

Missouri State University

A Component Unit of the State of Missouri

Independent Auditor's Report and Financial Statements

June 30, 2014 and 2013

Missouri State University
A Component Unit of the State of Missouri
June 30, 2014 and 2013

Contents

Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	3
Financial Statements	
Statements of Net Position	12
Statements of Revenues, Expenses and Changes in Net Position	13
Statements of Cash Flows	15
Notes to Financial Statements	17
Required Supplementary Information	
Schedule of Funding Progress – Other Postemployment Benefits	47
Supplementary Information	
Condensed Statements by Campus.....	48

Independent Auditor's Report

Board of Governors
Missouri State University
Springfield, Missouri

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component unit of Missouri State University, collectively a component unit of the state of Missouri, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise Missouri State University'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 of Missouri State University and of its discretely presented component unit as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2014, the University changed its method of accounting for certain items previously reported as assets and liabilities in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other postemployment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the basic financial statements as a whole. The Condensed Statements by Campus listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Springfield, Missouri
December 9, 2014

Missouri State University
A Component Unit of the State of Missouri
Management's Discussion and Analysis
Years Ended June 30, 2014 and 2013

We are providing Missouri State University's (the "University") discussion and analysis of our financial statements and related notes as of June 30, 2014 and 2013, and for the fiscal years then ended. Three statements are described in the following discussion and analysis: The Statement of Net Position, which presents the assets, deferred outflows, liabilities and net position of the institution as of the end of the fiscal year, the Statement of Revenues, Expenses and Changes in Net Position, which reflects revenues and expenses recognized during the fiscal year and the Statement of Cash Flows, which provides information on all of the cash inflows and outflows for the institution by major category during the fiscal year.

We hope this information will assist you as you seek to understand the University's financial position and operating activities, accomplishments and challenges. As you read through the next few pages, please review and refer to the Statements of Net Position, Revenues, Expenses and Changes in Net Position and Cash Flows in addition to the Notes to the Financial Statements that we have described above.

Overview

Missouri State University is a public, comprehensive metropolitan university system with a statewide mission in public affairs with an enrollment of over 23,000, whose purpose is to develop educated persons while guided by three overarching and enduring commitments to student learning, inclusive excellence and institutional impact. The University's identity is distinguished by its statewide mission in public affairs, requiring a campus-wide commitment to foster competence and responsibility in the common vocation of citizenship. The academic experience is grounded in a general education curriculum which draws heavily from the liberal arts and sciences. This foundation provides the basis for mastery of disciplinary and professional studies. It also provides essential forums in which students develop the capacity to make well-informed, independent critical judgments about the cultures, values and institutions in society.

The task of developing educated persons obligates the University to expand the store of human understanding through research, scholarship and creative endeavor and drawing from that store of understanding, to provide service to the communities that support it. In all of its programs, the University uses the most effective methods of discovering and imparting knowledge and the appropriate use of technology in support of these activities.

The Missouri State University campuses are structured to address the special needs of the urban and rural populations they serve. Missouri State University-Springfield is a selective admissions, graduate level teaching and research institution. Missouri State University-West Plains is an open admissions campus serving seven counties in south central Missouri. Missouri State University-Mountain Grove serves Missouri's fruit industry through operation of the State Fruit Experiment Station. The Extended Campus provides anytime, anyplace learning opportunities through telecourses, internet-based instruction and through its interactive video network (BearNet). The University also operates various other special facilities, such as the Darr Agricultural Center in southwest Springfield, the Jordan Valley Innovation Center in downtown Springfield, the Bull Shoals Field Station near Forsyth, Baker's Acres and Observatory near Marshfield, the Missouri State University Graduate Center in Joplin and a branch campus at Liaoning Normal University in Dalian, China. In addition, Missouri State has the operations and program offerings of one entire academic department, its Department of Defense and Strategic Studies, located near Washington, D.C., in Fairfax, Virginia.

Management Discussion and Analysis

This discussion and analysis of the Missouri State University's (the "University") financial statements provides a comparative overview of the University's financial performance during the years ended June 30, 2014, 2013 and 2012. Since the management's discussion and analysis is designed to focus on current activities, resulting changes and current known facts, please read it in conjunction with the University's basic financial statements and the footnotes. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) pronouncements.

In 2014, the University adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify certain items previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources and recognize certain items that were previously reported as assets and liabilities as expenses and revenues. Information included in this discussion and analysis for the year ended June 30, 2013, has been restated for the application of GASB Statement No. 65. Information for the year ended June 30, 2012, has not been restated for the application of GASB Statement No. 65 based on the immaterial impact.

Statements of Net Position

The Statement of Net Position presents the financial position of the University at a point in time. The Statement of Net Position has four major components which include 1.) Assets, 2.) Deferred Outflows of Resources, 3.) Liabilities and 4.) Net Position. A description of each component is as follows:

Assets – Current assets are those anticipated to be liquidated within one year or less and include items such as cash and cash equivalents, investments, accounts receivable, inventories, loans to students and prepaid expenses. Noncurrent assets include that portion of accounts receivable, investments, loans to students and prepaid expenses not expected to liquidate within one year plus capital assets such as buildings, building improvements, infrastructure, equipment, etc.

Deferred Outflows of Resources – Deferred outflows of resources are those applicable to a future reporting period and include losses on bond refundings.

Liabilities – Current liabilities are those anticipated to be recognized within one year or less and include items such as accounts payable and accrued liabilities, accrued compensated absences, unearned revenue, interest payable, student deposits, the current portion of long-term debt and accrued settlements. Noncurrent liabilities include that portion of accrued liabilities, compensated absences and long-term debt that are not due within one year.

Net Position – Net Position represents University total assets and deferred outflows of resources less total liabilities. Net Position are classified in three major categories which include 1.) Net Investment in Capital Assets, 2.) Restricted and 3.) Unrestricted.

- 1.) Net Investment in Capital Assets represents buildings, building improvements, equipment, etc., that is net of accumulated depreciation and related debt.
- 2.) Restricted Net Position are that whose purpose has been determined by an outside party for a specific use such as scholarships, loans and capital projects.
- 3.) Unrestricted Net Position represents balances from operational activities that have not been restricted by parties external to the University. This includes funds that have been designated for specific purposes as well as amounts that have been contractually committed for goods and services not yet received.

A summary of the University's assets, liabilities and net position at June 30, 2014, 2013 and 2012:

Statements of Net Position
As of June 30, 2014, 2013 and 2012
(In Millions)

	June 30, 2014	June 30, 2013 (Restated -	June 30, 2012
		Note 1)	
Current Assets	\$ 127.8	\$ 156.1	\$ 174.4
Noncurrent Assets	523.3	442.2	419.4
Deferred Outflows of Resources	<u>0.5</u>	<u>0.8</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>651.6</u>	<u>599.1</u>	<u>593.8</u>
Current Liabilities	54.2	43.4	44.9
Noncurrent Liabilities	<u>144.0</u>	<u>112.8</u>	<u>117.3</u>
Total Liabilities	<u>198.2</u>	<u>156.2</u>	<u>162.2</u>
Net Position			
Net investment in capital assets	313.1	325.2	300.5
Restricted	12.7	8.0	8.3
Unrestricted	<u>127.6</u>	<u>109.7</u>	<u>122.8</u>
Total Net Position	<u>\$ 453.4</u>	<u>\$ 442.9</u>	<u>\$ 431.6</u>

Comparative Analysis of Fiscal Years 2014, 2013 and 2012

Current Assets – Current assets for Fiscal Year 2014 totaled \$127.8 million which is a decrease of \$28.3 million from Fiscal Year 2013 current assets of \$156.1 million. This decrease is primarily attributed to a reduction in short-term investments offset by an increase in restricted cash associated with the auxiliary system bond issue. Current assets for Fiscal Year 2013 totaled \$156.1 million which is a decrease of \$18.3 million from Fiscal Year 2012 current assets of \$174.4 million. This decrease is primarily attributed to cash expenditures for the completion of capital projects outstanding at the end of Fiscal Year 2012.

Noncurrent Assets – Noncurrent assets for Fiscal Year 2014 totaled \$523.3 million which is an increase of \$81.1 million from Fiscal Year 2013 noncurrent assets of \$442.2 million and Fiscal Year 2013 increased \$22.8 million from Fiscal Year 2012 noncurrent assets of \$419.4 million. The increases are primarily due to increased capital assets and an increase in long-term investments in Fiscal Year 2014.

Current Liabilities – Current liabilities for Fiscal Year 2014 totaled \$54.2 million which is an increase of \$10.8 million from Fiscal Year 2013 current liabilities of \$43.4 million. This increase is primarily attributed to increased accounts payable related to outstanding capital projects at the end of the fiscal year. Current liabilities for Fiscal Year 2013 totaled \$43.4 million which is a decrease of \$1.5 million from Fiscal Year 2012 current liabilities of \$44.9 million. This decrease is primarily attributed to lower accounts payable at the end of the fiscal year.

Noncurrent Liabilities – Noncurrent liabilities for Fiscal Year 2014 totaled \$144.0 million which is an increase of \$31.2 million from Fiscal Year 2013 noncurrent liabilities of \$112.8 million. This increase is primarily attributed to the auxiliary system bond issue offset by long-term bond and capital lease payments. Noncurrent liabilities for Fiscal Year 2013 totaled \$112.8 million which is a decrease of \$4.5 million from Fiscal Year 2012 noncurrent liabilities of \$117.3 million. This decrease is primarily attributed to long-term bond and capital lease payments.

Net Position – Net Position totaled \$453.4 million for Fiscal Year 2014, \$442.9 million for Fiscal Year 2013 and \$431.6 million for Fiscal Year 2012.

Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position (SRECNP) present the operating results of the University as a whole. The statements, prepared in accordance with GASB, distinguish revenues and expenses between operating and nonoperating categories and provide a view of the University's operating margin. Comparative summary statements of revenue, expenses and changes in net position for the years ended June 30, 2014, 2013 and 2012, are as follows:

Operating Results
Years Ended June 30, 2014, 2013 and 2012
(In Millions)

	June 30, 2014	June 30, 2013 (Restated - Note 1)	June 30, 2012
Operating Revenue			
Tuition and fees	\$ 143.7	\$ 136.7	\$ 129.2
Scholarship allowances	(31.9)	(30.7)	(29.0)
Net tuition and fees	111.8	106.0	100.2
Sales and services	13.5	12.3	11.9
Grants and contracts	26.7	26.2	29.2
Auxiliary enterprises	34.6	34.7	33.8
Other	3.7	4.5	2.6
Total Operating Revenues	190.3	183.7	177.7
Operating Expenses	296.5	284.1	279.2
Operating Loss	(106.2)	(100.4)	(101.5)
Nonoperating Revenue (Expenses)			
State appropriations	78.4	77.0	77.2
Federal grants and contracts	30.1	28.5	27.8
Loss on disposal/impairment of fixed assets	(0.1)	(0.1)	(2.2)
Gifts	9.1	8.1	10.4
Investment income	0.5	0.4	0.7
Interest on capital asset – related debt	(4.9)	(5.0)	(4.4)
Net Nonoperating Revenues	113.1	108.9	109.5
Capital Grants, Gifts and Appropriations	3.6	4.0	3.0
Increase in Net Position	10.5	12.5	11.0
Net Position, Beginning of Year, As Restated	442.9	430.4	420.6
Net Position, End of Year	\$ 453.4	\$ 442.9	\$ 431.6

Comparative Analysis of Fiscal Years 2014, 2013 and 2012

Operating Revenues – Operating Revenues for Fiscal Year 2014 totaled \$190.3 million which is an increase of \$6.6 million from Fiscal Year 2013 operating revenues of \$183.7 and operating revenues for Fiscal Year 2013 totaled \$183.7 million which is an increase of \$6.0 million from Fiscal Year 2012 operating revenues of \$177.7.

