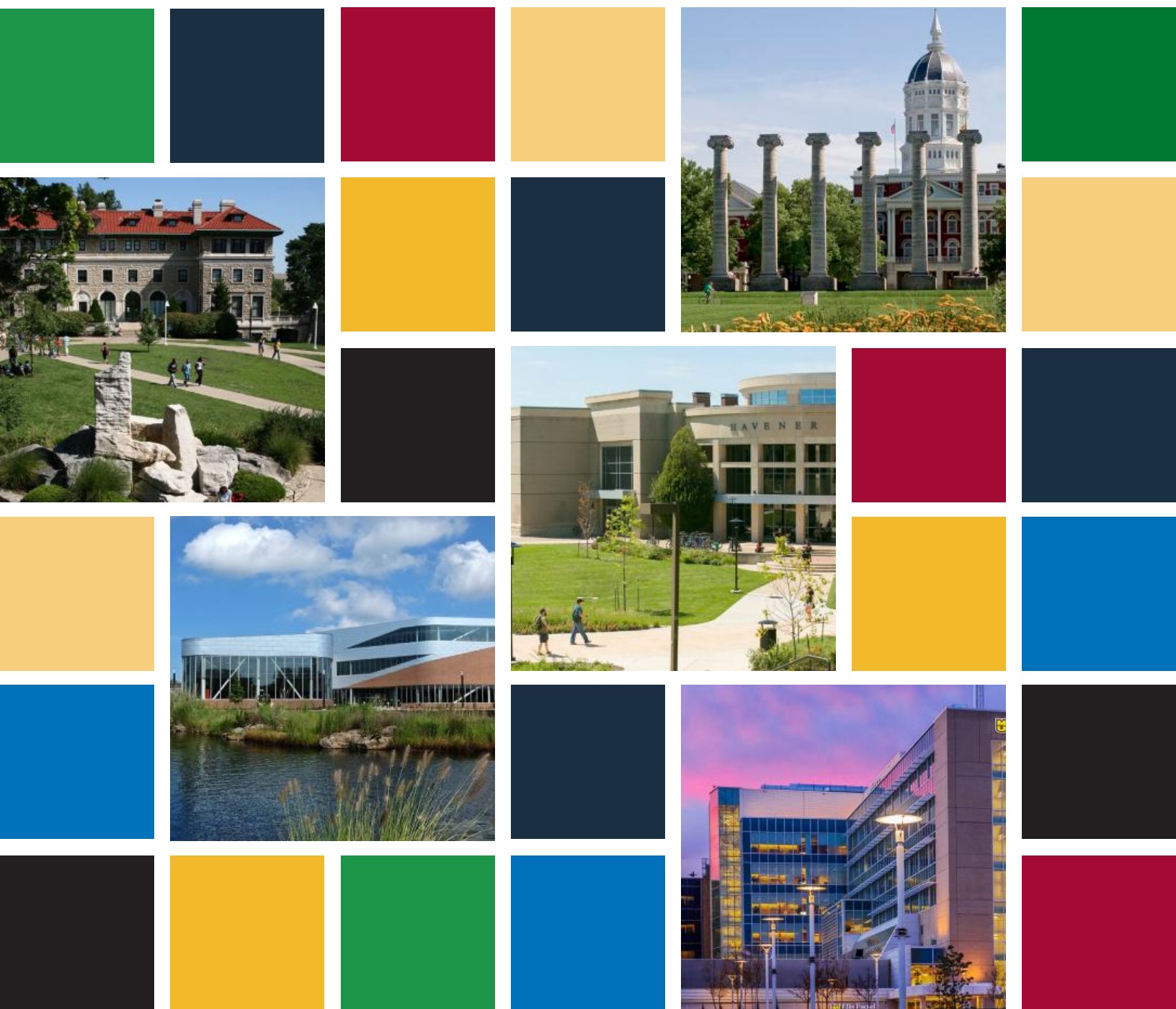


# 2019 Financial Report



University of Missouri System

COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS

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# Message from the President

The University of Missouri System was formed in 1963 and consists of system administration and four universities: the University of Missouri-Columbia, the University of Missouri-Kansas City, the Missouri University of Science and Technology, the University of Missouri-St. Louis, and all of their component parts, including MU Health, MU Extension and UM Engagement. Together, we embrace the basic concept that we are one university system and that our value and importance are enhanced by unified strategic efforts.

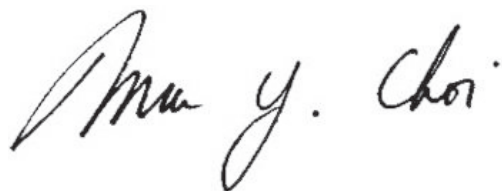
Our collective vision is to advance the opportunities for success and well-being for Missouri, our nation and the world through transformative teaching, research, innovation, engagement and inclusion.

In late 2018, university leaders announced five-year strategic plans. These plans reflect the five Missouri Compacts for Achieving Excellence, which are unifying principles that guide the strategic investment of \$260 million from the UM System and matching funds from the universities. Our bold actions will enact innovative measures to advance areas of excellence, including student success, research and creative works, engagement and outreach, inclusivity, and planning, operations and stewardship. In all we do, we will remain good fiscal stewards who are focused on providing a great place to learn and work, as well as improving the quality of life in Missouri.

Despite challenges, we have maintained a strong and stable fiscal position with backing from our investment services. You will see in the following pages that we will continue to make the decisions to best serve our stakeholders, including the citizens of Missouri, to help ensure our financial stability well into the future.

As always, we invite you to learn more about the entire UM System and the meaningful impact we have statewide. You can find this information by visiting [www.umsystem.edu](http://www.umsystem.edu).

Sincerely,



Mun Y. Choi  
President, University of Missouri System



# Curators of the University of Missouri

The University of Missouri Board of Curators is a nine-member board appointed by the governor of Missouri and confirmed by the Missouri Senate. Curators serve six-year terms. No more than two curators are appointed from each congressional district. Members must be citizens of the United States and residents of Missouri for a minimum of two years prior to appointment. No more than five curators may belong to any one political party. A student representative serves a two-year term, and is also appointed by the governor and confirmed by the senate.



**Julia G. Brncic**  
District 1, Vice-chair  
St. Louis  
Term expires Jan. 1, 2021



**Maurice B. Graham**  
District 2  
Clayton  
Term expires Jan. 1, 2021



**Vacant**  
District 3  
TBD  
Term expires TBD



**Jon T. Sundvold**  
District 4, Chair  
Columbia  
Term expires Jan. 1, 2017



**Michael Williams**  
District 5  
Kansas City  
Term expires Jan. 1, 2025



**Phillip H. Snowden**  
District 6  
Kansas City  
Term expires Jan. 1, 2021



**Jeffrey L. Layman**  
District 7  
Springfield  
Term expires Jan. 1, 2023



**David L. Steelman**  
District 8  
Rolla  
Term expires Jan. 1, 2019



**Darryl M. Chatman**  
At-Large member  
St. Louis  
Term expires Jan. 1, 2023



**Avery Welker**  
Student Representative  
Missouri S&T  
Term expires Jan. 1, 2020

# University of Missouri System General Officers



**Mun Y. Choi**  
President



**Stephen J. Owens**  
General Counsel



**Beth Chancellor**  
Interim Vice President for  
Information Technology



**Marsha B. Fischer**  
Associate Vice President  
for Human Resources



**Steven W. Graham**  
Senior Associate  
Vice President  
for Academic Affairs



**Ryan D. Rapp**  
Vice President for Finance  
and Chief Financial Officer



**Alexander N. Cartwright**  
Chancellor,  
University of Missouri-  
Columbia



**C. Mauli Agrawal**  
Chancellor,  
University of Missouri-  
Kansas City



**Mohammad Dehghani**  
Chancellor,  
Missouri University of  
Science and Technology



**Kristin Sobolik**  
Interim Chancellor,  
University of Missouri-  
St. Louis

## Finance Staff

**Ryan D. Rapp**, Vice President for Finance and Chief Financial Officer

**Thomas Richards**, Treasurer and Chief Investment Officer

**Eric Vogelweid**, Controller



## University of Missouri-Columbia

**Founded:**  
1839

**Enrollment:**  
29,843\*

**Alumni:**  
317,000+

The University of Missouri-Columbia (MU) was the first public university west of the Mississippi River. Today, with enrollment of more than 30,000 students, 12,000 full-time employees, and 304,000 alumni worldwide, MU is a \$2.2 billion enterprise. MU is one of only 60 public and private U.S. universities in the Association of American Universities. As the state's largest university, MU offers more than 275 degree programs and has more than 100 online education options.

Missouri's largest and most comprehensive university, MU has more than 275 degree programs through 19 colleges and schools, and is one of only six public institutions nationwide that can claim a medical school, college of veterinary medicine, college of engineering and a law school on the same campus. In its capacity as a land-grant institution, MU provides information to more than 5 million Missouri citizens each year through extension programs that promote health and success for youth, families, communities and businesses.

*\*Enrollment numbers are reflective of 2018-2019 enrollment.*



## University of Missouri-Kansas City

**Founded:**  
1929

**Enrollment:**  
16,375\*

**Alumni:**  
123,000+

The University of Missouri-Kansas City (UMKC) serves more than 16,000 students on its Volker and Hospital Hill campuses. This comprehensive, public research university offers more than 125 academic programs across a spectrum of acclaimed academic units. Notable programs include the UMKC Conservatory of Music and Dance, the Henry W. Bloch School of Management and the School of Dentistry. Additionally, the School of Medicine's Master of Science in Anesthesiology program is one of only five offered in the nation.

The university also supports underserved Missourians through medical, nursing and dental care; legal services; counseling; and music therapy. The Institute for Urban Education answers the unique needs and concerns of the urban classroom. In addition, UMKC has four health science schools on one campus that provide outreach for community health needs and hands-on experience for its students.

*\*Enrollment numbers are reflective of 2018-2019 enrollment.*



## Missouri University of Science and Technology

**Founded:**  
1870

**Enrollment:**  
8,601\*

**Alumni:**  
61,000+

Missouri University of Science and Technology (Missouri S&T) is a leading technological research institution. Known for its 18 engineering and computing programs, Missouri S&T also offers an abundance of programs in business, humanities and social sciences, and liberal arts. Graduates are highly sought by the business community with the eighth highest average starting salary among all public universities in the nation.

Research is at the forefront of an S&T education. Missouri S&T's four signature research areas of advanced manufacturing, advanced materials for sustainable infrastructure, enabling materials for extreme environments, and smart living all address high-priority state and national needs. Missouri S&T is also home to the state's first nuclear reactor, a "solar village" of student-designed-and-built solar houses, and an experimental mine, which was cited by Popular Science magazine as a top "awesome college lab."

*\*Enrollment numbers are reflective of 2018-2019 enrollment.*





## University of Missouri-St. Louis

**Founded:**  
1963

**Enrollment:**  
16,441\*

**Alumni:**  
99,000+

The University of Missouri-St. Louis (UMSL) serves nearly 17,000 students and employs more than 2,150 faculty and staff. UMSL is a public research university in the state's most populated metropolitan area. The largest university in St. Louis, UMSL provides excellent learning experiences and leadership opportunities for a diverse student body through its outstanding faculty, nationally ranked programs, innovative research, and regional, national and international partnerships.

Some of UMSL's top-ranked programs include education, public policy administration, clinical psychology, nursing, social work, biology, chemistry and biochemistry, and criminology and criminal justice. While UMSL graduates can be found in all 50 states and 63 countries, their greatest impact is felt locally. More than 65,000 UMSL alumni call the St. Louis area home. They drive the region's economy and contribute mightily to its social well-being.

*\*Enrollment numbers are reflective of 2018-2019 enrollment.*



## University of Missouri Health

**Founded:**  
1956

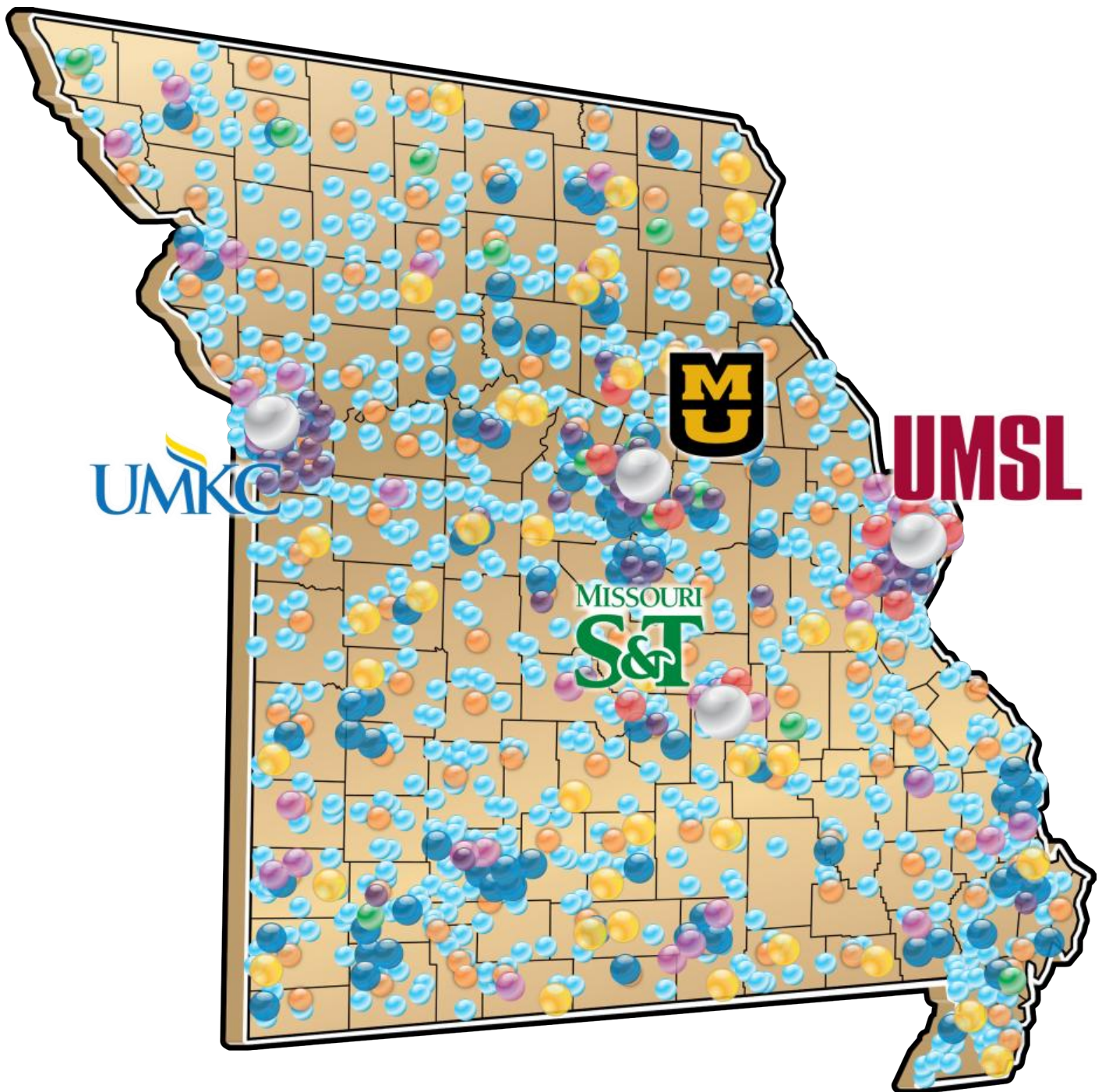
**Based:**  
Columbia, MO

**ER visits  
yearly:**  
79,000+

As part of the state's premier academic medical center, University of Missouri Health offers a full spectrum of care, ranging from primary care to highly specialized care for patients with the most severe illnesses and injuries. Patients from each of Missouri's 114 counties are served by approximately 6,000 physicians, nurses and health care professionals. MU Health's main component, MU Physician Care, is composed of University Hospital and Clinics, Ellis Fischel Cancer Center, Rusk Rehabilitation Center, University Physicians, Missouri Orthopaedic Institute, Missouri Psychiatric Institute, and Women's and Children's Hospital.

The MU School of Health Professions educates students in rehabilitation and diagnostic sciences. The MU Sinclair School of Nursing provides bachelor's, master's, and doctoral degrees. And, the MU School of Medicine offers undergraduate and graduate medical education, plus doctoral and master's degree programs in the basic sciences, health management and informatics.

# University of Missouri System Statewide Reach



- |  |  |   |
|--|--|---|
| <b>4</b> UM System Campuses                    | <b>38</b> School Districts Served by eMINTS Investing in Innovation (i3) Project | <b>787</b> MOREnet Sites                        |
| <b>10</b> Research Parks / Business Incubators | <b>39</b> Small Business & Technology Development Centers                        | <b>200</b> Missouri Telehealth Network Sites    |
| <b>19</b> Agricultural Research Stations       | <b>56</b> Health Centers & Affiliates  | <b>114</b> Counties Served by Extension Centers |

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MISSOURI

October 15, 2019

The management of the University of Missouri System (the “University”) is responsible for the preparation, integrity, and fair presentation of the financial statements. The financial statements, presented on pages 32 to 85, 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 BKD 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. BKD’s audit opinion is presented on pages 30-31.

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

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

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

Ryan D. Rapp

Vice President for Finance and Chief Financial Officer

**University of Missouri System** COLUMBIA | KANSAS CITY | MISSOURI S&T | ST. LOUIS

118 University Hall • Columbia, MO 65211 • 573-882-3611 [www.umsystem.edu](http://www.umsystem.edu)

# Financial Information



**University of Missouri System**

COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS

**UNIVERSITY OF MISSOURI SYSTEM**  
**A COMPONENT UNIT OF THE STATE OF MISSOURI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2019 and 2018 (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, 2019 and 2018, 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 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.
- 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 Fiduciary Net Position and the Statement of Changes in Fiduciary 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 of the financial statements of this report, including further information on the financial reporting entity. In addition, a more detailed unaudited financial report that includes campus-level financial statements is available at

the University of Missouri, 118 University Hall Columbia, Mo 65211, and at [www.umsystem.edu](http://www.umsystem.edu).

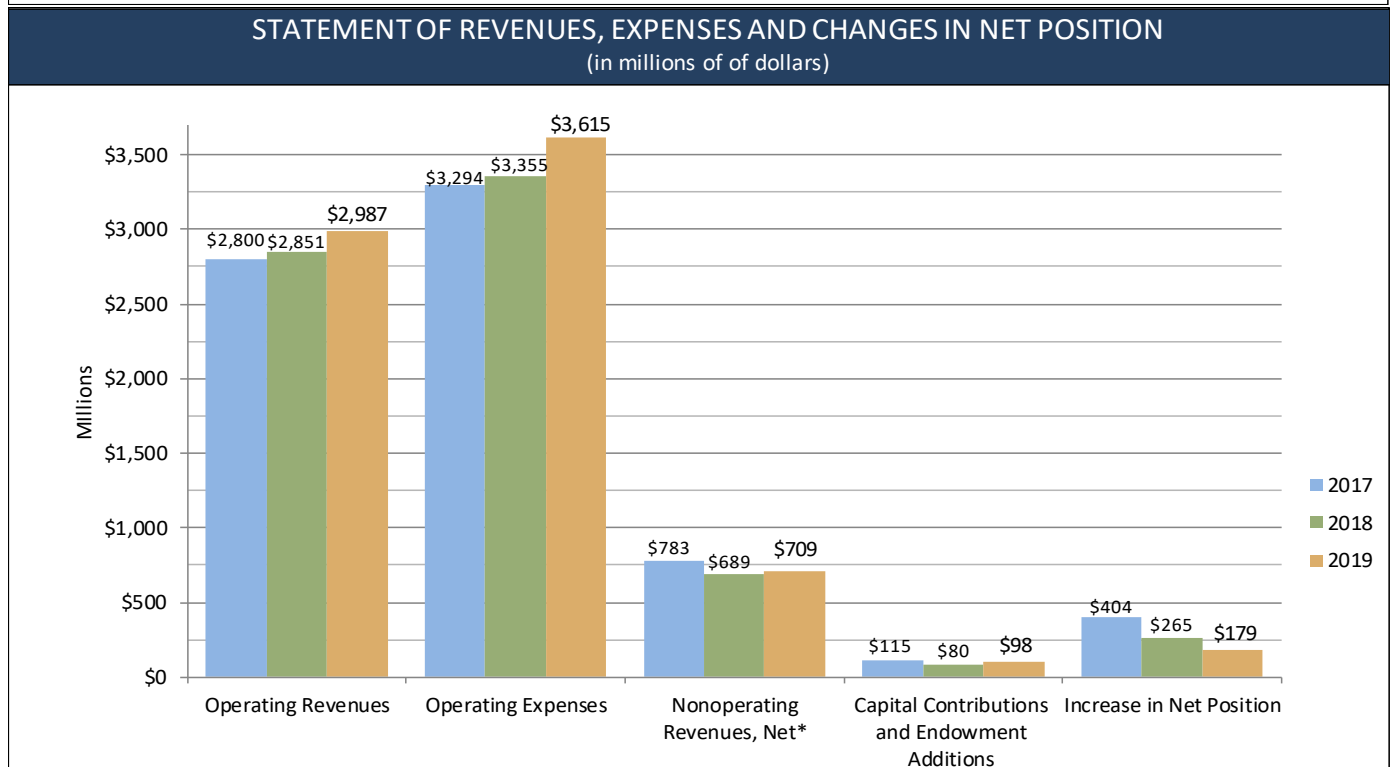
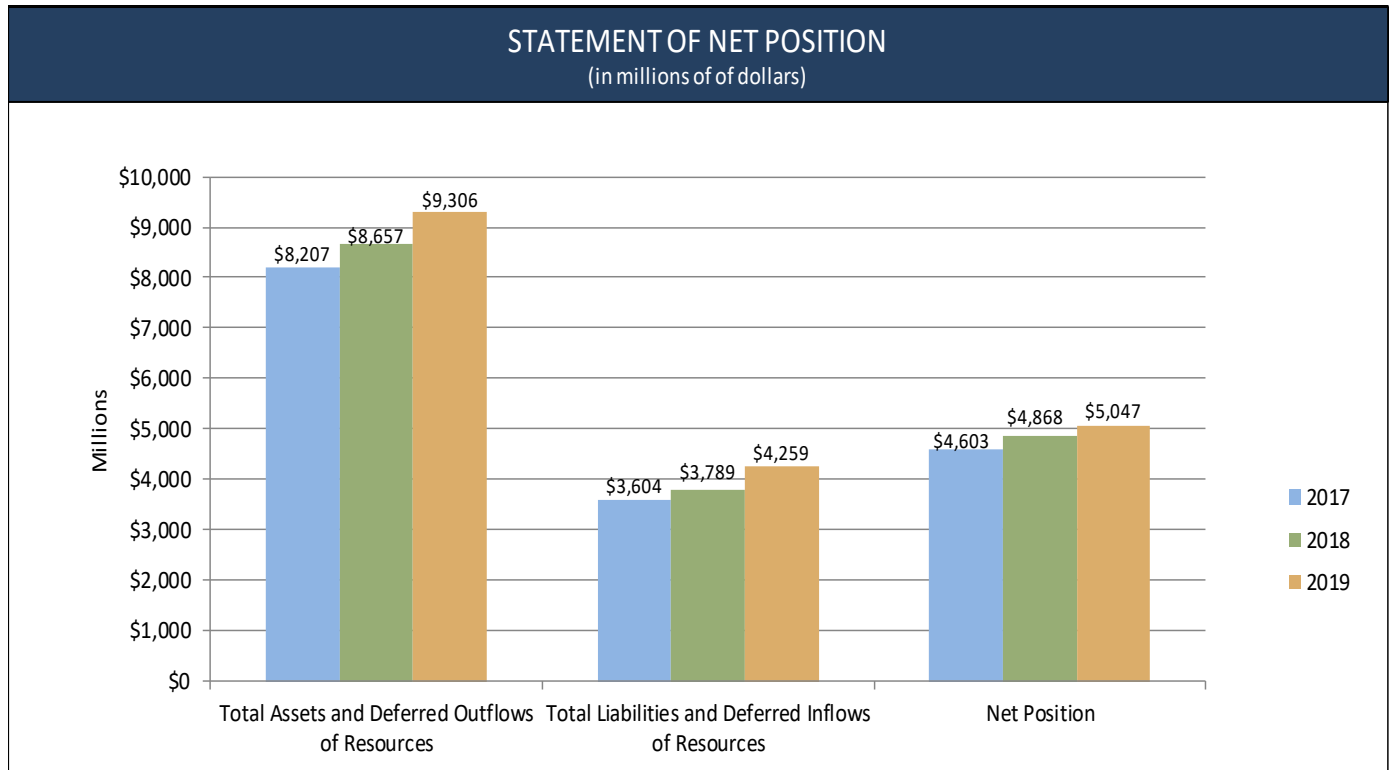
## **FINANCIAL HIGHLIGHTS**

At June 30, 2019, the University's financial position remained solid, with Total Assets and Deferred Outflows of Resources of \$9.3 billion. Net Position, which represents the residual value of the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources, totaled \$5.0 billion. When operating and non-operating changes are included, Net Position increased by approximately \$179.0 million as compared to fiscal year (FY) 2018, driven primarily by stable investment and endowment income as well as increased patient medical services revenues and capital gifts. Net Position increased \$265.1 million between FY 2017 and FY 2018 and was primarily driven by investment and endowment income and increased patient medical services revenues.

As discussed in Note 1 to the financial statements, the University adopted GASB Statement No. 83, *Certain Asset Retirement Obligations*. The implementation of this statement increased liabilities by \$62.4 million and deferred outflows of resources by \$59.9 million, after amortization of \$2.5 million, as of fiscal year 2018. There was no effect on the beginning net position as of July 1, 2017. The FY 2017 information in this Management's Discussion and Analysis has not been restated for the adoption of this GASB statement.

**UNIVERSITY OF MISSOURI SYSTEM**  
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The following charts compare Total Assets and Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources, and Net Position at June 30, 2019, 2018 and 2017, and the major components of changes in Net Position for the years ended June 30, 2019, 2018, and 2017:



\* Includes State Appropriations



UNIVERSITY OF MISSOURI SYSTEM  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019 and 2018 (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 outflows of resources and liabilities and deferred inflows of resources of the University, 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 outflows of resources and liabilities and deferred inflows 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 outflows of resources, liabilities and deferred inflows of resources and net position at June 30, 2019, 2018, and 2017:

CONDENSED STATEMENTS OF NET POSITION  
(in thousands of dollars)

As of June 30,	2019	2018 (Restated)	2017
<b>Assets</b>			
Current Assets	\$ 1,392,504	\$ 1,327,095	\$ 1,086,513
Noncurrent Assets			
Endowment and Other Long-Term Investments	3,982,891	3,478,003	3,436,352
Capital Assets, Net	3,466,439	3,383,075	3,412,410
Other	128,334	130,132	134,309
<b>Deferred Outflows of Resources</b>	<b>335,808</b>	<b>339,146</b>	<b>137,888</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 9,305,976</b>	<b>\$ 8,657,451</b>	<b>\$ 8,207,472</b>
<b>Liabilities</b>			
Current Liabilities			
Commercial Paper and Current Portion of Long-Term Debt	\$ 399,074	\$ 228,078	\$ 232,821
Long-Term Debt Subject to Remarketing Agreements	82,540	86,185	89,695
Other	1,026,813	687,078	692,189
Noncurrent Liabilities			
Long-Term Debt	1,199,968	1,344,815	1,386,017
Other	1,466,715	1,359,612	1,123,907
<b>Deferred Inflows of Resources</b>	<b>83,480</b>	<b>83,289</b>	<b>79,506</b>
<b>Total Liabilities &amp; Deferred Inflows of Resources</b>	<b>4,258,590</b>	<b>3,789,057</b>	<b>3,604,135</b>
<b>Net Position</b>			
Net Investment in Capital Assets	1,801,977	1,746,995	1,728,982
Restricted -			
Nonexpendable	1,248,860	1,200,514	1,109,498
Expendable	561,899	542,525	509,877
Unrestricted	1,434,650	1,378,360	1,254,980
<b>Total Net Position</b>	<b>5,047,386</b>	<b>4,868,394</b>	<b>4,603,337</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 9,305,976</b>	<b>\$ 8,657,451</b>	<b>\$ 8,207,472</b>

**UNIVERSITY OF MISSOURI SYSTEM**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2019 and 2018 (unaudited)

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**Total Assets and Deferred Outflows of Resources** increased by \$648.5 million, or 7.5%, to \$9.3 billion as of June 30, 2019 compared to the prior year. The increase during FY 2019 was driven by an increase in **Investment Settlements Receivable** of \$211.7 million and an increase in endowment and **Long-Term Investments** of \$504.9 million. The increase during FY 2018 was driven by an increase in cash and **Short-Term Investments** of \$260.1 million and an increase in the **Deferred Outflows of Resources** of \$201.3 million.

