THE UNIVERSITY OF MISSISSIPPI
FINANCIAL STATEMENTS

UNAUDITED | FISCAL YEAR 2017

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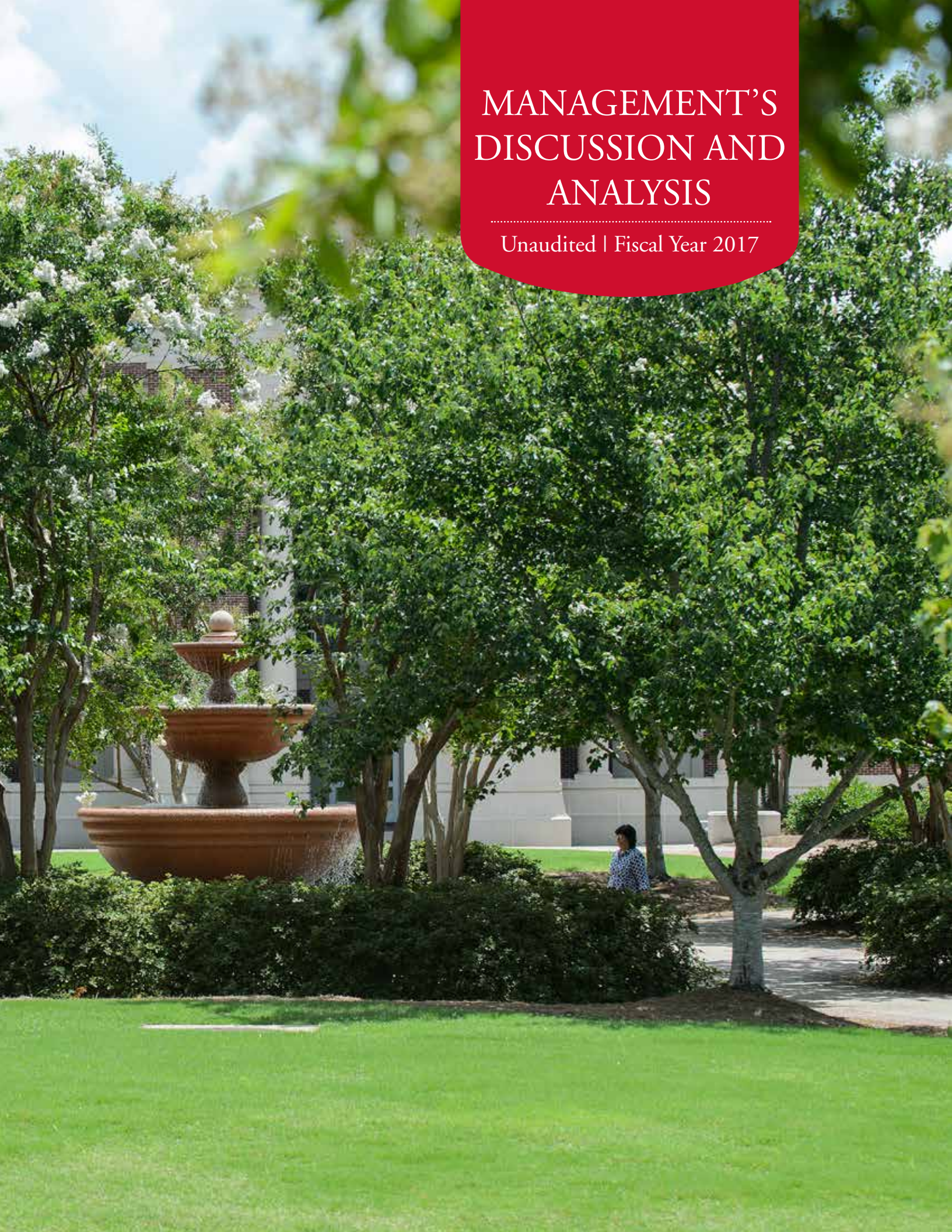
MANAGEMENT'S DISCUSSION AND ANALYSIS

Unaudited | Fiscal Year 2017



INTRODUCTION

The Management's Discussion and Analysis (MD&A) provides an overview of the financial position and performance of the University of Mississippi (the University). This discussion and analysis has been prepared by management and should be considered in conjunction with the financial statements and accompanying note disclosures for the fiscal years ended June 30, 2017 and 2016. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The emphasis of discussions will be on the current year in comparison to the University's financial results for the previous two years. While audited financial statements for fiscal year 2015 are not presented with this report, operational and financial position data will be presented in this section in order to illustrate certain increases and decreases.

THE INSTITUTION

The University of Mississippi is the oldest public higher education institution in the State of Mississippi, first opening its doors in 1848. The University is a comprehensive research institution that offers a broad range of undergraduate and graduate programs and opportunities for continuing study. The University is comprised of the main campus in Oxford, the Medical Center in Jackson, as well as educational centers in Southaven, Tupelo, Booneville and Grenada. These campuses combined serve a student population of 23,780 and employ approximately 11,500 full-time employees, including more than 1,800 full-time faculty. The Oxford campus is comprised of 11 colleges and schools offering 158 degrees in 96 areas of study.