Nonoperating Revenues – Nonoperating Revenues for Fiscal Year 2014 totaled \$113.1 million which is an increase of \$4.2 million from Fiscal Year 2013 nonoperating revenues of \$108.9 million and Fiscal Year 2013 decreased \$0.6 million from Fiscal Year 2012 nonoperating revenues of \$109.5 million. State appropriations were \$78.4 million, \$77.0 million and \$77.2 million for Fiscal Years 2014, 2013 and 2012, respectively.

Operating Expenses Years Ended June 30, 2014, 2013 and 2012

	June 30, 2014	June 30, 2013	June 30, 2012
Salaries	\$ 138.5	\$ 133.0	\$ 129.2
Benefits	46.1	44.1	41.2
Scholarships and fellowships	24.5	23.8	24.6
Utilities	6.9	6.6	5.8
Supplies and other services	57.8	54.6	57.8
Depreciation	<u>22.7</u>	<u>22.0</u>	<u>20.6</u>
Total	<u>\$ 296.5</u>	<u>\$ 284.1</u>	<u>\$ 279.2</u>

Operating Expenses – Operating Expenses for Fiscal Year 2014 totaled \$296.5 million which is an increase of \$12.4 million from Fiscal Year 2013 operating expenses of \$284.1 million and Fiscal Year 2013 increased \$4.9 million from Fiscal Year 2012 operating expenses of \$279.2 million.

Statements of Cash Flows

The Statements of Cash Flows report the major sources and uses of cash and reveal further information for assessing the University's ability to meet financial obligations as they become due. Inflows and outflows of cash are summarized by operating, noncapital financing, capital and related financing and investing activities. Comparative summary statements of cash flows for the years ended June 30, 2014, 2013 and 2012, are as follows:

Cash Flows
Years Ended June 30, 2014, 2013 and 2012
(In Millions)

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Cash Provided By (Used In)			
Operating activities	\$ (83.4)	\$ (73.4)	\$ (79.1)
Noncapital financing activities	117.5	113.6	115.5
Capital and related financing activities	(2.0)	(53.1)	(48.3)
Investing activities	<u>0.4</u>	<u>(2.4)</u>	<u>7.3</u>
Increase (Decrease) in Cash and Cash Equivalents	32.5	(15.3)	(4.6)
Cash and Cash Equivalents, Beginning of Year	<u>51.0</u>	<u>66.3</u>	<u>70.9</u>
Cash and Cash Equivalents, End of Year	<u>\$ 83.5</u>	<u>\$ 51.0</u>	<u>\$ 66.3</u>

The Statement of Cash Flows shows the sources and uses of University cash. The statement presents a beginning and ending cash balance.

Debt and Capital Activities

During Fiscal Year 2014 the University issued \$39.4 million in bonds for the auxiliary enterprise system. During Fiscal Year 2013, the University received \$1.0 million from a renegotiation of an existing capital lease for energy savings projects. During Fiscal Year 2012, the University received \$1.0 million of loan proceeds for energy saving capital projects and paid \$5.8 million for principal bond payments. At June 30, 2014, total bonds payable equaled \$135.5 million, total bonds payable equaled \$102.2 million as of June 30, 2013, and total bonds payable equaled \$108.1 million at June 30, 2012.

The following table summarizes the construction in progress and capital assets, net as of June 30, 2014, 2013 and 2012.

Capital Assets
As of June 30, 2014, 2013 and 2012
(In Millions)

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Capital Assets			
Construction in progress	\$ 30.6	\$ 16.2	\$ 36.4
Capital assets, net	425.4	419.3	379.9

On June 30, 2014, the University had 23 construction projects in progress with costs totaling approximately \$30.6 million incurred to date. The project costs budgeted for these projects totals \$52.4 million. These projects are being funded by bond proceeds, pledged gifts, restricted and unrestricted net position.

Project Name	Project Budget (Not Capitalized)	Amount Expended (Construction in Progress)	Project Balance
Athletic & Recreation Field Improvements	\$ 26,827,258	\$ 23,738,312	\$ 3,088,946
University Welcome Center	6,075,000	353,494	5,721,506
Pummill Hall Renovation	5,900,000	544,406	5,355,594
Kentwood Refurbishing	2,520,030	1,152,328	1,367,702
Glass Hall Renovation	1,895,000	740,429	1,154,571
PSC Exterior Envelope Improvements	1,712,300	802,598	909,702
PSU 3rd Floor Refresh Phase I	1,106,000	298,058	807,942
Sunvilla Tower Renovation	1,075,000	357,470	717,530
Occupational Therapy Building	987,000	927,122	59,878
Hutchens Roof Replacement	550,000	219,479	330,521
Renovate Glass Hall Computer Lab	510,000	118,888	391,112
Hammons Transitway	499,915	27,056	472,859
Brick City Relocation	451,306	436,438	14,868
Mary Jo Wynn Academic Achievement Center	374,000	230,877	143,123
ADA Improvements	340,175	29,302	310,873
JKHHPA Renovation	330,000	280,109	49,891
Intersection Improvements	268,049	123,012	145,037
Chilled Water Loop Athletic Fields/Occupational Therapy	252,886	-	252,886
Res Life - HMPG Safe Room	231,036	48,229	182,807
Pummill Hall Technology	190,300	-	190,300
Hammons/Hutchens Refurbishing	162,000	40,754	121,246
PSC Classroom Technology	60,000	59,077	923
Jim D. Morris Renovation	50,993	50,993	-
	<u>\$ 52,368,248</u>	<u>\$ 30,578,431</u>	<u>\$ 21,789,817</u>

Long-Range Plan

The University's 2011-16 Long-Range Plan is guided by three overarching and enduring commitments to student learning, inclusive excellence and institutional impact. The purpose of the long-range plan is to direct strategic actions that yield demonstrable outcomes and progress in support of these commitments.

Student Learning - Student learning is the primary goal of the University and the key indicator of our success. As a community of learners, we embrace learning outcomes that encompass liberal arts education, professional preparation and a concentration on public affairs, and we pledge to support student learning in curricular, co-curricular, extra-curricular and research contexts.

Inclusive Excellence - Inclusive excellence is the recognition that an educational institution's success is dependent on how well it values, engages and includes the rich diversity of faculty, staff and students with all the valuable social dimensions that they bring to the enterprise of higher education. Missouri State University shall demonstrate a comprehensive commitment to inclusive excellence, which will be reflected by policy, planning and actions throughout the institution.

Institutional Impact - Institutional impact refers to the positive, enduring effects of the University's work in the region and the state as well as to our broader contributions to knowledge and innovation. Essential to this commitment are focused activities in: basic and applied research, economic and community development, community partnerships and advanced workforce development. As a major employer we also pledge to model ethical behavior with respect to people, resources and the environment.

At the conclusion of this five-year plan, Missouri State University will have completed a number of specific tactics to achieve major objectives under six strategic directions. The purpose of the long-range plan is to direct strategic actions that yield demonstrable outcomes and progress in support of these commitments. Through this plan and its directions, measures, targets and tactics, by 2016 the University intends to accomplish four major goals.

The Four Major Goals Are:

- Improve the undergraduate programs across campus through emphasis on student learning outcomes, and elevate multiple programs to “destination program” status
- Strengthen and expand focused graduate programs to positively impact the region and state
- Create a more diverse student body and workforce
- Establish the University as an “Employer of Choice”

Missouri State University
A Component Unit of the State of Missouri
Statements of Net Position
June 30, 2014 and 2013

Assets and Deferred Outflows of Resources

	University 2014	University 2013 (Restated Note 1)	Component Unit Foundation 2014	Component Unit Foundation 2013
Current Assets				
Cash and cash equivalents	\$ 57,466,060	\$ 50,078,139	\$ 22,176,603	\$ 20,519,812
Restricted cash and cash equivalents	26,056,881	900,163	-	-
Short-term investments	20,013,025	79,972,559	1,605,959	1,602,594
Accounts receivable, net	13,184,427	13,692,506	6,801	7,782
Pledges receivable	-	-	6,147,379	6,644,739
Grants receivable	1,738,544	1,722,702	-	-
Accrued interest receivable - unrestricted	63,080	16,408	11,621	16,049
Inventories	6,926,910	7,632,259	-	-
Loans to students, net	531,266	464,996	-	-
Prepaid expenses	1,809,968	1,590,573	2,600	4,500
Assets for resale	-	-	319,508	424,508
	<u>127,790,161</u>	<u>156,070,305</u>	<u>30,270,471</u>	<u>29,219,984</u>
Noncurrent Assets				
Restricted cash and cash equivalents	-	-	1,284,098	1,285,427
Pledges receivable, net	-	-	29,446,888	30,099,343
Restricted long-term investments	-	-	74,890,839	65,135,149
Investments held in trust	-	-	852,502	789,162
Other long-term investments	64,980,825	5,014,187	431,234	448,683
Loans to students, net	2,155,657	1,388,450	-	-
Due from Foundation	199,762	199,762	-	-
Construction in progress	30,578,431	16,241,045	-	-
Capital assets, net	<u>425,367,245</u>	<u>419,327,111</u>	<u>1,255,919</u>	<u>1,368,690</u>
	<u>523,281,920</u>	<u>442,170,555</u>	<u>108,161,480</u>	<u>99,126,454</u>
	<u>651,072,081</u>	<u>598,240,860</u>	<u>138,431,951</u>	<u>128,346,438</u>
Deferred Outflows of Resources	<u>527,481</u>	<u>783,409</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>651,599,562</u>	<u>599,024,269</u>	<u>138,431,951</u>	<u>128,346,438</u>