At June 30, 2019, the University's working capital, which is current assets less current liabilities, was a negative \$115.9 million, a decrease of \$441.8 million from the previous year.

The decrease was primarily driven by a \$202.7 million decrease in **Short-Term Investments** as well as a \$171.0 million increase in the current portion of long-term debt, which is largely driven by a \$105.2 million bullet refunding due in fiscal year 2020. At June 30, 2018, the University's working capital was \$325.8 million, an increase of \$253.9 million over FY 2017 largely due to an increase in cash and **Short-Term Investments**.

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 negative \$33.4 million and a positive \$411.9 million at June 30, 2019 and 2018, respectively, also expressed as Current Assets of 0.98 and 1.45 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,	2019	2018	2017
Current Assets	\$ 1,392,504	\$ 1,327,095	\$ 1,086,513
Current Liabilities	1,508,427	1,001,341	1,014,705
<b>Working Capital</b>	<b>\$ (115,923)</b>	<b>\$ 325,754</b>	<b>\$ 71,808</b>
<b>Ratio of Current Assets to Current Liabilities</b>	<b>0.92</b>	<b>1.33</b>	<b>1.07</b>
Current Assets	1,392,504	1,327,095	1,086,513
Current Liabilities	1,508,427	1,001,341	1,014,705
Less: Long-Term Debt Subject to Remarketing	(82,540)	(86,185)	(89,695)
Current Liabilities, As Adjusted	1,425,887	915,156	925,010
<b>Working Capital, As Adjusted</b>	<b>\$ (33,383)</b>	<b>\$ 411,939</b>	<b>\$ 161,503</b>
<b>Ratio of Current Assets to Current Liabilities (As Adjusted)</b>	<b>0.98</b>	<b>1.45</b>	<b>1.17</b>

**UNIVERSITY OF MISSOURI SYSTEM**  
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June 30, 2019 and 2018 (unaudited)

At June 30, 2019, the University held \$568.3 million in **Cash and Cash Equivalents**, an increase of \$13.7 million. At June 30, 2018, the University held \$554.6 million in cash and cash equivalents, an increase of \$154.8 million from June 30, 2017. The increase in cash at June 30, 2019 is largely due to timing differences as more working capital was invested at June 30, 2019 as compared to June 30, 2018. **Short-Term and Long-Term Investments** totaled \$4.0 billion and \$3.7 billion as of June 30, 2019 and 2018, respectively as compared to \$3.6 billion as of June 30, 2017. Investment

performance remained steady during FY 2019. Net realized and unrealized gains and losses decreased by \$1.9 million, going from a net gain of \$199.0 million in FY 2018 to a net gain of \$197.1 million in FY 2019. The Endowment Pool and General Pool experienced a net gain of 5.7% and 3.3% in FY 2019. For comparison, the Endowment Pool and General Pool experienced a net gain of 9.4% and 2.2% in FY 2018, respectively.

Composition and returns of the University's various investment pools for the years ended June 30, 2019 and 2018 were as follows:

<b>CASH, CASH EQUIVALENTS AND INVESTMENTS</b>								
(in thousands of dollars)								
	June 30, 2019					June 30, 2018		
	Cash and Cash Equivalents	Short-Term and Long-Term Investments	Total	Total Return	Benchmark Index Return (A)	Total	Total Return	
General Pool	\$ 330,048	\$ 2,228,045	\$ 2,558,093	3.3%	1.8%	\$ 2,169,064	2.2%	
Endowment Funds								
Endowment Pool	201,639	1,576,591	1,778,230	5.7%	8.7%	1,698,303	9.4%	
Other	36,619	233,765	270,384	N/A	N/A	423,480	N/A	
<b>Total</b>	<b>\$ 568,306</b>	<b>\$ 4,038,401</b>	<b>\$ 4,606,707</b>			<b>\$ 4,290,847</b>		

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

**UNIVERSITY OF MISSOURI SYSTEM**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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At June 30, 2019, the University's investment in **Capital Assets** totaled \$3.5 billion compared to \$3.4 billion at June 30, 2018. The University increased capital assets by \$265.0 million, net of retirements, during FY 2019 offset by a net increase in accumulated depreciation of \$181.7 million for

a net increase in Capital Asset, Net of \$83.4 million. FY 2018 capital asset additions of \$119.1 million, net of retirements, were offset by a net increase of accumulated depreciation of \$148.5 million for a net increase in Capital Assets, Net of \$29.3 million.

Note 7 presents additional information by asset classification. Major capital projects either substantially completed in FY 2019 or ongoing are show in the following table.

**SELECTED CAPITAL PROJECTS**  
 (Fiscal Year Ended June 30, 2019)

Campus	Project Budget	Expenditures		Source of Funding
		Project Through June 30, 2019		
Columbia:				
Memorial Stadium South Expansion	\$ 99,304,000	\$ 80,913,000		Gifts, Revenue Bonds
District Cooling Capacity	21,725,000	3,462,000		Reserves
NextGen Precision Health	221,000,000	9,794,000		Reserves, Gifts, Revenue Bonds
School of Nursing	20,062,000	308,000		Reserves and Gifts
Southwest Research Center	20,300,000	1,275,000		Reserves
School of Music	24,214,000	15,605,000		Gifts, Reserves
Hospital:				
WCH Exterior Replacement	27,192,000	929,000		Reserves
Kansas City:				
School of Computing & Engineering	30,089,000	9,254,000		Gifts

**LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**

**Total Liabilities and Deferred Inflows of Resources** increased by \$469.5 million during FY 2019 as compared to June 30, 2018, which was primarily driven by a \$268.5 million increase in **Investment Settlements Payable** and a \$171.0 million increase in the current portion of long-term debt.

**Current Liabilities** include long-term variable rate demand bonds subject to remarketing agreements totaling \$82.5 million, \$86.2 million and \$89.7 million at June 30, 2019, 2018 and 2017, 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. The University issued \$65.0 million and \$19.0 million of commercial paper for new building projects during fiscal years 2019 and 2017, respectively. There were no issues of commercial paper during FY 2018.

**UNIVERSITY OF MISSOURI SYSTEM**  
**A COMPONENT UNIT OF THE STATE OF MISSOURI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2019 and 2018 (unaudited)

**Noncurrent Liabilities** represent those commitments beyond one year. During FY 2017, \$20.0 million in Health

Facilities Revenue Bonds were issued on behalf of Medical Alliance.

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

<b>LONG-TERM DEBT</b> (in thousands of dollars)			
<b>As of June 30,</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
System Facilities Revenue Bonds	\$ 1,318,610	\$ 1,349,890	\$ 1,381,455
Health Facilities Revenue Bonds (Medical Alliance)	37,485	40,582	43,591
Unamortized Premium	37,136	43,191	49,101
<b>Total Bonds Payable</b>	<b>1,393,231</b>	<b>1,433,663</b>	<b>1,474,147</b>
Notes Payable	31,476	32,401	33,080
Capital Lease Obligations	300	1,439	2,488
Commercial Paper	256,575	191,575	196,203
Guaranteed Debt Outstanding	-	-	2,615
<b>Total Long-Term Debt</b>	<b>\$ 1,681,582</b>	<b>\$ 1,659,078</b>	<b>\$ 1,708,533</b>
<b>Contractual Maturities Within One Year</b>			
Bonds Payable - Fixed Rate	\$ 137,282	\$ 30,868	\$ 31,199
Bonds Payable - Variable Rate Demand	3,645	3,510	3,375
Notes Payable	1,272	986	964
Capital Lease Obligations	300	1,139	1,049
Commercial Paper	256,575	191,575	196,203
Guaranteed Debt Outstanding	-	-	31
<b>Total Contractual Maturities Within One Year</b>	<b>\$ 399,074</b>	<b>\$ 228,078</b>	<b>\$ 232,821</b>

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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, 2019							
	MU	UMKC	UMSL	Missouri S&T	University Health Care	Medical Alliance	Unallocated Bond Cost	Total
Athletics	\$ 154,462	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 154,462
Campus Utilities	132,000	5,659	-	27,682	-	-	-	165,341
Classroom & Research	63,859	23,506	41,792	13,899	-	-	-	143,056
Critical Repairs/Maintenance	15,497	6,616	4,084	4,582	-	-	-	30,779
Housing	303,421	94,619	17,141	76,502	-	-	-	491,683
Health Care	-	-	-	-	284,138	37,485	-	321,623
Parking	37,060	40,019	15,717	-	-	-	-	92,796
Recreational Facilities	33,402	6,460	33,290	608	-	-	-	73,760
Student Centers	24,405	36,248	12,893	8,356	-	-	-	81,902
Other	379	-	-	-	-	-	56,889	57,268
Unamortized Premium	-	-	-	-	-	-	37,136	37,136
Total	<b>\$ 764,485</b>	<b>\$ 213,127</b>	<b>\$ 124,917</b>	<b>\$ 131,629</b>	<b>\$ 284,138</b>	<b>\$ 37,485</b>	<b>\$ 94,025</b>	<b>\$ 1,649,806</b>

**Deferred Inflows of Resources** represent an acquisition of net position by the University that is applicable to a future period. During FY 2019, the University recognized \$83.5 million of deferred inflows of resources representing the University's remainder interest of charitable annuities and trusts, changes in assumptions and net difference between projected and actual earnings for the other postemployment benefit plan, and differences between actual and expected experience for the pension and other

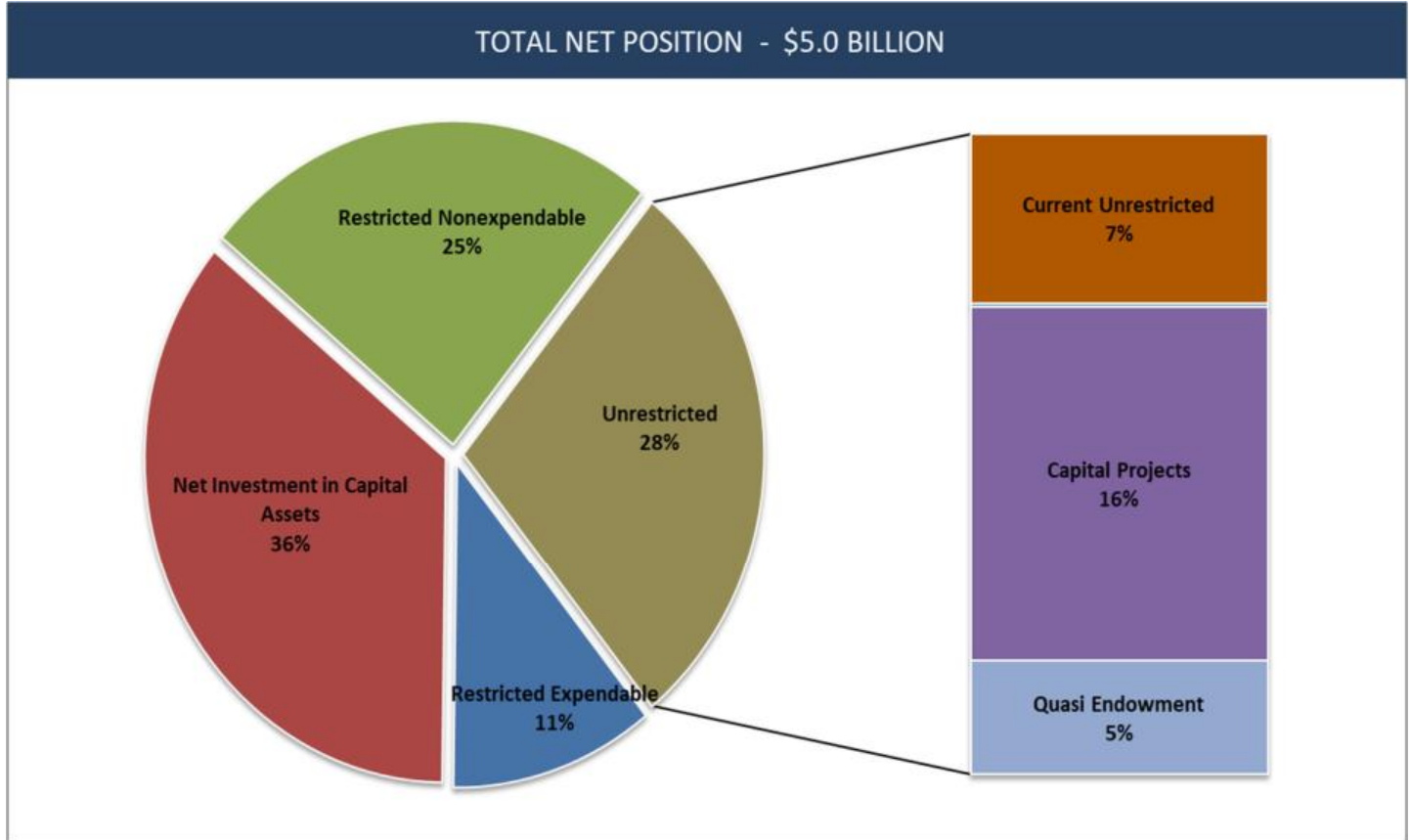
postemployment benefit plans. Deferred inflows of resources recognized during FY 2018 was \$83.3 million.

**NET POSITION**

**Net Position** represents the value of the University's assets after liabilities are deducted. The University's total **Net Position** increased by \$265.1 million during the year ended June 30, 2018 to \$4.9 billion and increased by \$179.0 million to \$5.0 billion for the year ended June 30, 2019.

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The distribution of the Net Position balances, including additional details on unrestricted net position by fund type, as of June 30, 2019, 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 \$55.0 million in FY 2019 and increased by \$18.0 million in FY 2018. The increase in FY 2019 was largely driven by an increase in capital assets acquired. FY 2018 increased from the repayment of debt.

**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. An increase in unrealized endowment investment income led to an increase in Restricted Nonexpendable Net Position, resulting in an increase of

\$48.3 million or 4.0% during FY 2019 and an increase of \$91.0 million or 8.2% during FY 2018.

**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 during FY 2018 by \$32.6 million, or 6.4%, and increased \$19.4 million, or 3.6%, during FY 2019. As of June 30, 2019, this category includes:

- \$410.5 million of net position restricted for operations and giving purposes compared to \$394.6 million at June 30, 2018;
- \$85.0 million for student loan programs compared to \$83.6 million at June 30, 2018; and
- \$66.4 million for facilities compared to \$64.4 million at June 30, 2018.

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**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 \$56.3 million or 4.1% to \$1.4 billion in FY 2019 and increased \$123.4 million or 5.8% in FY 2018. 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, 2019, and 2018, University Health Care designated funds totaled

\$693.3 million and \$501.8 million, respectively; capital project-designated funds totaled \$388.3 million and \$470.2 million, respectively; student loan program-designated funds totaled \$6.7 million and \$6.7 million, respectively; and unrestricted funds functioning as endowments totaled \$255.0 million and \$245.7 million, respectively. The remaining Unrestricted Net Position is available for the University's instructional and public service missions and its general operations totaled \$91.4 million and \$154.0 million at June 30, 2019 and 2018, respectively.



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**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 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
(in thousands of dollars)

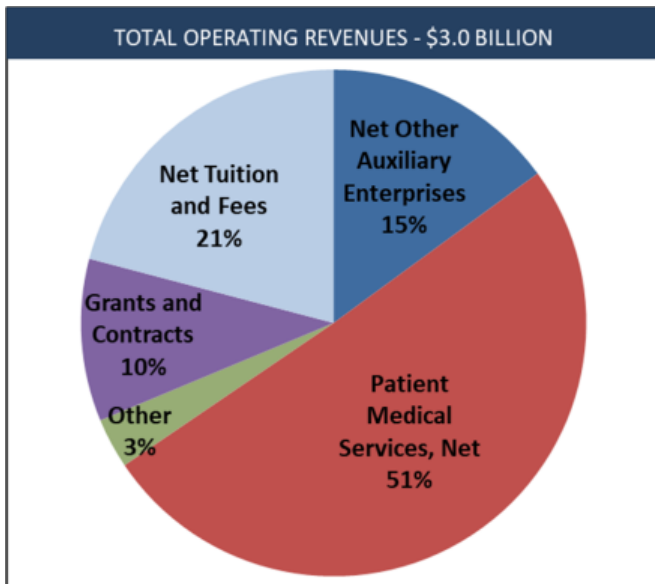
Fiscal Year Ended June 30,	2019	2018 (Restated)	2017
<b>Operating Revenues</b>			
Net Tuition and Fees	\$ 624,692	\$ 635,479	\$ 649,217
Grants and Contracts	309,500	292,335	289,875
Patient Medical Services, Net	1,510,024	1,400,335	1,323,006
Other Auxiliary Enterprises	446,687	437,717	447,473
Other Operating Revenues	95,995	85,312	90,172
Total Operating Revenues	2,986,898	2,851,178	2,799,743
<b>Operating Expenses</b>			
Salaries, Wages and Benefits	2,220,339	2,067,145	2,039,591
Supplies, Services and Other Operating Expenses	1,111,726	1,006,586	975,232
Other Operating Expenses	282,906	281,524	279,515
Total Operating Expenses	3,614,971	3,355,255	3,294,338
<b>Operating Loss Before State Appropriations</b>	<b>(628,073)</b>	<b>(504,077)</b>	<b>(494,595)</b>
State Appropriations	408,797	401,705	417,912
<b>Income (Loss) after State Appropriations, before Nonoperating Revenues (Expenses)</b>	<b>(219,276)</b>	<b>(102,372)</b>	<b>(76,683)</b>
<b>Nonoperating Revenues (Expenses)</b>			
Investment and Endowment Income, Net of Fees	197,059	199,040	283,263
Private Gifts	86,405	77,883	71,249
Interest Expense	(66,585)	(71,043)	(70,037)
Other Nonoperating Revenues, Net	83,759	81,758	80,962
Net Nonoperating Revenues (Expenses)	300,638	287,638	365,437
<b>Income before Capital Contributions, Additions to Permanent Endowments, and Extraordinary Item</b>	<b>81,362</b>	<b>185,266</b>	<b>288,754</b>
State Capital Appropriations	-	29,765	49,519
Capital Gifts and Grants	67,106	21,083	34,371
Private Gifts for Endowment Purposes	30,524	46,851	31,358
Extraordinary Item	-	(17,908)	-
<b>Increase in Net Position</b>	<b>178,992</b>	<b>265,057</b>	<b>404,002</b>
<b>Net Position, Beginning of Year</b>	<b>4,868,394</b>	<b>4,603,337</b>	<b>4,485,060</b>
Cumulative Effect of a Change in Accounting Principle	-	-	(285,725)
<b>Net Position, Beginning of Year, Restated</b>	<b>4,868,394</b>	<b>4,603,337</b>	<b>4,199,335</b>
<b>Net Position, End of Year</b>	<b>\$ 5,047,386</b>	<b>\$ 4,868,394</b>	<b>\$ 4,603,337</b>

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**OPERATING REVENUES**

**Operating Revenues** represent resources generated by the University in fulfilling its instruction, research, and public service missions. Total **Operating Revenues** increased \$135.7 million, or 4.8% in FY 2019 and \$51.4 million, or 1.8%, in FY 2018 primarily due to increased **Patient Medical Services**.

**Patient Medical Services** had the greatest growth over FY 2019, continuing the trend from previous years. **Net Tuition and Fees** decreased in FY 2019 and FY 2018 compared to the previous year. The following is a graphic illustration of operating revenues by source for FY 2019:



**Tuition and Fees**, net of **Scholarship Allowances**, decreased by \$10.8 million, or 1.7%, and \$13.7 million, or 2.1% in FY 2019 and FY 2018, over a total of \$649.2 million in FY 2017. The decreases in FY 2019 and FY 2018 were driven by a decrease in student enrollment.

As a research institution, the University receives a substantial amount of funding through **Federal, State and Private Grants and Contracts**. Overall, sponsored funding increased by \$17.2 million, or 5.9%, in FY 2019 compared to an increase of \$2.5 million, or 0.8%, in FY 2018 over a total of \$290.0 million in FY 2017.

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 \$118.7 million, or 6.5% in FY 2019 and \$67.6 million, or 3.8% in FY 2018 over a total of \$1.8 billion in FY 2017. **Patient Medical Services**, which includes fees for services provided by University Health Care and the Medical Alliance, had the largest increase among auxiliaries at \$110.0 million in FY 2019 and \$77.3 million in FY 2018. This was largely driven by growth in both inpatient and outpatient areas with increases in emergency room visits, discharges, surgeries, and clinic visits.

**NONOPERATING REVENUES (EXPENSES)**

**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 \$7.1 million, or 1.8% in FY 2019 and decreased \$16.2 million, or 3.9%, in FY 2018 over a total of \$417.9 million in FY 2017. After a few years of decreasing **State Appropriations**, state support has begun to level out as compared to FY 2018.

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 \$197.1 million in FY 2019 as compared to a net gain of \$199.0 million in FY 2018. As of June 30, 2017, Investment and Endowment Income was \$283.3 million.

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 2019, the University received gifts totaling \$184.0 million, as compared to \$145.8 million and \$137.0 million for FY 2018 and FY 2017, respectively.

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Total interest incurred for the years ended June 30, 2019, 2018 and 2017 was \$70.4 million, \$71.8 million, and \$72.5 million, respectively. Interest expense associated with financing projects during construction, net of any investment income earned on bond proceeds during construction, is capitalized. For the years ended June 30,

2019, 2018, and 2017, capitalization of interest earned on unspent bond proceeds totaled \$3.8 million, \$779,000, and \$2.5 million, respectively, resulting in net interest expense of \$66.6 million, \$71.0 million, and \$70.0 million, respectively.

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

<b>INTEREST EXPENSE</b> (in thousands of dollars)			
<b>Fiscal Year Ended June 30,</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
System Facilities Revenue Bonds	\$ 60,672	\$ 61,959	\$ 62,778
Health Facilities Revenue Bonds	1,527	1,632	1,264
Net Payment on Interest Rate Swaps	4,106	5,154	6,112
<b>Total Revenue Bonds</b>	<b>66,305</b>	<b>68,745</b>	<b>70,154</b>
Capitalized Lease Obligations	584	673	756
Notes Payable	471	483	494
Commercial Paper	3,004	1,921	1,098
<b>Total Interest Expense Before Capitalization of Interest</b>	<b>70,364</b>	<b>71,822</b>	<b>72,502</b>
Capitalization of Interest, Net of Interest Earned on Unspent Bond Proceeds	(3,779)	(779)	(2,465)
<b>Total Interest Expense</b>	<b>\$ 66,585</b>	<b>\$ 71,043</b>	<b>\$ 70,037</b>

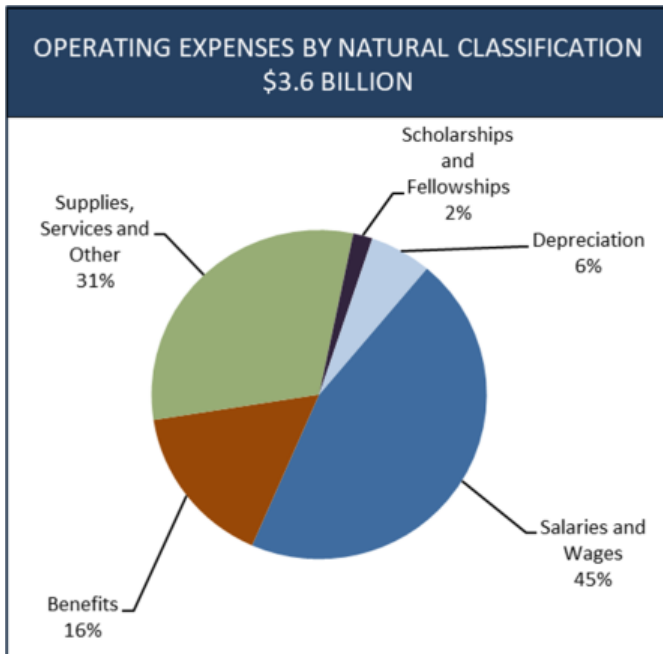
In FY 2019, **Other Nonoperating Revenues, Net** of \$83.8 million increased \$2.0 million over FY 2018. During FY 2018, Other Nonoperating Revenues, Net increased by \$796,000.

In FY 2019 and FY 2018, Federal Appropriations include cash subsidy payments from the United States Treasury totaling \$9.8 million in each year for designated Build America Bonds outstanding. Pell Grants increased by \$1.2 million in FY 2019 due to more students qualifying for the program.

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**OPERATING EXPENSES**

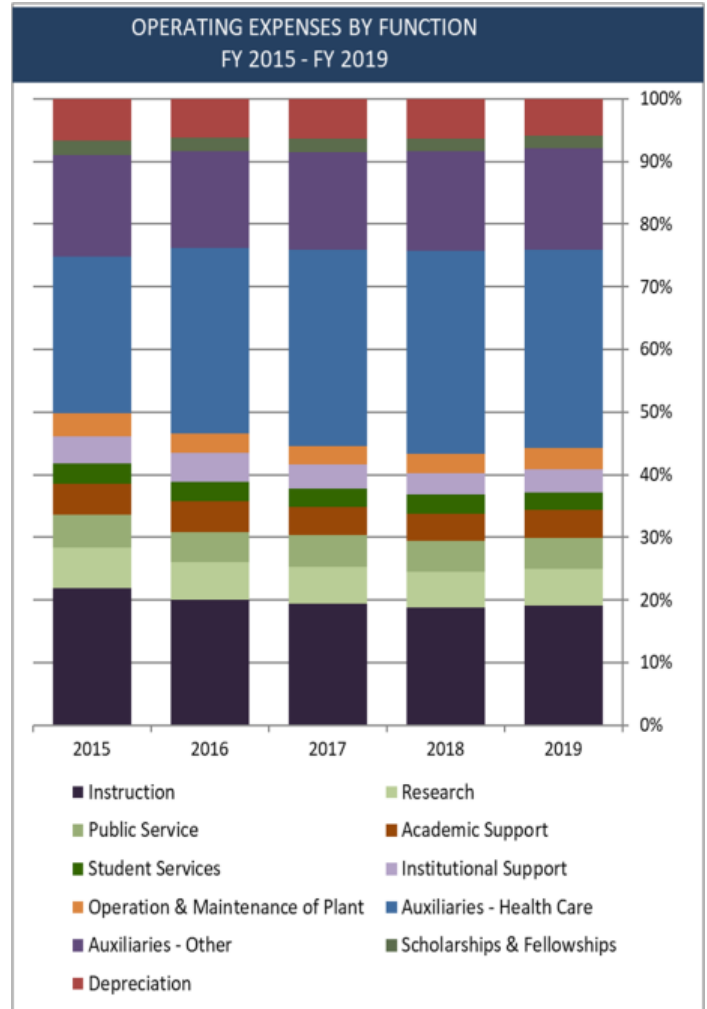
**Total Operating Expenses** increased by \$259.7 million, or 7.7%, in FY 2019 compared to an increase of \$60.9 million, or 1.8%, in FY 2018. The increase in total operating expenses in FY 2019 was primarily due increases in **Supplies, Services and Other Operating Expenses** as well as fluctuations in benefits relating to pension. The following graph illustrates the University's operating expenses by natural classification for FY 2019:



During FY 2019, **Salaries, Wages and Benefits** increased by approximately 7.4% as compared to a 1.4% increase in the prior fiscal year. Salaries and Wages increased by \$51.3 million, or 3.2%. Staff Benefits increased by \$101.9 million in FY 2019 primarily due differences in projected and actual investment income in the pension plan.

In FY 2019 and FY 2018, the University's **Supplies, Services, and Other Operating** expenses of \$1.1 billion and \$1.0 billion increased by \$105.1 million, or 10.4%, and \$31.4 million, or 3.2%, respectively, over the prior fiscal year.

The following illustrates the University's operating expenses by function for FY 2015 through FY 2019:



University Health Care, included in auxiliary, constitutes the highest proportion of Operating Expenses at 31.6% for FY 2019 and 32.5% for FY 2018. The core missions of instruction, research, and public service account for the next largest proportion of Operating Expenses at 37.2% and 36.8% for FY 2019 and FY 2018, respectively. Excluding University Health Care, instruction, research, scholarships, and public service account for 43.7% of Operating Expenses for FY 2019. 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.

