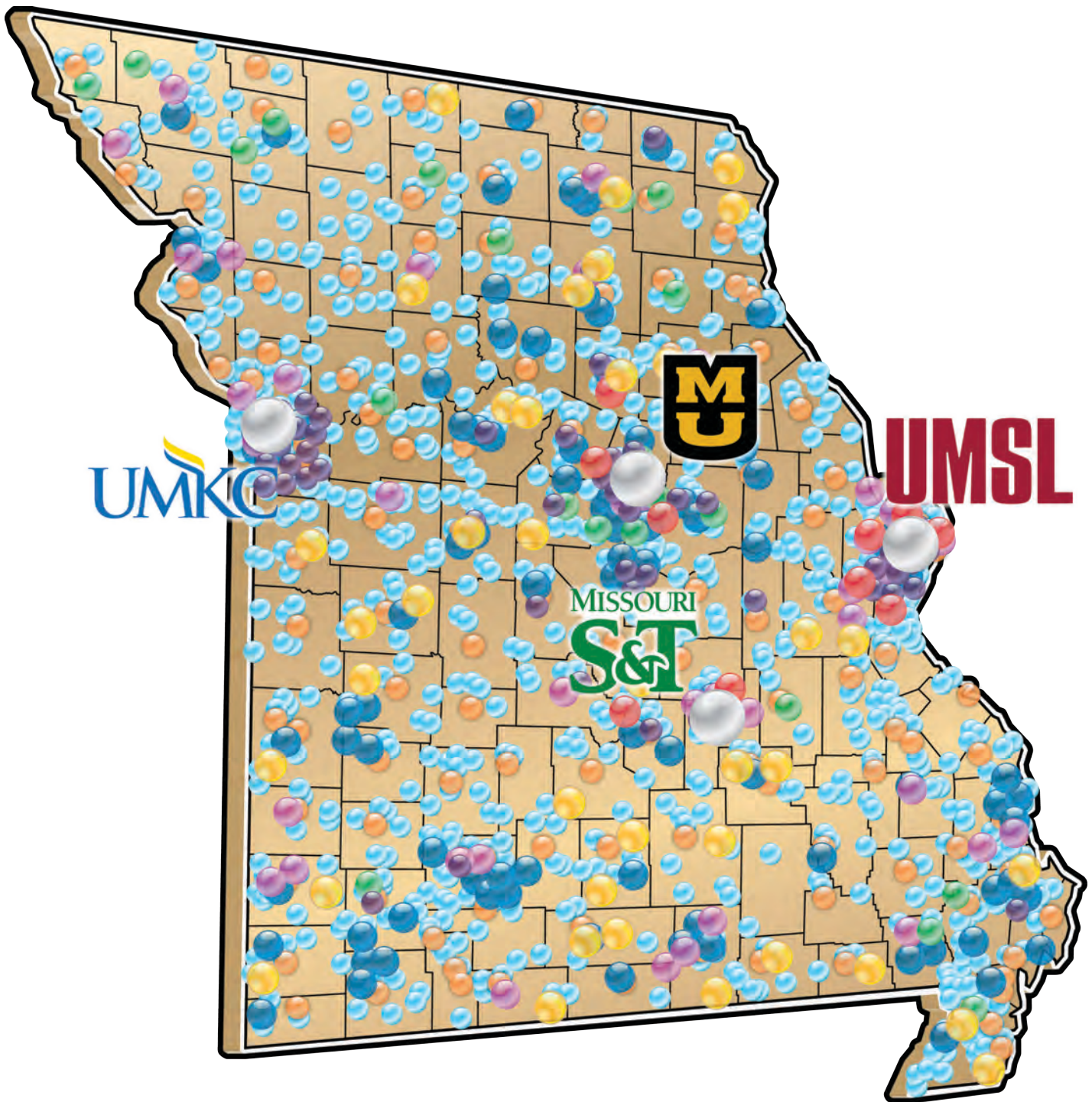


Timothy M. Wolfe

President, University of Missouri System



University of Missouri System Statewide Reach



4

UM System Campuses

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Research Parks /
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Agricultural Research Stations

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

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Small Business & Technology
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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



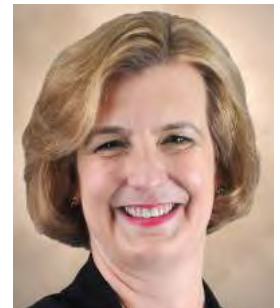
Brady J. Deaton, PhD
Chancellor, University of Missouri-
Columbia



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 80th 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



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.