See Notes to Financial Statements

Liabilities

	University 2014	University 2013 (Restated Note 1)	Component Unit Foundation 2014	Component Unit Foundation 2013
Current Liabilities				
Accounts payable and accrued expenses	\$ 16,492,777	\$ 8,560,831	\$ 1,470,116	\$ 1,433,453
Accrued compensated absences	5,395,939	4,974,539	-	-
Accrued payroll	5,184,620	4,961,970	-	-
Unearned revenue	15,540,947	14,469,005	-	-
Deposits	521,446	512,072	-	-
Accrued interest payable	1,617,324	1,148,447	-	-
Long-term liabilities - current portion	8,109,891	7,337,121	13,770	18,960
Insurance claims payable	1,289,623	1,384,829	-	-
	<u>54,152,567</u>	<u>43,348,814</u>	<u>1,483,886</u>	<u>1,452,413</u>
Noncurrent Liabilities				
Accrued compensated absences	5,111,987	5,369,754	-	-
Annuity obligations	-	-	226,259	237,962
Capital lease obligations	6,031,823	6,973,535	-	-
Revenue bonds payable	129,247,303	96,885,770	-	-
Other long-term liabilities	3,645,045	3,600,045	-	-
Due to Missouri State University	-	-	199,762	199,762
	<u>144,036,158</u>	<u>112,829,104</u>	<u>426,021</u>	<u>437,724</u>
Total noncurrent liabilities	<u>144,036,158</u>	<u>112,829,104</u>	<u>426,021</u>	<u>437,724</u>
Total liabilities	<u>198,188,725</u>	<u>156,177,918</u>	<u>1,909,907</u>	<u>1,890,137</u>
Net Position				
Net investment in capital assets	313,084,141	325,155,139	1,255,919	1,368,690
Restricted for				
Nonexpendable				
Scholarships and fellowships	199,762	199,762	29,807,620	28,037,471
Other	-	-	17,937,745	17,511,591
Expendable				
Scholarships and fellowships	-	-	21,855,840	17,304,331
Loans	4,220,691	3,381,720	-	-
Capital projects	7,616,434	3,735,687	-	-
Debt service	683,143	681,646	-	-
Other	-	-	57,232,404	54,890,039
Unrestricted	127,606,666	109,692,397	8,432,516	7,344,179
	<u>127,606,666</u>	<u>109,692,397</u>	<u>8,432,516</u>	<u>7,344,179</u>
Total net position	<u>\$ 453,410,837</u>	<u>\$ 442,846,351</u>	<u>\$136,522,044</u>	<u>\$126,456,301</u>

Missouri State University
A Component Unit of the State of Missouri
Statements of Revenues, Expenses and Changes in Net Position
June 30, 2014 and 2013

	University 2014	University 2013 (Restated Note 1)	Component Unit Foundation 2014	Component Unit Foundation 2013
Operating Revenues				
Student tuition and fees	\$ 143,727,248	\$ 136,654,622	\$ -	\$ -
Less scholarship allowances	(31,947,378)	(30,647,888)	-	-
Total net student tuition and fees	111,779,870	106,006,734	-	-
Sales and services of educational departments	13,467,472	12,272,011	-	-
Federal grants and contracts	11,699,334	12,589,431	-	-
State and local grants and contracts	6,926,676	5,766,890	-	-
Nongovernmental grants and contracts	8,116,401	7,811,164	-	-
Gifts and contributions	-	-	15,248,980	12,093,841
Auxiliary enterprises:				
Residential life (net of scholarship allowances of \$5,943,351 in 2014 and \$5,319,226 in 2013)	24,014,588	22,727,958	-	-
Bookstore (net of scholarship allowances of \$2,325,099 in 2014 and \$2,247,913 in 2013)	1,731,378	2,080,172	-	-
Parking (net of scholarship allowances of \$331,967 in 2014 and \$294,891 in 2013)	1,813,471	1,647,096	-	-
Taylor Health and Wellness Center	1,853,614	1,755,106	-	-
Athletics	3,749,614	5,067,193	-	-
Recreational facilities	757,058	779,781	-	-
Student Union	714,737	674,339	-	-
Other operating revenues	3,693,983	4,463,289	879,876	920,272
Total operating revenues	190,318,196	183,641,164	16,128,856	13,014,113
Operating Expenses				
Salaries	138,510,348	133,024,751	-	-
Benefits	46,086,655	44,081,412	-	-
Scholarships and fellowships	24,557,752	23,808,722	1,815,199	1,897,266
Utilities	6,903,207	6,606,046	130,646	129,319
Supplies and other services	57,806,857	54,610,146	3,327,926	2,296,798
Depreciation	22,673,717	21,972,431	112,771	123,966
Total operating expenses	296,538,536	284,103,508	5,386,542	4,447,349
Operating Income (Loss)	(106,220,340)	(100,462,344)	10,742,314	8,566,764
Nonoperating Revenues (Expenses)				
State appropriations	78,365,090	76,962,606	-	-
Federal grants and contracts	30,078,670	28,451,821	-	-
Gifts	9,107,029	8,149,107	-	-
Investment income	462,767	416,526	10,072,802	5,988,206
Interest on capital asset-related debt	(4,909,730)	(5,058,133)	-	-
Gain (loss) on assets held in trust	-	-	-	(3,290)
Other nonoperating expenses and losses	-	-	(242,428)	(188,788)
Expenditures to Missouri State University	-	-	(9,107,029)	(8,149,106)
Gain (loss) on disposal/impairment of fixed assets	42,193	(58,813)	(26,301)	-
Net nonoperating revenues (expenses)	113,146,019	108,863,114	697,044	(2,352,978)
Income Before Other Revenues, Expenses, Gains or Losses	6,925,679	8,400,770	11,439,358	6,213,786

Missouri State University
A Component Unit of the State of Missouri
Statements of Revenues, Expenses and Changes in Net Position
June 30, 2014 and 2013

	University 2014	University 2013 (Restated Note 1)	Component Unit Foundation 2014	Component Unit Foundation 2013
Other Revenues, Expenses, Gains or Losses				
Capital gifts	\$ 3,569,918	\$ 2,590,062	\$ (3,569,918)	\$ (2,590,062)
Capital grants and contracts	68,889	1,392,048	-	-
Capital appropriations	-	70,798	-	-
Additions to permanent endowments	-	-	2,196,303	3,904,940
Total other revenues, expenses, gains or losses	<u>3,638,807</u>	<u>4,052,908</u>	<u>(1,373,615)</u>	<u>1,314,878</u>
Increase in Net Position	<u>10,564,486</u>	<u>12,453,678</u>	<u>10,065,743</u>	<u>7,528,664</u>
Net Position, Beginning of Year, as Previously Reported	442,846,351	431,641,481	126,456,301	118,927,637
Cumulative Effect of Change in Accounting Principle	<u>-</u>	<u>(1,248,808)</u>	<u>-</u>	<u>-</u>
Net Position, Beginning of Year, as Restated	<u>442,846,351</u>	<u>430,392,673</u>	<u>126,456,301</u>	<u>118,927,637</u>
Net Position, End of Year	<u><u>\$ 453,410,837</u></u>	<u><u>\$ 442,846,351</u></u>	<u><u>\$ 136,522,044</u></u>	<u><u>\$ 126,456,301</u></u>

Missouri State University
A Component Unit of the State of Missouri
Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating Activities		
Tuition and fees	\$ 113,369,265	\$ 108,126,634
Sales and services of educational departments	13,467,472	12,272,011
Federal grants and contracts	11,683,492	13,291,148
State and local grants and contracts	6,926,676	5,766,890
Nongovernmental grants and contracts	8,116,401	7,811,164
Payments to suppliers	(90,229,030)	(84,194,245)
Payments to employees	(184,165,720)	(175,871,773)
(Issuance) collections of loans to students	(833,477)	189,814
Auxiliary enterprise charges:		
Residential Life	24,014,588	22,727,958
Bookstore	1,731,378	2,080,172
Parking	1,813,471	1,647,096
Taylor Health and Wellness Center	1,853,614	1,755,106
Athletics	3,749,614	5,067,193
Recreational facilities	757,058	779,781
Student Union	714,737	674,339
Other receipts	<u>3,598,777</u>	<u>4,447,373</u>
Net cash used in operating activities	<u>(83,431,684)</u>	<u>(73,429,339)</u>
Noncapital Financing Activities		
State appropriations	78,365,090	76,962,606
Federal grants and contracts	30,078,670	28,451,821
Gifts and grants received for other than capital purposes	<u>9,107,029</u>	<u>8,149,107</u>
Net cash provided by noncapital financing activities	<u>117,550,789</u>	<u>113,563,534</u>
Capital and Related Financing Activities		
Cash received from disposal of fixed assets	83,432	116,505
Purchase of capital assets	(4,647,991)	(14,537,662)
Construction in progress	(28,881,379)	(31,848,603)
Capital appropriations	-	70,798
Gifts of cash for capital purposes	3,638,807	3,982,110
Principal paid on capital debt and leases	(7,126,718)	(6,703,981)
Proceeds from issuance of new debt	39,405,000	1,073,778
Interest paid on capital debt and lease	<u>(4,454,608)</u>	<u>(5,258,962)</u>
Net cash used in capital and related financing activities	<u>(1,983,457)</u>	<u>(53,106,017)</u>

Missouri State University
A Component Unit of the State of Missouri
Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Investing Activities		
Proceeds from sales and maturities of investments	\$ 90,039,186	\$ -
Purchases of investments	(90,025,000)	(2,845,424)
Interest on investments	394,805	495,610
	408,991	(2,349,814)
Increase (Decrease) in Cash and Cash Equivalents	32,544,639	(15,321,636)
Cash and Cash Equivalents, Beginning of Year	50,978,302	66,299,938
Cash and Cash Equivalents, End of Year	\$ 83,522,941	\$ 50,978,302
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	\$ 57,466,060	\$ 50,078,139
Restricted cash and cash equivalents	26,056,881	900,163
	\$ 83,522,941	\$ 50,978,302
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities		
Operating loss	\$(106,220,340)	\$(100,462,344)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	22,673,717	21,972,431
Changes in operating assets and liabilities		
Accounts receivable	508,079	749,140
Loans to students	(833,477)	189,814
Federal and state grants receivable	(15,842)	701,717
Inventories	705,349	(914,124)
Prepaid expenses	(219,395)	345,225
Accounts payable and accrued expenses	(1,447,168)	1,399,568
Accrued compensated absences	179,396	469,470
Accrued payroll	206,887	213,920
Unearned revenue	1,071,942	1,328,510
Deposits	9,374	42,250
Insurance claims payable and other long-term liabilities	(50,206)	535,084
	\$ (83,431,684)	\$ (73,429,339)
Net Cash Used in Operating Activities		
Supplemental Cash Flows Information		
Increase (decrease) in accounts payable incurred for capital asset purchases	\$ 9,379,114	\$ (5,164,900)

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Institution

Missouri State University (the “University”) is a state assisted University with campuses in Springfield and West Plains and locations in Mountain Grove, Missouri, and Dalian, China. A nine-member Board of Governors, appointed by the Governor and confirmed by the Senate of the State of Missouri, governs the University, a component unit of the State of Missouri

Component Units

The Missouri State University Foundation, Inc. (the “Foundation”) is a legally separate, tax-exempt component unit of the University. The Foundation’s primary function is to raise and hold funds to support the University and its programs. The board of the Foundation is self-perpetuating and consists of graduates and friends of the University.

Although the University does not control the timing or amount of receipts from the Foundation, the majority of the Foundation’s resources and related income are restricted by donors for the benefit of the University. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University’s financial statements.

During the years ended June 30, 2014 and 2013, the Foundation provided \$12,676,947 and \$10,739,169, respectively, of support to the University. Complete financial statements of the Foundation may be obtained from its Administrative Office at the following address: 901 S. National, Springfield, MO 65897.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including ASC Topic 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s statements in the University’s financial reporting entity for these differences.