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**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, 2019, 2018 and 2017:

CONDENSED STATEMENTS OF CASH FLOWS (in thousands of dollars)			
Fiscal Year Ended June 30,	2019	2018	2017
Net Cash Used in Operating Activities	\$ (302,923)	\$ (256,148)	\$ (256,753)
Net Cash Provided from Noncapital Financing Activities	609,768	614,896	587,729
Net Cash Used in Capital and Related Financing Activities	(251,539)	(274,308)	(254,801)
Net Cash Provided by (Used) in Investing Activities	(41,638)	70,407	(24,236)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>13,668</b>	<b>154,847</b>	<b>51,939</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>554,638</b>	<b>399,791</b>	<b>347,852</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 568,306</b>	<b>\$ 554,638</b>	<b>\$ 399,791</b>

**Net Cash Used in Operating Activities** reflects the continued need for funding from the state of Missouri, as funding received from tuition and fees and related sales and services of auxiliary and educational activities are not sufficient to cover operational needs. In FY 2019, cash used in operating activities increased by \$46.8 million primarily due to increased payments to suppliers, employees and benefits of which the increased payments were partially offset by increased patient care revenues. In FY 2018, cash used in operating activities remained relatively flat compared to FY 2017 with an increased patient care revenue offset by a decrease in tuition and fees and an increase in payments to suppliers and employees.

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 \$609.8 million, \$614.9 million, and \$587.7 million in FY 2019, FY 2018, and FY 2017, respectively, directly offset the additional cash needs resulting from operations.

**Net Cash Used In Capital and Related Financing Activities** decreased by \$22.8 million due to the issuance of capital debt. In FY 2018, Net Cash Used in Capital and Related Financing Activities increased by \$19.5 million compared to FY 2017 due to a decrease in the receipt of proceeds from the issuance of capital debt.

**Net Cash Used in Investing Activities** reflects a net outflow of \$41.6 million in FY 2019 as compared to a net inflow of \$70.4 million in FY 2018 and a net outflow of \$24.2 million in FY 2017. Differences are largely driven by the net of proceeds and purchases of investments.

**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 72,000 students, delivering quality healthcare to the citizens of Missouri, and providing extension services throughout the state.

The University remains a long-standing and stable enterprise. Enrollment has declined by 3% in FY 2019 and 4% FY 2018 across the four campuses. However, the University's freshman enrollment has rebounded over the last two fiscal years with growth of 7.0% and 5.4% among the four campuses for fiscal years 2019 and 2018, respectively. University leaders have made cuts and reallocations of resources in response to the enrollment challenges. Leadership has made plans to develop strategic plans that will invest in student success, research and creative works, engagement and outreach, inclusivity, and stewardship of the Universities financial resources.

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State appropriations for operations increased by 1.8% in FY 2019. There were no capital appropriations received in FY 2019 as compared to \$29.8 million in FY 2018 as reimbursement for previously approved building projects came to an end. Funding from the State operating budget will remain uncertain with both federal and state tax reform.

The University is aware of its fiduciary responsibility to control costs in order to provide an affordable education for Missourians. Despite the challenges generated by uncertain state funding, the University has been able to maintain its strong financial position due to diversified revenue sources and system-wide cost containment measures. Leadership is committed to investing in strategic initiatives that align with the mission of the University as well as creating an environment that streamlines operations across the four campuses.

University of Missouri Health Care (MU Health Care) remains dedicated to its mission of saving and improving lives. MU Health Care's focus for the future is to achieve the scale needed, clinically and financially, to support the academic and research missions to become Missouri's premier academic health system.

Health care reimbursement is a continually changing landscape. Considering such, MU Health Care regularly monitors state and federal health care programs and analyzes the impact of ongoing legislation on reimbursement and the delivery of health care. As a part of its strategy to prepare for and respond to value-based payment models, MU Health Care continues to develop collaborative arrangements throughout Missouri to improve patient outcomes and access to care, share best practices, create efficiencies and lower health care costs.

The University's financial position remains strong with diversified revenue streams that include higher education, research, gifts and health care, which provide flexibility in responding to financial challenges. The state economy, limited increases in tuition revenue, and uncertain state support will continue to pose budgetary challenges for the University in the future. The University is actively managing these budgetary challenges by prioritizing strategic goals that will advance the University in its operations and build a strong foundation in the face of uncertainties in the future of the higher education industry.

## Independent Auditor's Report

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 and the fiduciary activities of the University of Missouri System, collectively a component unit of the State of Missouri, as of and for the years ended June 30, 2019 and 2018, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's 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. 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 auditor's 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 and the fiduciary activities of the University of Missouri System as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Emphasis of Matter*

As discussed in Note 1 to the financial statements, in 2019 the University of Missouri System adopted Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*. Our opinions are not modified with respect to this matter.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits 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 accompanying information in the introductory and statistical sections as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 it.

*BKD, LLP*

Kansas City, Missouri  
October 15, 2019



UNIVERSITY OF MISSOURI SYSTEM  
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STATEMENTS OF NET POSITION  
As of June 30, 2019 and 2018 (in thousands)

	2019	2018 - Restated
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 365,815	\$ 360,053
Restricted Cash and Cash Equivalents	197,824	189,988
Short-Term Investments	39,172	226,215
Restricted Short-Term Investments	16,338	31,991
Investment of Cash Collateral	3,616	5,012
Accounts Receivable, Net	376,431	335,551
Pledges Receivable, Net	21,846	17,039
Investment Settlements Receivable	279,696	68,024
Notes Receivable, Net	8,489	9,060
Inventories	41,155	40,433
Prepaid Expenses and Other Current Assets	42,122	43,729
<b>Total Current Assets</b>	<b>1,392,504</b>	<b>1,327,095</b>
<b>Noncurrent Assets</b>		
Restricted Cash and Cash Equivalents	4,667	4,597
Pledges Receivable, Net	40,677	38,106
Notes Receivable, Net	64,638	69,842
Other Assets	14,388	13,565
Restricted Other Assets	3,964	4,022
Long-Term Investments	2,457,590	2,021,932
Restricted Long-Term Investments	1,525,301	1,456,071
Capital Assets, Net	3,466,439	3,383,075
<b>Total Noncurrent Assets</b>	<b>7,577,664</b>	<b>6,991,210</b>
<b>Deferred Outflows of Resources</b>		
Deferred Outflows Related to Debt	30,683	29,837
Deferred Outflows Related to Asset Retirement Obligations	57,438	59,936
Deferred Outflows Related to Other Post Employment Benefits	27,214	-
Deferred Outflows Related to Pensions	220,473	249,373
<b>Total Deferred Outflows of Resources</b>	<b>335,808</b>	<b>339,146</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 9,305,976</b>	<b>\$ 8,657,451</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 195,342	\$ 130,776
Accrued Liabilities	180,548	177,169
Unearned Revenue	94,957	95,144
Funds Held for Others	96,375	91,539
Investment Settlements Payable	455,975	187,438
Collateral Held for Securities Lending	3,616	5,012
Commercial Paper and Current Portion of Long-Term Debt	399,074	228,078
Long-Term Debt Subject to Remarketing Agreements	82,540	86,185
<b>Total Current Liabilities</b>	<b>1,508,427</b>	<b>1,001,341</b>

UNIVERSITY OF MISSOURI SYSTEM  
A COMPONENT UNIT OF THE STATE OF MISSOURI  
STATEMENTS OF NET POSITION  
As of June 30, 2019 and 2018 (in thousands)

	2019	2018 - Restated
<b>Liabilities, Continued</b>		
<b>Noncurrent Liabilities</b>		
Unearned Revenue	15,119	15,792
Asset Retirement Obligation	62,433	62,433
Long-Term Debt	1,199,968	1,344,815
Derivative Instrument Liability	35,542	27,570
Net Other Postemployment Benefits Liability	453,640	442,205
Net Pension Liability	814,210	731,193
Other Noncurrent Liabilities	85,771	80,419
<b>Total Noncurrent Liabilities</b>	<b>2,666,683</b>	<b>2,704,427</b>
<b>Deferred Inflows of Resources</b>		
Deferred Inflows for Charitable Annuities	13,628	13,393
Deferred Inflows Related to Other Postemployment Benefits	44,867	34,975
Deferred Inflows Related to Pensions	24,985	34,921
<b>Total Deferred Inflows of Resources</b>	<b>83,480</b>	<b>83,289</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>4,258,590</b>	<b>3,789,057</b>
<b>Net Position</b>		
Net Investment in Capital Assets	1,801,977	1,746,995
Restricted		
Nonexpendable -		
Endowment	1,248,860	1,200,514
Expendable -		
Scholarship, Research, Instruction and Other	410,497	394,577
Loans	85,038	83,567
Capital Projects	66,364	64,381
Unrestricted	1,434,650	1,378,360
<b>Total Net Position</b>	<b>5,047,386</b>	<b>4,868,394</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 9,305,976</b>	<b>\$ 8,657,451</b>

See notes to the financial statements

**UNIVERSITY OF MISSOURI SYSTEM**  
**A COMPONENT UNIT OF THE STATE OF MISSOURI**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
For the Years Ended June 30, 2019 and 2018 (in thousands)

	<b>2019</b>	<b>2018 - Restated</b>
<b>Operating Revenues</b>		
Tuition and Fees (Net of Provision for Doubtful Accounts of \$16,872 in 2019 and \$16,041 in 2018)	\$ 857,456	\$ 861,913
Less Scholarship Allowances	232,764	226,434
<b>Net Tuition and Fees</b>	<b>624,692</b>	<b>635,479</b>
Federal Grants and Contracts	165,427	157,587
State and Local Grants and Contracts	60,584	59,966
Private Grants and Contracts	83,489	74,782
Sales and Services of Educational Activities	19,264	26,193
Auxiliary Enterprises -		
Patient Medical Services, Net	1,510,024	1,400,335
Housing and Dining Services (Net of Scholarship Allowance of \$3,348 in 2019 and \$1,458 in 2018)	102,603	100,837
Bookstores	38,348	41,429
Other Auxiliary Enterprises (Net of Scholarship Allowance of \$11,699 in 2019 and \$11,403 in 2018)	305,736	295,451
Other Operating Revenues	76,731	59,119
<b>Total Operating Revenues</b>	<b>2,986,898</b>	<b>2,851,178</b>
<b>Operating Expenses</b>		
Salaries and Wages	1,642,679	1,591,397
Benefits	577,660	475,748
Supplies, Services and Other Operating Expenses	1,111,726	1,006,586
Scholarships and Fellowships	67,367	68,047
Depreciation	215,539	213,477
<b>Total Operating Expenses</b>	<b>3,614,971</b>	<b>3,355,255</b>
<b>Operating Income (Loss) before State Appropriations</b>	<b>(628,073)</b>	<b>(504,077)</b>
State Appropriations	408,797	401,705
<b>Operating Income (Loss) after State Appropriations, before Nonoperating Revenues (Expenses)</b>	<b>(219,276)</b>	<b>(102,372)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Federal Appropriations	27,026	26,665
Federal Pell Grants	56,594	55,400
Investment and Endowment Income, Net of Fees	197,059	199,040
Private Gifts	86,405	77,883
Interest Expense	(66,585)	(71,043)
Other Nonoperating Revenues (Expenses)	139	(307)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>300,638</b>	<b>287,638</b>

**UNIVERSITY OF MISSOURI SYSTEM**  
**A COMPONENT UNIT OF THE STATE OF MISSOURI**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
 For the Years Ended June 30, 2019 and 2018 (in thousands)

	2019	2018 - Restated
<b>Income before Capital Contributions, Additions to Permanent</b>		
<b>Endowments, and Extraordinary Items</b>	<b>81,362</b>	<b>185,266</b>
State Capital Appropriations	-	29,765
Capital Gifts and Grants	67,106	21,083
Private Gifts for Endowment Purposes	30,524	46,851
Extraordinary Item - loss on asset impairment	-	(17,908)
<b>Increase in Net Position</b>	<b>178,992</b>	<b>265,057</b>
<b>Net Position, Beginning of Year</b>	<b>4,868,394</b>	<b>4,603,337</b>
<b>Net Position, End of Year</b>	<b>\$ 5,047,386</b>	<b>\$ 4,868,394</b>

*See notes to the financial statements*

**UNIVERSITY OF MISSOURI SYSTEM**  
**A COMPONENT UNIT OF THE STATE OF MISSOURI**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2019 and 2018 (in thousands)

	<b>2019</b>	<b>2018 - Restated</b>
<b>Cash Flows from Operating Activities</b>		
Tuition and Fees	\$ 616,820	\$ 634,626
Federal, State and Private Grants and Contracts	294,322	295,272
Sales and Services of Educational Activities and Other Auxiliaries	323,490	313,151
Patient Care Revenues	1,487,490	1,398,121
Student Housing Fees	102,210	100,843
Bookstore Collections	40,215	42,646
Payments to Suppliers	(1,065,916)	(1,011,614)
Payments to Employees	(1,634,521)	(1,589,140)
Payments for Benefits	(481,566)	(432,513)
Payments for Scholarships and Fellowships	(67,367)	(68,047)
Student Loans Issued	(5,339)	(10,032)
Student Loans Collected	10,076	8,795
Student Loan Interest and Fees	1,038	845
Other Receipts, Net	76,125	60,899
<b>Net Cash Used in Operating Activities</b>	<b>(302,923)</b>	<b>(256,148)</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
State Educational Appropriations	408,797	401,705
Federal Appropriations and Pell Grants	85,808	82,740
Private Gifts	79,027	83,738
Endowment and Similar Funds Gifts	30,524	46,851
Direct Lending Receipts	266,938	277,173
Direct Lending Disbursements	(266,938)	(277,173)
PLUS Loan Receipts	92,793	92,714
PLUS Loan Disbursements	(92,793)	(92,714)
Other Receipts, Net	776	378
Deposits (Receipts) of Affiliates	4,836	(516)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>609,768</b>	<b>614,896</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital Gifts and Grants	67,106	21,083
Proceeds from Sales of Capital Assets	1,186	1,390
Purchase of Capital Assets	(273,874)	(223,780)
Proceeds from Issuance of Capital Debt, Net	65,000	285
Principal Payments on Capital Debt	(35,302)	(40,166)
Payments on Capital Lease	(1,139)	(1,049)
Interest Payments on Capital Debt	(74,516)	(75,494)
State Capital Appropriations	-	43,423
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(251,539)</b>	<b>(274,308)</b>

**UNIVERSITY OF MISSOURI SYSTEM**  
**A COMPONENT UNIT OF THE STATE OF MISSOURI**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2019 and 2018 (in thousands)

	2019	2018 - Restated
<b>Cash Flows from Investing Activities</b>		
Interest and Dividends on Investments, Net	78,478	73,272
Proceeds from Investments	10,681,677	10,343,298
Purchases of Investments	(10,801,793)	(10,346,163)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(41,638)</b>	<b>70,407</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>13,668</b>	<b>154,847</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>554,638</b>	<b>399,791</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 568,306</b>	<b>\$ 554,638</b>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating Loss	\$ (628,073)	\$ (504,077)
Adjustments to Net Cash Used in Operating Activities		
Depreciation Expense	215,539	213,477
Changes in Assets and Liabilities:		
Accounts Receivable, Net	(43,067)	(223)
Inventory, Prepaid Expenses and Other Assets	120	(7,119)
Notes Receivable	5,775	(392)
Deferred Outflows of Resources	1,686	(149,009)
Accounts Payable	43,991	(3,406)
Accrued Liabilities	7,559	(1,620)
Unearned Revenue	(861)	3,977
Pension Liability	83,017	208,929
OPEB Liability	11,435	(20,058)
Deferred Inflows of Resources	(44)	3,373
<b>Net Cash Used in Operating Activities</b>	<b>\$ (302,923)</b>	<b>\$ (256,148)</b>
<b>Supplemental Disclosure of Noncash Activities</b>		
Net Increase (Decrease) in Fair Value of Investments	\$ 60,444	\$ 32,429
Noncash Gifts	22,712	30,488

*See notes to the financial statements*

UNIVERSITY OF MISSOURI SYSTEM  
A COMPONENT UNIT OF THE STATE OF MISSOURI  
STATEMENTS OF FIDUCIARY NET POSITION  
As of June 30, 2019 and 2018 (in thousands)

	2019	2018
<b>Assets</b>		
Cash and Cash Equivalents	\$ 470,194	\$ 431,503
Investment of Cash Collateral	106,182	158,979
Investment Settlements Receivable	71,124	83,956
Other Assets	443	609
Investments:		
Debt Securities	395,616	423,984
Equity Securities	223,235	213,239
Commingled Funds	1,989,092	1,997,441
Nonmarketable Alternative Investments	816,533	702,082
<b>Total Assets</b>	<b>4,072,419</b>	<b>4,011,793</b>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	2,355	1,900
Collateral Held for Securities Lending	106,182	158,979
Investment Settlements Payable	168,043	131,475
<b>Total Liabilities</b>	<b>276,580</b>	<b>292,354</b>
<b>Net Position Restricted for Retirement and OPEB</b>	<b>\$ 3,795,839</b>	<b>\$ 3,719,439</b>

UNIVERSITY OF MISSOURI SYSTEM  
A COMPONENT UNIT OF THE STATE OF MISSOURI  
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
For the Years Ended June 30, 2019 and 2018 (in thousands)

	2019	2018
<b>Additions</b>		
Investment Income:		
Interest & Dividend Income	\$ 26,014	\$ 65,706
Net Appreciation (Depreciation) in Fair Value of Investments	166,693	278,180
Less investment expense	(4,884)	(18,608)
Net Investment Income (Loss)	187,823	325,278
Contributions:		
University	139,343	110,790
Members	33,367	31,779
Total Contributions	172,710	142,569
<b>Total Additions</b>	<b>360,533</b>	<b>467,847</b>
<b>Deductions</b>		
Administrative Expenses	2,529	2,363
Payments to Retirees and Beneficiaries	281,604	268,114
<b>Total Deductions</b>	<b>284,133</b>	<b>270,477</b>
<b>Increase in Net Position Restricted for Retirement and OPEB</b>	<b>76,400</b>	<b>197,370</b>
<b>Net Position Restricted for Retirement and OPEB, Beginning of Year</b>	<b>3,719,439</b>	<b>3,522,069</b>
<b>Net Position Restricted for Retirement and OPEB, End of Year</b>	<b>\$ 3,795,839</b>	<b>\$ 3,719,439</b>

See notes to the financial statements.

UNIVERSITY OF MISSOURI SYSTEM  
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NOTES TO FINANCIAL STATEMENTS  
For the Years Ended June 30, 2019 and 2018

**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 of Missouri Health System (“MU 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

presented as a blended component unit in the University’s financial statements in accordance to GASB Statement No. 80, *Blending Requirements for Certain Component Units*.

The Medical Alliance is a not-for-profit corporation in which the University is the sole member. The Medical Alliance, 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 MU Health Care and provide medical services to the community. 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 corporation that follows generally accepted accounting principles under the Financial Accounting Standards Board (“FASB”), is a subsidiary of the Medical Alliance. The University is not liable for the debts of CRMC. The University appoints the Board of Directors of the Medical Alliance and can impose its will on the organization. Separately audited financial statements for the Medical Alliance are not available. Combining financial statements for these funds are presented in Note 15.

Columbia Surgical Services (CSS), is considered a component unit of the University according to the criteria in GASB No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*, and is presented as a blended component unit in the University’s financial statements in accordance to GASB Statement No. 80, *Blending Requirements for Certain Component Units*. CSS is a not-for-profit corporation in which the University is the sole member. CSS provides general surgery and surgical sub-specialties with the purpose to promote clinical integration of medical services with MU Health Care and the community. CSS follows generally accepted accounting principles under the Financial Accounting Standards Board (“FASB”). The University appoints the Board of Directors of CSS and can impose its will on the organization. Separately audited financial statements for CSS are not available. Combining financial statements for these funds are presented in Note 15.



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Columbia Family Medical Services (CFMS) began operations in fiscal year 2017 and is considered a component unit of the University according to the criteria in GASB No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*, and is presented as a blended component unit in the University's financial statements in accordance to GASB Statement No. 80, *Blending Requirements for Certain Component Units*. CFMS is a not-for-profit corporation in which the University is the sole member. CFMS provides family and community medical services with the purpose to improve patient access and quality. CFMS is a public benefit corporation formed with the Curators of the University of Missouri as the sole member. CFMS follows generally accepted accounting principles under the Financial Accounting Standards Board ("FASB"). The University appoints the Board of Directors of CFMS and can impose its will on the organization. Separately audited financial statements for CFMS are not available. Combining financial statements are presented in Note 15.

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, 2019, the University was the majority owner of MREC. Financial statements for MREC are available at the University of Missouri System Controller's Office. Combining financial statements are presented in Note 15.

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 (and Other Employee Benefit) 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 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 17.

**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.

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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. The rate used to discount the present value is based on the seven year treasury bill rate as of June 30 of each fiscal year. For the fiscal years ended June 30, 2019 and 2018, the University used a discount rate of 1.87% and 2.81%, respectively. An allowance of \$20,474,000 and \$12,037,000 as of June 30, 2019 and 2018, 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 MU 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. The University capitalizes assets with useful lives greater than one year and acquisition cost greater than or equal to \$5,000. 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. American Hospital Association useful life guidelines are followed for capital assets that are medical in nature. 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. Net interest expense incurred during the construction of debt-financed facilities is included when capitalizing resulting assets. The University capitalizes works of art, as these collections generally consist of historical 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 Outflows of Resources** – The University reports the consumption of net position that relates to future reporting periods as deferred outflows of resources in a separate section of the Statements of Net Position.

**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. Noncurrent unearned revenue relates to amounts received for capital projects or for the portion of multi-year grant funding related to future years.

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For the Years Ended June 30, 2019 and 2018

**Compensated Absences** – Compensated absences include accumulated unpaid vacation and compensatory time accrued as well as related employer payroll taxes. An expense and related liability are recognized as vacation and compensatory benefits are earned. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized.

**Deferred Inflows of Resources** – The University reports the acquisition of net position that relates to future reporting periods as deferred inflows of resources in a separate section of the Statements of Net Position.

**Pension and Other Postemployment Benefits** – Pension and Other Postemployment Benefits (OPEB) related items, including: net pension liability and net OPEB liability, deferred outflows of resources, deferred inflows of resources, net pension expense and net OPEB 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 respective pension and OPEB plans. 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.

Medical Alliance, CSS, and CFMS, as not-for-profit organizations, record 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 University’s accompanying basic financial statements, the net position is redistributed amongst the net position components defined by GASB Statement No. 63.

**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, University Physicians, and the Medical Alliance. 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

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by \$908,000 for the year ended June 30, 2019 and decreased net patient services by \$3,038,000 for the year ended June 30, 2018.

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 years ended June 30, 2019 and 2018, the MU 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)**

	2019	2018
Medicare	32%	30%
Commercial Insurance	11%	15%
Medicaid	19%	19%
Self Pay & Other	16%	14%
Managed Care Agreements	22%	22%
	100%	100%

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

The Statements 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)**

	2019	2018
Patient Medical Services		
Revenue, Gross	\$ 3,672,043	\$ 3,249,787
Deductions for Contractuals	(2,094,664)	(1,796,865)
Deductions for Bad Debt	(67,355)	(52,587)
<b>Patient Medical Services</b>		
<b>Revenue, Net</b>	<b>\$ 1,510,024</b>	<b>\$ 1,400,335</b>

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

The estimated costs of providing these services are as follows:

**Table 1.3 - Uncompensated Care**

Revenue (in thousands)	2019	2018
Cost of Charity Care	\$ 38,171	\$ 38,615
Unreimbursed cost under state and local government assistance programs, net of Medicaid disproportionate share funding, less Medicaid provider taxes	(1,288)	(14,246)
Cost of uncollectible accounts	35,598	27,666
<b>Total Uncompensated Care</b>	<b>\$ 72,481</b>	<b>\$ 52,035</b>

**New Accounting Pronouncements** – Effective for fiscal year 2019, the University adopted GASB Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining recognition of a liability and corresponding deferred outflows of resources for legally enforceable liabilities associated with the retirement of certain tangible capital assets. The adoption of this statement increased liabilities by \$62.4 million and deferred outflows of resources by \$59.9 million, after amortization of \$2.5 million, as of fiscal year 2018. There was no effect on beginning net position as of July 1, 2017 and the fiscal year 2018 increase in net position was reduced by \$2.5 million as a result of adopting GASB 83.

Effective for fiscal year 2019, the University adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which requires additional disclosures regarding certain types of debt. The adoption of this statement had no effect on the University's financial statements.

In January 2017, GASB issued GASB Statement No. 84, *Fiduciary Activities*, which intends to enhance consistency and comparability on how fiduciary activities are reported. The University will adopt this statement in fiscal year 2020 and has not fully determined the effect of implementing GASB Statement No. 84 will have on its financial statements.

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In June 2017, GASB issued GASB Statement No. 87, *Leases*, which requires recognition of certain lease assets and liabilities that were previously classified as operating leases. The University will adopt this statement in fiscal year 2021 and has not fully determined the effect of implementing GASB Statement No. 87 will have on its financial statements.

In June 2018, GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires interest cost incurred before the end of a construction period to be recognized as an expense in the period in which the cost is incurred and thereby not capitalized as part of the historical cost of a capital asset. The University will adopt this statement in fiscal year 2021 and has not fully determined the effect of implementing GASB Statement No. 89 will have on its financial statements.

In August 2018, GASB issued GASB Statement No. 90, *Majority Equity Interests*, which modifies guidance for reporting a legally separate organization in which the government has a majority equity interest to be reported as either an investment or component unit. The University will adopt this statement in fiscal year 2020 and has not fully determined the effect of implementing GASB Statement No. 90 will have on its financial statements.

In May 2019, GASB issued GASB Statement No. 91, *Conduit Debt Obligations*, which provides a single method of reporting conduit debt obligations by issuers. The University will adopt this statement in fiscal year 2022 and has not fully determined the impact of implementing GASB Statement No. 91 will have on its financial statements.

Effective for fiscal year 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which intends to improve financial reporting by requiring recognition of the entire Other Postemployment Benefits (OPEB) liability and a more comprehensive measure of

OPEB expense. The adoption of Statement No. 75 required the University to record a Net Postemployment Benefits Liability as well as Deferred Outflows/Inflows of Resources on its Statements of Net Position.

Effective for fiscal year 2018, the University adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which intends to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for beneficiaries of these type of agreements. The adoption of this statement required the University to record a Deferred Inflows of Resources for changes in the University's remainder interest.

Effective for fiscal year 2018, the University adopted GASB Statement No. 85, *Omnibus 2017*, which intends to enhance consistency in the application of certain accounting and financial reporting requirements. Adoption of this statement had no effect on the University's financial statements.

Effective for fiscal year 2018, the University adopted GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which intends to improve the consistency in accounting and reporting for in-substance defeasance of debt. Adoption of this statement 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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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.

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## 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. As of June 30, 2019, approximately \$726,000 of the University’s cash deposits were uninsured or collateralized. All cash deposits were fully insured or collateralized as of June 30, 2018.

## 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 balanced strategies. The General Pool’s total return, including unrealized gains and losses, was 3.3% and 2.2% for the years ended June 30, 2019 and 2018, 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.

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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 balanced strategies. The Endowment Pool's total return, including unrealized gains and losses, was 5.7% and 9.4% for the years ended June 30, 2019 and 2018, respectively.

If a donor has not provided specific restrictions, state law permits the Board to appropriate an amount of the Endowment Funds' net appreciation, realized and unrealized, as the Board considers to be prudent. In establishing this amount, the Board is required to consider the University's long- and short-term needs, present and anticipated financial requirements, expected total return on investments, price level trends, and general economic conditions. Further, any expenditure of net appreciation is required to be for the purposes for which the endowment was established. Inclusive of both realized and unrealized gains and losses on investments, donor-restricted endowments experienced net appreciation of approximately \$68,675,000 and \$96,277,000 in fiscal years 2019 and 2018, respectively.

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 2018 to distribute 4.0% of a trailing 28-quarter average of the endowment's total market value as of December 31<sup>st</sup> of the prior fiscal year, with the understanding that this spending rate over the

long term should not exceed the total real return (net of inflation).

The transition from 4.5% to 4.0% is being phased in over a period of no longer than seven years ending June 30, 2024 to avoid a year over year decrease in distributions. In addition, the University distributes 1.25% of the trailing 28-quarter average of the endowment's total market value to support internal endowment and development administration.

***PENSION AND OTHER EMPLOYEE BENEFIT 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 balanced strategies. The Retirement Trust's total return, including unrealized gains and losses, was 5.2% and 10.2% for the years ended June 30, 2019 and 2018, respectively. The Retirement Trust held \$3,757,413,000 and \$3,682,638,000 of net position at June 30, 2019 and 2018, respectively.