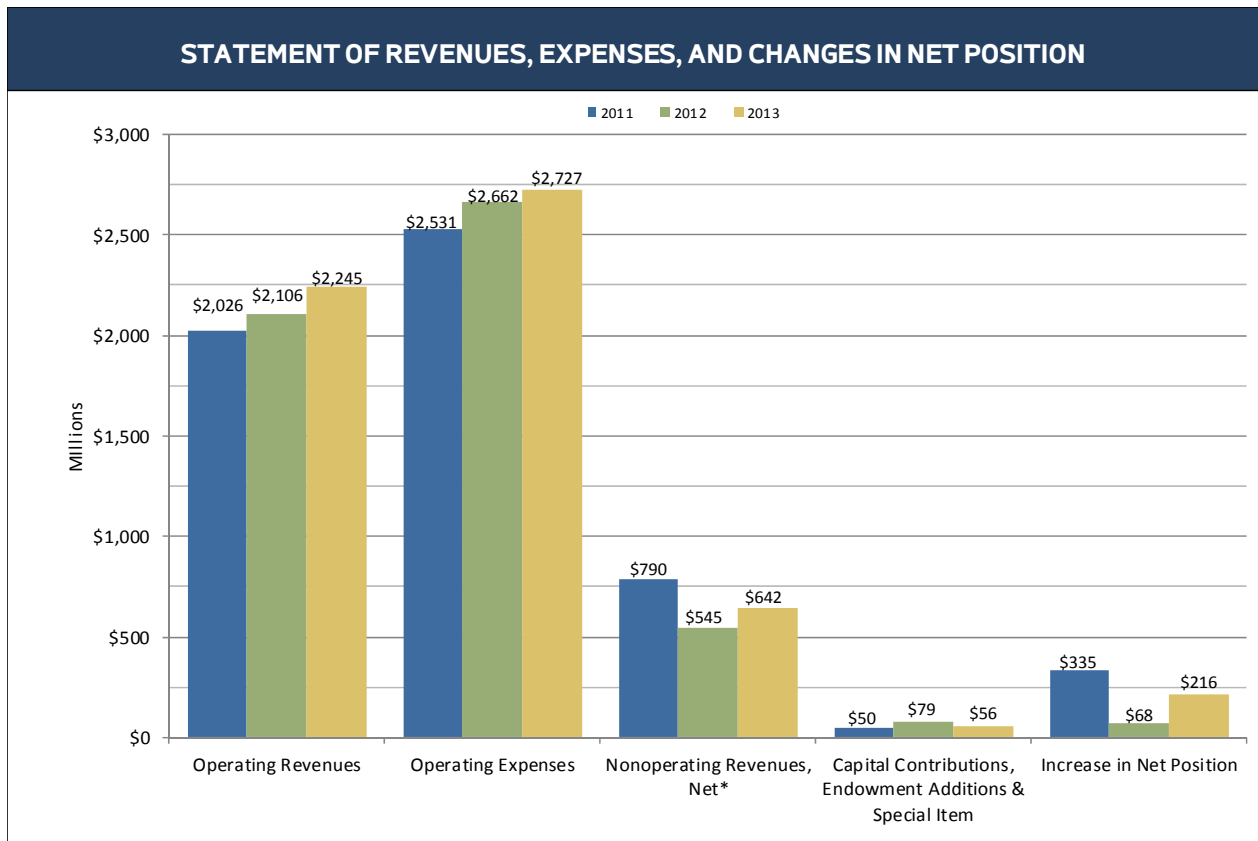
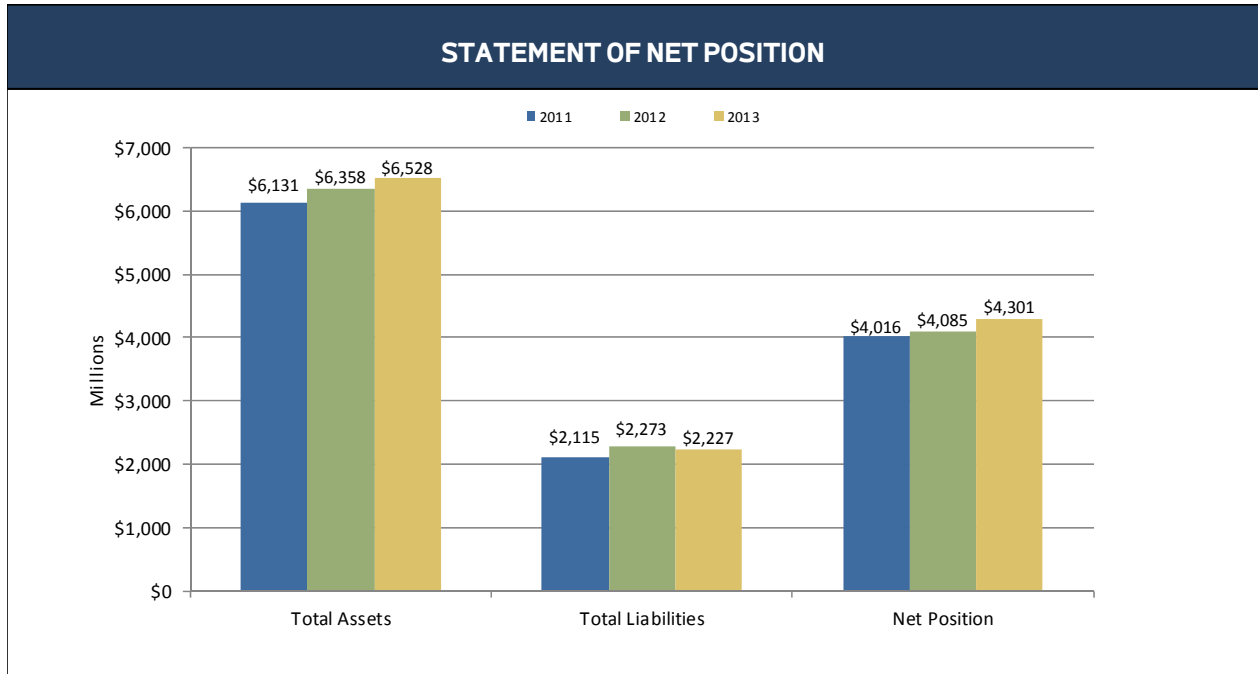
FINANCIAL HIGHLIGHTS

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:

CONDENSED STATEMENT OF NET POSITION			
(in thousands of dollars)			
As of June 30,	2013	2012	2011
Assets			
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
Total Assets and Deferred Outflow of Resources	\$ 6,528,268	\$ 6,357,557	\$ 6,131,540
Liabilities			
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
Total Liabilities	2,227,329	2,272,940	2,115,296
Net Position			
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
Total Net Position	4,300,939	4,084,617	4,016,244
Total Liabilities and Net Position	\$ 6,528,268	\$ 6,357,557	\$ 6,131,540