Springfield Innovation, Inc., a Missouri Innovation Center, is a legally separate, tax-exempt component unit of the University. The mission of Springfield Innovation, Inc. is to support advanced product development with a focus on advancing the competitiveness of Missouri-based industries and supporting technology based entrepreneurs while providing interdisciplinary work experiences for Missouri State University students. The board of Springfield Innovation, Inc. is self-perpetuating and consists of graduates and friends of the University.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

The University does not control the timing or amount of transactions for Springfield Innovation, Inc. Since this entity will establish resources to maintain a Missouri innovation center program at Missouri State University and provide work experiences for Missouri State University students, Springfield Innovation, Inc. is considered a component unit of the University and will be discretely presented in the University's financial statements.

There were no financial transactions for Springfield Innovation, Inc. for the fiscal years ended June 30, 2014 and 2013. If financial transactions occur in the future, Springfield Innovation, Inc. is a private nonprofit organization which will report under Financial Accounting Standards Board (FASB) standards, including ASC Topic 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications will be made to the Springfield Innovation, Inc. statements in the University's financial reporting entity for these differences.

Basis of Accounting and Presentation

The financial statements of the University have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as state appropriations), investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. The University first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Change in Accounting Principle

In 2014, the University adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify certain items previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources and recognize certain items that were previously reported as assets and liabilities as expenses and revenues.

An adjustment of \$1,248,808 applicable to years ended June 30, 2012, and prior has been included in the restated 2013 beginning net position balance. The adjustment reflects the removal of debt issuance costs related to the Series 2005A, 2007, 2010 Auxiliary, and 2010 MOHEFA bonds which were previously capitalized as an asset and amortized over the term of the respective bond issuance and are now expensed as incurred. Previously reported amortization expense for the year ended

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

June 30, 2013, decreased by \$95,710 as a result of the restatement of debt issuance costs. Lease issuance costs incurred in 2013 are expensed due to the restatement in the amount of \$139,374 creating a net decrease in previously reported net position in the amount of \$43,664 for the year ended June 30, 2013. The net restatement resulted in a decrease in ending net position of \$1,292,472 at June 30, 2013. GASB 65 also required the reclassification of deferred loss on debt refunding of \$255,928 and \$527,481 from the current portion of long-term debt and long-term debt, respectively, to deferred outflows of resources at June 30, 2013.

The retrospective application is also applicable to the statements of the Auxiliary Enterprise System. The removal of debt issuance costs includes a decrease to the beginning net position at June 30, 2013, in the amount of \$1,003,033 and a decrease in amortization expense of \$78,351, creating a total decrease in net position at June 30, 2013, of \$924,682. The University also reclassified the deferred loss on debt refunding of \$248,635 and \$498,151 from the current portion of long-term debt and long-term debt, respectively, to deferred outflows of resources at June 30, 2013.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net position during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The University and Foundation consider all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2014, Foundation cash equivalents consisted primarily of certificates of deposit and money market accounts with brokers.

Investments and Investment Income

Investments in debt securities are carried at fair value. Fair value is determined using quoted market prices. Investments in nonnegotiable certificates of deposit are carried at cost. Investment income consists of interest income and the net change for the year in the fair value of investments carried at fair value.

Accounts and Notes Receivable

Student accounts receivable consists of fees charged to students and charges for auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts of \$2,444,852 and

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

\$2,254,499 at June 30, 2014 and 2013, respectively. The University reserves for uncollectible accounts that are at least 90 days past due.

Student accounts receivable are stated at the amount billed to the students less applied scholarships and loan proceeds. The University provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. All charges are due at the beginning of the semester unless the student is enrolled in the Deferred Payment Plan. Fee payment deadlines vary depending upon when the student registers. If charges are not paid in full by that date, a finance charge is assessed on the remaining balance. Charges that are past due without payments for one year and have had no response to the due diligence process are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the student.

Loans receivable consists of amounts due under the Federal Perkins Loan Program and institutional loan programs and are stated at their outstanding principal amount, net of an allowance for doubtful notes. Loans are made to students based on demonstrated financial need for both Perkins and institutional loans and satisfaction of federal eligibility requirements for the Federal Perkins Loan Program. Principal and interest payments on Federal Perkins Loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. The University provides an allowance for doubtful loans which is based upon a review of outstanding loans, historical collection information and existing economic conditions. Interest income is recorded as received, which is not materially different from the amount that would have been recognized on the accrual basis. Loans that are delinquent continue to accrue interest. Loans that are past due for at least one payment are considered delinquent. Delinquent institutional loans are written off based on individual credit evaluation and specific circumstances of the student. Loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was \$1,020,357 and \$1,783,764 at June 30, 2014 and 2013, respectively.

Inventories

Nonauxiliary inventories consist of supplies for use by the University and merchandise available for sale such as art supplies. These inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

Auxiliary enterprises inventories consist of merchandise available for sale at the bookstore, student union, pharmacy and recreation facilities. These inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

Capital Assets

Land is stated at cost. Buildings and improvements are stated at June 30, 1953, estimated replacement costs with subsequent additions stated at cost. Library materials are stated at June 30, 1978, estimated historical cost, with subsequent additions stated at cost.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

Building additions and improvements with a cost in excess of \$200,000 are capitalized if the life of the building is extended. Equipment with a cost in excess of \$5,000 with a useful life greater than one year is capitalized. Donated assets are transferred from the Missouri State University Foundation and are recorded at the fair value at the date of donation to the Foundation.

Infrastructure assets are included in the financial statements and are depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is computed using the straight-line method over the estimated useful life of the asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. Expenditures for construction in progress are capitalized with depreciation beginning when the project is completed. The following estimated useful lives are being used by the University:

Land improvements	20 years
Buildings and improvements	7-40 years
Furniture, fixtures and equipment	3-15 years
Infrastructure	20 years
Library materials	10 years

The University capitalizes interest costs as a component of construction in progress, based on either the weighted average rates paid for long-term borrowing or the rates associated with specific debt. Interest expense is capitalized net of interest income earned on resources set aside for this purpose. Total interest capitalized for the year ended June 30, 2014, was \$861,260 and for the year ended June 30, 2013, was \$183,992.

Loss on Refinancing

Loss on refinancing incurred on the bond issues have been deferred and are being amortized over the life of the bonds and are included in deferred outflows of resources.

Foundation Real Estate and Equipment

Buildings, improvements and equipment are stated at cost and are depreciated over the estimated useful life of each asset. Annual depreciation is computed using the straight-line method. Real estate and equipment includes tenant remodeling improvements of \$74,695 and equipment of \$442,208.

Foundation Valuation of Gifts and Property

Gifts of real and personal property are reported at their estimated fair value as of the date the property is received. Fair value is determined either by a staff member of the University with expertise in the valuation of the particular property, or by appropriate documentation furnished by the donor.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

Unearned Revenue

Unearned revenue includes unearned student fees and advances on program tickets.

Compensated Absences

It is the University's policy to permit employees to accumulate earned but unused sick and vacation pay benefits using the vesting method. Accrued vacation is the amount earned by all eligible employees through June 30. All eligible employees can accrue an unlimited amount of sick leave. Employees who retire under one of the University's public retirement plans will be paid for 40 percent of any accumulated unused sick leave rounded up or down to the nearest full day (up to a maximum of 48 days) and the remaining unused sick leave will be reported to Missouri State Employees' Retirement System (MOSERS) for inclusion as creditable service in accordance with MOSERS' policies regarding the reporting of unused sick leave. Accrued sick leave is based on a historic factor with these policies taken into consideration.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable and capital lease obligations with contractual maturities greater than one year and (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Net Position

Net position of the University is classified in four components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings used to finance the purchase or construction of those assets. Restricted expendable net position are made up of noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the University, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the University, such as the federal portion of loan funds. Unrestricted net position are the remaining net position that does not meet the definition of net investment in capital assets or restricted.

The Foundation's net assets, which under FASB standards are reported as either unrestricted, temporarily restricted or permanently restricted based on the presence or absence of donor restrictions, have been presented based on the GASB classifications with like characteristics.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

Classification of Revenues

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises and (3) grants and contracts meeting certain criteria.

Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as grants, gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Funds Accounting*, and GASB No. 34, such as state appropriations and investment income.

Federal Financial Assistance Programs

The University participates in the following federal student financial aid programs: Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work Study, Federal Direct Loan and Federal Perkins Loan Programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, and the *Compliance Supplement*.

Scholarship Allowances

Student tuition and fees and auxiliary enterprise revenues, presented net of scholarships and fellowships of \$40,547,795 and \$38,509,918 at June 30, 2014 and 2013, respectively, are applied to student accounts, while stipends and other payments made directly to students are reported as scholarships and fellowships expense. Net tuition and fees, except for summer session, are recognized as revenues as they are assessed. The portion of summer session tuition and fees applicable to the following fiscal year is included in unearned revenues.

Bad Debt Expense

Bad debt expense is \$1,008,008 and \$1,617,563 for the years ended June 30, 2014 and 2013, respectively, and is netted against tuition and fee revenues.

Income Taxes

As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

Reclassification

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 financial statement presentation. These reclassifications had no effect on change in net position.

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The University's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Missouri; bonds of any city having a population of not less than 2,000, 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.

At June 30, 2014 and 2013, none of the University's bank balances held by the current domestic depository, a United States financial institution, were exposed to custodial credit risk. All of these domestic deposits were fully collateralized at the end of fiscal year 2014 and 2013. The funds held by international banks for the University's foreign education activities were not collateralized. The University is exposed to custodial credit risk for these deposits as follows:

	2014	2013
Uninsured and uncollateralized	\$ 711,136	\$ 208,284

Foreign Currency Risk. This risk relates to adverse effects on the fair value of a deposit from changes in exchange rates. The University does not have any policies related to foreign currency risk. The University has \$711,136 and \$208,284 of foreign deposits denominated in Chinese Yuan at June 30, 2014 and 2013, respectively.

Investments

The University may invest in United States Treasury and U.S. agency securities, repurchase agreements, corporate bonds, commercial paper and bankers acceptances.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

At June 30, 2014 and 2013, the University had the following investments and maturities:

Type	Fair Value	June 30, 2014 Maturities in Years		
		Less than 1	1-5	6-10
Government-sponsored enterprises obligations	\$ 84,993,850	\$ 20,013,025	\$ 64,980,825	\$ -
	<u>\$ 84,993,850</u>	<u>\$ 20,013,025</u>	<u>\$ 64,980,825</u>	<u>\$ -</u>
Type	Fair Value	June 30, 2013 Maturities in Years		
		Less than 1	1-5	6-10
U.S. Treasury obligations	\$ 15,015,987	\$ 14,997,550	\$ 18,437	\$ -
Government-sponsored enterprises obligations	64,970,759	59,975,009	4,995,750	-
CDARS - 52 week	<u>5,000,000</u>	<u>5,000,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 84,986,746</u>	<u>\$ 79,972,559</u>	<u>\$ 5,014,187</u>	<u>\$ -</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses, the University's investment policy limits the type of investments to those which are not exposed to fair value losses arising from increasing interest rates. The maturities are structured to meet the cash flow needs of the University. The prohibition of speculative investments precludes pursuit of gain or profit through unusual risk. Investment trading in response to changes in market value or market direction is warranted under active portfolio managements. Interest rate risk is not specifically discussed in the University's investment policy.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the University's policy to limit its investment in bankers acceptances to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). At June 30, 2014 and 2013, the University had no investments not directly guaranteed by the U.S. government or U.S. government agencies.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The University had no investments exposed to custodial credit risk at the end of June 30, 2014 and 2013.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

Concentration of Credit Risk. The University's investment policy places maximum percentages on the total investment funds held in each type of instrument. The type of investments that can be held in the University's portfolio include U.S. Treasury and U.S. agency securities, repurchase agreements, corporate bonds, commercial paper and bankers acceptance. It is the University's policy that no more than 15% of the total portfolio will be held in any one bank. There are no restrictions on direct obligations of the U.S. government, U.S. government agency issues or U.S. government guaranteed securities.