The OPEB Trust held \$38,426,000 and \$36,801,000 of net position at June 30, 2019 and 2018, 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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**Table 3.1 - Investments by Type** (in thousands)

As of June 30,	University of Missouri		University of Missouri Pension and OPEB Trust Funds	
	2019	2018	2019	2018
<b>Debt Securities:</b>				
U.S. Treasury Obligations	\$ 771,356	\$ 809,309	\$ 273,661	\$ 320,005
U.S. Agency Obligations	3,176	2,339	-	-
Asset-Backed Securities	637,214	534,743	72,582	65,954
Government - Foreign	34,885	30,786	8,364	5,234
Corporate - Domestic	140,315	134,492	16,977	13,735
Corporate - Foreign	128,614	90,887	24,032	19,056
<b>Equity Securities:</b>				
Domestic	160,826	53,737	87,281	99,670
Foreign	105,899	55,717	135,954	113,569
<b>Commingled Funds:</b>				
Absolute Return	329,429	329,396	701,288	774,952
Risk Balanced	651,657	684,752	473,728	398,073
Debt Securities - Global	-	1,848	-	86,623
Debt Securities - Domestic	149,330	192,978	105,096	123,589
Debt Securities - Foreign	-	18,943	6,304	105,458
Equity Securities - Domestic	16,430	51,887	109,251	1,222
Equity Securities - Foreign	32,154	32,607	7,405	56,436
Equity Securities - Global	297,028	248,040	542,734	409,166
Real Estate	23,942	26,644	43,286	41,922
<b>Nonmarketable Alternative Investments:</b>				
Real Estate	120,859	114,069	225,355	214,295
Private Equity/Debt	404,519	290,659	591,178	487,787
Other	30,768	32,376	-	-
<b>Total Investments</b>	<b>4,038,401</b>	<b>3,736,209</b>	<b>3,424,476</b>	<b>3,336,746</b>
Money Market Funds	528,810	451,988	435,840	395,841
Other	39,496	102,650	34,354	35,662
<b>Total Cash and Cash Equivalents</b>	<b>568,306</b>	<b>554,638</b>	<b>470,194</b>	<b>431,503</b>
<b>Total Investments and Cash and Cash Equivalents</b>	<b>\$ 4,606,707</b>	<b>\$ 4,290,847</b>	<b>\$ 3,894,670</b>	<b>\$ 3,768,249</b>

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

**Concentration of Credit Risk** – Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments. The investment policies for the General Pool, Endowment Funds, and Retirement Trust all specify diversification requirements across asset sectors. As of June 30, 2019 and 2018, of the University's total investments and cash and cash equivalents were 16.7% and 19.0%, respectively, in issues of U.S. Treasury Notes. As of June 30, 2019 and 2018, the Pension Trust Fund's total



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investments and cash and cash equivalents were 7.0% and 8.6%, respectively, in issues U.S. Treasury Notes.

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 with minimum rating of A-1/P-1 for commercial paper and other short-term securities. For Endowment Funds and Retirement Trust investments, guidelines for respective investment managers 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 money market funds were rated AAA at June 30, 2019 and 2018.

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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, 2019 and 2018, 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 and OPEB Trust Funds	
	2019	2018	2019	2018
U.S. Treasury Obligations	\$ 771,356	\$ 809,309	\$ 273,661	\$ 320,005
U.S. Agency Obligations	3,176	2,339	-	-
Asset-Backed Securities				
Mortgage Backed Securities				
Guaranteed by U.S. Agencies				
Aaa/AAA	41,129	36,606	3,411	3,302
Aa/AA	25,514	27,213	1,534	1,045
A/A	35,275	33,255	1,284	1,530
Baa/BBB	20,830	25,428	266	1,227
Ba/BB and lower	147,528	170,009	22,221	26,511
Unrated	79,839	51,957	2,582	1,645
Government - Foreign				
Aaa/AAA	(81)	518	(1,336)	-
Aa/AA	4,443	4,934	1,062	993
A/A	12,643	10,200	5,941	2,176
Baa/BBB	414	131	-	-
Ba/BB and lower	10,255	12,485	1,830	1,273
Unrated	7,211	2,518	867	792
Corporate - Domestic				
Aaa/AAA	439	667	-	-
Aa/AA	5,183	5,676	89	89
A/A	17,310	14,673	5,572	3,765
Baa/BBB	48,361	42,237	8,197	7,437
Ba/BB and lower	47,793	41,531	2,700	1,711
Unrated	21,229	29,708	419	733
Corporate - Foreign				
Aaa/AAA	936	-	-	-
Aa/AA	2,048	4,035	811	797
A/A	18,827	9,254	4,477	4,147
Baa/BBB	54,504	29,146	12,371	6,715
Ba/BB and lower	43,846	40,245	5,182	5,408
Unrated	8,453	8,207	1,191	1,989
<b>Total</b>	<b>\$ 1,715,560</b>	<b>\$ 1,602,556</b>	<b>\$ 395,616</b>	<b>\$ 423,984</b>

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**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.

Table 3.3 presents the modified durations of the University’s and Pension Trust Funds’ debt securities as of June 30, 2019 and 2018, respectively:

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

As of June 30,	University of Missouri			
	2019		2018	
		Duration (in years)		Duration (in years)
U.S. Treasury Obligations	\$ 771,356	6.5	\$ 809,309	5.7
U.S. Agency Obligations	3,176	4.6	2,339	4.4
Asset-Backed Securities	637,214	2.9	534,743	2.8
Government - Foreign	34,885	5.3	30,786	6.3
Corporate - Domestic	140,315	3.3	134,492	3.3
Corporate - Foreign	128,614	3.4	90,887	3.8
<b>Total Debt Securities</b>	<b>\$ 1,715,560</b>	<b>4.6</b>	<b>\$ 1,602,556</b>	<b>4.4</b>

As of June 30,	University of Missouri Pension and OPEB Trust			
	2019		2018	
		Duration (in years)		Duration (in years)
U.S. Treasury Obligations	\$ 273,661	13.9	\$ 320,005	9.2
Asset-Backed Securities	72,582	2.9	65,954	3.2
Government - Foreign	8,364	5.8	5,234	6.5
Corporate - Domestic	16,977	3.5	13,735	3.6
Corporate - Foreign	24,032	3.1	19,056	3.2
<b>Total Debt Securities</b>	<b>\$ 395,616</b>	<b>10.6</b>	<b>\$ 423,984</b>	<b>7.8</b>

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

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

At June 30, 2019 and 2018, 10.9% and 10.2%, 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 \$181,123,000 and \$138,246,000 were in place at June 30, 2019 and 2018, respectively. At June 30, 2019 and 2018, 17.3% and 20.5%, respectively, of the Pension Trust Funds’ total investments and cash equivalents were denominated in foreign currencies. Forward foreign currency contracts with notional amounts totaling \$352,839,000 and \$279,350,000 were in place at June 30, 2019 and 2018, respectively.

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The University's and Pension Trust Funds' exposure to foreign exchange risk as of June 30, 2019 and 2018:

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

As of June 30,	University of Missouri		University of Missouri Pension and OPEB Trust Funds	
	2019	2018	2019	2018
<b>Debt Securities</b>				
Argentine Peso	\$ 5,847	\$ 2,300	\$ 635	\$ 792
Australian Dollar	-	-	-	148
Brazil Real	566	3,795	689	496
British Pound Sterling	42,243	40,237	3,875	2,626
Canadian Dollar	-	-	(1,174)	191
Euro	31,672	23,876	4,042	3,515
Japanese Yen	1,565	-	3,716	-
Mexican Peso	27	925	-	-
Peruvian Nuevo Sol	6,042	-	880	-
Other	368	1,400	-	-
	<b>88,330</b>	<b>72,533</b>	<b>12,663</b>	<b>7,768</b>
<b>Equity Securities</b>				
Australian Dollar	1,211	886	2,449	1,795
Brazil Real	2,176	1,110	4,367	2,223
British Pound Sterling	8,334	7,268	16,354	14,778
Canadian Dollar	1,604	1,985	3,259	4,025
Danish Krone	877	1,189	1,803	2,425
Euro	8,942	10,256	18,288	20,932
Hong Kong Dollar	5,717	4,056	11,683	8,262
Japanese Yen	7,928	9,583	16,261	19,581
Norwegian Krone	1,252	994	2,469	1,963
South African Rand	3,509	3,258	7,209	6,656
South Korean Won	141	502	284	1,008
Swedish Krona	1,967	1,697	4,031	3,521
Swiss Franc	2,062	2,520	4,258	5,147
Other	280	151	562	304
	<b>46,000</b>	<b>45,455</b>	<b>93,277</b>	<b>92,620</b>
<b>Commingled Funds</b>				
Various currency denominations:				
Debt Securities - Global	-	1,848	-	86,623
Debt Securities - Foreign	-	18,943	6,304	105,458
Equity Securities - Global	297,028	248,040	542,734	409,166
Equity Securities - Foreign	32,154	32,607	7,405	56,436
	<b>329,182</b>	<b>301,438</b>	<b>556,443</b>	<b>657,683</b>
<b>Cash and Cash Equivalents</b>				
Australian Dollar	(406)	984	(263)	506
Argentine Peso	498	2,879	43	347
Brazil Real	40	1,028	(166)	2
British Pound Sterling	1,073	1,926	54	1,256
Canadian Dollar	(112)	5,884	(191)	343
Euro	405	1,634	(454)	2,132
Japanese Yen	648	1,603	11	2,253
Mexican Peso	381	509	57	57
Other	(731)	2,646	(1,666)	1,639
	<b>1,796</b>	<b>19,093</b>	<b>(2,575)</b>	<b>8,535</b>
<b>Total Exposure to Foreign Exchange Risk</b>	<b>\$ 465,308</b>	<b>\$ 438,519</b>	<b>\$ 659,808</b>	<b>\$ 766,606</b>

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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.

**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 disclosed in Note 4.

**Portable Alpha Program** - Included in the University's investment policy is a Portable Alpha Program in which synthetic market exposures across asset classes including equities, sovereign bonds, inflation-linked bonds and commodities may be obtained through derivative instruments commonly accepted by other institutional investors, such as futures, swaps, options, forward contracts and reverse repurchase agreements. These derivative instruments shall be managed by external investment firms with appropriate expertise, experience and depth of resources.

When synthetic market exposures are obtained through derivative instruments, a portion of the resulting cash and cash equivalent balances may be invested by active alpha managers seeking to add returns over the benchmark. These alpha managers will possess broadly diverse strategies/styles and, in the aggregate, are expected to produce returns that show little or no relationship to the economic environment being experienced at any given time. Furthermore, this portfolio of managers will be constructed with a goal of low/no correlation to the synthetic market exposures obtained through the derivative instruments.

The allowable range of the portable alpha portfolio for both the Endowment Pool and Pension Trust Funds shall be 0-25% of the total investment of the respective pools. As of June 30, 2019 the portable alpha portfolio was 18.5% and 20.0% for the Endowment Pool and Pension Trust Funds, respectively.

Management of liquidity risk is a critical component of the portable alpha program. If not managed appropriately, there is a risk that synthetic market exposures may need to be unwound at undesirable points in time in order to meet margin calls during volatile markets. To help mitigate this risk, prudent balances of cash and cash equivalents shall be maintained as part of the program and monitored daily. The cash margin target set by the Endowment Pool and Pension Trust Funds are 30%. In the case the margin drops below 30%, management has implemented guidelines to replenish the cash margin back to the target. As of June 30, 2019, the cash margin for the Endowment Pool and Pension Trust Funds were above the targeted margin of 30%.

**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 102% of the fair value of loaned domestic securities and 105% for loaned international securities.

For the University, at June 30, 2019 and 2018, there were a total of \$20,580,000 and \$27,889,000, respectively, of securities out on loan to borrowers. The value of collateral received from the borrower for these securities consisted of \$3,616,000 and \$5,012,000 in cash and \$17,627,000 and \$24,076,000 noncash collateral at June 30, 2019 and 2018, respectively.

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For the Pension Trust Funds, at June 30, 2019 and 2018, there was a total of \$158,266,000 and \$193,761,000 of securities out on loan to borrowers. The value of collateral received from the borrower for these securities consisted of \$106,182,000 and \$158,979,000 in cash and \$56,397,000 and \$39,780,000 noncash collateral at June 30, 2019 and 2018, respectively.

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. The cash collateral received is shown as Investment of Cash Collateral in the Statement of Net Position and Statement of Fiduciary 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 and Statement of

Changes in Fiduciary 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, 2019 and 2018, 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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#### 4. FAIR VALUE OF ASSETS AND LIABILITIES

The University categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurements and Application*. The three-tiered hierarchy for fair value is as follows:

**Level 1** – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that are available at the measurement date.

**Level 2** – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**Level 3** – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the University's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumption about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the University's own data.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. The University's Level 1 investments primarily consist of investments in U.S. Treasury obligations, equity securities, and mutual funds. When quoted prices in active markets are not available, fair values are based on evaluated prices received from the University's custodian of investments in conjunction with a third party service provider and are reported within Level 2 of the fair value hierarchy. The inputs for Level 2 include, but are not limited to, pricing models such as benchmarking yields, reported trades, broker-dealer quotes, issuer spreads and benchmarking securities, among others. The University's Level 2 investments primarily consist of investments in U.S. government and agency obligations, asset-backed securities, and corporate debt securities that did not trade on the University's fiscal year end date.

The University's Level 3 investments primarily consist of land held as investments. Certain investments are valued using the net asset value (NAV) per share (or its equivalent) and are considered "alternative investments" and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. The University values these investments based on the partnerships' audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent calls and distributions.

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At June 30, 2019, the University had the following recurring fair value measurements.

**Table 4.1 - Investments and Derivative Instruments Measured at Fair Value** (in thousands)

As of June 30,	University of Missouri											
	Fair Value Measurements Using				Fair Value Measurements Using							
	Quoted Prices in Active Markets for Identical Assets		Significant Other Observable Inputs		Significant Unobservable Inputs		Quoted Prices in Active Markets for Identical Assets		Significant Other Observable Inputs		Significant Unobservable Inputs	
	2019	(Level 1)	(Level 2)	(Level 3)	2018	(Level 1)	(Level 2)	(Level 3)	(Level 1)	(Level 2)	(Level 3)	(Level 3)
<b>Investments by fair value level</b>												
Debt Securities:												
U.S. Treasury Obligations	\$ 771,356	\$ 771,356	\$ -	\$ -	\$ 809,309	\$ 809,309	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Agency Obligations	3,176	-	3,176	-	2,339	-	2,339	-	-	-	-	-
Asset-Backed Securities	637,214	-	637,214	-	534,743	-	534,743	-	-	-	-	-
Government	34,885	-	34,885	-	30,786	-	30,786	-	-	-	-	-
Corporate	268,929	-	268,929	-	225,379	-	225,379	-	-	-	-	-
Equity Securities:												
Domestic	160,826	160,826	-	-	53,737	53,737	-	-	-	-	-	-
Foreign	105,899	105,899	-	-	55,717	55,717	-	-	-	-	-	-
Commingled Funds:												
Debt Securities	-	-	-	-	19,601	19,601	-	-	-	-	-	-
Equity Securities	-	-	-	-	32,428	32,428	-	-	-	-	-	-
Real Estate	-	-	-	-	3,519	3,519	-	-	-	-	-	-
Other	24,376	-	8,250	16,126	24,882	-	9,521	15,361	-	-	-	-
<b>Investments measured at the net asset value (NAV)</b>												
Commingled Funds:												
Absolute Return	329,429	-	-	-	329,396	-	-	-	-	-	-	-
Risk Balanced	651,657	-	-	-	684,752	-	-	-	-	-	-	-
Debt Securities	149,330	-	-	-	194,168	-	-	-	-	-	-	-
Equity Securities	345,612	-	-	-	300,106	-	-	-	-	-	-	-
Real Estate	23,942	-	-	-	23,125	-	-	-	-	-	-	-
Nonmarketable Alternative Investments:												
Real Estate	120,859	-	-	-	114,069	-	-	-	-	-	-	-
Private Equity/Debt	404,519	-	-	-	290,659	-	-	-	-	-	-	-
Other	6,392	-	-	-	7,494	-	-	-	-	-	-	-
Total investments by fair value level	4,038,401	1,038,081	952,454	16,126	3,736,209	974,311	802,768	15,361	-	-	-	-
Interest Rate Swaps	(35,542)	-	(35,542)	-	(27,570)	-	(27,570)	-	-	-	-	-
<b>Total Investments and Financing</b>												
Derivative Instruments	\$ 4,002,859	\$ 1,038,081	\$ 916,912	\$ 16,126	\$ 3,708,639	\$ 974,311	\$ 775,198	\$ 15,361	-	-	-	-



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**University of Missouri Pension Trust Funds**

	Fair Value Measurements Using				Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets		Significant Other Observable Inputs		Quoted Prices in Active Markets for Identical Assets		Significant Other Observable Inputs	
As of June 30,	2019	(Level 1)	(Level 2)	(Level 3)	2018	(Level 1)	(Level 2)	(Level 3)
<b>Investments by fair value level</b>								
Debt Securities:								
U.S. Treasury Obligations	\$ 273,661	\$ 273,661	\$ -	\$ -	\$ 320,005	\$ 320,005	\$ -	\$ -
Asset-Backed Securities	72,582	-	72,582	-	65,954	-	65,954	-
Government	8,364	-	8,364	-	5,234	-	5,234	-
Corporate	41,009	-	41,009	-	32,791	-	32,791	-
Equity Securities:								
Domestic	87,281	87,281	-	-	99,670	99,670	-	-
Foreign	135,954	135,954	-	-	113,569	113,569	-	-
<b>Investments measured at the net asset value (NAV)</b>								
Commingled Funds:								
Absolute Return	701,288	-	-	-	774,952	-	-	-
Risk Balanced	473,728	-	-	-	398,073	-	-	-
Debt Securities	111,400	-	-	-	315,670	-	-	-
Equity Securities	659,390	-	-	-	466,824	-	-	-
Real Estate	43,286	-	-	-	41,922	-	-	-
Nonmarketable Alternative Investments:								
Real Estate	225,355	-	-	-	214,295	-	-	-
Private Equity	591,178	-	-	-	487,787	-	-	-
<b>Total investments by fair value level</b>	<b>\$ 3,424,476</b>	<b>\$ 496,896</b>	<b>\$ 121,955</b>	<b>\$ -</b>	<b>\$ 3,336,746</b>	<b>\$ 533,244</b>	<b>\$ 103,979</b>	<b>\$ -</b>

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The following table presents investments as of June 30, 2019 that have been valued using the NAV as a practical expedient, classified by major investment category:

**Table 4.2- Investments Measured at the NAV** (in thousands)

University of Missouri					
Fair Value	Investment Strategy and Structure (1)	Unfunded Commitments	Fund Term (1)	Redemption Terms (1)	
<b>Commingled Funds (2):</b>					
Absolute Return	\$ 329,429	Broadly diversified, traditional hedge fund and risk premia exposures obtained through long/short positions across global liquid markets, structured to achieve minimal equity beta with a lower level of volatility relative to the rest of the portfolio.	\$ -	Open Ended	Semi-Monthly, Monthly, and Quarterly redemption with 1-45 days notice
Risk Balanced	651,657	An asset allocation strategy which seeks to provide higher risk-adjusted returns by allocating risk, not capital, equally across a broadly diversified portfolio of global equities, global nominal bonds and inflation-sensitive assets.	-	Open Ended	Weekly, Monthly, and Quarterly redemption with 1-90 days notice
Debt Securities	149,330	Global fixed income exposures focused primarily on high yield, emerging markets debt and other unconstrained / opportunistic strategies.	-	Open Ended	Daily and Monthly redemption with 1-2 days notice
Equity Securities	345,612	Global equity exposures achieved through a combination of traditional active, passive, systematic and factor-based strategies.	-	Open Ended	Daily, Semi-Monthly, and Monthly redemption with 1-15 days notice
Real Estate	23,942	Core real estate holdings in open-ended fund.	-	Open Ended	Quarterly redemption with 1-30 days notice
<b>Nonmarketable Alternative Funds (3):</b>					
Real Estate	120,859	Diversified portfolio of longer-term private market funds focused on value-added and opportunistic real estate and/or real estate debt.	74,253	10-12 years	Not applicable - no redemption ability
Private Equity	404,519	Investments in hedge funds, global equity, credit, real assets, natural resources, and other investments through private partnerships and holding companies	158,266	10-12 years	Not applicable - no redemption ability
Other	6,392	Diversified portfolio of longer-term private market funds focused on leveraged buyouts, special situations and venture capital investments.	-	Open Ended	Not applicable - no redemption ability

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**University of Missouri  
Pension Trust Funds**

Fair Value	Investment Strategy and Structure (1)	Unfunded Commitments	Fund Term (1)	Redemption Terms (1)
<b>Commingled Funds (2):</b>				
Absolute Return	Broadly diversified, traditional hedge fund and risk premia exposures obtained through long/short positions across global liquid markets, structured to achieve minimal equity beta with a lower level of volatility relative to the rest of the portfolio.	\$ -	Open Ended	Semi-Monthly, Monthly, and Quarterly redemption with 1-45 days notice
\$ 701,288				
Risk Balanced	An asset allocation strategy which seeks to provide higher risk-adjusted returns by allocating risk, not capital, equally across a broadly diversified portfolio of global equities, global nominal bonds and inflation-sensitive assets.	-	Open Ended	Weekly, Monthly, and Quarterly redemption with 1-90 days notice
473,728				
Debt Securities	Global fixed income exposures focused primarily on high yield, emerging markets debt and other unconstrained / opportunistic strategies.	-	Open Ended	Daily, Weekly, and Monthly redemption
111,400				
Equity Securities	Global equity exposures achieved through a combination of traditional active, passive, systematic and factor-based strategies.	-	Open Ended	Daily, Semi-Monthly, and Monthly redemption with 1-15 days notice
659,390				
Real Estate	Core real estate holdings in open-ended fund.	-	Open Ended	Quarterly redemption with 45 days notice
43,286				
<b>Nonmarketable Alternative Funds (3):</b>				
Real Estate	Investments in hedge funds, global equity, credit, real assets, natural resources, and other investments through private partnerships and holding companies	187,506	10-12 years	Not applicable - no redemption ability
225,355				
Private Equity/Debt	Diversified portfolio of longer-term private market funds focused on leveraged buyouts, special situations and venture capital investments.	253,438	10-12 years	Not applicable - no redemption ability
591,178				

(1) Information reflects a range of various terms from multiple investments.

(2) Commingled funds include investments that aggregate assets from multiple investors and are managed collectively following a prescribed strategy.

(3) Nonmarketable Alternative Funds. This generally refers to investments in private partnerships or investment funds focusing on equity or credit investments in private companies. The partnerships or funds generally have no redemption rights; the general partners of the respective funds issue capital calls and distributions. These funds generally provide the NAV or capital balances and changes quarterly or less frequently. Performance fees are generally collected by the general partner or investment manager only upon distributions of profits to investors.

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The unfunded commitments as of June 30, 2019 totaled \$232,519,000 and \$440,944,000 for the University and the Pension Trust Funds, respectively. The unfunded commitments as of June 30, 2018 totaled \$273,170,000 and \$428,952,000 for the University and the Pension Trust Funds, respectively. There were no significant changes in the investment strategy, structure, and liquidity terms for the investments that were measured at NAV from June 30, 2018 to June 30, 2019.

## 5. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019 and 2018, are summarized as follows:

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

	2019	2018
Grants and Contracts	\$ 72,701	\$ 53,732
Federal Appropriations	6,773	8,961
Student Fees and Other Academic Charges	129,942	132,312
Patient Services, Net of Contractual Allowances	213,597	179,055
<b>Subtotal</b>	<b>423,013</b>	<b>374,060</b>
Less Provisions for Loss:		
Grants & Contracts	600	401
Student Fees and Other Academic Charges	16,872	16,041
University Health Care Patient Services	29,110	22,067
<b>Subtotal</b>	<b>46,582</b>	<b>38,509</b>
<b>Total Accounts Receivable, Net</b>	<b>\$ 376,431</b>	<b>\$ 335,551</b>

## 6. 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, 2019 and 2018, are summarized as follows:

**Table 6.1 - Notes Receivable** (in thousands)

	2019	2018
Federal Health Profession Loans	\$ 16,891	\$ 17,635
Carl D. Perkins National Loans	25,388	31,198
University Loan Programs	14,293	14,278
Other	20,982	20,982
<b>Subtotal</b>	<b>77,554</b>	<b>84,093</b>
Less Provisions for Loss	4,427	5,191
<b>Total Notes Receivable, Net</b>	<b>\$ 73,127</b>	<b>\$ 78,902</b>

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**7. CAPITAL ASSETS**

Capital assets activity for the years ended June 30, 2019 and 2018, is summarized as follows:

**Table 7.1 - Capital Assets** (in thousands)

Fiscal Year 2019	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Capital Assets, Nondepreciable:				
Land	\$ 95,745	\$ 2,664	\$ (38)	\$ 98,371
Artwork and Historical Artifacts	15,489	331	(5)	15,815
Construction in Progress	105,497	74,186	-	179,683
<b>Total Capital Assets, Nondepreciable</b>	<b>216,731</b>	<b>77,181</b>	<b>(43)</b>	<b>293,869</b>
Capital Assets, Depreciable:				
Buildings and Improvements	4,307,279	150,056	(1,049)	4,456,286
Infrastructure	590,327	8,921	(162)	599,086
Equipment	940,182	58,602	(32,066)	966,718
Library Materials	277,180	3,595	-	280,775
<b>Total Capital Assets, Depreciable</b>	<b>6,114,968</b>	<b>221,174</b>	<b>(33,277)</b>	<b>6,302,865</b>
Less Accumulated Depreciation:				
Buildings and Improvements	1,774,858	127,050	(1,264)	1,900,644
Infrastructure	257,910	21,754	(131)	279,533
Equipment	714,060	57,839	(29,976)	741,923
Library Materials	201,796	6,399	-	208,195
<b>Total Accumulated Depreciation</b>	<b>2,948,624</b>	<b>213,042</b>	<b>(31,371)</b>	<b>3,130,295</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>3,166,344</b>	<b>8,132</b>	<b>(1,906)</b>	<b>3,172,570</b>
<b>Total Capital Assets, Net</b>	<b>\$ 3,383,075</b>	<b>\$ 85,313</b>	<b>\$ (1,949)</b>	<b>\$ 3,466,439</b>

Fiscal Year 2018	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Capital Assets, Nondepreciable:				
Land	\$ 94,363	\$ 1,386	\$ (4)	\$ 95,745
Artwork and Historical Artifacts	15,436	53	-	15,489
Construction in Progress	181,076	(75,579)	-	105,497
<b>Total Capital Assets, Nondepreciable</b>	<b>290,875</b>	<b>(74,140)</b>	<b>(4)</b>	<b>216,731</b>
Capital Assets, Depreciable:				
Buildings and Improvements	4,123,386	223,971	(40,078)	4,307,279
Infrastructure	581,818	8,668	(159)	590,327
Equipment	943,670	55,070	(58,558)	940,182
Library Materials	272,829	4,351	-	277,180
<b>Total Capital Assets, Depreciable</b>	<b>5,921,703</b>	<b>292,060</b>	<b>(98,795)</b>	<b>6,114,968</b>
Less Accumulated Depreciation:				
Buildings and Improvements	1,660,380	120,553	(6,075)	1,774,858
Infrastructure	236,316	21,753	(159)	257,910
Equipment	709,113	61,237	(56,290)	714,060
Library Materials	194,359	7,437	-	201,796
<b>Total Accumulated Depreciation</b>	<b>2,800,168</b>	<b>210,980</b>	<b>(62,524)</b>	<b>2,948,624</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>3,121,535</b>	<b>81,080</b>	<b>(36,271)</b>	<b>3,166,344</b>
<b>Total Capital Assets, Net</b>	<b>\$ 3,412,410</b>	<b>\$ 6,940</b>	<b>\$ (36,275)</b>	<b>\$ 3,383,075</b>

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**Construction in Progress** - The estimated cost to complete construction in progress at June 30, 2019, is \$551,455,000 of which \$456,585,000 is available from unrestricted net position. The remaining costs are expected to be funded from \$77,805,000 of gifts and \$17,065,000 of debt proceeds and state appropriations.

Capital assets include a building facility under a capital lease of \$10,364,000 and related accumulated depreciation of \$10,195,000 and \$9,519,000 at June 30, 2019 and 2018, respectively.