These enrollment and employment totals include the entirety of campuses and operations that report to the Chancellor of the University of Mississippi. However, the University of Mississippi Medical Center is treated as a separate entity for financial reporting purposes, and its financial position and performance are not included within this report. In addition, the financial position and performance for the University of Mississippi Foundation, Inc. and the Ole Miss Athletics Foundation are considered parts of the University of Mississippi financial reporting entity and are therefore discretely presented in this report.

STATEMENTS OF NET POSITION

The Statements of Net Position provide a snapshot of the entity's financial position at a specific point in time. Condensed comparative versions of these statements for the University are presented below and disclose all institutional assets, liabilities and net position in broad descriptive categories. Assets and liabilities are further classified as current and non-current in order to convey to readers a sense of the availability of assets on short and long-term bases. This provides insight into the institution's ability to meet immediate and future obligations.

The net position (assets minus liabilities) section presents a picture of the University's overall cumulative net value. This section is also categorized in a manner that communicates the degree of availability of net position to meet institutional obligations.

Net position is divided into three major categories: Net Investment in Capital Assets, Restricted Net Position and Unrestricted Net Position. Net Investment in Capital Assets provides an aggregated summation of the University's investment, or net equity, in property, plant and equipment. Assets are classified as restricted when limitations or restrictions are placed on their use by external parties. Restricted net position is sub-divided into two categories, expendable and nonexpendable. Expendable restricted net position is available for expenditure by the University, but must be used in accordance with the intent of the appropriate external parties. Nonexpendable restricted net position is only available for investment purposes and must remain intact in perpetuity. Unrestricted net position is available for use towards any lawful purpose of the institution. The University internally designates the majority of unrestricted net position to specific projects or departments.

Condensed Statements of Net Position

(thousands of dollars)

	2017	2016	2015
Current assets	$ 255,828	$ 226,718	$ 184,497
Non-current assets	1,382,395	1,330,038	1,177,568
Deferred outflows of resources	69,088	54,559	26,648
Total assets	$ 1,707,311	$ 1,611,315	$ 1,388,713
Current liabilities	$ 101,069	$ 106,604	$ 97,216
Non-current liabilities	610,242	586,781	440,967
Deferred inflow of resources	2,896	9,686	32,533
Total liabilities	$ 714,207	$ 703,071	$ 570,716

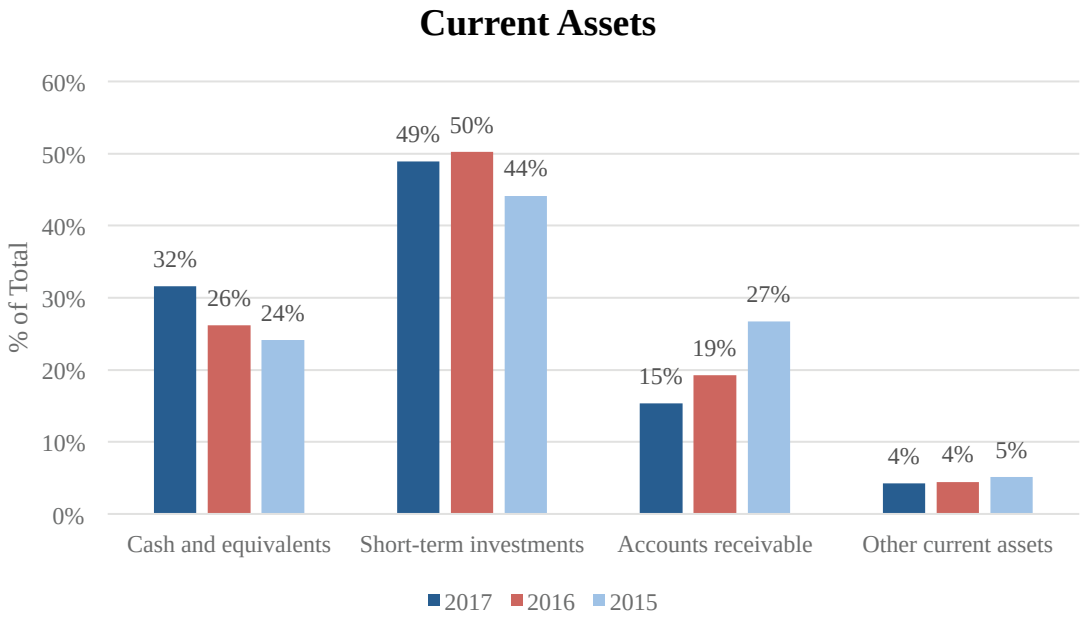
	2017	2016	2015
Net investment in capital assets	$ 839,680	$ 726,852	$ 687,814
Restricted, nonexpendable	51,627	50,614	51,616
Restricted, expendable	59,761	52,491	57,666
Unrestricted	42,036	78,287	20,901
Total net position	$ 993,104	$ 908,244	$ 817,997

The financial position of the University strengthened during fiscal years 2017, 2016 and 2015 with total assets increasing to $1.7 billion, $1.6 billion and $1.4 billion, respectively. Total liabilities also increased each fiscal year. However, in each of the fiscal years presented, the increase in assets outpaced the increase in total liabilities resulting in increased net position for the current and prior two fiscal years.