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:

SUMMARY OF WORKING CAPITAL			
(in thousands of dollars)			
As of June 30,	2013	2012	2011
Current Assets	\$ 950,039	\$ 940,748	\$ 869,091
Current Liabilities	885,482	935,387	813,668
Working Capital	\$ 64,557	\$ 5,361	\$ 55,423
Ratio of Current Assets to Current Liabilities	1.07	1.01	1.07
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
Working Capital, As Adjusted	\$ 164,452	\$ 105,691	\$ 276,308
Ratio of Current Assets to Current Liabilities (As Adjusted)	1.21	1.13	1.47

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:

CASH, CASH EQUIVALENTS AND INVESTMENTS								
(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	
Total	\$ 258,452	\$ 2,758,436	\$ 3,016,888			\$ 2,951,668		

(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:

SELECTED CAPITAL PROJECTS			
(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
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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:

LONG-TERM DEBT (in thousands of dollars)			
As of June 30,	2013	2012	2011
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
Total Bonds Payable	1,208,889	1,233,356	1,382,225
Notes Payable	14,130	4,961	1,296
Capital Lease Obligations	5,920	6,616	7,405
Commercial Paper	177,255	160,935	-
Total Long-Term Debt	\$ 1,406,194	\$ 1,405,868	\$ 1,390,926
Contractual Maturities Within One Year			
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	-
Total Contractual Maturities Within One Year	\$ 203,295	\$ 183,226	\$ 29,107

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

Revenue Bonds and Commercial Paper (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)
Total	\$ 622,866	\$ 223,786	\$ 71,764	\$ 111,835	\$ 315,218	\$ 40,675	\$ 1,386,144

UNIVERSITY OF MISSOURI SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

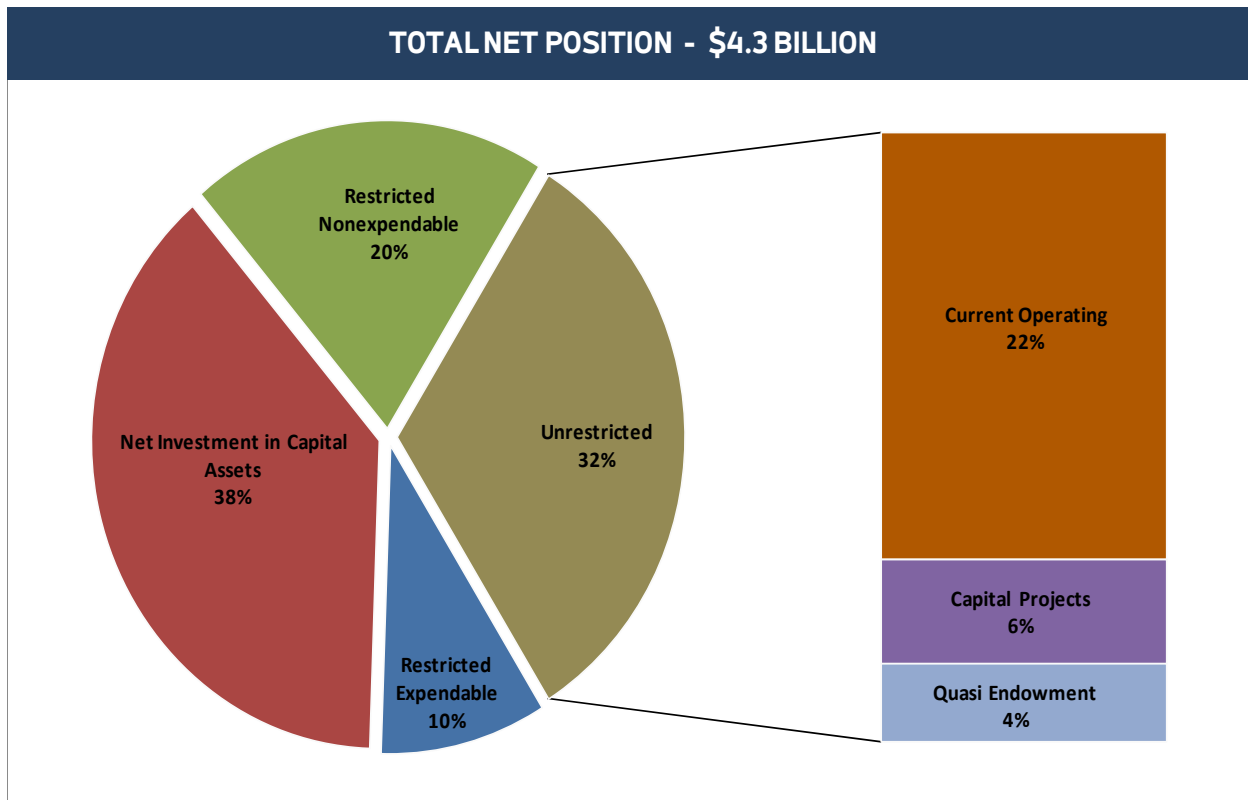
June 30, 2013 and 2012 (unaudited)