**Asset Retirement Obligation** - The University has an asset retirement obligation based on its ownership of two nuclear research reactors, which are regulated by the U.S. Nuclear Regulatory Commission (NRC). The NRC requires the University to submit decommissioning funding plans every three years to retain the right to operate the reactors. The decommissioning funding plans update and adjust changes in costs to remediate and the extent of the estimated future contamination. The cost to decommission the reactors is based on a formula as set forth by the NRC as part of the licensing of the facilities. The asset retirement obligation as of the end of fiscal year 2019 and 2018 was \$62,433,000. A deferred outflow of resources was recognized for the same amount in fiscal year 2018 and is being amortized over 25 years, which approximates the estimated remaining useful lives of the reactors. An asset retirement expense was recognized in fiscal years 2019 and 2018 for \$2,497,000 each year and is reflected in depreciation expense on the Statement of Revenues, Expenses, and Changes in Net Position. The deferred outflows of resources at June 30, 2019 will be amortized over a remaining 23 years.

**Extraordinary Item** - During fiscal year 2018, the University recognized an asset impairment loss on the Oak Place Apartment buildings located in Kansas City, Missouri. The buildings suffered significant damage as the result of the

poor structural design and construction of the buildings. As a result, the capital assets were considered impaired and the value was written down to reflect that there is no value in the buildings in their current condition.

Due to the age of the buildings and that the buildings were at the beginning of their expected useful life, the University considered the impairment to be unexpected and unusual to its operations. Therefore, the University has recognized an impairment loss in fiscal year 2018, net of realizable insurance proceeds, of \$17,908,000 as an extraordinary item on its Statements of Revenues, Expenses, and Changes in Net Position.

The University has begun the litigation process with the parties involved in the design and construction of the buildings. Insurance proceeds of \$11,757,000 were received in fiscal year 2019. Additional proceeds through insurance or recoveries through litigation could be recognized in future periods as they are received or realizable.

**8. ACCRUED SHORT-TERM LIABILITIES**

Accrued liabilities at June 30, 2019 and 2018 are summarized as follows:

**Table 8.1 - Accrued Liabilities** *(in thousands)*

	<b>2019</b>	<b>2018</b>
Accrued Salaries, Wages & Benefits	\$ 72,780	\$ 68,466
Accrued Vacation	53,997	52,576
Accrued Self Insurance Claims	41,496	43,621
Accrued Interest Payable	12,275	12,506
<b>Total Accrued Liabilities</b>	<b>\$ 180,548</b>	<b>\$ 177,169</b>

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**9. OTHER NONCURRENT LIABILITIES**

**Table 9.1 - Other Noncurrent Liabilities** (in thousands)

Fiscal Year 2019	Beginning of Year	Additions	Payments	Total End of Year	Less Current Portion	Noncurrent End of Year
Accrued Vacation	\$ 75,612	\$ 49,059	\$ (45,327)	\$ 79,344	\$ (53,997)	\$ 25,347
Accrued Self-Insurance Claims	85,846	222,659	(223,235)	85,270	(41,496)	43,774
Accrued Other Insurance Claims	4,470	358	(269)	4,559	-	4,559
Charitable Annuity Obligations	10,688	4,794	(3,391)	12,091	-	12,091
	<b>\$ 176,616</b>	<b>\$ 276,870</b>	<b>\$ (272,222)</b>	<b>\$ 181,264</b>	<b>\$ (95,493)</b>	<b>\$ 85,771</b>

Fiscal Year 2018	Beginning of Year	Additions	Payments	Total End of Year	Less Current Portion	Noncurrent End of Year
Accrued Vacation	\$ 76,582	\$ 46,059	\$ (47,029)	\$ 75,612	\$ (52,576)	\$ 23,036
Accrued Self-Insurance Claims	89,082	220,389	(223,625)	85,846	(43,621)	42,225
Accrued Other Insurance Claims	4,999	409	(938)	4,470	-	4,470
Charitable Annuity Obligations	11,499	364	(1,175)	10,688	-	10,688
	<b>\$ 182,162</b>	<b>\$ 267,221</b>	<b>\$ (272,767)</b>	<b>\$ 176,616</b>	<b>\$ (96,197)</b>	<b>\$ 80,419</b>

**Charitable Gift Annuities and Trusts** - 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 is a remainder interest beneficiary and records a liability for the lead

interest that is assigned to other beneficiaries. The University' liability related to the lead interest were \$12,091,000 and \$10,688,000 at June 30, 2019 and 2018, respectively. The University's remainder interest is represented as Deferred Inflows of Resources on the Statement of Net Position and were \$13,628,000 and \$13,393,000 at June 30, 2019 and 2018, respectively.

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## 10. LONG-TERM DEBT

The University's outstanding debt at June 30, 2019 and 2018, with corresponding activity, is as follows:

**Table 10.1 - Long-Term Debt** (in thousands)

As of June 30, 2019	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
System Facilities Revenue Bonds - Fixed	\$ 1,260,195	\$ -	\$ (27,770)	\$ 1,232,425	\$ 134,090
System Facilities Revenue Bonds - Variable	89,695	-	(3,510)	86,185	86,185
Unamortized Premium	43,191	-	(6,055)	37,136	-
Net System Facilities Revenue Bonds	1,393,081	-	(37,335)	1,355,746	220,275
Notes Payable	32,401	-	(925)	31,476	1,272
Capital Lease Obligations	1,439	-	(1,139)	300	300
Commercial Paper	191,575	65,000	-	256,575	256,575
Subtotal	1,618,496	65,000	(39,399)	1,644,097	478,422
Health Facilities Revenue Bonds	40,582	-	(3,097)	37,485	3,192
<b>Total Long-Term Debt</b>	<b>\$ 1,659,078</b>	<b>\$ 65,000</b>	<b>\$ (42,496)</b>	<b>\$ 1,681,582</b>	<b>\$ 481,614</b>

As of June 30, 2018	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
System Facilities Revenue Bonds - Fixed	\$ 1,288,385	\$ -	\$ (28,190)	\$ 1,260,195	\$ 27,770
System Facilities Revenue Bonds - Variable	93,070	-	(3,375)	89,695	89,695
Unamortized Premium	49,101	-	(5,910)	43,191	-
Net System Facilities Revenue Bonds	1,430,556	-	(37,475)	1,393,081	117,465
Notes Payable	33,080	285	(964)	32,401	986
Capital Lease Obligations	2,488	-	(1,049)	1,439	1,139
Commercial Paper	196,203	-	(4,628)	191,575	191,575
Subtotal	1,662,327	285	(44,116)	1,618,496	311,165
Health Facilities Revenue Bonds	43,591	-	(3,009)	40,582	3,098
Guaranteed Debt Outstanding	2,615	-	(2,615)	-	-
<b>Total Long-Term Debt</b>	<b>\$ 1,708,533</b>	<b>\$ 285</b>	<b>\$ (49,740)</b>	<b>\$ 1,659,078</b>	<b>\$ 314,263</b>

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, 2019 and 2018 was \$70,364,000 and \$71,822,000, 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, 2019 and 2018, capitalization of interest earned on unspent bond proceeds totaled \$3,779,000 and \$779,000, respectively, resulting in net interest expense of \$66,585,000 and \$71,043,000, respectively. For the year ended June 30, 2019 and 2018, the University earned cash subsidy payments from the United States Treasury totaling \$9,828,000 and \$9,755,000, respectively, for designated Build America Bonds

outstanding, which was recorded as Federal Appropriations on the Statements of Revenues, Expenses, and Changes in Net Position.

**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.



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**Table 10.2 - Revenue Bonds** (in thousands)

Series	Type	Weighted Avg. Cost of Capital at		Original Issue	Balance June 30,	
		June 30, 2019	Final Maturity		2019	2018
2009A (1)	Fixed	4.02%	11/1/2039	256,300	\$ 256,300	\$ 256,300
2009B	Fixed	3.53%	11/1/2021	75,760	22,350	29,195
2010A (1)	Fixed	3.90%	11/1/2041	252,285	252,285	252,285
2011	Fixed	3.41%	11/1/2027	54,125	31,290	34,455
2012A	Fixed	1.58%	11/1/2019	105,155	105,155	105,155
2013A	Fixed	2.29%	11/1/2023	11,325	7,230	8,475
2013B	Fixed	4.87%	11/1/2043	150,000	150,000	150,000
2014A	Fixed	3.06%	11/1/2037	294,510	257,815	274,330
2014B	Fixed	4.24%	11/1/2054	150,000	150,000	150,000
<b>Total Fixed Rate Bonds</b>				<b>1,349,460</b>	<b>1,232,425</b>	<b>1,260,195</b>
2007B (2)	Variable	1.88%	11/1/2031	102,250	86,185	89,695
<b>Total Variable Rate Demand Bonds</b>				<b>102,250</b>	<b>86,185</b>	<b>89,695</b>
<b>Total System Facilities Revenue Bonds</b>				<b>\$ 1,451,710</b>	<b>\$ 1,318,610</b>	<b>\$ 1,349,890</b>
2011 (3)	Fixed	4.20%	11/1/2027	32,835	19,935	21,930
2017 (3)	Fixed	3.10%	3/1/2032	20,000	17,550	18,652
<b>Total Revenue Bonds</b>				<b>\$ 1,504,545</b>	<b>\$ 1,356,095</b>	<b>\$ 1,390,472</b>

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

(2) As of June 30, 2019; 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.

(3) Tax-exempt revenue bonds issued by Health and Educational Facilities Authority on behalf of the Medical Alliance, which is rated separately from the University.

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 Statements of Net Position, with the balance in excess of actual current principal maturities reported as Long-Term Debt Subject to Remarketing of \$82,540,000 and \$86,185,000 at June 30, 2019 and 2018, respectively. The amount of current liabilities that represents the current principal maturities are \$3,645,000 and \$3,510,000 at June 30, 2019 and 2018, respectively.

In-substance defeased bonds aggregating \$272,355,000 and \$275,645,000 are outstanding at June 30, 2019 and 2018, respectively.

**Health Facilities Revenue Bonds** - Tax-exempt revenue bonds have provided financing of capital facilities and

refinancing of previously issued debt. The bonds were issued by the Health and Education Facilities Authority of the State of Missouri (the Authority) on behalf of the Medical Alliance. Premium and the deferred financing costs are amortized on the effective interest method over the life of the respective bonds. The 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 and monthly for the Series 2017 bonds.

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

pays the swap counterparty a fixed interest rate payment and receives a variable rate interest rate payment that effectively changes a component of the University's variable interest rate debt to fixed rate debt. Table 10.3 presents the terms of the outstanding swaps and their fair values at June 30, 2019.

**Table 10.3 - 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	\$ (11,906)	Aa3 / A+
Pay fixed; receive variable	46,550	12/14/2006	8/1/2026	Pay 3.902%; receive SIFMA Index	(7,703)	Aa3 / A+
Pay fixed; receive variable	86,185	7/26/2007	11/1/2031	Pay 3.798%; receive 68% of 1-Month LIBOR	(15,933)	Aa3 / A+
<b>Total</b>	<b>\$ 172,735</b>				<b>\$ (35,542)</b>	

The 2002 and 2006 swaps do not specifically hedge any currently outstanding debt; rather, they serve to reduce the overall exposure to interest rate risk on the University's variable rate debt not otherwise specifically hedged. The notional amount of the 2002 swap is fixed over the life of the agreement. The notional amount of the 2006 swap decreases annually over the life of the swap. The 2007 swap specifically hedges System Facilities Revenue Bond Series 2007B, the effectiveness of which has been determined

using the synthetic instrument method. The notional amount of the 2007 swap is equal to the outstanding balance of the Series 2007B bonds.

The University recognizes the fair value and corresponding changes in fair value of the outstanding swaps in the University's financial statements. Changes in fair value of the outstanding swaps, with respective financial statement presentation, are presented in Table 10.4:

**Table 10.4 - 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
	2019	2018			
2002 Swap - Investment Derivative	\$ (11,906)	\$ (8,736)	N/A	\$ (3,170)	Investment and Endowment Income, Net
2006 Swap - Investment Derivative	(7,703)	(5,881)	N/A	(1,822)	Investment and Endowment Income, Net
2007 Swap - Cash Flow Hedge	(15,933)	(12,953)	N/A	(2,980)	Deferred Outflows of Resources
<b>Total</b>	<b>\$ (35,542)</b>	<b>\$ (27,570)</b>		<b>\$ (7,972)</b>	

*Fair Value.* There is a risk that the fair value of a swap could be adversely affected by changing market conditions. The fair values, developed using the zero coupon method with proprietary models, were prepared by the counterparties, JPMorgan Chase Bank, N.A., and Bank of America, N.A., major U.S. financial institutions. The zero coupon method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied

by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each net settlement of the swap. The fair value of the interest rate swaps is the estimated amount the University would have either (paid) or received if the swap agreements were terminated on June 30, 2019.

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*Credit Risk.* Although the University has entered into the interest rate swaps with creditworthy financial institutions, there is credit risk for losses in the event of non-performance by the counterparties. Subject to applicable netting arrangements, swap contracts with positive fair values are exposed to credit risk. The University faces a maximum possible loss equivalent to the amount of the derivative's fair value. Subject to applicable netting arrangements, swaps with negative fair values are not exposed to credit risk. Collateral requirements apply to both parties for the 2002 and 2007 swaps and for the 2006 swap collateral requirements only apply to the counterparty. The collateral requirements are determined by a combination of credit ratings and the aggregate fair value of swaps outstanding with each counterparty as presented in Table 10.5:

**Table 10.5 - 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. The negative aggregate fair value of the 2002 and 2007 swaps did not exceed \$30,000,000 on June 30, 2019, which is the current fair value threshold for the University given its Moody's rating of Aa1. As a result, the University was not required to post collateral with the counterparty at June 30, 2019.

*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 1.90% at June 30, 2019.

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**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 outflows resources is presented in Table 10.6.

**Table 10.6 - Debt-Related Deferred Outflows of Resources** *(in thousands)*

	2019	2018
Swaps - Cash Flow Hedge	\$ 15,933	\$ 12,953
Loss on Bond Defeasance	14,750	16,884
<b>Deferred Outflows of Resources</b>	<b>\$ 30,683</b>	<b>\$ 29,837</b>

For the years ended June 30, 2019 and 2018 the amortization of the Loss on Bond Defeasance totaled \$2,134,000 and \$2,484,000, respectively, which increases interest expense.

**Pledged Revenues and Debt Service Requirements** - For fiscal years 2019 and 2018, annual debt service, including net payments on associated interest rate swaps, totaled \$108,143,000 and \$104,303,000, respectively. For fiscal years 2019 and 2018, System Facilities Pledged Revenue was fourteen and thirteen times greater than the annual debt service, respectively. Net System Facilities Revenue was 201% and 212% of annual debt service for fiscal years 2019 and 2018, respectively. Table 10.7 provides the System Facilities pledged net revenues.

**Table 10.7 - System Facilities Pledged Net Revenues** *(in thousands)*

	2019	2018
<b>Pledged Revenues:</b>		
Net Patient Revenue	\$ 1,288,005	\$ 1,194,432
Housing and Food Service	105,953	102,287
Bookstores	38,380	41,470
Net Tuition and Fees	27,867	28,551
Other Operating Revenue	35,561	39,425
<b>Pledged Revenues</b>	<b>1,495,766</b>	<b>1,406,165</b>
Operating Expenses	1,278,543	1,185,283
<b>Net Revenues</b>	<b>\$ 217,223</b>	<b>\$ 220,882</b>

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Table 10.8 provides future debt service requirements for Revenue Bonds, including the impact of 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, 2019. As market rates vary, variable rate bond interest payments and net swap payments will vary.

**Table 10.8 - Future Debt Service - Revenue Bonds** (in thousands)

Fiscal Year	Principal	Interest	Hedging Derivatives, Net	Total Before Investment Derivatives	Investment Derivatives, Net	Total Future Debt Service
2020	140,927	62,725	1,765	205,417	1,742	207,159
2021	28,944	59,036	1,686	89,666	1,718	91,384
2022	30,272	57,784	1,605	89,661	1,691	91,352
2023	33,665	56,341	1,520	91,526	1,661	93,187
2024	35,169	54,714	1,431	91,314	1,628	92,942
2025-2029	209,067	245,200	4,870	459,137	7,752	466,889
2030-2034	162,631	204,206	819	367,656	6,305	373,961
2035-2039	143,780	166,167	-	309,947	3,571	313,518
2040-2044	421,640	87,172	-	508,812	952	509,764
2045-2049	-	31,778	-	31,778	-	31,778
2050-2054	-	31,778	-	31,778	-	31,778
2055	150,000	3,178	-	153,178	-	153,178
	<b>\$ 1,356,095</b>	<b>\$ 1,060,079</b>	<b>\$ 13,696</b>	<b>\$ 2,429,870</b>	<b>\$ 27,020</b>	<b>\$ 2,456,890</b>

**Commercial Paper** – During fiscal year 2019, the University issued \$65,000,000 of commercial paper for new building 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 unsecured 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. MREC has pledged collateral consisting of cash and real and personal property.

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The future payments on all notes payable at June 30, 2019, are as follows:

**Table 10.9 - Future Notes Payable Payments**

Year Ending June 30	Amount <i>(in thousands)</i>
2020	1,731
2021	2,525
2022	1,747
2023	1,739
2024	1,739
2025-2029	7,379
2030-2034	7,202
2035-2039	7,202
2040-2044	5,586
Total Future Notes Payable Payments	36,850
Less: Amount Representing Interest	(5,374)
<b>Future Notes Payable</b>	
<b>Principal Payments</b>	<b>\$ 31,476</b>

**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, 2019, are as follows:

**Table 10.10 - Future Capital Lease Payments**

Year Ending June 30	Amount <i>(in thousands)</i>
2020	390
Total Future Minimum Payments	390
Less: Amount Representing Interest	(90)
<b>Present Value of Future Minimum</b>	
<b>Lease Payments</b>	<b>\$ 300</b>

## 11. 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; medical malpractice; 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, 2019 and 2018 of \$85,270,000 and \$85,846,000, respectively, represents the present value of amounts estimated to have been incurred by those dates, using discount rates ranging from 0.75% to 3.50%, based on expected future investment yield assumptions.

Changes in the self-insurance liability during fiscal years 2019 and 2018 were as follows and are included in accrued liabilities (current) and other noncurrent liabilities (see note 9):

**Table 11.1 - Self-Insurance Claims**

Fiscal Year	Liability <i>(in thousands)</i>			
	Beginning of Year	New Claims and Changes in Estimates	Claim Payments	End of Year
2019	\$ 85,846	\$ 222,659	\$ (223,235)	\$ 85,270
2018	\$ 89,082	\$ 220,389	\$ (223,625)	\$ 85,846

## 12. COMMITMENTS AND CONTINGENCIES

**University Operating Leases** - The University leases various facilities and equipment under agreements recorded as operating leases. Operating lease expense for the years ended June 30, 2019 and 2018 were \$11,731,000 and \$8,136,000, respectively. Future minimum payments on all significant operating leases with initial or remaining terms of one year or more at June 30, 2019, are as follows:

**Table 12.1 - Future Operating Lease Payments**

Fiscal Year	Amount <i>(in thousands)</i>
2020	15,617
2021	7,188
2022	5,076
2023	4,212
2024	2,620
2025-2029	1,973
<b>Total Future Lease Payments</b>	<b>\$ 36,686</b>

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**Commitments** - The University has outstanding commitments for the usage and ongoing support of MU Health Care's information technology environment. As of January 2010, MU 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 MU 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, 2019, this contracted commitment totaled \$170,895,000 and will be paid in the following amounts: \$26,252,000 in 2020, \$27,146,000 in 2021, \$28,008,000 in 2022, \$28,855,000 in 2023, \$29,819,000 in 2024, and \$30,815,000 in 2025.

In addition to the above commitment with Cerner Corporation, the Capital Region Medical Center (CRMC), as reported in the Medical Alliance, has entered into a strategic information technology agreement with Cerner Corporation. Cerner has assumed operational and administrative responsibilities for CRMC's technology environment and services. The agreement is effective through June 30, 2025 and will renew in five year increments at the end of the initial term.

As of June 30, 2019, this contracted commitment totaled \$40,035,000 and will be paid in the following amounts: \$6,617,000 in 2020, \$7,063,000 in 2021, \$7,280,000 in 2022, \$6,970,000 in 2023, and \$5,982,000 in 2024, and \$6,123,000 in 2025.

During fiscal year 2019, the University entered into a Healthcare Delivery Agreement and Master Strategic Alliance Agreement with Siemens Healthineers to commit to acquiring a comprehensive portfolio of equipment and applications as well as specialized consulting services, training and maintenance of equipment over a ten-year period. The purpose of the agreements is to develop and embrace innovative new technologies and to build new

medical centers that are equipped with state-of-the-art equipment. The University's total future outlays for the equipment, applications, and services will be \$133,735,000.

In addition, Siemens Healthineers and the University have each committed to provide a contribution with a fair market value up to \$20 million towards joint research projects of the strategic alliance.

On July 27, 2018, MU Health Care signed a non-binding letter of intent to purchase two hospitals, SSM Health St. Mary's – Audrain and SSM Health St. Mary's – Jefferson City, from SSM Health. The original letter of intent was effective through September 30, 2018. The parties have subsequently extended the term of the letter of intent and is currently in effect through October 31, 2019.

**Claims and Litigation** - The University is currently involved in various claims and pending legal actions related to matters arising from ordinary conduct of business. The University Administration believes that the ultimate disposition of the actions will not have a material effect on the financial statements of the University.

**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 has received the results of the two-year sampling process in fiscal year 2016. The University is awaiting a determination from MDNR. The site is now on the National Regulatory Commission (NRC) license and must be decommissioned. Upon further review of the documents, the University determined that it does not believe that the documents support the decision to add the site to the NRC license due to an overestimated quantity of isotopes managed at the site. The University made a formal request to remove the site from the NRC license. NRC responded with a request for more information including a dose assessment, which is estimated to cost \$15,000. If the NRC finds the dose assessment to be unacceptable, then the University will be required to fully decommission the site, including a sampling plan. The cost of a sampling plan to characterize the chemical contamination is estimated at \$1,000,000. The University has not commenced any actions requiring the recognition of a liability for this property.

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**13. 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 13.1 - Retirement Plan Membership**

	2019	2018
Active Members	18,102	18,135
Inactive Vested Members	4,817	4,659
Pensioners and Beneficiaries	10,316	9,763
<b>Total Members</b>	<b>33,235</b>	<b>32,557</b>

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

Vested employees who terminate prior to retirement eligibility may elect to transfer the actuarial equivalent of their benefit to an Individual Retirement Account or into

another employer’s qualified plan that accepts such rollovers. 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.

**Plan Change in Fiscal Year 2020** – In April 2019, the University’s Board of Curators approved a new retirement plan for newly hired or rehired employees starting October 1, 2019. Employees starting on or after that date, will be enrolled in a defined contribution plan and the defined benefit plan of the University will be closed to new entrants. Rehires on or after October 1, 2019 will also be enrolled into the new defined contribution plan regardless of their vested status in the defined benefit plan. Vested defined benefit employees that are rehired on or after October 1, 2019 will no longer receive creditable service credit within the defined benefit plan.

**Basis of Accounting** – The Retirement Plan’s accounting records are prepared using the accrual basis of accounting. Employer contributions to the Retirement Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the Retirement Plan. The Retirement Plan does not issue a separate financial report.

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

**Contributions** – The University’s contributions to the Retirement Plan are equal to the actuarially determined employer contribution requirement (ADC). The ADC for those employees hired before October 1, 2012 averaged 11.2% and 9.4% of covered payroll for the years ending June 30, 2019 and 2018, respectively. The ADC for those employees hired after September 30, 2012 averaged 7.5% and 5.5% of covered payroll for the years ended June 30, 2019 and 2018, respectively. Employees are required to contribute 1% of their salary up to \$50,000 in a calendar year and 2% of their salary in excess of \$50,000. An actuarial



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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. The University contributed \$115,980,000 and \$92,200,000 during the fiscal years ended June 30, 2019 and 2018, respectively.

**Net Pension Liability** – The University's net pension liability was measured as of June 30, 2019 and 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2018 and 2017, respectively. Roll-forward procedures were used to measure the Retirement Plan's total pension liability as of June 30, 2019 and 2018.

**Table 13.2 Changes in the Net Pension Liability** (in thousands)

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a) - (b)
<b>Balances at July 1, 2018</b>	<b>\$4,413,831</b>	<b>\$3,682,638</b>	<b>\$731,193</b>
Changes for the year:			
Service cost	62,845	-	62,845
Interest	312,921	-	312,921
Differences between expected and actual experience	23,046	-	23,046
Contributions – employer	-	115,980	(115,980)
Contributions – employee	-	15,989	(15,989)
Net investment income	-	183,826	(183,826)
Benefit payments, including refunds of employee contributions	(241,020)	(241,020)	-
Net changes	157,792	74,775	83,017
<b>Balances at June 30, 2019</b>	<b>\$4,571,623</b>	<b>\$3,757,413</b>	<b>\$814,210</b>
	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a) - (b)
<b>Balances at July 1, 2017</b>	<b>\$4,008,189</b>	<b>\$3,485,925</b>	<b>\$522,264</b>
Changes for the year:			
Service cost	63,624	-	63,624
Interest	305,781	-	305,781
Differences between expected and actual experience	11,704	-	11,704
Changes in assumptions	257,616	-	257,616
Contributions – employer	-	92,200	(92,200)
Contributions – employee	-	15,299	(15,299)
Net investment income	-	322,297	(322,297)
Benefit payments, including refunds of employee contributions	(233,083)	(233,083)	-
Net changes	405,642	196,713	208,929
<b>Balances at June 30, 2018</b>	<b>\$4,413,831</b>	<b>\$3,682,638</b>	<b>\$731,193</b>

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**Actuarial Methods and Assumptions** – The October 1, 2018 and 2017 actuarial valuations utilized the entry age actuarial cost method.

During fiscal year 2018, the Board of Curators approved a change in the discount rate from 7.75% to 7.20%. The change resulted in an increase in the Net Pension Liability of \$257,616,000 and will be recognized in pension expense over the average expected remaining service lives of employees or 5.5 years. The total deferred outflow of resources resulting from the change in the discount rate will be fully recognized through pension expense by fiscal year 2023.

Actuarial assumptions for October 1, 2018 and 2017 included:

<b>Inflation</b>	<b>2.20%</b>
<b>Rate of Investment Return net of administrative expenses (including inflation)</b>	<b>7.20%</b>
<b>Projected salary increases (Including inflation)</b>	<b>3.6 - 4.5%</b>
<b>Cost-of-living adjustments</b>	<b>0%</b>

For purposes of determining actuarially required contributions, 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 25 and 26 years from the October 1, 2018 and 2017 valuation dates, respectively. Mortality rates were based on the RP-2014 Combined Health Mortality Table projected using Scale MP-2017 and RP-2000 Combined Health Mortality Table projected to 2023 using Scale BB for October 1, 2018 and 2017 valuation dates, respectively.

The actuarial assumptions used in the October 1, 2018 valuation were based on the results of the most recent quinquennial study of the University's own experience covering 2012 to 2016.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.20%. 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.

**Table 13.3 Sensitivity of the Net Pension Liability to Changes in the Discount**  
*(in thousands)*

		2019 Net Pension Liability	2018 Net Pension Liability
	Rate		
1% Decrease	6.20%	\$1,387,128	\$1,287,184
Current Rate	7.20%	814,210	731,193
1% Increase	8.20%	330,738	262,755

**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 years ended June 30, 2019 and 2018 was 5.2% and 10.2%, respectively.

**Table 13.4 - Asset Class Allocation**

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Public equity	32.0%	5.2%
Private equity	10.0%	5.7%
Sovereign bonds	15.0%	1.0%
Inflation linked bonds	17.0%	0.8%
Private debt	3.0%	4.4%
Risk balanced	10.0%	7.6%
Commodities	5.0%	2.2%
Real estate	8.0%	4.5%
	<b>100%</b>	

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**Pension Expense-** For the years ended June 30, 2019 and 2018, the Retirement Plan recognized pension expense of \$217,961,000 and \$142,185,000, respectively. 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 deferred outflows/inflows of resources and recognized in pension expense over a five year period.