The University has experienced growth in investments and cash and cash equivalents which is directly related to an increased reliance on tuition and fees and less reliance on state support. State support is typically received in monthly installments on a reimbursement basis and is somewhat consistent with spending activity. Tuition and fees payments are predominantly received at the beginning of semesters and associated expenses occur throughout the semester.

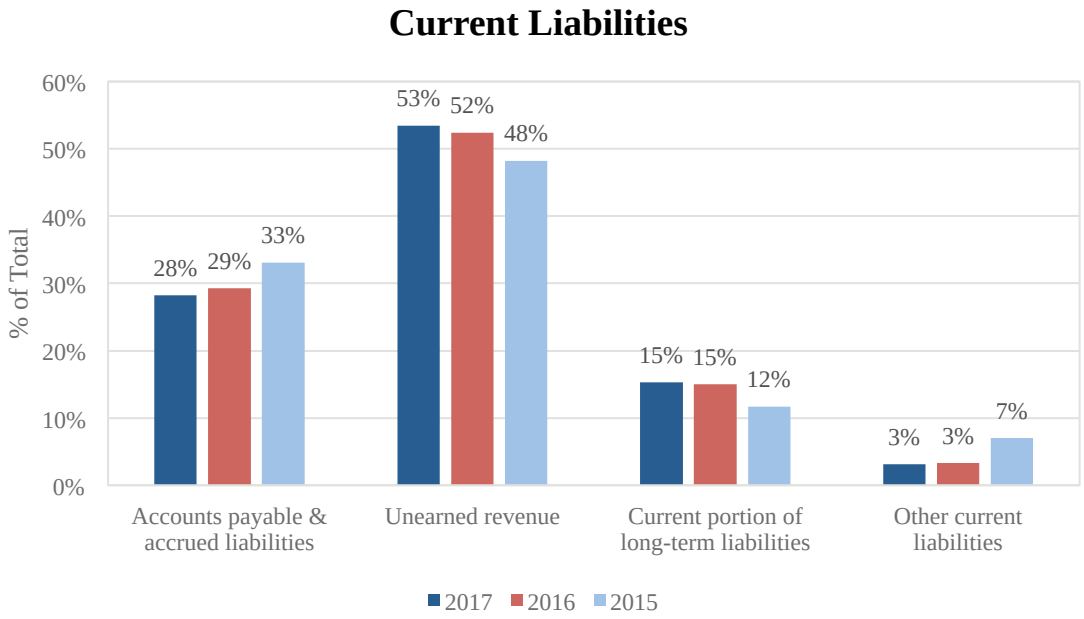
It should also be noted that a portion of cash and cash equivalents are classified as restricted non-current assets due to specific external restrictions regarding its use. These funds are held by the University, trustees and the State Treasury and are primarily restricted for use on specific capital projects. At the end of fiscal years 2017 and 2016, restricted non-current cash and cash equivalents primarily were comprised of cash held by the State Treasury for the purpose of major construction. For fiscal year 2015, restricted non-current cash and cash equivalents primarily consisted of unspent bond proceeds that were expended in full in fiscal year 2016 for major construction and renovation projects on campus.

Cash, short-term investments and accounts receivable comprised approximately 96%, 96% and 95% of current assets in 2017, 2016 and 2015, respectively. Short-term investments are predominantly comprised of U.S. Treasury Notes and represent 49% of current assets for fiscal year 2017, 50% of current assets for fiscal year 2016 and 44% of current assets for fiscal year 2015.



The largest components of current liabilities are amounts payable to vendors and employees and unearned revenues. Unearned revenues include advance receipts for tuition, fees and athletic tickets.

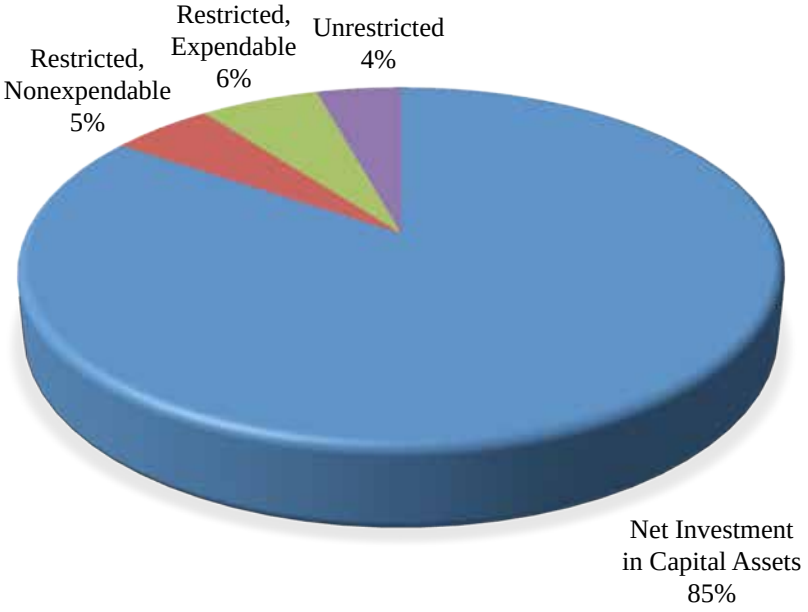
The current accrued leave liability represents an estimate of total accrued compensation to be paid in the twelve months immediately following June 30. This liability consists of unused personal and medical leave earned by employees as required by state statute. Disbursements from this account only occur upon termination of employment. The portion of accrued leave liabilities considered current was 9%, 8% and 11% of the total accrued leave liability at June 30, 2017, 2016 and 2015, respectively.