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.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
(in thousands of dollars)			
Fiscal Year Ended June 30,	2013	2012	2011
Operating Revenues			
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
Operating Expenses			
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
Operating Loss Before State Appropriations	(481,709)	(556,378)	(504,786)
State Appropriations	401,400	397,629	437,631
Loss after State Appropriations, before			
Nonoperating Revenues (Expenses)	(80,309)	(158,749)	(67,155)
Nonoperating Revenues (Expenses)			
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
Income (Loss) before Capital Contributions, Additions			
to Permanent Endowments and Special Item	160,220	(11,152)	285,623
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	-
Increase in Net Position	216,322	68,373	335,508
Net Position, Beginning of Year	4,084,617	4,016,244	3,680,736
Net Position, End of Year	\$ 4,300,939	\$ 4,084,617	\$ 4,016,244

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

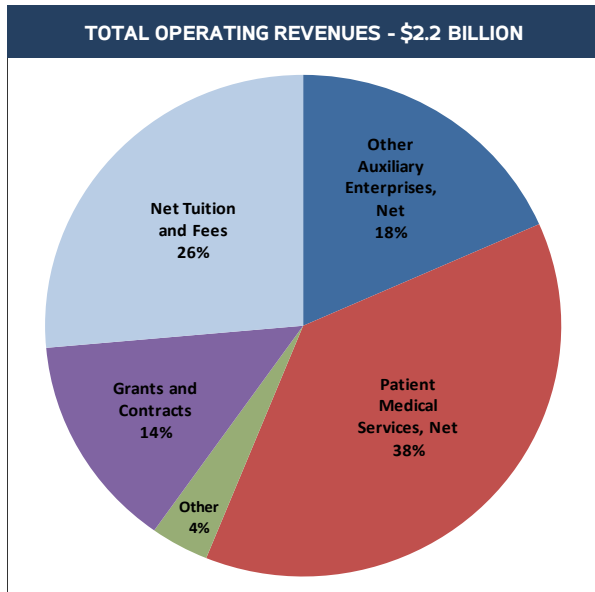
\$79.8 million, or 3.9%, in FY 2012. **Net Tuition and Fees, Patient Medical Services** and **Other Auxiliary Enterprises** contributed most significantly to the increased operating revenue in FY 2013 while **Net Tuition and Fees** and **Patient Medical Services** had the largest increases in the previous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

UNIVERSITY OF MISSOURI SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

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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:

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

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

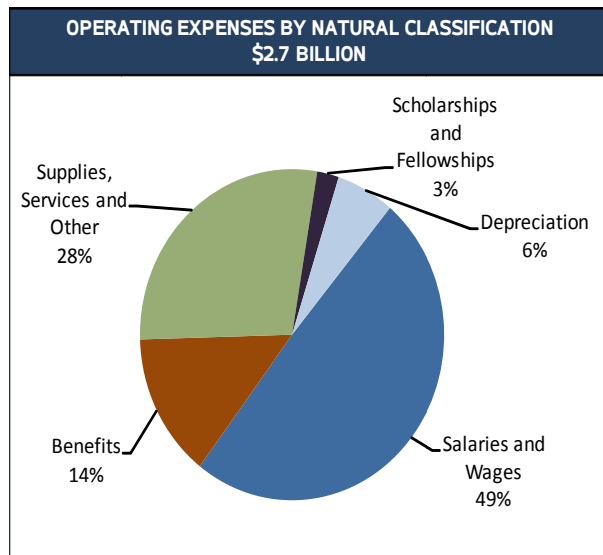
subsidy payments from the United States Treasury totaling \$10.5 million for both years, for designated Build America Bonds outstanding. Pell Grants decreased by \$2.4 million and were largely driven by eligibility changes enacted for fiscal year 2013.

UNIVERSITY OF MISSOURI SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012 (unaudited)

OPERATING EXPENSES

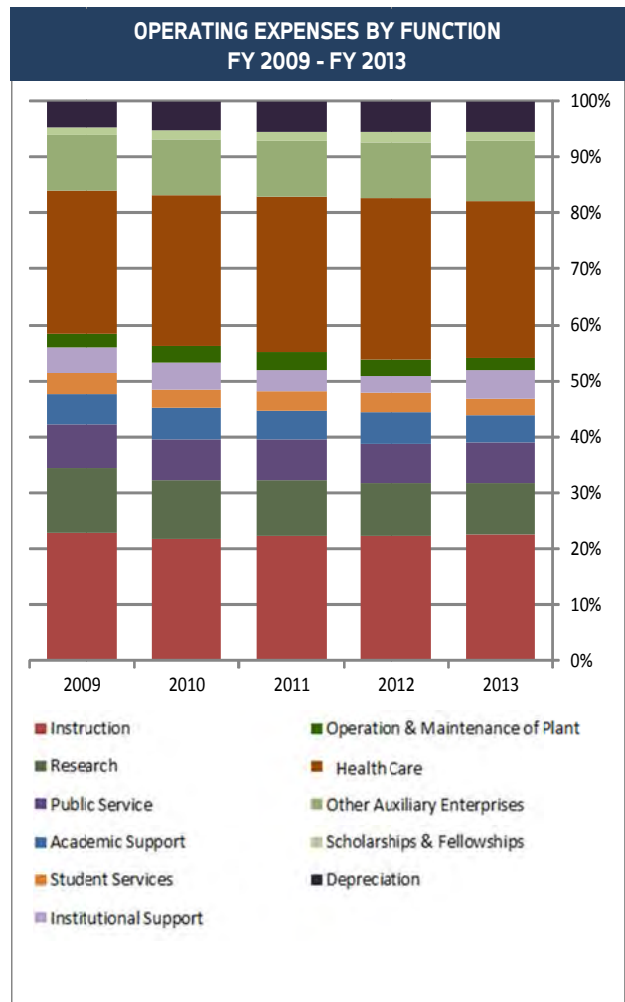
Total Operating Expenses increased by \$64.6 million, or 2.4%, in FY 2013 compared to an increase of \$131.4 million, or 5.1%, in FY 2012. The following graph illustrates the University's operating expenses by natural classification for FY 2013:



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:

CONDENSED STATEMENT OF CASH FLOWS			
(in thousands of dollars)			
Fiscal Year Ended June 30,	2013	2012	2011
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)
Net Increase (Decrease) in Cash and Cash Equivalents	(104,328)	141,493	(106,026)
Cash and Cash Equivalents, Beginning of Year	362,780	221,287	327,313
Cash and Cash Equivalents, End of Year	\$ 258,452	\$ 362,780	\$ 221,287

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
Assets				
Current Assets				
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
Total Current Assets	950,039	940,748	37,919	40,070
Noncurrent Assets				
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
Total Noncurrent Assets	5,556,493	5,386,394	142,248	138,536
Deferred Outflow of Resources	21,736	30,415	-	-
Total Assets and Deferred Outflow of Resources	\$ 6,528,268	\$ 6,357,557	\$ 180,167	\$ 178,606
Liabilities				
Current Liabilities				
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	-	-
Total Current Liabilities	885,482	935,387	19,842	22,459

(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
Liabilities, Continued				
Noncurrent Liabilities				
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
Total Noncurrent Liabilities	1,341,847	1,337,553	33,162	34,654
Total Liabilities	2,227,329	2,272,940	53,004	57,113
Net Position				
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
Total Net Position	4,300,939	4,084,617	127,163	121,493
Total Liabilities and Net Position	\$ 6,528,268	\$ 6,357,557	\$ 180,167	\$ 178,606

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
Operating Revenues				
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	-	-
Total Operating Revenues	2,244,828	2,105,561	159,885	168,311
Operating Expenses				
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
Total Operating Expenses	2,726,537	2,661,939	153,935	159,326
Operating Income (Loss) before State				
Appropriations	(481,709)	(556,378)	5,950	8,985
State Appropriations	401,400	397,629	-	-
Operating Income (Loss) after State Appropriations, before Nonoperating Revenues (Expenses)				
	(80,309)	(158,749)	5,950	8,985
Nonoperating Revenues (Expenses)				
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)
Net Nonoperating Revenues (Expenses)	240,529	147,597	(280)	(1,362)

(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
Income (Loss) before Capital Contributions, Additions to Permanent Endowments and Special Item	160,220	(11,152)	5,670	7,623
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	-	-
Increase in Net Position	216,322	68,373	5,670	7,623
Net Position, Beginning of Year	4,084,617	4,016,244	121,493	113,870
Net Position, End of Year	\$ 4,300,939	\$ 4,084,617	\$ 127,163	\$ 121,493

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)

	2013	2012
Cash Flows from Operating Activities		
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
Net Cash Used in Operating Activities	(251,188)	(369,270)
Cash Flows from Noncapital Financing Activities		
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
Net Cash Provided by Noncapital Financing Activities	581,032	620,913
Cash Flows from Capital and Related Financing Activities		
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)	-
Net Cash Used in Capital and Related Financing Activities	(356,843)	(388,389)

(continued)

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

	2013	2012
Cash Flows from Investing Activities		
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)
Net Cash Provided by (Used in) Investing Activities	(77,329)	278,239
Net Increase (Decrease) in Cash and Cash Equivalents	(104,328)	141,493
Cash and Cash Equivalents, Beginning of Year	362,780	221,287
Cash and Cash Equivalents, End of Year	\$ 258,452	\$ 362,780
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
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
Net Cash Used in Operating Activities	\$ (251,188)	\$ (369,270)
Supplemental Disclosure of Noncash Activities		
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
Assets		
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
Total Assets	3,075,640	2,989,082
Liabilities		
Accounts Payable and Accrued Liabilities	224	169
Collateral Held for Securities Lending	48,560	50,023
Investment Settlements Payable	59,016	206,980
Total Liabilities	107,800	257,172
Net Position Held in Trust for Retirement and OPEB	\$2,967,840	\$2,731,910

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF CHANGES IN PLAN NET POSITION

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

	2013	2012
Net Revenues and Other Additions		
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
Total Net Revenues and Other Additions	430,993	155,674
Expenses and Other Deductions		
Administrative Expenses	2,652	2,630
Payments to Retirees and Beneficiaries	192,411	180,316
Total Expenses and Other Deductions	195,063	182,946
Increase (Decrease) in Net Position Held in Trust for Retirement and OPEB	235,930	(27,272)
Net Position Held in Trust for Retirement and OPEB, Beginning of Year	2,731,910	2,759,182
Net Position Held in Trust for Retirement and OPEB, End of Year	\$2,967,840	\$2,731,910

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

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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.

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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)
Patient Medical Services		
Revenue, Net	\$ 847,681	\$ 795,302

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
Patient Medical Services		
Revenue, Net	\$ 50,673	\$ 51,470

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*

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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

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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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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
Debt Securities:				
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
Equity Securities:				
Domestic	196,146	189,488	392,647	278,584
Foreign	97,804	107,913	322,933	226,928
Commingled Funds:				
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
Nonmarketable Alternative Investments:				
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
Total Investments	2,758,436	2,588,888	2,857,037	2,749,630
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
Total Cash and Cash Equivalents	258,452	362,780	128,593	106,033
Total Investments and Cash and Cash Equivalents	\$ 3,016,888	\$ 2,951,668	\$ 2,985,630	\$ 2,855,663

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

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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*)

As of June 30,	University of Missouri		University of Missouri Pension Trust Funds	
	2013	2012	2013	2012
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				
Aaa/AAA	63,580	506,241	21,597	90,536
Aa/AA	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
Total	\$ 1,250,063	\$ 1,565,520	\$ 457,001	\$ 933,561

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

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

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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)*

As of June 30,	University of Missouri			
	Duration (in years)			
	2013		2012	
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
Total Debt Securities	\$ 1,250,063	4.2	\$ 1,565,520	4.4

As of June 30,	University of Missouri Pension Trust			
	Funds Duration (in years)			
	2013		2012	
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
Total Debt Securities	\$ 457,001	6.1	\$ 933,561	6.0

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.