The pension expense for the years ended June 30, 2019 and 2018 is summarized as follows:

**Table 13.5 Pension Expense** (in thousands)

	2019	2018
Service cost	\$62,845	\$63,624
Interest	312,921	305,781
Recognized portion of current-period difference between expected and actual experience	4,266	2,133
Recognized portion of current-period difference for changes to assumptions	-	46,959
Contributions – employee	(15,989)	(15,299)
Projected earnings on pension plan investments	(260,501)	(264,540)
Recognized portion of current-period difference between projected and actual earnings on pension plan investments	15,335	(11,551)
Recognition of deferred outflows of resources	109,020	25,014
Recognition of deferred inflows of resources	(9,936)	(9,936)
<b>Pension expense for fiscal year ended June 30,</b>	<b>\$217,961</b>	<b>\$142,185</b>

**Deferred Outflows/Inflows of Resources-** In accordance with GASB Statement No. 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, 2019 and 2018, the Retirement Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Table 13.6 Deferred outflows/inflows of resources related to pensions** (in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	2019	2019	2018	2018
<b>As of June 30,</b>				
Differences between expected and actual experience	28,810	24,985	14,290	34,921
Changes in assumptions	163,698	-	210,657	-
Net difference between projected and actual earnings on pension plan investments	27,965	-	24,426	-
<b>Total</b>	<b>220,473</b>	<b>24,985</b>	<b>249,373</b>	<b>34,921</b>

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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. Differences between expected and actual experience on actuarial assumptions are amortized over the average expected remaining service life of the University's employees. The following table summarizes the future recognition of these items:

**Table 13.7 Future recognition of deferred outflows/(inflows) (in thousands)**

Fiscal Year	Recognition
2020	74,495
2021	23,789
2022	52,202
2023	43,287
2024	1,715
<b>Total</b>	<b>195,488</b>

**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) and 403 (b) plan. The University will match up to 3% of the employee's contribution to the 457(b) plan with the University's match 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 \$19,212,000 and \$17,579,000 of expense net of forfeitures of \$3,994,000 and \$3,211,000 for the years ended June 30, 2019 and 2018, respectively.

Employees hired or rehired beginning October 1, 2019, will participate in a single employer, defined contribution plan. Employees will be automatically enrolled in the plan to contribute 8% of eligible salary into a 457(b) plan. Each year the University will match up to 8% of each employee's eligible salary to a 401(a) plan. Employees are immediately 100% vested in their contributions. The University's matching contributions vest following three years of consecutive or nonconsecutive service.

**14. OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description** – In addition to the pension benefits described in Note 13, the University operates a single-employer, defined benefit OPEB 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 January 1, 2018, employees must be 60 years old and have 20 years of service at the date of retirement to access the same percentage subsidy as retirees prior to January 1, 2018. Employees with age plus years of service less than 80 but with more than 5 years of service as of January 1, 2018 will receive a subsidy of \$100 per year of service up to a maximum of \$2,500 annually. Employees with less than 5 years of service as of January 1, 2018 will not receive an insurance subsidy or be eligible to participate in the University's plans.

As of June 30, 2019 and 2018, 9,208 and 8,603 retirees, respectively, were receiving benefits, and an estimated 9,720 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, 2019 and 2018, 123 and 210 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 financial statements are prepared using the accrual basis of accounting, in accordance with GASB Statement No. 74. Additionally, the requirements of GASB Statement No. 75 are followed by the University for reporting its OPEB obligations and related footnote and required supplementary information disclosures. 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.

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**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 years ended June 30, 2019 and 2018, participants contributed \$17,378,000 and \$16,480,000, or approximately 50.8% and 49.9% respectively, of total premiums through their required contributions, which vary depending on the plan and coverage selection. In fiscal years 2019 and 2018, the University contributed \$23,363,000 and \$18,590,000 respectively.

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.

**Net OPEB Liability** – The total and net OPEB liabilities as of June 30, 2019 and 2018 were measured as of June 30, 2019 and 2018, respectively, using actuarial valuations as of those dates.

**Table 14.1 Net OPEB Liability** (in thousands)

	Fiscal Year 2019	Fiscal Year 2018
<b>Net OPEB Liability Components:</b>		
Total OPEB Liability	\$ 492,066	\$ 479,006
Plan Fiduciary Net Position	38,426	36,801
Net OPEB Liability	453,640	442,205
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	7.81%	7.68%

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**Table 14.2 Changes in the Net OPEB Liability** (in thousands)

	Total OPEB Liability (TOL) (a)	Fiduciary Net Position (FNP) (b)	Net OPEB Liability (NOL) (a) - (b)
<b>Balances at July 1, 2018</b>	<b>\$479,006</b>	<b>\$36,801</b>	<b>\$442,205</b>
Changes for the year:			
Service cost	4,124	-	4,124
Interest	18,248	-	18,248
Differences between expected and actual experience	31,459	-	31,459
Changes in assumptions	(17,565)	-	(17,565)
Contributions – employer	-	23,363	(23,363)
Contributions – employee	-	17,378	(17,378)
Net investment income	-	1,469	(1,469)
Expected/Actual benefit payments, including refunds of employee contributions	(23,206)	(40,584)	17,378
Administrative expenses	-	(1)	1
Net changes	13,060	1,625	11,435
<b>Balances at June 30, 2019</b>	<b>\$492,066</b>	<b>\$38,426</b>	<b>\$453,640</b>
	Total OPEB Liability (TOL) (a)	Fiduciary Net Position (FNP) (b)	Net OPEB Liability (NOL) (a) - (b)
<b>Balances at July 1, 2017</b>	<b>\$498,407</b>	<b>\$36,144</b>	<b>\$462,263</b>
Changes for the year:			
Service cost	4,991	-	4,991
Interest	17,434	-	17,434
Changes in assumptions	(18,998)	-	(18,998)
Contributions – employer	-	18,590	(18,590)
Contributions – employee	-	16,480	(16,480)
Net investment income	-	790	(790)
Expected/Actual benefit payments, including refunds of employee contributions	(22,828)	(35,031)	12,203
Administrative expenses	-	(172)	172
Net changes	(19,401)	657	(20,058)
<b>Balances at June 30, 2018</b>	<b>\$479,006</b>	<b>\$36,801</b>	<b>\$442,205</b>

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**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 entry age normal, as a level percent of pay, actuarial cost method was used in the June 30, 2019 and June 30, 2018 actuarial valuations.

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.

Total OPEB liability was determined using the following actuarial assumptions for all periods presented, unless otherwise specified:

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<b>14.3 Total OPEB Liability Assumptions</b>	
Inflation	2.20%
Total payroll growth	Varies based on age: 0.1% to 6.0% (including inflation) for academic and administrative; 0.1% to 3.0% (including inflation) for clerical and service
Discount Rate	3.50% for 2019 and 3.87% for 2018
Retiree Health PPO Plan, Healthy Savings, and Rx trend rate	8.50% decreasing by 0.25% per year until an ultimate trend of 4.5% is reached
Pre-65 Rx trend rate	9.50% decreasing by 0.25% per year until an ultimate trend of 4.5% is reached
Medicare Advantage Plans medical trend rate	Premium rates are guaranteed through 2022. Thereafter, trend rates are 7.00% decreasing by 0.25% per year until an ultimate trend of 4.50% is reached.
EGWP Rx trend rate	8.50% decreasing by 0.25% per year until an ultimate trend of 4.5% is reached
Dental trend rates	3.0% all years
Administration expenses rate	3.0% all years
Healthy retiree mortality rates	RP-2014 Healthy Employee/Annuitant Mortality Table projected generationally using Scale MP-2017
Disabled retiree mortality rates	RP-2014 Disabled Annuitant Mortality Table projected generationally using Scale MP-2017

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**Development of Discount Rate** – The discount rates used to measure the total OPEB liability were 3.50% and 3.87% as of fiscal year June 30, 2019 and June 30, 2018, respectively. The projection of cash flows used to determine the discount rate assumed that the University would not make additional contributions to the OPEB Trust and would continue to fund the plan on a pay-as-you-go basis. Based on those assumptions, the OPEB plan’s fiduciary net position was not projected to cover a full year of projected future benefit payments. Therefore, all future benefit payments are discounted at the current index rate

for 20 year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**Sensitivity to Changes in Discount Rate and Healthcare Cost Trend Rates** – The following presents the net OPEB liability of the University as well as what the University’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate as well as the impact to the net OPEB liability if the healthcare cost trend rates were 1-percentage-point lower or 1-percentage-point higher.

**Table 14.4 Sensitivity of the Net OPEB Liability to Changes in Discount Rate and Healthcare Cost Trend Rates** (in thousands)

	1% Decrease in Discount Rate (2.50%)	Current Discount Rate (3.50%)	1% Increase in Discount Rate (4.50%)
Net OPEB Liability	\$523,380	\$453,640	\$396,499

	1% Decrease in Trend Rates	Current Healthcare Cost Trend Rates	1% Increase in Trend Rates
Net OPEB Liability	\$405,788	\$453,640	\$511,283

**OPEB Expense-** For the years ended June 30, 2019 and 2018, the University recognized an OPEB expense of \$17,476,000 and \$15,947,000, respectively. Annual OPEB

expense consists of service costs, interest on the total OPEB liability and the recognition of deferred outflows/inflows.

The OPEB expense for the years ended June 30, 2019 and 2018 is summarized as follows:

**Table 14.5 OPEB Expense** (in thousands)

	2019	2018
Service cost	\$4,124	\$4,991
Interest	18,248	17,434
Recognized portion of current-period difference between expected and actual experience	4,246	-
Recognized portion of current-period difference for changes to assumptions	(2,370)	(3,193)
Recognized portion of current-period difference between projected and actual earnings on pension plan investments	(294)	(158)
Recognition of deferred inflows of resources	(6,478)	(3,127)
<b>OPEB expense for fiscal year ended June 30,</b>	<b>\$17,476</b>	<b>\$15,947</b>



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**Deferred Outflows/Inflows of Resources-** In accordance with GASB Statement No. 75, 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, 2019 and 2018, the OPEB Plan reported deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

**Table 14.6 Deferred outflows/inflows of resources related to OPEB** *(in thousands)*

	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Inflows of Resources
	2019	2019	2018
<b>As of June 30,</b>			
Changes of assumptions	-	42,853	-
Differences between expected and actual experience	27,214	-	33,795
Net difference between projected and actual earnings on plan investments	-	2,014	1,180
<b>Total</b>	<b>27,214</b>	<b>44,867</b>	<b>34,975</b>

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. Differences between expected and actual experience on actuarial assumptions are amortized over the average expected remaining service life of the University's employees. The following table summarizes the future recognition of these items:

**Table 14.7 Future recognition of deferred (inflows)** *(in thousands)*

Fiscal Year	Recognition
2020	(4,897)
2021	(4,897)
2022	(4,714)
2023	(4,396)
2024	(1,069)
2025-2026	2,320
<b>Total</b>	<b>(17,653)</b>

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**15. BLENDED COMPONENT UNITS**

Condensed combining information for the University's blended component units as of and for the years ended June 30, 2019 and 2018 are presented as follows:

**Table 15.1 Blended Component Units Condensed Financial Statements (in thousands)**

Condensed Statement of Net Position	2019						
	University	MREC	Medical Alliance	CSS	CFMS	Eliminations	Total
Assets:							
Current Assets	\$ 1,303,184	\$ 1,953	\$ 65,076	\$ 907	\$ 620	\$ 20,764	\$ 1,392,504
Non Current Other Assets	4,026,420	6,744	78,061	-	-	-	4,111,225
Capital Assets, Net	3,289,589	105,577	82,323	50	5	(11,105)	3,466,439
Deferred Outflows of Resources	335,808	-	-	-	-	-	335,808
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 8,955,001</b>	<b>\$ 114,274</b>	<b>\$ 225,460</b>	<b>\$ 957</b>	<b>\$ 625</b>	<b>\$ 9,659</b>	<b>\$ 9,305,976</b>
Liabilities:							
Current Liabilities	\$ 1,477,479	\$ 2,067	\$ 29,387	\$ 575	\$ 243	\$ (1,324)	\$ 1,508,427
Noncurrent Liabilities	2,578,581	103,236	39,636	27	24	(54,821)	2,666,683
Deferred Inflows of Resources	83,480	-	-	-	-	-	83,480
Total Liabilities and Deferred Inflows of Resources	4,139,540	105,303	69,023	602	267	(56,145)	4,258,590
Net Position:							
Net Investment in Capital Assets	1,691,217	20,685	45,040	50	5	44,980	1,801,977
Restricted -							
Nonexpendable	1,248,860	-	-	-	-	-	1,248,860
Expendable	548,825	(11,714)	3,964	-	-	20,824	561,899
Unrestricted	1,326,559	-	107,433	305	353	-	1,434,650
Total Net Position	4,815,461	8,971	156,437	355	358	65,804	5,047,386
<b>Total Liabilities and Net Position</b>	<b>\$ 8,955,001</b>	<b>\$ 114,274</b>	<b>\$ 225,460</b>	<b>\$ 957</b>	<b>\$ 625</b>	<b>\$ 9,659</b>	<b>\$ 9,305,976</b>

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

Condensed Statement of Revenues, Expenses and Changes in Net Position	2019						
	University	MREC	Medical Alliance	CSS	CFMS	Eliminations	Total
Operating Revenues:							
Other Operating Revenue	\$ 2,757,239	\$ 7,445	\$ 220,356	\$ 4,191	\$ 4,439	\$ (6,772)	\$ 2,986,898
Total Operating Revenues	2,757,239	7,445	220,356	4,191	4,439	(6,772)	2,986,898
Operating Expenses:							
Depreciation	199,093	4,766	11,632	25	23	-	215,539
All Other Operating Expenses	3,187,229	1,454	198,446	8,060	5,701	(1,458)	3,399,432
Total Operating Expenses	3,386,322	6,220	210,078	8,085	5,724	(1,458)	3,614,971
Operating Income (Loss)	(629,083)	1,225	10,278	(3,894)	(1,285)	(5,314)	(628,073)
Non-Operating Revenue (Expense)	807,050	(2,661)	1,630	-	-	1,046	807,065
Capital Contribution (Distribution)	(5,471)	478	-	4,223	1,275	(505)	-
<b>Increase (Decrease) in Net Position</b>	<b>172,496</b>	<b>(958)</b>	<b>11,908</b>	<b>329</b>	<b>(10)</b>	<b>(4,773)</b>	<b>178,992</b>
Net Position, Beginning of Year	4,642,965	9,929	144,529	26	368	70,577	4,868,394
<b>Net Position, End of Year</b>	<b>\$ 4,815,461</b>	<b>\$ 8,971</b>	<b>\$ 156,437</b>	<b>\$ 355</b>	<b>\$ 358</b>	<b>\$ 65,804</b>	<b>\$ 5,047,386</b>

**Condensed Statement of Cash Flows**

Condensed Statement of Cash Flows	2019						
	University	MREC	Medical Alliance	CSS	CFMS	Eliminations	Total
Net Cash Flows Provided by (Used in) Operating Activities	\$ (315,419)	\$ 2,850	\$ 19,956	\$ (4,254)	\$ (1,524)	\$ (4,532)	\$ (302,923)
Net Cash Flows Provided by (Used in) Noncapital Financing Activities	609,172	-	596	-	-	-	609,768
Net Cash Flows Provided by (Used in) Capital and Related Financing Activities	(243,775)	(4,510)	(13,284)	4,223	1,275	4,532	(251,539)
Net Cash Flows Provided by (Used in) Investing Activities	(30,897)	-	(10,741)	-	-	-	(41,638)
Net Increase in Cash and Cash Equivalents	19,081	(1,660)	(3,473)	(31)	(249)	-	13,668
Cash and Cash Equivalents, Beginning of Year	518,196	3,063	32,684	223	472	-	554,638
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 537,277</b>	<b>\$ 1,403</b>	<b>\$ 29,211</b>	<b>\$ 192</b>	<b>\$ 223</b>	<b>\$ -</b>	<b>\$ 568,306</b>

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**Table 15.2 Blended Component Units Condensed Financial Statements** (in thousands)

Condensed Statement of Net Position	2018						
	University	MREC	Medical Alliance	CSS	CFMS	Eliminations	Total
Assets:							
Current Assets	\$ 1,228,277	\$ 3,834	\$ 72,342	\$ 1,149	\$ 1,062	\$ 20,431	\$ 1,327,095
Non Current Other Assets	3,540,663	7,186	60,286	-	-	-	3,608,135
Capital Assets, Net	3,203,190	110,343	80,544	75	28	(11,105)	3,383,075
Deferred Outflows of Resources	339,146	-	-	-	-	-	339,146
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 8,311,276</b>	<b>\$ 121,363</b>	<b>\$ 213,172</b>	<b>\$ 1,224</b>	<b>\$ 1,090</b>	<b>\$ 9,326</b>	<b>\$ 8,657,451</b>
Liabilities:							
Current Liabilities	\$ 972,741	\$ 1,793	\$ 26,035	\$ 1,175	\$ 703	\$ (1,106)	\$ 1,001,341
Noncurrent Liabilities	2,612,281	109,641	42,608	23	19	(60,145)	2,704,427
Deferred Inflows of Resources	83,289	-	-	-	-	-	83,289
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>3,668,311</b>	<b>111,434</b>	<b>68,643</b>	<b>1,198</b>	<b>722</b>	<b>(61,251)</b>	<b>3,789,057</b>
Net Position:							
Net Investment in Capital Assets	1,636,168	20,464	40,233	75	28	50,027	1,746,995
Restricted -							
Nonexpendable	1,200,514	-	-	-	-	-	1,200,514
Expendable	528,488	(10,535)	4,022	-	-	20,550	542,525
Unrestricted	1,277,795	-	100,274	(49)	340	-	1,378,360
<b>Total Net Position</b>	<b>4,642,965</b>	<b>9,929</b>	<b>144,529</b>	<b>26</b>	<b>368</b>	<b>70,577</b>	<b>4,868,394</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 8,311,276</b>	<b>\$ 121,363</b>	<b>\$ 213,172</b>	<b>\$ 1,224</b>	<b>\$ 1,090</b>	<b>\$ 9,326</b>	<b>\$ 8,657,451</b>

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

	2018						
	University	MREC	Medical Alliance	CSS	CFMS	Eliminations	Total
Operating Revenues:							
Other Operating Revenue	\$ 2,638,980	\$ 7,445	\$ 202,663	\$ 4,707	\$ 4,155	\$ (6,772)	\$ 2,851,178
<b>Total Operating Revenues</b>	<b>2,638,980</b>	<b>7,445</b>	<b>202,663</b>	<b>4,707</b>	<b>4,155</b>	<b>(6,772)</b>	<b>2,851,178</b>
Operating Expenses:							
Depreciation	196,768	4,766	11,884	36	23	-	213,477
All Other Operating Expenses	2,946,656	1,509	186,099	7,831	5,147	(5,464)	3,141,778
<b>Total Operating Expenses</b>	<b>3,143,424</b>	<b>6,275</b>	<b>197,983</b>	<b>7,867</b>	<b>5,170</b>	<b>(5,464)</b>	<b>3,355,255</b>
Operating Income (Loss)	(504,444)	1,170	4,680	(3,160)	(1,015)	(1,308)	(504,077)
Non-Operating Revenue (Expense)	769,985	(2,845)	951	-	-	1,043	769,134
Capital Contribution (Distribution)	-	730	-	3,533	500	(4,763)	-
<b>Increase (Decrease) in Net Position</b>	<b>265,541</b>	<b>(945)</b>	<b>5,631</b>	<b>373</b>	<b>(515)</b>	<b>(5,028)</b>	<b>265,057</b>
Net Position, Beginning of Year	4,377,424	10,874	138,898	(347)	883	75,605	4,603,337
<b>Net Position, End of Year</b>	<b>\$ 4,642,965</b>	<b>\$ 9,929</b>	<b>\$ 144,529</b>	<b>\$ 26</b>	<b>\$ 368</b>	<b>\$ 70,577</b>	<b>\$ 4,868,394</b>

**Condensed Statement of Cash Flows**

	2018						
	University	MREC	Medical Alliance	CSS	CFMS	Eliminations	Total
Net Cash Flows Provided by (Used in) Operating Activities	\$ (269,397)	\$ 2,560	\$ 19,203	\$ (3,555)	\$ (351)	\$ (4,608)	\$ (256,148)
Net Cash Flows Provided by (Used in) Noncapital Financing Activities	614,864	-	32	-	-	-	614,896
Net Cash Flows Provided by (Used in) Capital and Related Financing Activities	(260,631)	(4,585)	(17,733)	3,533	500	4,608	(274,308)
Net Cash Flows Provided by (Used in) Investing Activities	82,079	-	(11,672)	-	-	-	70,407
Net Increase in Cash and Cash Equivalents	166,915	(2,025)	(10,170)	(22)	149	-	154,847
Cash and Cash Equivalents, Beginning of Year	351,281	5,088	42,854	245	323	-	399,791
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 518,196</b>	<b>\$ 3,063</b>	<b>\$ 32,684</b>	<b>\$ 223</b>	<b>\$ 472</b>	<b>\$ -</b>	<b>\$ 554,638</b>

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**16. 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 16.1 - Operating Expenses by Functional and Natural Classifications** *(in thousands)*

Fiscal Year Ended June 30, 2019	Salaries and		Supplies, Services and		Scholarships and		Depreciation	Total
	Wages	Benefits	Other	Fellowships				
Instruction	\$ 404,196	\$ 163,907	\$ 122,755	\$ -	\$ -	\$ -	\$ 690,858	
Research	102,771	37,898	68,698	-	-	-	209,367	
Public Service	83,686	36,341	60,033	-	-	-	180,060	
Academic Support	84,593	36,569	39,881	-	-	-	161,043	
Student Services	49,314	20,185	34,053	-	-	-	103,552	
Institutional Support	118,862	55,919	(41,030)	-	-	-	133,751	
Operation and Maintenance of Plant	34,781	15,639	71,275	-	-	-	121,695	
Auxiliary Enterprises	764,476	211,202	756,061	-	-	-	1,731,739	
Scholarships and Fellowships	-	-	-	67,367	-	-	67,367	
Depreciation	-	-	-	-	-	215,539	215,539	
<b>Total Operating Expenses</b>	<b>\$ 1,642,679</b>	<b>\$ 577,660</b>	<b>\$ 1,111,726</b>	<b>\$ 67,367</b>	<b>\$ 215,539</b>	<b>\$ -</b>	<b>\$ 3,614,971</b>	

Fiscal Year Ended June 30, 2018	Salaries and		Supplies, Services and		Scholarships and		Depreciation	Total
	Wages	Benefits	Other	Fellowships				
Instruction	\$ 413,703	\$ 128,696	\$ 88,363	\$ -	\$ -	\$ -	\$ 630,762	
Research	99,764	27,193	66,611	-	-	-	193,568	
Public Service	80,436	26,991	56,544	-	-	-	163,971	
Academic Support	79,122	27,033	38,585	-	-	-	144,740	
Student Services	50,700	16,717	33,734	-	-	-	101,151	
Institutional Support	115,410	39,413	(39,079)	-	-	-	115,744	
Operation and Maintenance of Plant	34,984	12,502	57,676	-	-	-	105,162	
Auxiliary Enterprises	717,278	197,203	704,152	-	-	-	1,618,633	
Scholarships and Fellowships	-	-	-	68,047	-	-	68,047	
Depreciation	-	-	-	-	-	213,477	213,477	
<b>Total Operating Expenses</b>	<b>\$ 1,591,397</b>	<b>\$ 475,748</b>	<b>\$ 1,006,586</b>	<b>\$ 68,047</b>	<b>\$ 213,477</b>	<b>\$ -</b>	<b>\$ 3,355,255</b>	

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**17. FIDUCIARY FUNDS – PENSION AND OPEB TRUST FUNDS COMBINING STATEMENTS**

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

**Table 17.1 - Statement of Fiduciary Net Position** (in thousands)

	2019			2018		
	Retirement	OPEB	Total	Retirement	OPEB	Total
<b>Assets</b>						
Cash and Cash Equivalents	\$ 429,948	\$ 40,246	\$ 470,194	\$ 393,404	\$ 38,099	\$ 431,503
Investment of Cash Collateral	106,182	-	106,182	158,979	-	158,979
Investment Settlements Receivable	71,124	-	71,124	83,956	-	83,956
Other Assets	-	443	443	7	602	609
Investments:						
Debt Securities	395,616	-	395,616	423,984	-	423,984
Equity Securities	223,235	-	223,235	213,239	-	213,239
Commingled Funds	1,989,092	-	1,989,092	1,997,441	-	1,997,441
Nonmarketable Alternative Investments	816,533	-	816,533	702,082	-	702,082
<b>Total Assets</b>	<b>4,031,730</b>	<b>40,689</b>	<b>4,072,419</b>	<b>3,973,092</b>	<b>38,701</b>	<b>4,011,793</b>
<b>Liabilities</b>						
Accounts Payable and Accrued Liabilities	92	2,263	2,355	-	1,900	1,900
Collateral Held for Securities Lending	106,182	-	106,182	158,979	-	158,979
Investment Settlements Payable	168,043	-	168,043	131,475	-	131,475
<b>Total Liabilities</b>	<b>274,317</b>	<b>2,263</b>	<b>276,580</b>	<b>290,454</b>	<b>1,900</b>	<b>292,354</b>
<b>Net Position Restricted for Retirement and OPEB</b>						
	<b>\$ 3,757,413</b>	<b>\$ 38,426</b>	<b>\$ 3,795,839</b>	<b>\$ 3,682,638</b>	<b>\$ 36,801</b>	<b>\$ 3,719,439</b>

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**Table 17.2 - Statement of Changes in Fiduciary Net Position** (in thousands)

	2019			2018		
	Retirement	OPEB	Total	Retirement	OPEB	Total
<b>Additions</b>						
Investment Income:						
Interest and Dividend Income	\$ 24,545	\$ 1,469	\$ 26,014	\$ 64,914	\$ 792	\$ 65,706
Net Appreciation (Depreciation) in						
Fair Value of Investments	166,693	-	166,693	278,179	1	278,180
Less Investment Expense	(4,884)	-	(4,884)	(18,605)	(3)	(18,608)
Net Investment Income	186,354	1,469	187,823	324,488	790	325,278
Contributions:						
University	115,980	23,363	139,343	92,200	18,590	110,790
Members	15,989	17,378	33,367	15,299	16,480	31,779
Total Contributions	131,969	40,741	172,710	107,499	35,070	142,569
<b>Total Additions</b>	<b>318,323</b>	<b>42,210</b>	<b>360,533</b>	<b>431,987</b>	<b>35,860</b>	<b>467,847</b>
<b>Deductions</b>						
Administrative Expenses	2,528	1	2,529	2,191	172	2,363
Payments to Retirees and Beneficiaries	241,020	40,584	281,604	233,083	35,031	268,114
<b>Total Deductions</b>	<b>243,548</b>	<b>40,585</b>	<b>284,133</b>	<b>235,274</b>	<b>35,203</b>	<b>270,477</b>
<b>Increase in Net Position Restricted for Retirement and OPEB</b>	<b>74,775</b>	<b>1,625</b>	<b>76,400</b>	<b>196,713</b>	<b>657</b>	<b>197,370</b>
Net Position Restricted for						
Retirement & OPEB, Beginning of Year	3,682,638	36,801	3,719,439	3,485,925	36,144	3,522,069
<b>Net Position Restricted for Retirement and OPEB, End of Year</b>	<b>\$ 3,757,413</b>	<b>\$ 38,426</b>	<b>\$ 3,795,839</b>	<b>\$ 3,682,638</b>	<b>\$ 36,801</b>	<b>\$ 3,719,439</b>

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**Schedule of Changes in the Net Pension Liability and Related Ratios – Last Ten Fiscal Years** *(in thousands)*

	Fiscal Year End June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Total pension liability</b>										
Service cost	\$62,845	\$63,624	\$66,269	\$68,328	\$70,574	\$71,995				
Interest	312,921	305,781	296,885	288,438	275,762	263,566				
Differences between expected and actual experience	23,046	11,704	(22,741)	(38,227)	13,226	--	(Historical information prior to implementation of GASB 67/68 is not			
Changes of assumptions	--	257,616	--	--	--	--				
Benefit payments, including refunds of employee contributions	(241,020)	(233,083)	(211,036)	(203,300)	(182,488)	(169,992)				
Net change in total pension liability	157,792	405,642	129,377	115,239	177,074	165,569				
Total pension liability - beginning	4,413,831	4,008,189	3,878,812	3,763,573	3,586,499	3,420,930				
<b>Total pension liability - ending (a)</b>	<b>\$4,571,623</b>	<b>\$4,413,831</b>	<b>\$4,008,189</b>	<b>\$3,878,812</b>	<b>\$3,763,573</b>	<b>\$3,586,499</b>				
<b>Plan fiduciary net position</b>										
Contributions - employer	\$115,980	\$92,200	\$96,631	\$99,454	\$103,895	\$113,688				
Contributions - employee	15,989	15,299	15,218	14,976	14,486	14,113				
Net investment income	183,826	322,297	364,486	6,646	36,412	458,884				
Benefit payments, including refunds of employee contributions	(241,020)	(233,083)	(211,036)	(203,300)	(182,488)	(169,992)	(Historical information prior to implementation of GASB 67/68 is not			
Other	--	--	--	--	(2,150)	(2,554)				
Net change in fiduciary net position	74,775	196,713	265,299	(82,224)	(29,845)	414,139				
Plan fiduciary net position - beginning	3,682,638	3,485,925	3,220,626	3,302,850	3,332,695	2,918,556				
<b>Plan fiduciary net position - ending (b)</b>	<b>\$3,757,413</b>	<b>\$3,682,638</b>	<b>\$3,485,925</b>	<b>\$3,220,626</b>	<b>\$3,302,850</b>	<b>\$3,332,695</b>				