There are no restrictions for repurchase agreements which are fully collateralized by U.S. government securities. No more than 20% of the portfolio will be held in corporate bonds or bankers acceptances with no more than 5% of the portfolio to be held with any one issuer. No more than 30% of the portfolio will be held in commercial paper, with no more than 5% of the portfolio to be held with any one issuer.

Foreign Currency Risk. This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The University's exposure to foreign currency risk did not exist at June 30, 2014 and 2013, because there were no foreign investments in the University's investment portfolio at any time during these two fiscal years.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the statements of net position as follows:

	2014	2013
Carrying value		
Deposits	\$ 83,522,941	\$ 50,978,302
CDARS	-	5,000,000
Investments	84,993,850	79,986,746
	<u>\$168,516,791</u>	<u>\$135,965,048</u>

Included in the following statements of net position captions:

	2014	2013
Cash and cash equivalents	\$ 57,466,060	\$ 50,078,139
Restricted cash and cash equivalents	26,056,881	900,163
Short-term investments	20,013,025	79,972,559
Long-term investments	64,980,825	5,014,187
	<u>\$168,516,791</u>	<u>\$135,965,048</u>

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

Investment Income

Investment income for the years ended June 30, 2014 and 2013, consisted of:

	2014	2013
Interest and dividend income	\$ 462,767	\$ 416,526

Foundation Pooled Investments

Funds treated as endowment by the Foundation are managed as a pooled investment fund. This pool includes funds from the unrestricted, temporarily restricted and permanently restricted net asset classes. The various subsidiary accounts purchase shares in the investment pool when additions are received. The investment pool is operated on a unit market basis. The following schedule summarizes data related to the investment pool for the years ended June 30, 2014 and 2013:

	2014	2013
Pooled investments at market value	\$ 75,978,767	\$ 66,224,625
Number of pool shares	302,565	287,321
Market value per pool share	\$ 251	\$ 230
Fiscal year return	14.80%	9.70%
Interest and dividend earnings	\$ 113,457	\$ 86,008
Net gains (losses)	\$ 9,911,001	\$ 5,805,048

Foundation Investments and Investment Return

Investments in equity securities and debt securities are carried at fair value. All other investments are valued at estimated fair value. The estimated fair value of investments in hedge funds, where a readily determinable market price is not available, has been estimated using the net asset value per share of investments. Investment income and gains that are restricted by donor stipulation are initially included in temporarily restricted net assets. When the restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets. Other investment income, gains and losses are reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

While the Foundation does not invest directly in derivative securities, it does, through investment holdings with various money managers, indirectly hold these securities. The Foundation has significant investments in marketable securities, which are subject to price fluctuation. These instruments could potentially subject the Foundation to significant concentrations of market risk. This risk is controlled through a diversified portfolio and regular monitoring procedures.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

Investments are summarized as follows at June 30:

	2014	2013
Accrued income	\$ 41,188	\$ 53,989
Money market accounts	518,307	436,755
U.S. equity mutual funds	18,871,551	17,014,350
Non-U.S. equity mutual funds	22,217,197	18,793,361
U.S. fixed income mutual funds	9,117,677	14,262,654
Non-U.S. fixed income mutual funds	3,534,451	2,040,387
Other mutual funds	6,602,021	7,748,488
Real assets	2,618,763	-
Real estate funds	1,242,260	1,284,792
Hedge funds	10,525,544	3,978,783
Private equity	1,249,028	1,178,173
Other	3,500	3,500
	<u>\$ 76,541,487</u>	<u>\$ 66,795,232</u>

Investment return consists of the following:

	2014	2013
Investment income	\$ 156,356	\$ 175,072
Net realized and unrealized gains on investments reported at fair value	<u>9,916,446</u>	<u>5,813,134</u>
	<u>\$ 10,072,802</u>	<u>\$ 5,988,206</u>

Investments held in trust are deposited with U.S. Bank Institutional Trust, Benjamin F. Edwards & Co., and Bank of America, N.A. or are in municipal bonds and other investments. Investment expenses incurred for the years ended June 30, 2014 and 2013, totaled \$115,516 and \$117,600, respectively.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

Note 3: Foundation Pledges Receivable

Pledges receivable are a credit risk to the extent donors choose not to complete their pledge payments. Discount rates ranged from 0.24% to 2.42% for the years ended June 30, 2014 and 2013. Pledges receivable consist of the following unconditional promises to give at June 30:

	2014	2013
Due in less than one year	\$ 6,150,274	\$ 6,670,944
Due in one to five years	13,329,266	15,853,014
Due in more than five years	28,758,878	27,925,427
	48,238,418	50,449,385
Less: Allowance for doubtful accounts	324,160	286,827
Unamortized discount	12,319,991	13,418,476
	12,644,151	13,705,303
	\$ 35,594,267	\$ 36,744,082

Note 4: Related Party Transactions

In 1982, the University's Board of Governors authorized the transfer of its endowment fund of \$199,762 to the Foundation for management purposes. This balance is shown on the University's statements of net position as amounts due from the Foundation, in noncurrent assets. All investment earnings from these funds have been recorded in the accounting records of the Foundation and are not shown on the University's financial statements. All endowment additions since 1982, including gifts and other income, have been recorded in the Foundation's accounting records.

Additionally, the Foundation owed the University approximately \$1,598,313 and \$1,513,759 at June 30, 2014 and 2013, respectively, for pledges receivable and expenses paid by the University for costs to be funded by the Foundation. The balance is shown on the University's statements of net position as current assets and is included in accounts receivable.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

Note 5: Pension Plan

The University participates in the Missouri State Employees' Retirement System (MOSERS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. MOSERS is administered by an 11-member Board of Trustees. A publicly available financial report that includes the financial statements and required supplemental information is issued. This report may be obtained by writing to P.O. Box 209, Jefferson City, MO 65102, or calling 573.751.2342.

MOSERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Benefits are established by State statute which may be changed by the Missouri legislature with concurrence of the Governor.

The University is required to contribute to MOSERS at an actuarially determined rate; the rate was 16.98%, 14.45% and 13.97% of annual covered payroll for the years ended June 30, 2014, 2013 and 2012, respectively. Eligible employees hired as of or after January 1, 2011, must contribute 4% of wages to the MOSERS program. Contributions, which equaled the contribution requirements for years ended June 30, 2014, 2013 and 2012, were \$16,368,392, \$13,374,933 and \$12,592,537, respectively. The MOSERS funded status ratio was 72.7% and 73.2% as of June 30, 2013 and 2012, respectively.

The MOSERS funding policy provides for actuarially determined and board-approved, employer contributions using the entry-age normal cost method, consisting of normal cost and amortization of any unfunded accrued liabilities over an open 30-year period. Actuarially determined rates, expressed as percentages of annual covered payroll, provide for amounts sufficient to fund those benefits designated by State statute to be funded in advance. Any amendments to the plan are established by changes in State statute.

Beginning July 1, 2002, all faculty on full-time, regular appointment are enrolled in the College and University Retirement Plan (CURP) if they have not previously been enrolled in MOSERS. CURP is a noncontributory 401(a) defined contribution retirement plan which uses TIAA-CREF as its third-party administrator. The University was required to contribute 6.38%, 6.80% and 6.92% of the participant's salary to CURP for the years ended June 30, 2014, 2013 and 2012, respectively. The total contributed for years ended June 30, 2014, 2013 and 2012, was \$1,547,995, \$1,507,206 and \$1,457,615, respectively. CURP provides a retirement program which offers interstate portability, immediate vesting and no minimum service requirement. Contributions made by the University are self-directed by participants into their selected individual accounts. After participating in CURP for at least six years, a faculty member may elect to become a member of the Missouri State Employees' Retirement System (MOSERS).

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

Note 6: Postemployment Health Care

Plan Description: Missouri State University Employee Benefit Plan (MSUEBP) is a single-employer defined benefit plan administered by Missouri State University. MSUEBP provides medical benefits to eligible retirees and their spouses. The Missouri State Board of Governors provides the authority to Missouri State University to establish and amend benefit provisions. The postemployment healthcare plan information is included in the Missouri State University Annual Financial Report and can be obtained by contacting Missouri State University's Financial Services department.

Funding Policy: The contribution requirements of plan members are established by the Missouri State Board of Governors. The postemployment healthcare benefits are funded on a pay-as-you-go basis. Missouri State University funds on a cash basis as benefits are paid. For fiscal year 2014 Missouri State University contributed \$763,000 to the postemployment retirement plan portion of the MSUEBP and the retirees contributed \$840,000 through their required monthly contributions of \$418 for retiree and \$456 for spouse for the medical portion. No assets have been segregated and restricted to provide postretirement benefits within the definition of Plan Assets under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

Annual OPEB Cost and Net OPEB Obligation: Missouri State University's annual OPEB expense is calculated based upon the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45.

The following table shows the components of Missouri State University's annual OPEB expense for the year:

	2014	2013
Amortization of Unfunded Actuarial Value of Assets (UAAL)	\$ 402,000	\$ 461,000
Normal cost (with interest)	393,000	855,000
Interest on amortization of UAAL	18,000	21,000
Annual required contribution (ARC)	813,000	1,337,000
Interest on net OPEB obligation	162,000	137,000
Adjustment to the ARC	(167,000)	(116,000)
Annual OPEB cost (expense)	808,000	1,358,000
Contributions made	(763,000)	(807,000)
Increase in net OPEB obligation	45,000	551,000
Net OPEB obligation - beginning of year	3,600,000	3,049,000
Net OPEB obligation - end of year	<u>\$ 3,645,000</u>	<u>\$ 3,600,000</u>

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

Missouri State University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

	2014	2013	2012
Annual OPEB cost	\$ 808,000	\$ 1,358,000	\$ 1,306,000
Net employer contributions	\$ 763,000	\$ 807,000	\$ 609,000
Percentage contributed	94.43%	59.43%	46.63%
End of year net OPEB obligation	\$ 3,645,000	\$ 3,600,000	\$ 3,049,000

Funded Status and Funding Progress: As of June 30, 2014 and 2013, the Actuarial Accrued Liability (AAL) was \$8,655,000 and \$12,069,000, respectively. No assets have been segregated and restricted to provide postretirement benefits within the definition of plan assets under GASB Statement No. 45. The covered payroll (annual payroll of active employees covered by the plan) was \$105,135,000 and \$111,675,000 in 2014 and 2013, respectively. The ratio of the UAAL to the covered payroll was 8.23% and 10.81% in 2014 and 2013, respectively.