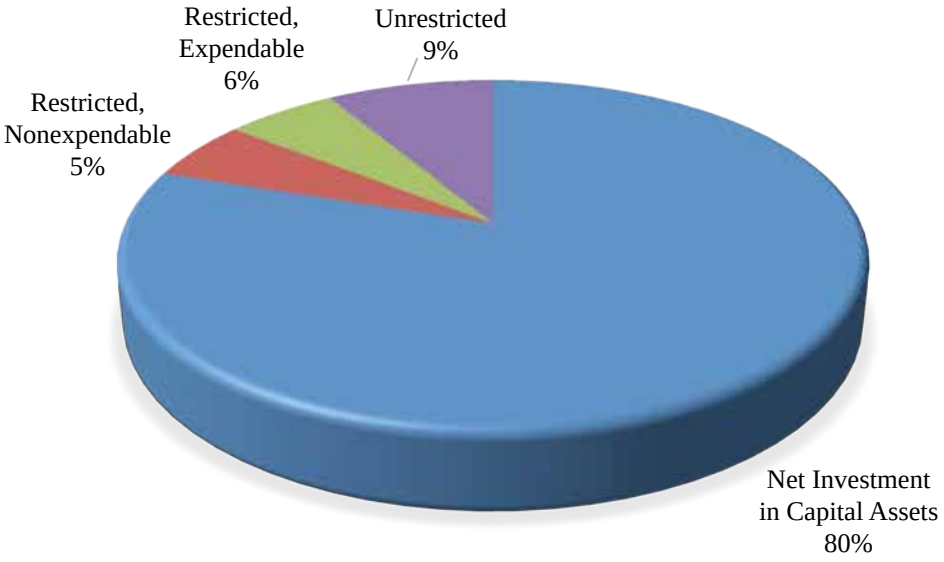
Non-current liabilities are those liabilities due and payable more than twelve months from June 30. Net pension liability comprised 55%, 49% and 51% of long-term liabilities at June 30, 2017, 2016 and 2015, respectively. The vast majority of other non-current liabilities are the result of financing activities for capital projects through the issuance of bonds. Additional detail about long-term debt can be found in Note 8 of the *Notes to Financial Statements.*

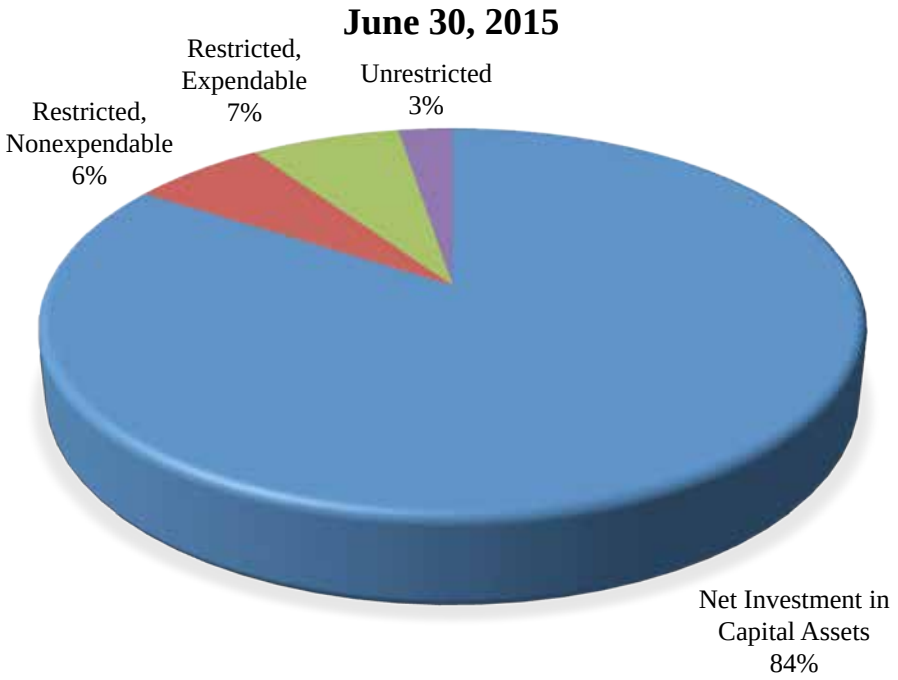
Net position was approximately $993 million, $908 million and $818 million in fiscal years 2017, 2016 and 2015, respectively. In fiscal year 2015, net position decreased due to the effects of the implementation of GASB No. 68, *Accounting and Financial Reporting for Pensions.* Although net pension liability continued to increase in fiscal years 2016 and 2017, the University's net position grew due to continued substantial additions to capital assets. These increases in capital assets are reflective of the University's commitment to the construction, renovation and improvement of buildings and infrastructure to accommodate current and projected growth. The following chart depicts the components of net position for the current and prior fiscal years.