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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
Debt Securities				
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
	78,930	160,409	151,226	237,280
Equity Securities				
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
	73,959	84,747	261,550	188,864
Commingled Funds				
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
	427,301	380,038	930,309	723,472
Cash and Cash Equivalents				
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
	3,641	9,275	7,995	19,037
Total Exposure to Foreign Exchange Risk	\$ 583,831	\$ 634,469	\$ 1,351,080	\$ 1,168,653

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

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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
Total Fair Value - Level 1	43,493	30,282
Fair Value - Level 2		
Mortgage-Backed Securities	12,995	14,001
Certificates of Deposit	21,478	28,368
Corporate Bonds	5,454	5,490
Total Fair Value - Level 2	39,927	47,859
Total Cash, Cash Equivalents, and Investments	\$ 83,420	\$ 78,141

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
Subtotal	282,838	302,989
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
Subtotal	27,757	28,889
Total Accounts Receivable, Net	\$ 255,081	\$ 274,100

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
Subtotal	74,939	66,663
Less Provisions for Loss	4,042	3,814
Total Notes Receivable, Net	\$ 70,897	\$ 62,849

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For the Years Ended June 30, 2013 and 2012

6. CAPITAL ASSETS

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

Table 6.1 - Capital Assets (in thousands)

	2013			2013
	Beginning	Additions/	Retirements	Ending
	Balance	Transfers		Balance
Capital Assets, Nondepreciable:				
Land	\$ 80,415	\$ 134	\$ -	\$ 80,549
Artwork and Historical Artifacts	12,884	540	-	13,424
Construction in Progress	280,529	(39,569)	-	240,960
Total Capital Assets, Nondepreciable	373,828	(38,895)	-	334,933
Capital Assets, Depreciable:				
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
Total Capital Assets, Depreciable	4,360,797	356,465	(24,163)	4,693,099
Less Accumulated Depreciation:				
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
Total Accumulated Depreciation	1,885,632	167,796	(22,904)	2,030,524
Total Capital Assets, Depreciable, Net	2,475,165	188,669	(1,259)	2,662,575
Total Capital Assets, Net	\$ 2,848,993	\$ 149,774	\$ (1,259)	\$ 2,997,508
<hr/>				
	2012			2012
	Beginning	Additions/	Retirements	Ending
	Balance	Transfers		Balance
Capital Assets, Nondepreciable:				
Land	\$ 75,088	\$ 5,462	\$ (135)	\$ 80,415
Artwork and Historical Artifacts	12,740	144	-	12,884
Construction in Progress	130,216	150,313	-	280,529
Total Capital Assets, Nondepreciable	218,044	155,919	(135)	373,828
Capital Assets, Depreciable:				
Buildings and Improvements	2,919,468	138,205	(1,781)	3,055,892
Infrastructure	317,551	10,037	-	327,588
Equipment	680,322	61,818	(16,959)	725,181
Library Materials	247,939	4,197	-	252,136
Total Capital Assets, Depreciable	4,165,280	214,257	(18,740)	4,360,797
Less Accumulated Depreciation:				
Buildings and Improvements	1,015,562	84,320	(1,229)	1,098,653
Infrastructure	125,944	14,214	-	140,158
Equipment	441,014	56,036	(15,182)	481,868
Library Materials	158,608	6,345	-	164,953
Total Accumulated Depreciation	1,741,128	160,915	(16,411)	1,885,632
Total Capital Assets, Depreciable, Net	2,424,152	53,342	(2,329)	2,475,165
Total Capital Assets, Net	\$ 2,642,196	\$ 209,261	\$ (2,464)	\$ 2,848,993

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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>	2013	2012
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
Total Capital Assets, Net	\$ 58,310	\$ 63,866

7. ACCRUED SHORT-TERM LIABILITIES

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

Table 7.1 - Accrued Liabilities *(in thousands)*

	2013	2012
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
Total Accrued Liabilities	\$ 162,779	\$ 150,971

8. OTHER NONCURRENT LIABILITIES

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

Fiscal Year 2013	Beginning of Year	Additions	Payments	Total End of Year	Less Current Portion	Noncurrent End of Year
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
	\$ 130,073	\$ 256,023	\$ (240,964)	\$ 145,132	\$ (88,367)	\$ 56,765

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

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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)*

As of June 30, 2013	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
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)	-
Net System Facilities Revenue Bonds	1,233,356	-	(24,467)	1,208,889	24,325
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
Total Long-Term Debt	\$ 1,405,868	\$ 28,403	\$ (28,077)	\$ 1,406,194	\$ 203,295

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

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

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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
Total Fixed Rate Bonds				1,304,655	1,085,070	1,105,945
2007B	Variable	0.04% (2)	11/1/2031	102,250	100,330	100,750
Total Variable Rate Demand Bonds				102,250	100,330	100,750
Total System Facilities Revenue Bonds				\$ 1,406,905	\$ 1,185,400	\$ 1,206,695

(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.