Actuarial Methods and Assumptions: Actuarial valuations reflect a long-term perspective and involve estimates of the reported amounts and assumptions about the probability of events far into the future. Actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities. These calculations are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. A Schedule of Funding Progress, presented as Required Supplementary Information, follows the notes to the financial statements. The Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. As allowed by GASB, this reporting requirement was implemented prospectively in 2008. The actuarial calculations have been based on the substantive plan in place at the time of valuation and on the pattern of cost sharing between the employers and members to that point.

Benefit obligations shown in this report are computed using the projected unit credit method. Benefits are attributed to service based on the plan's benefit eligibility provisions. The beginning of the attribution period is the date of hire and the end is the full eligibility date. The unfunded actuarial accrued liability is amortized over a 30-year open period in level dollar amounts. Cumulative gains and losses are amortized over the same 30-year period as other UAAL. Other assumptions are as follows:

Discount rate 4.50% per annum

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

Health care cost trend rates:

	Medical/Rx/ Stop Loss	Admin
2014 - 2015	9.00%	5.00%
2015 - 2016	8.50%	5.00%
2016 - 2017	8.00%	5.00%
2017 - 2018	7.50%	5.00%
2018 - 2019	7.00%	5.00%
2019 - 2020	6.50%	5.00%
2020 - 2021	6.00%	5.00%
2021 - 2022	5.50%	5.00%
2022 and beyond	5.00%	5.00%

Note 7: Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accidental benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to general liability, workers' compensation, natural disasters and employee health benefits.

Settled claims have not exceeded this commercial coverage in any of the three preceding years. Additional coverage is provided through the State Self Insurance program, through the Risk Management Division of the Department of Administration Services, in Jefferson City. The State of Missouri self-insures the workers' compensation benefits for all state employees, including University employees. Claims are administered by the Missouri Office of Administration, Risk Management Section.

Liabilities for employee health and dental benefits are included in liabilities for claims incurred but not yet reported or paid. The liability is estimated based on subsequent payments and historical information. Changes in the balance of claims liabilities for the years ended June 30, 2014 and 2013, is summarized as follows:

	2014	2013
Balance at beginning of year	\$ 1,384,829	\$ 1,400,745
Health and dental claims	14,711,045	15,963,158
Health insurance payments	<u>(14,806,251)</u>	<u>(15,979,074)</u>
Balance at end of year	<u>\$ 1,289,623</u>	<u>\$ 1,384,829</u>

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

Note 8: Operating Expenses by Function

Operating expenses by functional classification for the year ended June 30, 2014, are summarized as follows:

	Salaries	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	2014 Total
Instruction	\$ 68,871,857	\$ 23,673,592	\$ -	\$ 4,984	\$ 11,531,652	\$ -	\$ 104,082,085
Research	5,495,171	1,813,552	-	41	4,950,405	-	12,259,169
Public service	4,090,161	1,235,444	-	45,472	3,879,567	-	9,250,644
Academic support	15,198,977	5,152,948	-	-	4,924,142	-	25,276,067
Student services	6,914,779	2,322,951	-	-	4,975,717	-	14,213,447
Institutional support	15,450,319	4,869,399	-	-	2,485,797	-	22,805,515
Operation and maintenance of plant	6,104,611	2,043,497	-	4,408,393	5,845,233	-	18,401,734
Scholarship and fellowships	475,289	176,608	20,016,576	-	66,067	-	20,734,540
Auxiliary enterprises	15,909,184	4,798,664	4,541,176	2,444,317	19,148,277	-	46,841,618
Depreciation	-	-	-	-	-	22,673,717	22,673,717
Total operating expenses for fiscal year 2014	<u>\$ 138,510,348</u>	<u>\$ 46,086,655</u>	<u>\$ 24,557,752</u>	<u>\$ 6,903,207</u>	<u>\$ 57,806,857</u>	<u>\$ 22,673,717</u>	<u>\$ 296,538,536</u>

Operating expenses by functional classification for the year ended June 30, 2013, are summarized as follows:

	Salaries	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	2013 Total
Instruction	\$ 66,035,818	\$ 22,272,949	\$ -	\$ 261	\$ 10,552,806	\$ -	\$ 98,861,834
Research	5,427,538	1,802,707	-	1,456	5,018,915	-	12,250,616
Public service	3,791,140	1,151,822	-	-	3,544,924	-	8,487,886
Academic support	14,089,801	4,735,981	-	-	4,538,756	-	23,364,538
Student services	6,694,704	2,144,484	-	-	4,272,885	-	13,112,073
Institutional support	15,066,431	5,368,417	-	-	3,379,878	-	23,814,726
Operation and maintenance of plant	5,737,979	1,877,967	-	4,140,710	4,494,801	-	16,251,457
Scholarship and fellowships	468,730	165,517	19,526,343	-	63,396	-	20,223,986
Auxiliary enterprises	15,712,610	4,561,568	4,282,379	2,463,619	18,743,785	-	45,763,961
Depreciation	-	-	-	-	-	21,972,431	21,972,431
Total operating expenses for fiscal year 2013	<u>\$ 133,024,751</u>	<u>\$ 44,081,412</u>	<u>\$ 23,808,722</u>	<u>\$ 6,606,046</u>	<u>\$ 54,610,146</u>	<u>\$ 21,972,431</u>	<u>\$ 284,103,508</u>

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

Note 9: Long-Term Liabilities

Long-term debt and other obligations consist of the following as of June 30, 2014:

	Bond Series	Interest Rate	Maturity	Beginning Balance July 1, 2013	Additions	Reductions	Ending Balance June 30, 2014	Current Portion
Revenue issue								
Auxiliary enterprise system								
1988 Note Payable		3%	2018	\$ 855,793	\$ -	\$ 161,120	\$ 694,673	\$ 165,990
2005	A	2.75 to 4.05%	2025	1,625,000	-	-	1,625,000	-
2007	A	4.00 to 5.00%	2032	50,515,000	-	1,730,000	48,785,000	1,800,000
2010	A	1.00%-2.55%	2016	2,925,000	-	710,000	2,215,000	720,000
2010	B	4.25%-6.25%	2036	20,565,000	-	-	20,565,000	-
2010	C	1%-2.8%	2017	15,270,000	-	3,170,000	12,100,000	2,925,000
2014	A	.5%-4.2%	2036	-	39,405,000	-	39,405,000	910,000
				<u>91,755,793</u>	<u>39,405,000</u>	<u>5,771,120</u>	<u>125,389,673</u>	<u>6,520,990</u>
Classroom Building								
2010	A	.3% to 2.55%	2016	1,170,000	-	285,000	885,000	290,000
2010	B	4.25% to 6.25%	2036	8,235,000	-	-	8,235,000	-
2012	DNR	0%	2015	49,236	-	31,416	17,820	17,820
2012	DNR	2%	2021	958,000	-	-	958,000	245,491
2013	DNR	0%	2017	40,907	-	11,123	29,784	11,177
				<u>102,208,936</u>	<u>39,405,000</u>	<u>6,098,659</u>	<u>135,515,277</u>	<u>7,085,478</u>
Total bonds and notes payable								
				<u>985,896</u>	<u>-</u>	<u>85,691</u>	<u>900,205</u>	<u>82,701</u>
Unamortized premium on bond issue								
Total bonds and notes payable including unamortized premium				<u>103,194,832</u>	<u>39,405,000</u>	<u>6,184,350</u>	<u>136,415,482</u>	<u>7,168,179</u>
Compensated absences				10,344,293	6,187,999	6,024,366	10,507,926	5,395,939
Capital lease obligations		1.87%	2,020	8,001,594	-	1,028,059	6,973,535	941,712
Other long-tem liabilities				3,600,045	45,000	-	3,645,045	-
				<u>21,945,932</u>	<u>6,232,999</u>	<u>7,052,425</u>	<u>21,126,506</u>	<u>6,337,651</u>
Total other obligations								
Total long-term debt and other obligations				<u>\$ 125,140,764</u>	<u>\$ 45,637,999</u>	<u>\$ 13,236,775</u>	<u>\$ 157,541,988</u>	<u>\$ 13,505,830</u>

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

Long-term debt and other obligations consist of the following as of June 30, 2013:

	Bond Series	Interest Rate	Maturity	Beginning Balance July 1, 2012	Additions	Reductions	Ending Balance June 30, 2013	Current Portion
Revenue issue								
Auxiliary enterprise system								
1988 Note Payable		3%	2018	\$ 1,012,186	\$ -	\$ 156,393	\$ 855,793	\$ 161,120
2005	A	2.75% to 4.05%	2025	1,625,000	-	-	1,625,000	-
2007	A	4.00% to 5.00%	2032	52,180,000	-	1,665,000	50,515,000	1,730,000
2010	A	1.00% to 2.55%	2016	3,625,000	-	700,000	2,925,000	710,000
2010	B	4.25% to 6.25%	2036	20,565,000	-	-	20,565,000	-
2010	C	1% to 2.8%	2017	18,395,000	-	3,125,000	15,270,000	3,170,000
				<u>97,402,186</u>	<u>-</u>	<u>5,646,393</u>	<u>91,755,793</u>	<u>5,771,120</u>
Classroom Building								
2010	A	.3% to 2.55%	2016	1,450,000	-	280,000	1,170,000	285,000
2010	B	4.25% to 6.25%	2036	8,235,000	-	-	8,235,000	-
2012	DNR	0%	2015	64,852	-	15,616	49,236	31,415
2012	DNR	2%	2021	958,000	-	-	958,000	124,713
2013	DNR	0%	2017	-	40,907	-	40,907	11,123
Total bonds and notes payable				<u>108,110,038</u>	<u>40,907</u>	<u>5,942,009</u>	<u>102,208,936</u>	<u>6,223,371</u>
Unamortized premium on bond issue				<u>1,074,464</u>	<u>-</u>	<u>88,568</u>	<u>985,896</u>	<u>85,691</u>
Total bonds and notes payable including unamortized premium				<u>109,184,502</u>	<u>40,907</u>	<u>6,030,577</u>	<u>103,194,832</u>	<u>6,309,062</u>
Compensated absences				9,874,823	6,215,625	5,746,155	10,344,293	4,974,539
Capital lease obligations				7,683,148	1,032,871	714,425	8,001,594	1,028,059
Other long-term liabilities				3,049,045	551,000	-	3,600,045	-
Total other obligations				<u>20,607,016</u>	<u>7,799,496</u>	<u>6,460,580</u>	<u>21,945,932</u>	<u>6,002,598</u>
Total long-term debt and other obligations				<u>\$ 129,791,518</u>	<u>\$ 7,840,403</u>	<u>\$ 12,491,157</u>	<u>\$ 125,140,764</u>	<u>\$ 12,311,660</u>

The University has bonds, notes and capital lease obligations due in the total amount of \$142,488,812 and \$110,210,530 as of June 30, 2014 and 2013, respectively. At June 30, 2014, these bonds and notes bear interest at rates ranging from 0% to 6.25% annually, and mature at various dates through fiscal year 2036. The notes payable and revenue bonds are payable, both as to principal and interest, solely and only out of net income arising from the operation of the various revenue funds.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

The revenue bond issues and the 1988 Housing System note payable require the University to establish and fund various debt service reserve funds. At June 30, 2014 and 2013, all debt service reserve funds have been fully funded. The University also is required to maintain certain rate covenants related to the Auxiliary Enterprise System bonds.