June 30, 2017



June 30, 2016

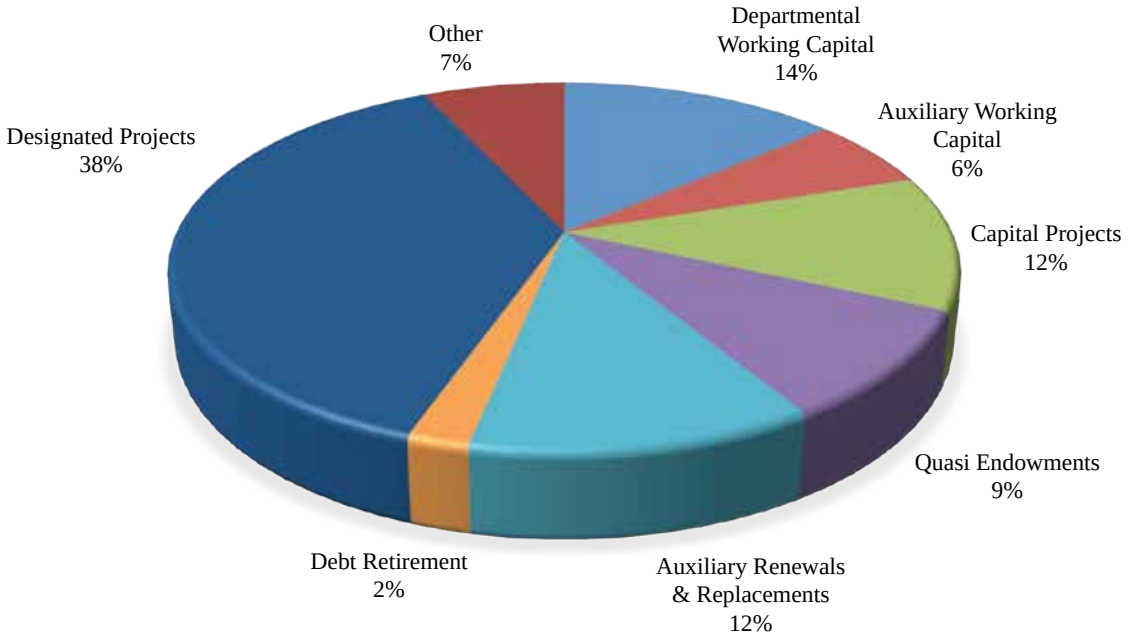




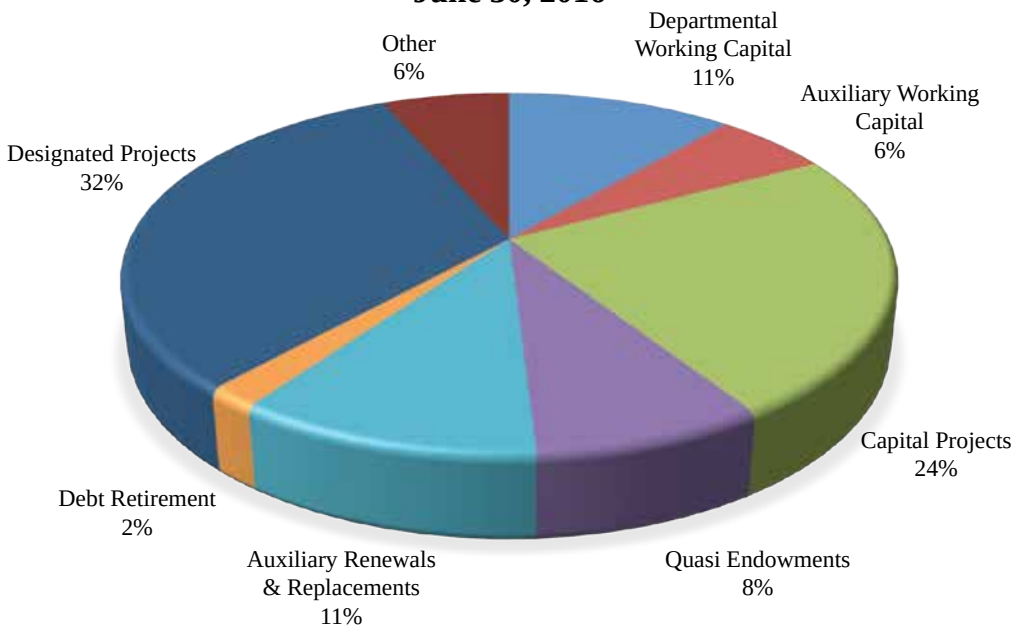
Yearly changes in unrestricted net position are directly related to increased investment in capital facilities and supporting infrastructure. The unrestricted component of net position is reflective of the largest percentage of institutional operations and serves as one measure of financial viability at fiscal year-end. The increased investment in capital spending has been made possible by long-term financial planning that anticipated growth and the need for expansion.