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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+
Total	\$ 191,465				\$ (39,869)	

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
Total	\$ (39,869)	\$ (57,856)	\$ -	\$ 17,987	

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:

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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
Pledged Revenues:		
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
Pledged Revenues	1,072,878	1,013,119
Operating Expenses	925,493	893,540
Net Revenues	\$ 147,385	\$ 119,579

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.

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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
	\$ 1,185,400	\$ 966,812	\$ 43,776	\$ 2,195,988	\$ 66,516	\$ 2,262,504

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)
Future Notes Payable	
Principal Payments	\$ 14,129

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Capital Lease Obligations

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

The future minimum payments on all capital leases at June 30, 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)
Present Value of Future Minimum Lease Payments	\$ 5,920

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
Total Long-Term Debt	\$ 34,362	\$ -	\$ (2,917)	\$ 31,445	\$ 2,065

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

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.

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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
	\$ 31,120	\$ 10,041	\$ 41,161

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)
Present Value of Future Minimum Lease Payments	\$ 325

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.

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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

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

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.

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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.

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.

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
Total Members	31,982	31,365

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

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

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

Fiscal Year Ending	Annual Required		Contributions		Percentage of	Net Pension Obligation
	Contribution (ARC)	Annual Pension Cost (APC)	Made	APC Contributed		
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

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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%.

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Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision of actual results, are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

Fiscal Year Ending	Annual Required Contribution	Annual OPEB Cost (AOC)	Contributions Made	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
6/30/2011	\$ 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.

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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
Total Assets and Deferred Outflow of Resources	\$ 95,718	\$ (13,245)	\$ 82,473	\$ 16,150	\$ -	\$ 16,150
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
Total Liabilities and Net Position	\$ 95,718	\$ (13,245)	\$ 82,473	\$ 16,150	\$ -	\$ 16,150
Condensed Statement of Revenues, Expenses and Changes in Net Position						
	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
Increase in Net Position	8,016	49,848	57,864	1,587	14,563	16,150
Net Position, Beginning of Year	1,587	14,563	16,150	-	-	-
Net Position, End of Year	\$ 9,603	\$ 64,411	\$ 74,014	\$ 1,587	\$ 14,563	\$ 16,150
Condensed Statement of Cash Flows						
	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	-	-	-	-	-	-
Cash and Cash Equivalents, End of Year	\$ 660	\$ -	\$ 660	\$ -	\$ -	\$ -

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
Total Operating Expenses	\$ 1,343,889	\$ 385,767	\$ 766,624	\$ 62,461	\$ 167,796	\$ 2,726,537

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
Total Operating Expenses	\$ 1,318,349	\$ 339,595	\$ 762,700	\$ 60,380	\$ 160,915	\$ 2,641,939

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
Assets						
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
Total Assets	3,026,356	49,284	3,075,640	2,938,869	50,213	2,989,082
Liabilities						
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
Total Liabilities	107,800	-	107,800	257,172	-	257,172
Net Position Held in Trust for Retirement and OPEB	\$ 2,918,556	\$ 49,284	\$ 2,967,840	\$ 2,681,697	\$ 50,213	\$ 2,731,910

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

	2013			2012		
	Retirement	OPEB	Total	Retirement	OPEB	Total
Net Revenues and Other Additions						
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
Total Net Revenues and Other Additions	396,405	34,588	430,993	114,440	41,234	155,674
Expenses and Other Deductions						
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
Total Expenses and Other Deductions	159,546	35,517	195,063	146,180	36,766	182,946
Increase (decrease) in Net Position Held in Trust for Retirement and OPEB	236,859	(929)	235,930	(31,740)	4,468	(27,272)
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
Net Position Held in Trust for Retirement and OPEB, End of Year	\$ 2,918,556	\$ 49,284	\$ 2,967,840	\$ 2,681,697	\$ 50,213	\$ 2,731,910

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
Assets					
Current Assets					
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
Total Current Assets	950,039	940,748	869,091	837,688	848,949
Noncurrent Assets					
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
Total Noncurrent Assets	5,556,493	5,386,394	5,243,426	4,676,695	3,987,537
Deferred Outflow of Resources	21,736	30,415	19,023	22,192	-
Total Assets and Deferred Outflow of Resources	\$ 6,528,268	\$ 6,357,557	\$ 6,131,540	\$ 5,536,575	\$ 4,836,486
Liabilities					
Current Liabilities					
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
Total Current Liabilities	885,482	935,387	813,668	800,870	787,930
Noncurrent Liabilities					
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
Total Noncurrent Liabilities	1,341,847	1,337,553	1,301,628	1,054,969	683,779
Total Liabilities	2,227,329	2,272,940	2,115,296	1,855,839	1,471,709
Net Position					
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
Total Net Position	4,300,939	4,084,617	4,016,244	3,680,736	3,364,777
Total Liabilities & Net Position	\$ 6,528,268	\$ 6,357,557	\$ 6,131,540	\$ 5,536,575	\$ 4,836,486