During 2003, Auxiliary System bonds, Series 1993A and 1993B of \$5,295,000 and \$14,235,000, respectively, and Classroom Building 1996 Bonds of \$5,155,000 were defeased. At June 30, 2014 and 2013, the current outstanding balance of these defeased bonds was \$1,445,000 and \$1,875,000, respectively.

During 2005, Auxiliary System bonds Series 1997A and 1999A of \$13,960,000 and \$16,835,000, respectively, were defeased. At June 30, 2014 and 2013, the current outstanding balance of these defeased bonds was \$15,285,000 and \$18,210,000, respectively.

On July 30, 2010, the University issued Auxiliary Enterprise System Revenue Bonds in the principal amount of \$46,370,000 in Tax-Exempt and Build America Bonds for additions and improvements to the auxiliary enterprise system and the partial refunding of the 2005A Series Bonds. The refunding portion of this issue was \$21,485,000. Build America Bonds issued were in the amount of \$20,565,000 and Tax-Exempt Bonds issued were in the amount of \$25,805,000. The refunding issue was used to retire \$20,890,000 of 2005 series bonds, meet \$360,881 of interest escrow requirements and the remainder used for cost of issuance. This refunding was undertaken to reduce total debt service payments by \$841,223 and resulted in an economic gain (present value savings) of \$801,402. Projects funded by these bonds included the following:

- Construction of the Bill R. Foster and Family Recreation Center on the Springfield campus
- Construction of a multipurpose recreation center on the West Plains campus, which will be constructed as a storm shelter
- Residence hall life safety upgrades to three residence halls on the Springfield campus
- Miscellaneous capital improvements to certain residential facilities on the Springfield campus

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

On July 30, 2010, the University issued bonds through the Missouri Health and Educational Facilities Authority (MOHEFA) in the principal amount of \$10,220,000 in Tax-Exempt and Build America Bonds for the acquisition, renovation and improvement of various health and educational facilities of the University. Build America Bonds issued were in the amount of \$8,235,000 and Tax-Exempt Bonds issued were in the amount of \$1,985,000. Projects funded by these bonds included the following:

- Construction of an educational building for the Darr Agricultural Center
- Renovation of Looney Hall (West Plains campus) to return it to use exclusively as an academic facility
- Construction of an animal research compliance facility (Springfield campus) to properly house animals needed for research on campus
- An addition to the Physical Therapy Building, the McQueary Family Health Sciences Hall
- Renovations to various academic buildings on the Springfield campus
- Other miscellaneous capital improvements to academic facilities on the Springfield and West Plains campuses

On February 27, 2014, the University issued Auxiliary Enterprise System Revenue bonds in the principal amount of \$39,405,000. Projects to be funded by these bonds included the following:

- Renovations to Kentwood Hall, Hammons House, Hutchens House and Sunvilla Tower
- Construction of a new outdoor track, sand volleyball courts, and soccer, lacrosse and field hockey fields
- Renovations to Robert W. Plaster Stadium including replacement of the turf playing surface and replacement of the student section bleachers

In accordance with accounting principles generally accepted in the United States of America, the outstanding balances of the defeased bonds are not reflected on the statements of net position of the University.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

The principal and interest requirements on notes and bonds payable to maturity at June 30, 2014, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 7,085,478	\$ 5,670,670	\$ 12,756,148
2016	7,230,445	5,393,646	12,624,091
2017	7,409,233	5,208,635	12,617,868
2018	7,604,709	4,994,053	12,598,762
2019	5,565,785	4,797,380	10,363,165
2020-2024	30,454,627	20,619,575	51,074,202
2025-2029	32,110,000	13,755,760	45,865,760
2030-2034	30,945,000	5,678,331	36,623,331
2035-2037	7,110,000	417,870	7,527,870
	<u>\$ 135,515,277</u>	<u>\$ 66,535,920</u>	<u>\$ 202,051,197</u>

Capital Lease Obligations

The University is obligated under leases accounted for as capital leases. Assets under capital leases at June 30, 2014 and 2013, totaled \$7,062,212 and \$7,680,624, respectively, net of accumulated depreciation of \$5,044,631 in 2014 and \$4,426,218 in 2013.

The following is a schedule by year of future minimum lease payments under the capital leases including interest at the rate of 4.31% together with the present value of the future minimum lease payments as of June 30, 2014:

2015	\$ 1,072,117
2016	1,072,117
2017	1,072,117
2018	1,072,117
2019	1,072,117
2020 - 2023	2,144,232
Total minimum lease payments	<u>7,504,817</u>
Less amount representing interest	<u>531,282</u>
Present value of future minimum lease payments	<u>\$ 6,973,535</u>

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

Foundation Leases

Noncancelable leases for space in the Kenneth E. Meyer Alumni Center expire in various years through 2019. Several of these leases contain renewal options for periods ranging from one to three years. Future minimum lease income at June 30, 2014, is as follows:

2015	\$	665,923
2016		117,030
2017		91,499
2018		79,473
2019		35,917

Note 10: Auxiliary Enterprise System

The outstanding debt of the University consists of Auxiliary Enterprise System Revenue Bonds. The most recent Auxiliary Enterprise System Revenue Bonds were issued in accordance with a Resolution adopted by the Board of Governors in February 2014. The Resolution provides that the bonds are payable from the gross income and revenues derived from the housing, parking, health center and recreational facilities serving the University and its students. The housing facilities consist of 11 residence halls, four dining facilities and the Student Union Building. The parking facilities consist of all facilities, lots and equipment for the parking of vehicles and the movement of passengers around campus. The health center consists of the Taylor Health and Wellness Center facility which provides medical and wellness services to students and their spouses and University employees and their spouses and eligible dependents. The recreational facilities include the Bill R. Foster and Family Recreation Center, Hammons Student Center, the Plaster Stadium, the JQH Arena and the athletic programs of the University. The Auxiliary Enterprise System also includes the University's Bookstore and certain auxiliary operations at the University's West Plains campus.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

Financial information for the Auxiliary Enterprise System for June 30, 2014 and 2013, is summarized as follows:

	2014	2013 (Restated - Note 1)
Condensed Statements of Net Position		
Assets		
Current assets	\$ 49,440,379	\$ 24,123,007
Noncurrent assets	229,846,395	204,667,627
Total assets	279,286,774	228,790,634
Deferred Outflows of Resources		
	498,151	746,786
Total assets and deferred outflows of resources	279,784,925	229,537,420
Liabilities		
Current liabilities	24,693,963	15,762,865
Long-term liabilities	121,645,280	88,470,064
Total liabilities	146,339,243	104,232,929
Net Position		
Net investment in capital assets	102,178,276	110,924,594
Unrestricted	31,267,406	14,379,897
Total net position	\$ 133,445,682	\$ 125,304,491
Condensed Statements of Revenues, Expenses and Changes in Net Position		
Operating revenues	\$ 54,142,970	\$ 54,086,717
Operating expenses		
Depreciation	8,233,010	7,908,915
All other operating expenses	46,841,618	45,763,962
Total operating expenses	55,074,628	53,672,877
Operating income	(931,658)	413,840
Nonoperating revenues (expenses)	2,693,849	1,342,942
Excess of revenues over expenses	1,762,191	1,756,782
Transfer from other University units	6,379,000	1,770,357
Increase in Net Position	8,141,191	3,527,139
Beginning Net Position, as Restated	125,304,491	121,777,352
Ending Net Position	\$ 133,445,682	\$ 125,304,491

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

Note 11: Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	2014				Ending Balance
	Beginning Balance	Additions	Retirements	Transfers	
Land	\$ 33,791,093	\$ 350,000	\$ -	\$ -	\$ 34,141,093
Infrastructure	49,070,395	-	-	-	49,070,395
Buildings	509,732,185	-	-	24,112,382	533,844,567
Furniture, fixtures and equipment	50,362,157	1,977,048	(654,821)	13,759	51,698,143
Library materials	55,150,727	2,209,584	-	-	57,360,311
Capitalized collections	434,077	92,000	-	-	526,077
Construction in progress	16,241,045	38,463,844	(317)	(24,126,141)	30,578,431
	<u>714,781,679</u>	<u>43,092,476</u>	<u>(655,138)</u>	<u>-</u>	<u>757,219,017</u>
Less accumulated depreciation					
Infrastructure	23,696,761	2,834,008	-	-	26,530,769
Buildings	175,404,370	14,007,641	-	-	189,412,011
Furniture, fixtures and equipment	36,968,002	3,640,921	(613,899)	-	39,995,024
Library materials	42,832,736	2,159,729	-	-	44,992,465
Capitalized collections	311,654	31,418	-	-	343,072
Total accumulated depreciation	<u>279,213,523</u>	<u>22,673,717</u>	<u>(613,899)</u>	<u>-</u>	<u>301,273,341</u>
Net capital assets	<u>\$ 435,568,156</u>	<u>\$ 20,418,759</u>	<u>\$ (41,239)</u>	<u>\$ -</u>	<u>\$ 455,945,676</u>

Capital asset activity for the year ended June 30, 2013, was as follows:

	2013				Ending Balance
	Beginning Balance	Additions	Retirements	Transfers	
Land	\$ 31,073,213	\$ 2,717,880	\$ -	\$ -	\$ 33,791,093
Infrastructure	46,979,436	333,055	-	1,757,904	49,070,395
Buildings	458,277,349	6,693,480	(159,587)	44,920,943	509,732,185
Furniture, fixtures and equipment	48,347,366	2,316,454	(634,627)	332,964	50,362,157
Library materials	52,727,326	2,423,401	-	-	55,150,727
Capitalized collections	391,858	42,219	-	-	434,077
Construction in progress	36,391,111	26,901,520	(39,775)	(47,011,811)	16,241,045
	<u>674,187,659</u>	<u>41,428,009</u>	<u>(833,989)</u>	<u>-</u>	<u>714,781,679</u>
Less accumulated depreciation					
Infrastructure	21,014,389	2,682,372	-	-	23,696,761
Buildings	162,136,956	13,270,800	(3,386)	-	175,404,370
Furniture, fixtures and equipment	33,700,653	3,899,981	(632,632)	-	36,968,002
Library materials	40,742,040	2,090,696	-	-	42,832,736
Capitalized collections	283,072	28,582	-	-	311,654
Total accumulated depreciation	<u>257,877,110</u>	<u>21,972,431</u>	<u>(636,018)</u>	<u>-</u>	<u>279,213,523</u>
Net capital assets	<u>\$ 416,310,549</u>	<u>\$ 19,455,578</u>	<u>\$ (197,971)</u>	<u>\$ -</u>	<u>\$ 435,568,156</u>

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

Note 12: Commitments and Contingencies

Claims and Litigation

As is common with most large governmental entities, various parties have asserted claims against the University through litigation and by other means. The University is vigorously defending each of these matters, the eventual outcomes of which management presently believes will not be material.

Government Grants

The University is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

Construction Commitments

The University has outstanding commitments for various construction contracts of approximately \$21.8 million at June 30, 2014.

Note 13: Future Change in Accounting Principle

The University will implement GASB Statement 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, in fiscal year 2015. Statement 68 will require the inclusion of long-term obligations for pension benefits as a liability and will expand required disclosures. The amount to be recorded as a liability will be based on an actuarial valuation. Management has not yet determined the impact it will have on the University's financial statements.