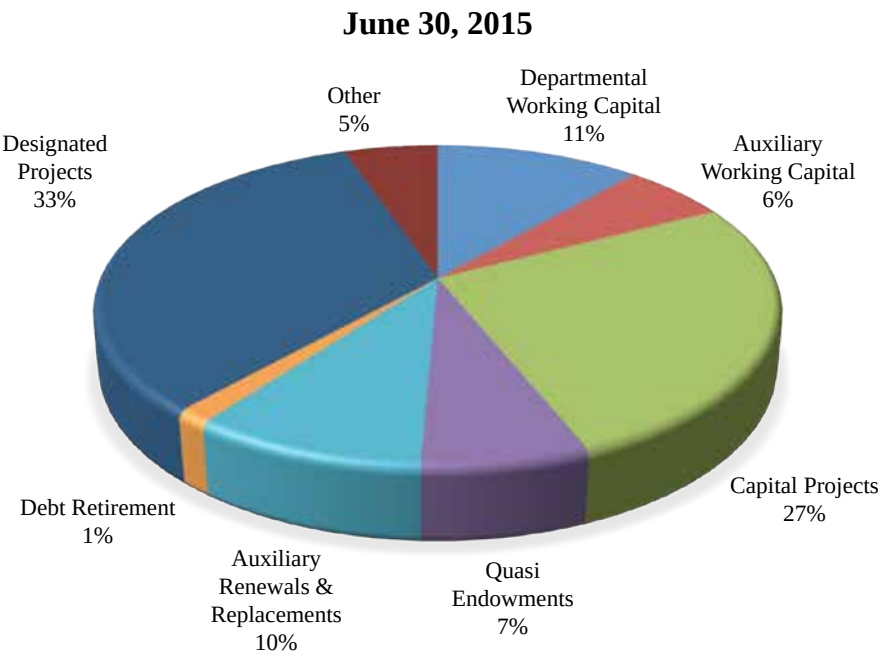
The unrestricted component of net position consists of all assets except capital assets and those restricted by external parties. The University designates or reserves the majority of unrestricted net position as part of its fiscal management and long-term strategic planning. The unrestricted net position designations and reservations in place at June 30, 2017, 2016 and 2015 are depicted in the charts below.

June 30, 2017



June 30, 2016





STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statements of Revenues, Expenses and Changes in Net Position present readers with an accounting of all revenues earned, expenses incurred as well as any other gains or losses for the fiscal year. Activities are categorized as either operating or non-operating. In general terms, operating revenues are revenues earned as a result of providing goods or services, and operating expenses are those expenses incurred to acquire or produce those goods and services or to support the mission of the University. All other revenues and expenses are categorized as non-operating. The net result of operating activities is presented as operating income or loss. The University has historically reported an operating loss due to the type and nature of revenues classified as non-operating. For example, state appropriations provide a material portion of revenues but are considered non-operating for reporting purposes. Therefore, management asserts that readers may find "increase in net position" a better indicator of overall annual financial results.

Condensed Statements of Revenues, Expenses and Changes in Net Position
(thousands of dollars)

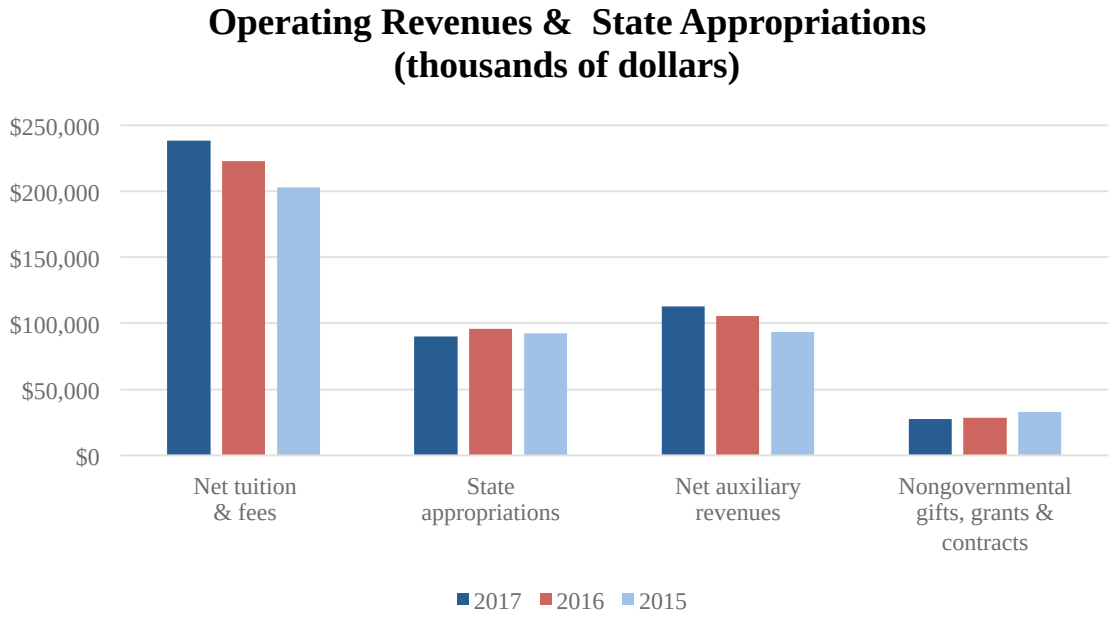
	2017	2016	2015
Operating revenues	$ 455,896	$ 436,569	$ 401,026
Operating expenses	525,070	496,178	468,054
Operating loss	(69,174)	(59,609)	(67,028)
Non-operating revenues and expenses	126,083	126,129	121,496
Income before other revenues, expenses, gains or losses	56,909	66,520	54,468
Other revenues, expenses, gains or losses	27,952	23,726	47,234
Increase in net position	84,861	90,246	101,702
Net position, beginning of year (as adjusted 2015)	908,243	817,997	716,295
Net position, end of year	$ 993,104	$ 908,243	$ 817,997