CHANGES IN NET POSITION

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Operating Revenues					
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
Total Operating Revenues	2,244,828	2,105,561	2,025,717	1,940,822	1,862,469
Operating Expenses					
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
Total Operating Expenses	2,726,537	2,661,939	2,530,503	2,418,849	2,365,757
Operating Loss before State Appropriations	(481,709)	(556,378)	(504,786)	(478,027)	(503,288)
State Appropriations	401,400	397,629	437,631	498,358	479,478
Operating Income (Loss) after State Appropriations, Before Nonoperating Revenues (Expenses)	(80,309)	(158,749)	(67,155)	20,331	(23,810)
Nonoperating Revenues (Expenses)					
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)
Net Nonoperating Revenues (Expenses)	240,529	147,597	352,778	243,502	(109,658)
Income (Loss) before Capital Contributions, Additions to Permanent Endowments, Extraordinary and Special Items					
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	-	-	-
Increase (Decrease) in Net Position	216,322	68,373	335,508	322,122	(78,999)
Net Position, Beginning of Year	4,084,617	4,016,244	3,680,736	3,364,777	3,430,442
Cumulative Effect of Change in Accounting Principles	-	-	-	(6,163)	13,334
Net Position, Beginning of Year, as Adjusted	4,084,617	4,016,244	3,680,736	3,358,614	3,443,776
Net Position, End of Year	\$ 4,300,939	\$ 4,084,617	\$ 4,016,244	\$ 3,680,736	\$ 3,364,777

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Operating Revenues					
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%
Total Operating Revenues	6.6%	3.9%	4.4%	4.2%	4.6%
Operating Expenses					
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%
Total Operating Expenses	2.4%	5.2%	4.6%	2.2%	3.2%
Operating Loss before State Appropriations	13.4%	-10.2%	-5.6%	5.0%	1.7%
State Appropriations	0.9%	-9.1%	-12.2%	3.9%	3.7%
Operating Income (Loss) after State Appropriations, Before Nonoperating Revenues (Expenses)					
	49.4%	-136.4%	-430.3%	185.4%	52.0%
Nonoperating Revenues (Expenses)					
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%
Net Nonoperating Revenues (Expenses)	63.0%	-58.2%	44.9%	322.1%	-220.5%
Income (Loss) before Capital Contributions, Additions to Permanent Endowments and Extraordinary Item					
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	-	-	-	-	-
Increase (Decrease) in Net Position	216.4%	-79.6%	4.2%	507.8%	-173.6%
Net Position, Beginning of Year	1.7%	9.1%	9.4%	-1.9%	3.9%
Cumulative Effect of Change in Accounting Principles	0.0%	0.0%	100.0%	-146.2%	-33.0%
Net Position, Beginning of Year, as Adjusted	1.7%	9.1%	9.6%	-2.5%	3.6%
Net Position, End of Year	5.3%	1.7%	9.1%	9.4%	-1.9%

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Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
+ Primary Reserve Ratio	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.

+ Return on Assets Ratio	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.

+ Net Operating Revenues Ratio	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.

+ Viability Ratio	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.

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

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.

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Net Tuition per Student

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
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)
Net Tuition	\$ 530,344	\$ 484,896	\$ 436,712	\$ 410,842	\$ 404,708
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
Net Tuition per Student	\$ 9,175	\$ 8,530	\$ 7,901	\$ 7,709	\$ 7,932

State Appropriations per Student

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
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
State Appropriations per Student	\$ 6,944	\$ 6,995	\$ 7,918	\$ 9,351	\$ 9,397

Educational Expenses per Student

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
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)
Net Educational Expenses	\$ 1,290,739	\$ 1,267,493	\$ 1,163,201	\$ 1,125,708	\$ 1,143,462
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
Educational Expenses per Student	\$ 22,329	\$ 22,298	\$ 21,045	\$ 21,123	\$ 22,410

Total Tuition Discount

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
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
Total Tuition Discounts (\$)	\$ 260,975	\$ 251,178	\$ 234,707	\$ 219,656	\$ 197,034
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
Total Tuition Discount (%)	33.0%	34.1%	35.0%	34.8%	32.7%

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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

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Actual Debt Service to Operations

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
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
Total Debt Service	\$ 80,105	\$ 80,316	\$ 78,517	\$ 71,025	\$ 53,419
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
Total Debt Service	\$ 80,105	\$ 80,316	\$ 78,517	\$ 71,025	\$ 53,419
Adjusted Total Operating Expense	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483	\$ 2,348,733
Actual Debt Service to Operations	2.9%	3.0%	3.1%	2.9%	2.3%

Capital Expense to Operations

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Depreciation Expense	\$ 167,796	\$ 160,915	\$ 155,103	\$ 146,753	\$ 131,167
Interest Expense	55,256	53,923	49,507	46,103	31,432
Total Capital Expense	\$ 223,052	\$ 214,838	\$ 204,610	\$ 192,856	\$ 162,599
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
Total Capital Expense	\$ 223,052	\$ 214,838	\$ 204,610	\$ 192,856	\$ 162,599
Adjusted Total Operating Expense	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483	\$ 2,348,733
Capital Expense to Operations	8.2%	8.1%	8.1%	8.0%	6.9%

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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

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Annual Operating Margin (*Net Operating Revenues Ratio*)

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
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)
Net Operating Surplus (Deficit)	\$ 160,914	\$ 95,704	\$ 136,861	\$ 199,895	\$ 149,315
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
Total Operating Revenues	\$ 2,880,246	\$ 2,751,186	\$ 2,658,081	\$ 2,609,378	\$ 2,498,048

(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

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
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
Adjusted Net Operating Surplus (Deficit)	\$ 383,966	\$ 310,542	\$ 341,471	\$ 392,751	\$ 311,914
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

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
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
Total	\$ 2,880,246	\$ 2,751,186	\$ 2,658,081	\$ 2,609,378	\$ 2,498,048
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%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

(a) Normalized investment income is equal to 5% of the rolling average balance of total cash and investments over the previous three fiscal 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
Total Operating Expenses	\$ 2,726,537	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849	\$ 2,365,757
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%
Total Operating Expenses	100.0%	100.0%	100.0%	100.0%	100.0%

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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

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