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**Schedule of Changes in the Net Pension Liability and Related Ratios – Last Ten Fiscal Years** *(in thousands)*

	Fiscal Year End June 30,									
	2019	2018**	2017	2016	2015	2014	2013	2012	2011	2010
<b>Net pension liability – ending: (a)-(b)</b>	<b>\$814,210</b>	<b>\$731,193</b>	<b>\$522,264</b>	<b>\$658,186</b>	<b>\$460,723</b>	<b>\$ 253,804</b>				
Plan's fiduciary net position as a percentage of the total pension liability	82.19%	83.43%	86.97%	83.03%	87.76%	92.92%	(Historical information prior to implementation of GASB 67/68 is not required)			
Covered-employee payroll*	\$1,187,435	\$1,146,836	\$1,144,412	\$1,129,784	\$1,109,431	\$ 1,078,347				
Net pension liability as a percentage of covered-employee payroll	68.57%	63.76%	45.64%	58.26%	41.53%	23.54%				

\*Covered-employee payroll as reported in the October 1, 201X funding valuation report

\*\*Discount rate changed from 7.75% to 7.20%

**Schedule of Contributions – Last Ten Fiscal Years** *(in thousands)*

Fiscal Year Ended June 30,	Covered Employee Payroll		Actuarially determined contribution**		Contributions made	Contributions as % of covered-employee payroll**		Actuarially determined contribution as a Percentage of Payroll**		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	
2019	\$ 687,612	\$ 499,823	\$ 76,737	\$ 37,287	\$ 115,980	11.16%	7.46%	11.16%	7.46%	11.16%	7.46%	-
2018	733,289	413,547	68,856	22,662	92,200	9.39%	5.48%	9.39%	5.48%	9.39%	5.48%	-
2017	794,108	350,304	75,678	19,652	96,631	9.53%	5.61%	9.53%	5.61%	9.53%	5.61%	-
2016	857,918	271,866	82,446	15,442	99,454	9.61%	5.68%	9.61%	5.68%	9.61%	5.68%	-
2015	928,088	181,343	92,716	10,971	103,895	9.99%	6.05%	9.99%	6.05%	9.99%	6.05%	-
2014	984,787	93,560	106,160	6,334	113,688	10.78%	6.77%	10.78%	6.77%	10.78%	6.77%	-
2013	1,046,075	-	92,891	-	94,176	8.88%	4.87%	8.88%	4.87%	8.88%	4.87%	-
2012	1,031,891	-	72,955	-	74,618	7.07%	-	7.07%	-	7.07%	-	-
2011	979,888	-	56,246	-	57,541	5.74%	-	5.74%	-	5.74%	-	-
2010	970,060	-	47,339	-	48,040	4.88%	-	4.88%	-	4.88%	-	-

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

\*\* Net of employee contributions



UNIVERSITY OF MISSOURI SYSTEM  
A COMPONENT UNIT OF THE STATE OF MISSOURI  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Years Ended June 30, 2019 and 2018  
(unaudited)

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

	Fiscal Year End June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Money-Weighted Rate of Return	5.2%	10.2%	11.0%	0.3%	0.7%	16.2%	(Historical information prior to implementation of GASB 67/68 is not required)			

**Notes to Required Supplementary Information for Contributions**

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	25 years for 2019, 26 years for 2018
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, 2018 and October 1, 2017 actuarial valuations were based on the results of an experience study for the period September 20, 2012 to September 30, 2016.
Investment Rate of Return	7.20%, net of expenses
Inflation	2.20%
Projected Salary Increases	4.5% average (including inflation) for academic and administrative; 3.6% average (including inflation) for clerical and service
Cost-of-living Adjustments	No future retiree ad-hoc increases assumed
Retirement Age	Retirement rates vary between 4% at 55 to 100% at age 80.
Mortality:	
Healthy Non-annuitant lives	RP-2014 Employee Mortality Table projected on a generational basis using Scale MP-2017
Healthy Annuitant lives	RP-2014 Healthy Annuitant Mortality Table projected on a generational basis using Scale MP-2017
Disabled lives	RP-2014 Disabled Annuitant Mortality Table projected on a generational basis using Scale MP-2017

UNIVERSITY OF MISSOURI SYSTEM  
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**Schedule of Changes in the Net OPEB Liability and Related Ratios – Last Ten Fiscal Years** *(in thousands)*

	Fiscal Year End June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Total OPEB liability</b>										
Service cost	\$4,124	\$4,991	\$9,414	--	(Historical information prior to implementation of GASB 74/75 is not required)					
Interest	18,248	17,434	14,557	--						
Differences between expected and actual experience	31,459	--	--	--						
Changes of assumptions	(17,565)	(18,998)	(23,880)	--						
Benefit payments	(23,206)	(22,828)	(24,934)	--						
Net change in total OPEB liability	13,060	(19,401)	(24,843)	--						
Total OPEB liability - beginning	479,006	498,407	523,250	--						
<b>Total OPEB liability - ending (a)</b>	<b>\$492,066</b>	<b>\$479,006</b>	<b>\$498,407</b>	<b>\$523,250</b>						
<b>Plan fiduciary net position</b>										
Contributions - employer	23,363	18,590	21,394	--	(Historical information prior to implementation of GASB 74/75 is not required)					
Contributions - employee	17,378	16,480	14,750	--						
Net investment income	1,469	790	914	--						
Benefit payments, including refunds of employee contributions	(40,584)	(35,031)	(35,871)	--						
Other	(1)	(172)	(188)	--						
Net change in fiduciary net position	1,625	657	999	--						
Plan fiduciary net position - beginning	36,801	36,144	35,145	--						
Plan fiduciary net position - ending (b)	\$38,426	\$36,801	\$36,144	\$35,145						
<b>Net OPEB Liability - ending (a) - (b)</b>	<b>\$453,640</b>	<b>\$442,205</b>	<b>\$462,263</b>	<b>\$488,105</b>						
Plan's fiduciary net position as a percentage of the total OPEB liability	7.81%	7.68%	7.25%	6.72%	(Historical information prior to implementation of GASB 74/75 is not required)					
Covered-employee payroll	677,089	721,517	787,104	1,157,156						
Net OPEB liability as a percentage of covered-employee payroll	67.00%	61.29%	58.73%	42.18%						

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REQUIRED SUPPLEMENTARY INFORMATION  
For the Years Ended June 30, 2018 and 2017  
(unaudited)

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**Notes to Required Supplementary Information for Net OPEB Liability**

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*Changes of assumptions:* Based on past experience and future expectations, the following actuarial assumptions were changed as of the June 30, 2019 measurement date:

- Claims and trends from the Base and Buyup Medicare advantage plans were revised to reflect future expectations.
  - The discount rate changed to 3.50% from 3.87%
-

# Statistical Section



**University of Missouri System**

COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS

## STATEMENTS OF NET POSITION

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
<b>Assets</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 365,815	\$ 360,053	\$ 241,516	\$ 216,149	\$ 268,211
Restricted Cash and Cash Equivalents	197,824	189,988	155,693	130,246	116,703
Short-Term Investments	39,172	226,215	118,958	128,932	105,587
Restricted Short-Term Investments	16,338	31,991	18,249	26,222	26,762
Investment of Cash Collateral	3,616	5,012	7,437	28,225	43,902
Accounts Receivable, Net	376,431	335,551	333,862	314,908	277,373
Pledges Receivable, Net	21,846	17,039	16,450	15,035	16,958
Investment Settlements Receivable	279,696	68,024	108,385	130,513	185,576
Notes Receivable, Net	8,489	9,060	9,016	8,659	8,781
Due To Component Units	-	-	-	-	(9,469)
Inventories	41,155	40,433	39,037	39,892	37,872
Prepaid Expenses and Other Current Assets	42,122	43,729	37,910	37,818	30,695
<b>Total Current Assets</b>	<b>1,392,504</b>	<b>1,327,095</b>	<b>1,086,513</b>	<b>1,076,599</b>	<b>1,108,951</b>
<b>Noncurrent Assets</b>					
Restricted Cash and Cash Equivalents	4,667	4,597	2,582	1,457	-
Pledges Receivable, Net	40,677	38,106	44,550	31,092	34,845
Notes Receivable, Net	64,638	69,842	69,494	76,380	79,418
Deferred Charges and Other Assets	18,352	17,587	17,683	16,666	2,379
Long-Term Investments	2,457,590	2,021,932	2,058,102	1,873,378	1,614,799
Restricted Long-Term Investments	1,525,301	1,456,071	1,378,250	1,262,504	1,321,810
Capital Assets, Net	3,466,439	3,383,075	3,412,410	3,364,972	3,198,011
<b>Total Noncurrent Assets</b>	<b>7,577,664</b>	<b>6,991,210</b>	<b>6,983,071</b>	<b>6,626,449</b>	<b>6,251,262</b>
<b>Deferred Outflows of Resources</b>	<b>335,808</b>	<b>339,146</b>	<b>137,888</b>	<b>292,836</b>	<b>97,615</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 9,305,976</b>	<b>\$ 8,657,451</b>	<b>\$ 8,207,472</b>	<b>\$ 7,995,884</b>	<b>\$ 7,457,828</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts Payable	\$ 195,342	\$ 130,776	\$ 141,313	\$ 144,640	\$ 110,231
Accrued Liabilities	180,548	177,169	175,466	168,100	187,149
Deferred Revenue	94,957	95,144	90,495	86,090	90,554
Funds Held for Others	96,375	91,539	89,440	78,895	77,021
Investment Settlements Payable	455,975	187,438	188,038	236,823	216,510
Collateral Held for Securities Lending	3,616	5,012	7,437	28,225	43,902
Commercial Paper and Current Portion of Long-Term Debt	399,074	228,078	232,821	224,254	71,022
Long-Term Debt Subject to Remarketing	82,540	86,185	89,695	93,070	96,320
<b>Total Current Liabilities</b>	<b>1,508,427</b>	<b>1,001,341</b>	<b>1,014,705</b>	<b>1,060,097</b>	<b>892,709</b>
<b>Noncurrent Liabilities</b>					
Unearned Revenue	15,119	15,792	16,465	17,137	13,119
Asset Retirement Obligation	62,433	62,433	-	-	-
Long-Term Debt	1,199,968	1,344,815	1,386,017	1,405,916	1,527,661
Derivative Instrument Liability	35,542	27,570	38,116	55,332	42,353
Net Other Postemployment Benefits Liability	453,640	442,205	462,263	212,572	209,793
Net Pension Liability	814,210	731,193	522,264	658,186	460,723
Other Noncurrent Liabilities	85,771	80,419	84,799	69,532	67,073
<b>Total Noncurrent Liabilities</b>	<b>2,666,683</b>	<b>2,704,427</b>	<b>2,509,924</b>	<b>2,418,675</b>	<b>2,320,722</b>
<b>Deferred Inflows Resources</b>	<b>83,480</b>	<b>83,289</b>	<b>79,506</b>	<b>32,052</b>	<b>-</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 4,258,590</b>	<b>\$ 3,789,057</b>	<b>\$ 3,604,135</b>	<b>\$ 3,510,824</b>	<b>\$ 3,213,431</b>
<b>Net Position</b>					
Net Investment in Capital Assets	1,801,977	1,746,995	1,728,982	1,692,629	1,613,846
<b>Restricted</b>					
<b>Nonexpendable -</b>					
Endowment	1,248,860	1,200,514	1,109,498	993,760	1,010,357
<b>Expendable -</b>					
Scholarship, Research, Instruction & Other	410,497	394,577	367,009	356,156	367,832
Loans	85,038	83,567	85,145	84,509	83,546
Capital Projects	66,364	64,381	57,723	54,298	39,461
Unrestricted	1,434,650	1,378,360	1,254,980	1,303,708	1,129,355
<b>Total Net Position</b>	<b>5,047,386</b>	<b>4,868,394</b>	<b>4,603,337</b>	<b>4,485,060</b>	<b>4,244,397</b>
<b>Total Liabilities &amp; Net Position</b>	<b>\$ 9,305,976</b>	<b>\$ 8,657,451</b>	<b>\$ 8,207,472</b>	<b>\$ 7,995,884</b>	<b>\$ 7,457,828</b>

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
<b>Operating Revenues</b>					
Tuition and Fees, Net	\$ 857,456	\$ 861,913	\$ 868,784	\$ 898,906	\$ 870,637
Less: Scholarship Allowances	232,764	226,434	219,567	226,632	217,648
Net Tuition and Fees	624,692	635,479	649,217	672,274	652,989
Federal Grants and Contracts	165,427	157,587	158,414	155,134	155,797
State and Local Grants and Contracts	60,584	59,966	60,934	57,690	53,926
Private Grants and Contracts	83,489	74,782	70,527	67,348	70,296
Sales and Services of Educational Activities	19,264	26,193	26,492	25,406	25,074
Auxiliary Enterprises -					
Patient Medical Services, Net	1,510,024	1,400,335	1,323,006	1,205,084	944,161
Housing and Dining Services, Net	102,603	100,837	106,468	115,351	114,361
Bookstores	38,348	41,429	47,598	54,590	55,941
Other Auxiliary Enterprises, Net	305,736	295,451	293,407	274,817	263,135
Other Operating Revenues	76,731	59,119	63,680	74,663	66,849
<b>Total Operating Revenues</b>	<b>2,986,898</b>	<b>2,851,178</b>	<b>2,799,743</b>	<b>2,702,357</b>	<b>2,402,529</b>
<b>Operating Expenses</b>					
Salaries and Wages	1,642,679	1,591,397	1,583,221	1,522,480	1,407,428
Benefits	577,660	475,748	456,370	461,209	396,886
Supplies, Services and Other Operating Expenses	1,111,726	1,006,586	975,232	970,963	858,939
Scholarships and Fellowships	67,367	68,047	69,289	70,353	66,860
Depreciation	215,539	213,477	210,226	201,691	194,075
<b>Total Operating Expenses</b>	<b>3,614,971</b>	<b>3,355,255</b>	<b>3,294,338</b>	<b>3,226,696</b>	<b>2,924,188</b>
<b>Operating Loss before State Appropriations</b>	<b>(628,073)</b>	<b>(504,077)</b>	<b>(494,595)</b>	<b>(524,339)</b>	<b>(521,659)</b>
State Appropriations	408,797	401,705	417,912	438,813	435,511
<b>Operating Income (Loss) after State Appropriations, Before Nonoperating Revenues (Expenses)</b>					
	<b>(219,276)</b>	<b>(102,372)</b>	<b>(76,683)</b>	<b>(85,526)</b>	<b>(86,148)</b>
<b>Nonoperating Revenues (Expenses)</b>					
Federal Appropriations	27,026	26,665	27,128	27,041	28,399
Federal Pell Grants	56,594	55,400	52,875	57,313	59,072
Investment and Endowment Income (Losses), Net	197,059	199,040	283,263	22,696	38,187
Private Gifts	86,405	77,883	71,249	80,972	68,615
Interest Expense	(66,585)	(71,043)	(70,037)	(65,061)	(67,651)
Other Nonoperating Revenues (Expenses)	139	(307)	959	(3,514)	13,972
<b>Net Nonoperating Revenues (Expenses)</b>	<b>300,638</b>	<b>287,638</b>	<b>365,437</b>	<b>119,447</b>	<b>140,594</b>
<b>Income (Loss) before Capital Contributions, Additions to Permanent Endowments, Extraordinary and Special Items</b>					
	<b>81,362</b>	<b>185,266</b>	<b>288,754</b>	<b>33,921</b>	<b>54,446</b>
State Capital Appropriations	-	29,765	49,519	29,166	3,610
Capital Gifts and Grants	67,106	21,083	34,371	15,990	21,083
Private Gifts for Endowment Purposes	30,524	46,851	31,358	29,477	30,288
Extraordinary Item:					
Loss on asset impairment	-	(17,908)	-	-	-
<b>Increase (Decrease) in Net Position</b>	<b>178,992</b>	<b>265,057</b>	<b>404,002</b>	<b>108,554</b>	<b>109,427</b>
<b>Net Position, Beginning of Year</b>	<b>4,868,394</b>	<b>4,603,337</b>	<b>4,485,060</b>	<b>4,244,397</b>	<b>4,134,970</b>
Cumulative Effect of Change in Accounting Principles					
	-	-	(285,725)	132,109	-
<b>Net Position, Beginning of Year, as Adjusted</b>	<b>4,868,394</b>	<b>4,603,337</b>	<b>4,199,335</b>	<b>4,376,506</b>	<b>4,134,970</b>
<b>Net Position, End of Year</b>	<b>5,047,386</b>	<b>4,868,394</b>	<b>4,603,337</b>	<b>4,485,060</b>	<b>\$ 4,244,397</b>

# CHANGES IN NET POSITION

(% increase / decrease from prior year)

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
<b>Operating Revenues</b>					
Tuition and Fees, Net	-0.5%	-0.8%	-3.4%	3.2%	4.9%
Less: Scholarship Allowances	2.8%	3.1%	-3.1%	4.1%	7.4%
Net Tuition and Fees	-1.7%	-2.1%	-3.4%	3.0%	4.1%
Federal Grants and Contracts	5.0%	-0.5%	2.1%	-0.4%	-3.0%
State and Local Grants and Contracts	1.0%	-1.6%	5.6%	7.0%	8.9%
Private Grants and Contracts	11.6%	6.0%	4.7%	-4.2%	-8.5%
Sales and Services of Educational Activities	-26.5%	-1.1%	4.3%	1.3%	3.9%
Auxiliary Enterprises -					
Patient Medical Services, Net	7.8%	5.8%	9.8%	27.6%	8.1%
Housing and Dining Services, Net	1.8%	-5.3%	-7.7%	0.9%	7.1%
Bookstores	-7.4%	-13.0%	-12.8%	-2.4%	2.7%
Other Auxiliary Enterprises, Net	3.5%	0.7%	6.8%	4.4%	6.1%
Other Operating Revenues	29.8%	-7.2%	-14.7%	11.7%	4.4%
<b>Total Operating Revenues</b>	<b>4.8%</b>	<b>1.8%</b>	<b>3.6%</b>	<b>12.5%</b>	<b>5.1%</b>
<b>Operating Expenses</b>					
Salaries and Wages	3.2%	0.5%	4.0%	8.2%	3.2%
Benefits	21.4%	4.2%	-1.0%	16.2%	14.6%
Supplies, Services and Other Operating Expenses	10.4%	3.2%	0.4%	13.0%	3.0%
Scholarships and Fellowships	-1.0%	-1.8%	-1.5%	5.2%	-0.1%
Depreciation	1.0%	1.5%	4.2%	3.9%	5.9%
<b>Total Operating Expenses</b>	<b>7.7%</b>	<b>1.8%</b>	<b>2.1%</b>	<b>10.3%</b>	<b>4.7%</b>
<b>Operating Loss before State Appropriations</b>	<b>-24.6%</b>	<b>-1.9%</b>	<b>5.7%</b>	<b>-0.5%</b>	<b>-2.6%</b>
State Appropriations	-1.8%	3.9%	4.8%	0.8%	5.5%
<b>Operating Income (Loss) after State Appropriations, Before Nonoperating Revenues (Expenses)</b>					
	-114.2%	-33.5%	10.3%	0.7%	10.0%
<b>Nonoperating Revenues (Expenses)</b>					
Federal Appropriations	1.4%	-1.7%	0.3%	-4.8%	2.6%
Federal Pell Grants	2.2%	4.8%	-7.7%	-3.0%	-1.2%
Investment and Endowment Income (Losses), Net	-1.0%	-29.7%	1148.1%	-40.6%	-86.5%
Private Gifts	10.9%	9.3%	-12.0%	18.0%	2.7%
Interest Expense	-6.3%	1.4%	7.6%	3.8%	-12.9%
Other Nonoperating Revenues (Expenses)	-145.3%	-132.0%	-127.3%	-125.2%	846.0%
<b>Net Nonoperating Revenues (Expenses)</b>	<b>4.5%</b>	<b>-21.3%</b>	<b>205.9%</b>	<b>-15.0%</b>	<b>-62.8%</b>
<b>Income (Loss) before Capital Contributions, Additions to Permanent Endowments and Extraordinary Item</b>					
	-56.1%	-35.8%	751.3%	-37.7%	-80.7%
State Capital Appropriations	-100.0%	-39.9%	69.8%	707.9%	100.0%
Capital Gifts and Grants	218.3%	-38.7%	115.0%	-24.2%	43.2%
Private Gifts for Endowment Purposes	-34.8%	49.4%	6.4%	-2.7%	-36.1%
Extraordinary Item:					
Loss on asset impairment	-100.0%	-100.0%	-	-	-
<b>Increase (Decrease) in Net Position</b>	<b>-32.5%</b>	<b>-34.4%</b>	<b>272.2%</b>	<b>-0.8%</b>	<b>-68.2%</b>
<b>Net Position, Beginning of Year</b>					
Cumulative Effect of Change in Accounting Principles	5.8%	2.6%	5.7%	2.6%	-3.9%
	-100.0%	100.0%	316.3%	100.0%	100.0%
<b>Net Position, Beginning of Year, as Adjusted</b>	<b>5.8%</b>	<b>9.6%</b>	<b>-4.0%</b>	<b>5.8%</b>	<b>9.1%</b>
<b>Net Position, End of Year</b>	<b>3.7%</b>	<b>5.8%</b>	<b>2.6%</b>	<b>5.7%</b>	<b>2.6%</b>

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
<b>+ Primary Reserve Ratio</b>	0.53	0.55	0.52	0.54	0.54
/ Conversion Factor	0.133	0.133	0.133	0.133	0.133
= Strength Factor	4.02	4.16	3.90	4.07	4.06
x Weighting Factor	35%	35%	35%	35%	35%
= Ratio Subtotal	1.41	1.45	1.36	1.42	1.42

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

<b>+ Return on Net Position Ratio</b>	3.6%	5.6%	9.2%	2.4%	2.6%
/ Conversion Factor	0.020	0.020	0.020	0.020	0.020
= Strength Factor	1.81	2.80	4.59	1.22	1.31
x Weighting Factor	20%	20%	20%	20%	20%
= Ratio Subtotal	0.36	0.56	0.92	0.24	0.26

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

<b>+ Net Operating Revenues Ratio</b>	2.2%	4.9%	5.2%	5.3%	5.1%
/ Conversion Factor	0.013	0.013	0.013	0.013	0.013
= Strength Factor	1.73	3.75	3.98	4.06	3.95
x Weighting Factor	10%	10%	10%	10%	10%
= Ratio Subtotal	0.17	0.38	0.40	0.41	0.40

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

<b>+ Viability Ratio</b>	1.15	1.12	1.00	1.01	0.93
/ Conversion Factor	0.417	0.417	0.417	0.417	0.417
= Strength Factor	2.75	2.68	2.40	2.43	2.24
x Weighting Factor	35%	35%	35%	35%	35%
= Ratio Subtotal	0.96	0.94	0.84	0.85	0.78

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

<b>Composite Financial Index</b>	<b>2.90</b>	<b>3.33</b>	<b>3.52</b>	<b>2.93</b>	<b>2.86</b>
<b>Composite Financial Index - Three Year Average</b>	<b>3.17</b>	<b>3.16</b>	<b>3.18</b>	<b>3.22</b>	<b>3.32</b>

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



Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

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

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Net Position - Unrestricted	\$ 1,434,650	\$ 1,378,360	\$ 1,254,980	\$ 1,303,708	\$ 1,129,355
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	410,497	394,577	367,009	356,156	367,832
Net Position - Restricted Expendable - Loans	85,038	83,567	85,145	84,509	83,546
Expendable Net Position	\$ 1,930,185	\$ 1,856,504	\$ 1,707,134	\$ 1,744,373	\$ 1,580,733
Operating Expenses	\$ 3,614,971	\$ 3,355,255	\$ 3,294,338	\$ 3,226,696	\$ 2,924,188
Less: Scholarships & Fellowships Expense	(67,367)	(68,047)	(69,289)	(70,353)	(66,860)
Interest Expense	66,585	71,043	70,037	65,061	67,651
Adjusted Total Operating Expense	\$ 3,614,189	\$ 3,358,251	\$ 3,295,086	\$ 3,221,404	\$ 2,924,979
Expendable Net Position	\$ 1,930,185	\$ 1,856,504	\$ 1,707,134	\$ 1,744,373	\$ 1,580,733
Adjusted Total Operating Expense	\$ 3,614,189	\$ 3,358,251	\$ 3,295,086	\$ 3,221,404	\$ 2,924,979

**Primary Reserve Ratio** 0.53 0.55 0.52 0.54 0.54

**Return on Net Position Ratio**

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Change in Net Position	\$ 178,992	\$ 265,057	\$ 404,002	\$ 108,554	\$ 109,427
Average Net Position	\$ 4,957,890	\$ 4,735,866	\$ 4,401,336	\$ 4,430,783	\$ 4,189,684

**Return on Net Position Ratio** 3.6% 5.6% 9.2% 2.4% 2.6%

**Net Operating Revenues Ratio (Annual Operating Margin)**

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Operating Inc (Loss) After State Appropriations	\$ (219,276)	\$ (102,372)	\$ (76,683)	\$ (85,526)	\$ (86,148)
Federal Appropriations	27,026	26,665	27,128	27,041	28,399
Federal Pell Grants	56,594	55,400	52,875	57,313	59,072
Normalized Investment Income	198,919	185,694	175,081	164,675	156,107
Private Gifts	86,405	77,883	71,249	80,972	68,615
Interest Expense	(66,585)	(71,043)	(70,037)	(65,061)	(67,651)
Net Operating Surplus (Deficit)	\$ 83,083	\$ 172,227	\$ 179,613	\$ 179,414	\$ 158,394
Total Operating Revenues	\$ 2,986,898	\$ 2,851,178	\$ 2,799,743	\$ 2,702,357	\$ 2,402,529
Less: Scholarship & Fellowships Expense	(67,367)	(68,047)	(69,289)	(70,353)	(66,860)
State Appropriations	408,797	401,705	417,912	438,813	435,511
Federal Appropriations	27,026	26,665	27,128	27,041	28,399
Federal Pell Grants	56,594	55,400	52,875	57,313	59,072
Normalized Investment Income (a)	198,919	185,694	175,081	164,675	156,107
Private Gifts	86,405	77,883	71,249	80,972	68,615
Total Operating Revenues	\$ 3,697,272	\$ 3,530,478	\$ 3,474,699	\$ 3,400,818	\$ 3,083,373

(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)	\$ 83,083	\$ 172,227	\$ 179,613	\$ 179,414	\$ 158,394
Total Operating Revenues	\$ 3,697,272	\$ 3,530,478	\$ 3,474,699	\$ 3,400,818	\$ 3,083,373

**Net Operating Revenues Ratio** 2.2% 4.9% 5.2% 5.3% 5.1%

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

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Net Position - Unrestricted	\$ 1,434,650	\$ 1,378,360	\$ 1,254,980	\$ 1,303,708	\$ 1,129,355
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	410,497	394,577	367,009	356,156	367,832
Net Position - Restricted Expendable - Loans	85,038	83,567	85,145	84,509	83,546
Expendable Net Position	\$ 1,930,185	\$ 1,856,504	\$ 1,707,134	\$ 1,744,373	\$ 1,580,733
Expendable Net Position	\$ 1,930,185	\$ 1,856,504	\$ 1,707,134	\$ 1,744,373	\$ 1,580,733
Total Direct Debt	\$ 1,681,582	\$ 1,659,078	\$ 1,708,533	\$ 1,723,240	\$ 1,695,003

**Viability Ratio** 1.15 1.12 1.00 1.01 0.93

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**Net Tuition per Student**

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Gross Tuition and Fees	\$ 857,456	\$ 861,913	\$ 868,784	\$ 898,906	\$ 870,637
Less: Scholarship Discounts / Allowances	(232,764)	(226,434)	(219,567)	(226,632)	(217,648)
Less: Scholarship / Fellowship Expenses	(67,367)	(68,047)	(69,289)	(70,353)	(66,860)
Net Tuition	\$ 557,325	\$ 567,432	\$ 579,928	\$ 601,921	\$ 586,129
Net Tuition	\$ 557,325	\$ 567,432	\$ 579,928	\$ 601,921	\$ 586,129
Number of Students - Fall Semester (FTEs)	53,510	55,351	57,785	59,816	59,565
<b>Net Tuition per Student</b>	<b>\$ 10,415</b>	<b>\$ 10,252</b>	<b>\$ 10,036</b>	<b>\$ 10,063</b>	<b>\$ 9,840</b>