The University is supported by a mixture of revenues that is heavily dependent upon tuition and state appropriations. Several notable items concerning these revenues during the current and prior fiscal years are included below:

- Student tuition and fees provide the largest source of institutional revenues.
  - Underlying the $338 million, $312 million and $278 million gross tuition and fees revenue for fiscal years 2017, 2016 and 2015, respectively, were 2.1%, 3.6% and 3.5% increases in headcount enrollment combined with 4% tuition rate increase in fiscal year 2017 and a 5% tuition rate increase in fiscal years 2016 and 2015.
  - After deducting allowances for scholarships and doubtful accounts, net tuition and fees were $238 million, $223 million and $203 million for fiscal years 2017, 2016 and 2015, respectively.
- In fiscal years 2017 and 2016, total grants and contracts revenue increased as federal and state grants and contracts revenue increased over fiscal year 2015 while nongovernmental grants and contracts revenue continued to decrease. Conversely, fiscal year 2015 brought a decline in revenue from federal and state grants and contracts while nongovernmental gifts and grants increased slightly. Although the revenue has stabilized for governmental grants and contracts in recent years, the University anticipates the possibility of future declines in contracts and grants revenues as long as economic weaknesses persist.
- For fiscal years 2017, 2016 and 2015, respectively, gifts and grants were $31.1 million, $30.7 million and $29.7 million. This type of non-operating revenues is expected by management to fluctuate from year to year due to external influencing factors such as donor giving levels, the strength of the economy, and financial markets.
- Capital grants and gifts totaled $15.9 million and $14.6 million in fiscal years 2017 and 2016, respectively, after rising sharply in fiscal year 2015. The $41.9 million of capital gifts and grants in 2015 was due to the active construction of an addition to the National Center for Natural Products funded primarily from federal sources and the construction of athletic facilities being funded by private gifts during the fiscal year.

- Investment income, net of investment expense, was $13.6 million, $9.4 million and $4.8 million for fiscal years 2017, 2016 and 2015, respectively. Total investment income is influenced by market fluctuations, shifts in interest rates and the amount of funds available for investment.

The following chart depicts the breakdown of operating revenues and state appropriations.

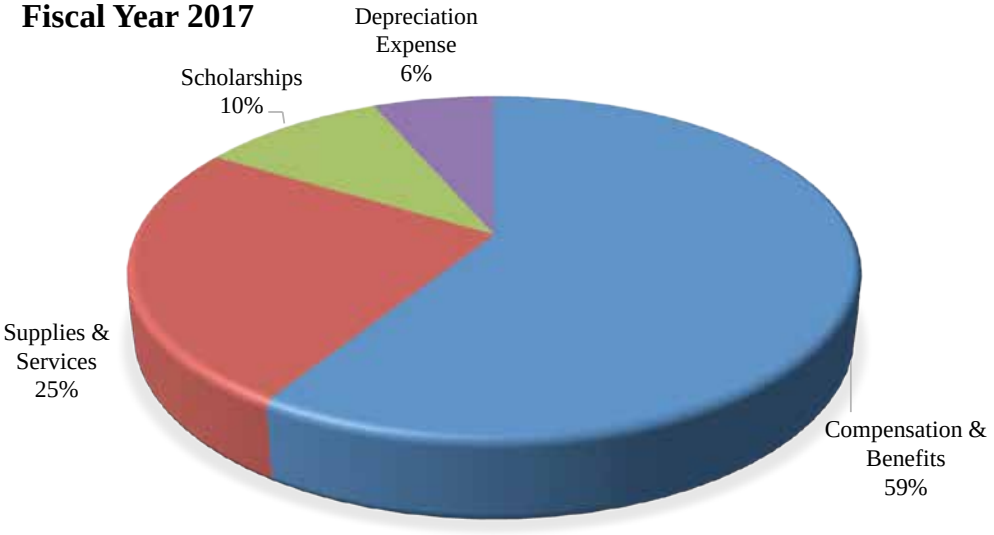


Expenses classified as operating represent the largest portion of expenses and totaled $525 million, $496 million and $468 million in fiscal years 2017, 2016 and 2015, respectively. Personnel costs normally constitute the largest operating expense. These expenses comprised 59%, 57% and 56% of total operating expenses for fiscal years 2017, 2016 and 2015, respectively. As a rapidly growing, service-providing institution, the University anticipates that personnel costs will continue to consume a significant portion of operating revenues. The University is also strongly committed to keeping faculty-to-student ratios stable and providing competitive salaries during this cycle of growth.