Note 14: Subsequent Event

On September 26, 2014, the University issued bonds through the Missouri Health and Educational Facilities Authority (MOHEFA) in the principal amount of \$21,485,000 in Tax-Exempt Bonds for the acquisition, construction, renovation and improvement of various educational facilities of the University located in Springfield, Missouri, including: (i) construction of a new occupational therapy and health sciences building (ii) construction of a new University Student Admissions and Success Center, (iii) renovations and improvements to the University's Jim D. Morris Center, and (iv) miscellaneous capital improvements to academic facilities on the Springfield campus.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

Note 15: Foundation Endowment

The Foundation's endowment consists of approximately 970 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body has interpreted the State of Missouri Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

The composition of net assets by type of endowment fund at June 30, 2014, was:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total
Donor-restricted endowment funds	\$ (109)	\$ 27,016,254	\$ 47,100,058	\$ 74,116,203
Board-designated endowment funds	<u>3,260,779</u>	<u>-</u>	<u>-</u>	<u>3,260,779</u>
Total endowment funds	<u>\$ 3,260,670</u>	<u>\$ 27,016,254</u>	<u>\$ 47,100,058</u>	<u>\$ 77,376,982</u>

The composition of net assets by type of endowment fund at June 30, 2013, was:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total
Donor-restricted endowment funds	\$ (34,221)	\$ 21,059,850	\$ 44,982,700	\$ 66,008,329
Board-designated endowment funds	<u>2,990,433</u>	<u>-</u>	<u>-</u>	<u>2,990,433</u>
Total endowment funds	<u>\$ 2,956,212</u>	<u>\$ 21,059,850</u>	<u>\$ 44,982,700</u>	<u>\$ 68,998,762</u>

Changes in endowment net assets for the year ended June 30, 2014, were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total
Endowment net assets, beginning of year	<u>\$ 2,956,212</u>	<u>\$ 21,059,850</u>	<u>\$ 44,982,700</u>	<u>\$ 68,998,762</u>
Investment return				
Investment income	-	148,033	-	148,033
Net appreciation	<u>273,842</u>	<u>9,635,457</u>	<u>-</u>	<u>9,909,299</u>
Total investment return	<u>273,842</u>	<u>9,783,490</u>	<u>-</u>	<u>10,057,332</u>
Contributions	-	-	2,083,648	2,083,648
Other income	27,753	14,081	33,710	75,544
Appropriation of endowment assets for expenditure	-	(3,889,315)	-	(3,889,315)
Other additions	<u>2,863</u>	<u>48,148</u>	<u>-</u>	<u>51,011</u>
Endowment net assets, end of year	<u>\$ 3,260,670</u>	<u>\$ 27,016,254</u>	<u>\$ 47,100,058</u>	<u>\$ 77,376,982</u>

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

Changes in endowment net assets for the year ended June 30, 2013, were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total
Endowment net assets, beginning of year	\$ 2,666,594	\$ 18,490,299	\$ 41,105,624	\$ 62,262,517
Investment return				
Investment income	-	433,005	-	433,005
Net appreciation	254,933	5,533,375	-	5,788,308
Total investment return	254,933	5,966,380	-	6,221,313
Contributions	-	-	3,814,986	3,814,986
Other income	30,735	16,934	62,090	109,759
Appropriation of endowment assets for expenditure	-	(3,615,668)	-	(3,615,668)
Other additions	3,950	201,905	-	205,855
Endowment net assets, end of year	<u>\$ 2,956,212</u>	<u>\$ 21,059,850</u>	<u>\$ 44,982,700</u>	<u>\$ 68,998,762</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and aggregated \$109 and \$34,221 at June 30, 2014 and 2013, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new permanently restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Foundation's policies, endowment assets are invested in a manner that is intended to produce results that exceed the endowment's financial requirement over time, while assuming a moderate level of investment risk. The Foundation expects its endowment funds to provide a rate of return between 6.7% and 9.7% annually over time. Actual returns in any given year may vary from this amount.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2014 and 2013

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy (the spending policy) of appropriating for expenditure each year 5.7% of its endowment fund's average fair value over the prior 36 months through the year end preceding the year in which expenditure is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at a rate of 1% to 4% annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Required Supplementary Information

Missouri State University
A Component Unit of the State of Missouri
Schedule of Funding Progress – Other Postemployment Benefits
June 30, 2014 and 2013

	Year Ended June 30, 2014	Year Ended June 30, 2013	Year Ended June 30, 2012
Actuarial valuation date	July 1, 2013	July 1, 2012	July 1, 2011
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Actuarial accrued liability	\$ 8,655,000	\$ 12,069,000	\$ 11,820,000
Actuarial value of assets	-	-	-
Total unfunded actuarial liability	<u>\$ 8,655,000</u>	<u>\$ 12,069,000</u>	<u>\$ 11,820,000</u>
Funded ratio	0.00%	0.00%	0.00%
Annual coverage payroll	\$ 105,135,000	\$ 111,675,000	\$ 101,328,000
Ratio of unfunded actuarial liability to covered payroll	8.23%	10.81%	11.67%
Participant summary			
Active employees	2,125	2,086	2,086
Retirees	105	112	107
Spouses of retirees	<u>23</u>	<u>29</u>	<u>34</u>
Total	<u>2,253</u>	<u>2,227</u>	<u>2,227</u>
Actuarial assumptions:			
UAAL amortization method	Level % of Pay		
UAAL amortization period, closed/open	30 years, open		
Investment return (discount) rate	4.50%		

	Medical/Rx/Stop Loss	Admin
2014 - 2015	9.0%	5.0%
2015 - 2016	8.5%	5.0%
2016 - 2017	8.0%	5.0%
2017 - 2018	7.5%	5.0%
2018 - 2019	7.0%	5.0%
2019 - 2020	6.5%	5.0%
2020 - 2021	6.0%	5.0%
2021 - 2022	5.5%	5.0%
2022 and beyond	5.0%	5.0%

Supplementary Information

Missouri State University
A Component Unit of the State of Missouri
Condensed Statements by Campus
June 30, 2014

Condensed Statements of Net Position

	<u>Springfield</u>	<u>West Plains</u>	<u>Total</u>
Assets			
Current assets	\$ 118,447,758	\$ 9,342,403	\$ 127,790,161
Noncurrent assets	506,127,324	17,154,596	523,281,920
Total assets	<u>624,575,082</u>	<u>26,496,999</u>	<u>651,072,081</u>
Deferred Outflows of Resources	<u>527,481</u>	<u>-</u>	<u>527,481</u>
Total assets and deferred outflows of resources	<u>625,102,563</u>	<u>26,496,999</u>	<u>651,599,562</u>
Liabilities			
Current liabilities	50,957,700	3,194,867	54,152,567
Long-term liabilities	142,743,249	1,292,909	144,036,158
Total liabilities	<u>193,700,949</u>	<u>4,487,776</u>	<u>198,188,725</u>
Net Position			
Net investment in capital assets	297,249,217	15,834,924	313,084,141
Restricted			
Nonexpendable	199,762	-	199,762
Expendable	12,498,517	21,751	12,520,268
Unrestricted	<u>121,454,118</u>	<u>6,152,548</u>	<u>127,606,666</u>
Total net position	<u>\$ 431,401,614</u>	<u>\$ 22,009,223</u>	<u>\$ 453,410,837</u>

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

Operating Revenues	<u>\$ 186,904,694</u>	<u>\$ 3,413,502</u>	<u>\$ 190,318,196</u>
Operating Expenses			
Depreciation	21,998,501	675,216	22,673,717
All other operating expenses	260,154,162	13,710,657	273,864,819
Total operating expenses	<u>282,152,663</u>	<u>14,385,873</u>	<u>296,538,536</u>
Operating Income (Loss)	(95,247,969)	(10,972,371)	(106,220,340)
Nonoperating Revenues	110,952,774	10,741,782	121,694,556
Nonoperating Expenses	<u>(4,909,730)</u>	<u>-</u>	<u>(4,909,730)</u>
Excess (Deficiency) of Revenues Over Expenses	10,795,075	(230,589)	10,564,486
Transfer from Other University Units	<u>(108,987)</u>	<u>108,987</u>	<u>-</u>
Increase (Decrease) in Net Position	10,686,088	(121,602)	10,564,486
Beginning Net Position, as Restated	<u>420,715,526</u>	<u>22,130,825</u>	<u>442,846,351</u>
Ending Net Position	<u>\$ 431,401,614</u>	<u>\$ 22,009,223</u>	<u>\$ 453,410,837</u>

Missouri State University
A Component Unit of the State of Missouri
Condensed Statements by Campus
June 30, 2013

Condensed Statements of Net Position (Restated - Note 1)

	<u>Springfield</u>	<u>West Plains</u>	<u>Total</u>
Assets			
Current assets	\$ 148,908,688	\$ 7,161,617	\$ 156,070,305
Noncurrent assets	424,774,342	17,396,213	442,170,555
Total assets	<u>573,683,030</u>	<u>24,557,830</u>	<u>598,240,860</u>
Deferred Outflows of Resources	<u>783,409</u>	<u>-</u>	<u>783,409</u>
Total assets and deferred outflows of resources	<u>574,466,439</u>	<u>24,557,830</u>	<u>599,024,269</u>
Liabilities			
Current liabilities	42,282,362	1,066,452	43,348,814
Long-term liabilities	111,468,551	1,360,553	112,829,104
Total liabilities	<u>153,750,913</u>	<u>2,427,005</u>	<u>156,177,918</u>
Net Position			
Net investment in capital assets	309,083,403	16,071,736	325,155,139
Restricted			
Nonexpendable	199,762	-	199,762
Expendable	7,778,387	20,666	7,799,053
Unrestricted	<u>103,653,974</u>	<u>6,038,423</u>	<u>109,692,397</u>
Total net position	<u>\$ 420,715,526</u>	<u>\$ 22,130,825</u>	<u>\$ 442,846,351</u>

**Condensed Statements of Revenues,
Expenses and Changes in Net Position (Restated - Note 1)**

Operating Revenues	<u>\$ 180,401,364</u>	<u>\$ 3,239,800</u>	<u>\$ 183,641,164</u>
Operating Expenses			
Depreciation	21,334,392	638,039	21,972,431
All other operating expenses	249,193,460	12,937,617	262,131,077
Total operating expenses	<u>270,527,852</u>	<u>13,575,656</u>	<u>284,103,508</u>
Operating Income (Loss)	(90,126,488)	(10,335,856)	(100,462,344)
Nonoperating Revenues	107,772,087	10,260,881	118,032,968
Nonoperating Expenses	<u>(4,889,008)</u>	<u>(227,938)</u>	<u>(5,116,946)</u>
Excess (Deficiency) of Revenues Over Expenses	12,756,591	(302,913)	12,453,678
Transfer from Other University Units	<u>(75,189)</u>	<u>75,189</u>	<u>-</u>
Increase (Decrease) in Net Position	12,681,402	(227,724)	12,453,678
Beginning Net Position, as Restated	<u>408,034,124</u>	<u>22,358,549</u>	<u>430,392,673</u>
Ending Net Position	<u>\$ 420,715,526</u>	<u>\$ 22,130,825</u>	<u>\$ 442,846,351</u>