**State Appropriations per Student**

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
State Appropriations	\$ 408,797	\$ 401,705	\$ 417,912	\$ 438,813	\$ 435,511
Number of Students - Fall Semester (FTEs)	53,510	55,351	57,785	59,816	59,565
<b>State Appropriations per Student</b>	<b>\$ 7,640</b>	<b>\$ 7,257</b>	<b>\$ 7,232</b>	<b>\$ 7,336</b>	<b>\$ 7,312</b>

**Educational Expenses per Student**

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Total Operating Expenses	\$ 3,614,971	\$ 3,355,255	\$ 3,294,338	\$ 3,226,696	\$ 2,924,188
Less: Scholarships / Fellowships Expense	(67,367)	(68,047)	(69,289)	(70,353)	(66,860)
Less: Auxiliary Operating Expenses	(1,790,379)	(1,418,469)	(1,360,986)	(1,270,059)	(1,205,871)
Less: Grants and Contracts Expenses	(309,500)	(292,335)	(289,875)	(280,172)	(280,019)
Interest Expense	66,585	71,043	70,037	65,061	67,651
Less: Auxiliary Interest Expense	(13,661)	(12,807)	(12,893)	(12,985)	(12,981)
Net Educational Expenses	\$ 1,500,649	\$ 1,634,640	\$ 1,631,332	\$ 1,658,188	\$ 1,426,108
Net Educational Expenses	\$ 1,500,649	\$ 1,634,640	\$ 1,631,332	\$ 1,658,188	\$ 1,426,108
Number of Students - Fall Semester (FTEs)	53,510	55,351	57,785	59,816	59,565
<b>Educational Expenses per Student</b>	<b>\$ 28,044</b>	<b>\$ 29,532</b>	<b>\$ 28,231</b>	<b>\$ 27,721</b>	<b>\$ 23,942</b>

**Total Tuition Discount**

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Scholarship Allowances	\$ 232,764	\$ 226,434	\$ 219,567	\$ 226,632	\$ 217,648
Scholarships / Fellowships Expense	67,367	68,047	69,289	70,353	66,860
Total Tuition Discounts (\$)	\$ 300,131	\$ 294,481	\$ 288,856	\$ 296,985	\$ 284,508
Total Tuition Discounts (\$)	\$ 300,131	\$ 294,481	\$ 288,856	\$ 296,985	\$ 284,508
Gross Tuition and Fees	\$ 857,456	\$ 861,913	\$ 868,784	\$ 898,906	\$ 870,637
<b>Total Tuition Discount (%)</b>	<b>35.0%</b>	<b>34.2%</b>	<b>33.2%</b>	<b>33.0%</b>	<b>32.7%</b>

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**Unrestricted Financial Resources to Direct Debt**

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Current Portion of Long-Term Debt	\$ 399,074	\$ 228,078	\$ 232,821	\$ 224,254	\$ 71,022
Long-Term Debt Subject to Remarketing	82,540	86,185	89,695	93,070	96,320
Long-Term Debt	1,199,968	1,344,815	1,386,017	1,405,916	1,527,661
<b>Total Direct Debt</b>	<b>\$ 1,681,582</b>	<b>\$ 1,659,078</b>	<b>\$ 1,708,533</b>	<b>\$ 1,723,240</b>	<b>\$ 1,695,003</b>
Net Position - Unrestricted	\$ 1,434,650	\$ 1,378,360	\$ 1,254,980	\$ 1,303,708	\$ 1,129,355
Total Direct Debt	\$ 1,681,582	\$ 1,659,078	\$ 1,708,533	\$ 1,723,240	\$ 1,695,003

**Unrestricted Financial Resources  
to Direct Debt**

**0.85      0.83      0.73      0.76      0.67**

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

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Net Position - Unrestricted	\$ 1,434,650	\$ 1,378,360	\$ 1,254,980	\$ 1,303,708	\$ 1,129,355
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	410,497	394,577	367,009	356,156	367,832
Net Position - Restricted Expendable - Loans	85,038	83,567	85,145	84,509	83,546
<b>Expendable Net Position</b>	<b>\$ 1,930,185</b>	<b>\$ 1,856,504</b>	<b>\$ 1,707,134</b>	<b>\$ 1,744,373</b>	<b>\$ 1,580,733</b>
Expendable Net Position	\$ 1,930,185	\$ 1,856,504	\$ 1,707,134	\$ 1,744,373	\$ 1,580,733
Total Direct Debt	\$ 1,681,582	\$ 1,659,078	\$ 1,708,533	\$ 1,723,240	\$ 1,695,003

**Viability Ratio**

**1.15      1.12      1.00      1.01      0.93**

**Total Financial Resources to Direct Debt**

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Net Position - Unrestricted	\$ 1,434,650	\$ 1,378,360	\$ 1,254,980	\$ 1,303,708	\$ 1,129,355
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	410,497	394,577	367,009	356,156	367,832
Net Position - Restricted Expendable - Loans	85,038	83,567	85,145	84,509	83,546
Net Position - Restricted Nonexpendable	1,248,860	1,200,514	1,109,498	993,760	1,010,357
<b>Total Financial Resources</b>	<b>\$ 3,179,045</b>	<b>\$ 3,057,018</b>	<b>\$ 2,816,632</b>	<b>\$ 2,738,133</b>	<b>\$ 2,591,090</b>
Total Financial Resources	\$ 3,179,045	\$ 3,057,018	\$ 2,816,632	\$ 2,738,133	\$ 2,591,090
Total Direct Debt	\$ 1,681,582	\$ 1,659,078	\$ 1,708,533	\$ 1,723,240	\$ 1,695,003

**Total Financial Resources  
to Direct Debt**

**1.89      1.84      1.65      1.59      1.53**

**Direct Debt per Student**

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Total Direct Debt	\$ 1,681,582	\$ 1,659,078	\$ 1,708,533	\$ 1,723,240	\$ 1,695,003
Number of Students - End of Fiscal Year (FTEs)	52,827	54,106	55,398	57,785	59,816
<b>Direct Debt per Student</b>	<b>\$ 31,832</b>	<b>\$ 30,663</b>	<b>\$ 30,841</b>	<b>\$ 29,822</b>	<b>\$ 28,337</b>



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**Unrestricted Financial Resources to Operations**

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Net Position - Unrestricted	\$ 1,434,650	\$ 1,378,360	\$ 1,254,980	\$ 1,303,708	\$ 1,129,355
Operating Expenses	\$ 3,614,971	\$ 3,355,255	\$ 3,294,338	\$ 3,226,696	\$ 2,924,188
Less: Scholarships & Fellowships Expense	(67,367)	(68,047)	(69,289)	(70,353)	(66,860)
Interest Expense	66,585	71,043	70,037	65,061	67,651
Adjusted Total Operating Expense	\$ 3,614,189	\$ 3,358,251	\$ 3,295,086	\$ 3,221,404	\$ 2,924,979
Net Position - Unrestricted	\$ 1,434,650	\$ 1,378,360	\$ 1,254,980	\$ 1,303,708	\$ 1,129,355
Adjusted Total Operating Expense	\$ 3,614,189	\$ 3,358,251	\$ 3,295,086	\$ 3,221,404	\$ 2,924,979

**Unrestricted Financial Resources  
to Operations**

**0.40                      0.41                      0.38                      0.40                      0.39**

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

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Net Position - Unrestricted	\$ 1,434,650	\$ 1,378,360	\$ 1,254,980	\$ 1,303,708	\$ 1,129,355
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	410,497	394,577	367,009	356,156	367,832
Net Position - Restricted Expendable - Loans	85,038	83,567	85,145	84,509	83,546
Expendable Net Position	\$ 1,930,185	\$ 1,856,504	\$ 1,707,134	\$ 1,744,373	\$ 1,580,733
Operating Expenses	\$ 3,614,971	\$ 3,355,255	\$ 3,294,338	\$ 3,226,696	\$ 2,924,188
Less: Scholarships & Fellowships Expense	(67,367)	(68,047)	(69,289)	(70,353)	(66,860)
Interest Expense	66,585	71,043	70,037	65,061	67,651
Adjusted Total Operating Expense	\$ 3,614,189	\$ 3,358,251	\$ 3,295,086	\$ 3,221,404	\$ 2,924,979
Expendable Net Position	\$ 1,930,185	\$ 1,856,504	\$ 1,707,134	\$ 1,744,373	\$ 1,580,733
Adjusted Total Operating Expense	\$ 3,614,189	\$ 3,358,251	\$ 3,295,086	\$ 3,221,404	\$ 2,924,979

**Primary Reserve Ratio**

**0.53                      0.55                      0.52                      0.54                      0.54**

**Total Financial Resources per Student**

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Net Position - Unrestricted	\$ 1,434,650	\$ 1,378,360	\$ 1,254,980	\$ 1,303,708	\$ 1,129,355
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	410,497	394,577	367,009	356,156	367,832
Net Position - Restricted Expendable - Loans	85,038	83,567	85,145	84,509	83,546
Net Position - Restricted Nonexpendable	1,248,860	1,200,514	1,109,498	993,760	1,010,357
Total Financial Resources	\$ 3,179,045	\$ 3,057,018	\$ 2,816,632	\$ 2,738,133	\$ 2,591,090
Total Financial Resources	\$ 3,179,045	\$ 3,057,018	\$ 2,816,632	\$ 2,738,133	\$ 2,591,090
Number of Students - End of Fiscal Year (FTE)	52,827	54,106	55,398	57,785	59,816

**Total Financial Resources per Student**

**\$ 60,178    \$ 56,501    \$ 50,844    \$ 47,385    \$ 43,318**

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

**Net Operating Revenues Ratio (Annual Operating Margin)**

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Operating Inc (Loss) After State Appropriations	\$ (219,276)	\$ (102,372)	\$ (76,683)	\$ (85,526)	\$ (86,148)
Federal Appropriations	27,026	26,665	27,128	27,041	28,399
Federal Pell Grants	56,594	55,400	52,875	57,313	59,072
Normalized Investment Income	198,919	185,694	175,081	164,675	156,107
Private Gifts	86,405	77,883	71,249	80,972	68,615
Interest Expense	(66,585)	(71,043)	(70,037)	(65,061)	(67,651)
Net Operating Surplus (Deficit)	\$ 83,083	\$ 172,227	\$ 179,613	\$ 179,414	\$ 158,394
Total Operating Revenues	\$ 2,986,898	\$ 2,851,178	\$ 2,799,743	\$ 2,702,357	\$ 2,402,529
Less: Scholarship & Fellowships Expense	(67,367)	(68,047)	(69,289)	(70,353)	(66,860)
State Appropriations	408,797	401,705	417,912	438,813	435,511
Federal Appropriations	27,026	26,665	27,128	27,041	28,399
Federal Pell Grants	56,594	55,400	52,875	57,313	59,072
Normalized Investment Income (a)	198,919	185,694	175,081	164,675	156,107
Private Gifts	86,405	77,883	71,249	80,972	68,615
Total Operating Revenues	\$ 3,697,272	\$ 3,530,478	\$ 3,474,699	\$ 3,400,818	\$ 3,083,373

(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)	\$ 83,083	\$ 172,227	\$ 179,613	\$ 179,414	\$ 158,394
Total Operating Revenues	\$ 3,697,272	\$ 3,530,478	\$ 3,474,699	\$ 3,400,818	\$ 3,083,373

**Net Operating Revenues Ratio** **2.2%** **4.9%** **5.2%** **5.3%** **5.1%**

**Debt Service Coverage**

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Total Debt Service	\$ 103,026	\$ 107,630	\$ 107,288	\$ 94,916	\$ 86,741
Net Operating Surplus (Deficit)	\$ 83,083	\$ 172,227	\$ 179,613	\$ 179,414	\$ 158,394
Add Back: Interest Expense	66,585	71,043	70,037	65,061	67,651
Add Back: Depreciation Expense	215,539	213,477	210,226	201,691	194,075
Adjusted Net Operating Surplus (Deficit)	\$ 365,207	\$ 456,747	\$ 459,876	\$ 446,166	\$ 420,120
Adjusted Net Operating Surplus (Deficit)	\$ 365,207	\$ 456,747	\$ 459,876	\$ 446,166	\$ 420,120
Total Debt Service	\$ 103,026	\$ 107,630	\$ 107,288	\$ 94,916	\$ 86,741

**Debt Service Coverage** **3.54** **4.24** **4.29** **4.70** **4.84**

**Return on Net Position Ratio**

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Change in Net Position	\$ 178,992	\$ 265,057	\$ 404,002	\$ 108,554	\$ 109,427
Average Net Position	\$ 4,957,890	\$ 4,735,866	\$ 4,401,336	\$ 4,430,783	\$ 4,189,684

**Return on Net Position Ratio** **3.6%** **5.6%** **9.2%** **2.4%** **2.6%**

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

**Contribution Ratios**

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
State Appropriations	\$ 408,797	\$ 401,705	\$ 417,912	\$ 438,813	\$ 435,511
Tuition and Fees, Net of Scholarship Allow/Exp	557,325	567,432	579,928	601,921	586,129
Auxiliary Enterprises	446,687	437,717	447,473	444,758	433,437
Grants and Contracts	309,500	292,335	289,875	280,172	280,019
Federal Pell Grants	56,594	55,400	52,875	57,313	59,072
Gifts	86,405	77,883	71,249	80,972	68,615
Normalized Investment Income (a)	198,919	185,694	175,081	164,675	156,107
Patient Care	1,510,024	1,400,335	1,323,006	1,205,084	944,161
Other	123,021	111,977	117,300	127,110	120,322
<b>Total</b>	<b>\$ 3,697,272</b>	<b>\$ 3,530,478</b>	<b>\$ 3,474,699</b>	<b>\$ 3,400,818</b>	<b>\$ 3,083,373</b>
State Appropriations	11.1%	11.2%	12.0%	12.9%	14.1%
Tuition and Fees, Net of Scholarship Allow/Exp	15.1%	16.1%	16.7%	17.7%	19.0%
Auxiliary Enterprises	12.1%	12.4%	12.9%	13.1%	14.1%
Grants and Contracts	8.4%	8.3%	8.3%	8.2%	9.1%
Federal Pell Grants	1.5%	1.6%	1.5%	1.7%	1.9%
Gifts	2.3%	2.2%	2.1%	2.4%	2.2%
Normalized Investment Income (a)	5.4%	5.3%	5.0%	4.8%	5.1%
Patient Care	40.8%	39.7%	38.1%	35.4%	30.6%
Other	3.3%	3.2%	3.4%	3.8%	3.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

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

**Operating Expenses by Functional Classifications**

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Instruction	\$ 690,858	\$ 630,762	\$ 590,759	\$ 643,872	\$ 638,917
Research	209,367	193,568	181,649	194,245	189,339
Public Service	180,060	163,971	157,491	158,935	153,492
Academic Support	161,043	144,740	140,326	156,667	147,403
Student Services	103,552	101,151	90,698	99,132	92,629
Institutional Support	133,751	115,744	111,416	149,468	128,773
Operation and Maintenance of Plant	121,695	105,162	92,300	99,375	104,205
Auxiliary Enterprises	1,731,739	1,618,633	1,548,766	1,271,256	1,208,495
Scholarships and Fellowships	67,367	68,047	69,289	70,353	66,860
Depreciation	215,539	213,477	210,226	190,296	194,075
<b>Total Operating Expenses</b>	<b>\$ 3,614,971</b>	<b>\$ 3,355,255</b>	<b>\$ 3,192,920</b>	<b>\$ 3,033,599</b>	<b>\$ 2,924,188</b>
Instruction	19.1%	18.8%	18.5%	21.2%	21.8%
Research	5.8%	5.8%	5.7%	6.4%	6.5%
Public Service	5.0%	4.9%	4.9%	5.2%	5.2%
Academic Support	4.5%	4.3%	4.4%	5.2%	5.0%
Student Services	2.9%	3.0%	2.8%	3.3%	3.2%
Institutional Support	3.7%	3.4%	3.5%	4.9%	4.4%
Operation and Maintenance of Plant	3.4%	3.1%	2.9%	3.3%	3.6%
Auxiliary Enterprises	47.9%	48.2%	48.5%	41.9%	41.3%
Scholarships and Fellowships	1.9%	2.0%	2.2%	2.3%	2.3%
Depreciation	6.0%	6.4%	6.6%	6.3%	6.7%
<b>Total Operating Expenses</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

**Enrollment**

Fall Semester	2018	2017	2016	2015	2014
Undergraduate Students (Head Count)	54,106	55,877	58,385	59,418	58,489
Graduate Students (Head Count)	13,803	13,815	14,498	15,184	15,614
Professional Students (Head Count)	3,351	3,122	3,116	3,131	3,180
Total Students (Head Count)	71,260	72,814	75,999	77,733	77,283
Undergraduate Students (FTE)	42,406	44,248	46,202	47,840	47,443
Graduate Students (FTE)	7,795	8,029	8,505	8,889	8,986
Professional Students (FTE)	3,309	3,074	3,077	3,087	3,137
Total Students (FTE)	53,510	55,351	57,784	59,816	59,566
Acceptance Rate - First-time Freshmen	72%	74%	71%	76%	75%
Acceptance Rate - Undergraduate Transfers	63%	66%	66%	69%	68%
Matriculation - First-time Freshmen	32%	35%	33%	38%	40%
Matriculation - Undergraduate Transfers	66%	66%	66%	64%	68%

**Demographics**

Fall Semester	2018	2017	2016	2015	2014
Male	48%	48%	48%	49%	48%
Female	52%	52%	52%	51%	52%
Undergraduate Residence - Missouri	83%	82%	81%	79%	78%
Undergraduate Residence - Out of State	17%	18%	19%	21%	22%
Undergraduate Full-Time	72%	73%	73%	75%	76%
Undergraduate Part-Time	28%	27%	27%	25%	24%
Graduate Full-Time	45%	48%	50%	49%	49%
Graduate Part-Time	55%	52%	50%	51%	51%
White	72.5%	72.3%	72.2%	72.5%	72.5%
Black or African American	8.8%	8.9%	9.2%	9.0%	9.4%
Non-Resident Alien	6.2%	6.8%	7.5%	8.0%	8.0%
Asian / Pacific Is.	4.4%	4.3%	4.0%	3.8%	3.8%
Hispanic	4.7%	4.6%	4.2%	3.9%	3.7%
Other	3.4%	3.1%	2.9%	2.8%	2.6%

**Degrees Awarded**

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Baccalaureate	11,401	11,669	11,546	11,654	11,360
Graduate Certificate	1,026	1,047	869	839	780
Master's	3,577	3,956	4,217	4,330	4,204
Educational Specialist	106	67	93	100	122
Doctoral	754	818	816	720	712
First Professional Degree	882	832	829	833	876
Total	17,746	18,389	18,370	18,476	18,054



Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

**Enrollment**

Fall Semester	2018	2017	2016	2015	2014
Undergraduate Students (Head Count)	22,484	23,799	25,877	27,791	27,642
Graduate Students (Head Count)	5,952	5,864	6,178	6,440	6,561
Professional Students (Head Count)	1,407	1,181	1,184	1,193	1,222
Total Students (Head Count)	29,843	30,844	33,239	35,424	35,425
Undergraduate Students (FTE)	20,566	21,974	23,864	25,600	25,371
Graduate Students (FTE)	3,403	3,498	3,694	3,894	3,959
Professional Students (FTE)	1,393	1,165	1,166	1,172	1,202
Total Students (FTE)	25,362	26,637	28,724	30,666	30,532
Acceptance Rate - First-time Freshmen	78%	78%	75%	78%	78%
Acceptance Rate - Undergraduate Transfers	65%	63%	62%	67%	65%
Matriculation - First-time Freshmen	32%	32%	30%	36%	40%
Matriculation - Undergraduate Transfers	60%	60%	57%	54%	60%

**Demographics**

Fall Semester	2018	2017	2016	2015	2014
Male	46%	47%	47%	47%	47%
Female	54%	53%	53%	53%	53%
Undergraduate Residence - Missouri	78%	76%	74%	72%	73%
Undergraduate Residence - Out of State	22%	24%	26%	28%	27%
Undergraduate Full-Time	92%	93%	93%	94%	94%
Undergraduate Part-Time	8%	7%	7%	6%	6%
Graduate Full-Time	53%	57%	58%	59%	59%
Graduate Part-Time	47%	43%	42%	41%	41%
White	76.5%	76.9%	76.9%	76.9%	77.4%
Black or African American	7.0%	6.8%	7.0%	7.3%	7.3%
Non-Resident Alien	6.2%	6.8%	7.2%	7.2%	6.9%
Asian / Pacific Is.	2.4%	2.4%	2.3%	2.2%	2.3%
Hispanic	4.3%	3.9%	3.6%	3.5%	3.3%
Other	3.6%	3.2%	3.0%	2.9%	2.8%

**Degrees Awarded**

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Baccalaureate	6,314	6,512	6,331	6,283	5,995
Graduate Certificate	386	362	266	225	239
Master's	1,473	1,562	1,684	1,619	1,571
Educational Specialist	59	40	56	51	82
Doctoral	426	501	500	416	435
First Professional Degree	357	302	313	308	346
Total	9,015	9,279	9,150	8,902	8,668

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

**Enrollment**

Fall Semester	2018	2017	2016	2015	2014
Undergraduate Students (Head Count)	11,319	11,372	11,704	11,243	10,453
Graduate Students (Head Count)	3,287	3,231	3,468	3,676	3,911
Professional Students (Head Count)	1,769	1,769	1,764	1,766	1,782
Total Students (Head Count)	16,375	16,372	16,936	16,685	16,146
Undergraduate Students (FTE)	7,853	7,989	7,990	7,798	7,575
Graduate Students (FTE)	1,831	1,854	2,080	2,202	2,218
Professional Students (FTE)	1,740	1,737	1,744	1,743	1,759
Total Students (FTE)	11,424	11,580	11,814	11,743	11,552
Acceptance Rate - First-time Freshmen	56%	64%	62%	63%	64%
Acceptance Rate - Undergraduate Transfers	56%	65%	66%	69%	68%
Matriculation - First-time Freshmen	32%	37%	38%	37%	38%
Matriculation - Undergraduate Transfers	65%	64%	66%	65%	73%

**Demographics**

Fall Semester	2018	2017	2016	2015	2014
Male	43%	43%	44%	45%	45%
Female	57%	57%	56%	55%	55%
Undergraduate Residence - Missouri	77%	77%	78%	77%	74%
Undergraduate Residence - Out of State	23%	23%	22%	23%	26%
Undergraduate Full-Time	58%	59%	57%	59%	65%
Undergraduate Part-Time	42%	41%	43%	41%	35%
Graduate Full-Time	37%	38%	44%	45%	43%
Graduate Part-Time	63%	62%	56%	55%	57%
White	63.7%	62.8%	62.8%	62.6%	62.2%
Black or African American	10.4%	10.4%	11.0%	10.4%	11.2%
Non-Resident Alien	7.8%	7.8%	8.9%	10.1%	10.2%
Asian / Pacific Is.	7.6%	7.3%	6.7%	6.5%	6.7%
Hispanic	7.5%	8.0%	7.2%	6.7%	6.1%
Other	4.6%	3.7%	3.4%	3.7%	3.6%

**Degrees Awarded**

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Baccalaureate	1,778	1,753	1,824	1,741	1,812
Graduate Certificate	64	54	48	71	50
Master's	859	962	1,082	1,213	1,197
Educational Specialist	24	18	20	32	26
Doctoral	135	114	122	120	98
First Professional Degree	486	491	473	480	489
Total	3,346	3,392	3,569	3,657	3,672

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

### Enrollment

Fall Semester	2018	2017	2016	2015	2014
Undergraduate Students (Head Count)	6,843	6,919	6,906	6,839	6,520
Graduate Students (Head Count)	1,758	1,964	1,929	2,047	2,120
Professional Students (Head Count)	-	-	-	-	-
<b>Total Students (Head Count)</b>	<b>8,601</b>	<b>8,883</b>	<b>8,835</b>	<b>8,886</b>	<b>8,640</b>
Undergraduate Students (FTE)	6,123	6,193	6,234	6,216	5,947
Graduate Students (FTE)	1,113	1,257	1,224	1,273	1,332
Professional Students (FTE)	-	-	-	-	-
<b>Total Students (FTE)</b>	<b>7,236</b>	<b>7,450</b>	<b>7,458</b>	<b>7,489</b>	<b>7,279</b>
Acceptance Rate - First-time Freshmen	84%	83%	77%	88%	86%
Acceptance Rate - Undergraduate Transfers	74%	75%	70%	70%	70%
Matriculation - First-time Freshmen	36%	44%	44%	47%	42%
Matriculation - Undergraduate Transfers	65%	69%	72%	74%	75%

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

### Demographics

Fall Semester	2018	2017	2016	2015	2014
Male	76%	77%	77%	77%	77%
Female	24%	23%	23%	23%	23%
Undergraduate Residence - Missouri	86%	85%	83%	80%	79%
Undergraduate Residence - Out of State	14%	15%	17%	20%	21%
Undergraduate Full-Time	89%	89%	90%	90%	89%
Undergraduate Part-Time	11%	11%	10%	10%	11%
Graduate Full-Time	60%	62%	63%	60%	61%
Graduate Part-Time	40%	38%	37%	40%	39%
White	75.5%	74.4%	73.6%	71.5%	70.0%
Black or African American	3.1%	3.2%	3.4%	3.4%	3.5%
Non-Resident Alien	10.5%	12.1%	13.4%	16.1%	18.2%
Asian / Pacific Is.	3.7%	3.6%	3.6%	3.2%	2.9%
Hispanic	3.8%	3.7%	3.3%	3.2%	3.1%
Other	3.4%	3.0%	2.7%	2.6%	2.3%

### Degrees Awarded

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Baccalaureate	1,388	1,416	1,320	1,378	1,307
Graduate Certificate	454	510	432	427	404
Master's	517	613	625	688	675
Educational Specialist	-	-	-	-	-
Doctoral	101	116	88	109	95
First Professional Degree	-	-	-	-	-
<b>Total</b>	<b>2,460</b>	<b>2,655</b>	<b>2,465</b>	<b>2,602</b>	<b>2,481</b>

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

**Enrollment**

Fall Semester	2018	2017	2016	2015	2014
Undergraduate Students (Head Count)	13,460	13,787	13,898	13,545	13,874
Graduate Students (Head Count)	2,806	2,756	2,923	3,021	3,022
Professional Students (Head Count)	175	172	168	172	176
Total Students (Head Count)	16,441	16,715	16,989	16,738	17,072
Undergraduate Students (FTE)	7,865	8,092	8,113	8,228	8,550
Graduate Students (FTE)	1,448	1,420	1,508	1,520	1,477
Professional Students (FTE)	175	172	168	172	176
Total Students (FTE)	9,488	9,684	9,789	9,920	10,203
Acceptance Rate - First-time Freshmen	52%	58%	54%	57%	56%
Acceptance Rate - Undergraduate Transfers	69%	68%	68%	71%	69%
Matriculation - First-time Freshmen	27%	32%	32%	38%	39%
Matriculation - Undergraduate Transfers	72%	70%	71%	70%	68%

**Demographics**

Fall Semester	2018	2017	2016	2015	2014
Male	41%	41%	41%	40%	40%
Female	59%	59%	59%	60%	60%
Undergraduate Residence - Missouri	94%	94%	94%	93%	93%
Undergraduate Residence - Out of State	6%	6%	6%	7%	7%
Undergraduate Full-Time	40%	40%	39%	42%	44%
Undergraduate Part-Time	60%	60%	61%	58%	56%
Graduate Full-Time	30%	31%	30%	27%	25%
Graduate Part-Time	70%	69%	70%	73%	75%
White	72.2%	72.0%	71.3%	73.1%	72.8%
Black or African American	14.2%	14.5%	15.0%	14.4%	15.2%
Non-Resident Alien	2.9%	3.1%	3.5%	3.3%	3.2%
Asian / Pacific Is.	5.0%	5.1%	5.1%	4.5%	4.5%
Hispanic	3.2%	3.2%	3.0%	2.6%	2.5%
Other	2.5%	2.2%	2.1%	2.1%	1.8%

**Degrees Awarded**

Fiscal Year Ended June 30,	2019	2018	2017	2016	2015
Baccalaureate	1,921	1,988	2,071	2,252	2,246
Graduate Certificate	122	121	123	116	87
Master's	728	819	826	810	761
Educational Specialist	23	9	17	17	14
Doctoral	92	87	106	75	84
First Professional Degree	39	39	43	45	41
Total	2,925	3,063	3,186	3,315	3,233



# Office of Finance

118 University Hall  
Columbia, MO 65211

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



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