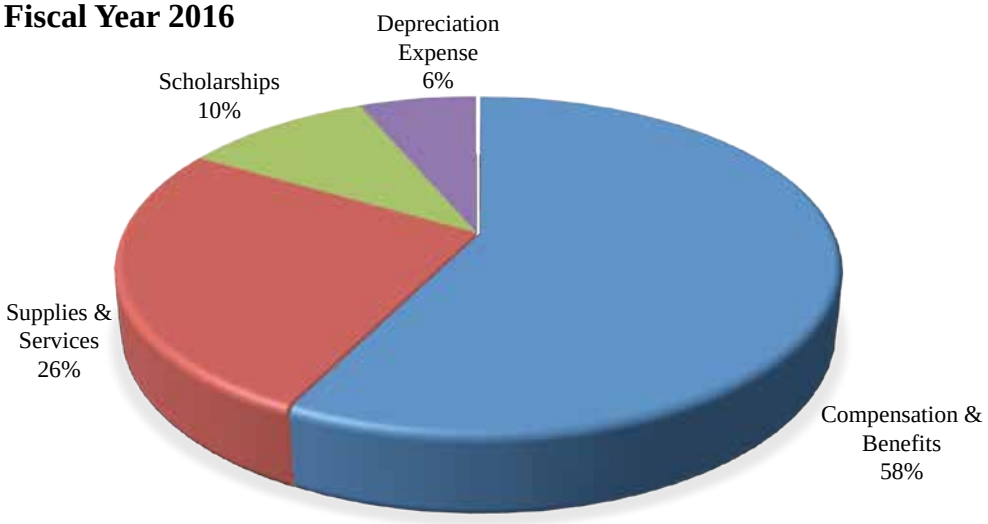
Enrollment growth, new scholarships and expansion of existing scholarship programs led to student aid expenditures of over $50 million annually during fiscal years 2017, 2016 and 2015. The total amount of scholarships provided to students is comprised of Scholarships and Fellowships included within Operating Expenses and Scholarship Allowances included within the Operating Revenues section.

Operating expenses are commonly reported using two classifications. In the following classification method, operating expenses are categorized by the types of goods or services purchased and depicted in the Statements of Revenues, Expenses and Changes in Net Position:

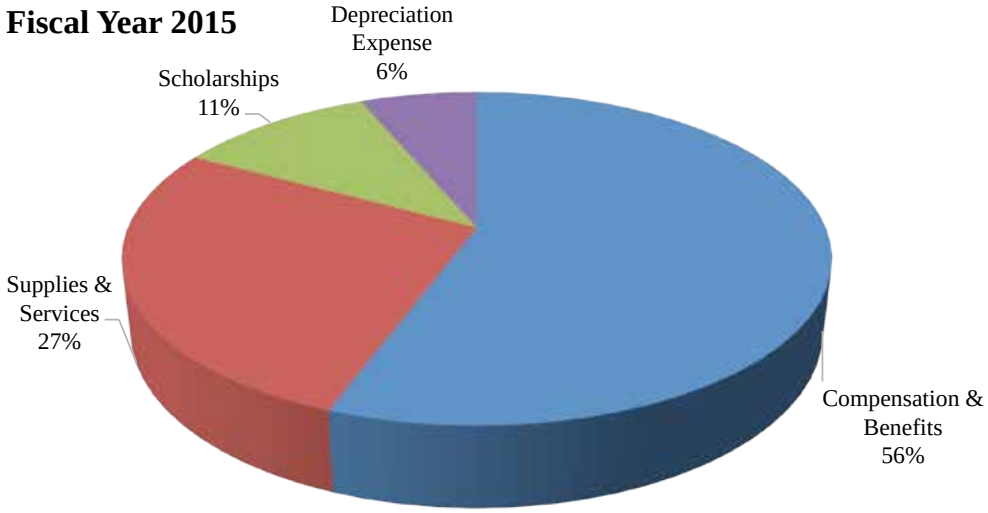
Fiscal Year 2017



Fiscal Year 2016

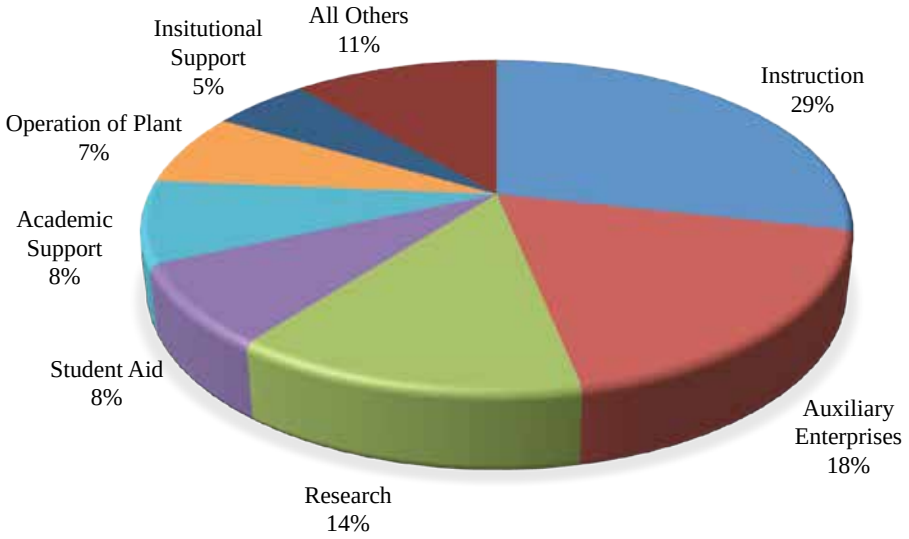


Fiscal Year 2015

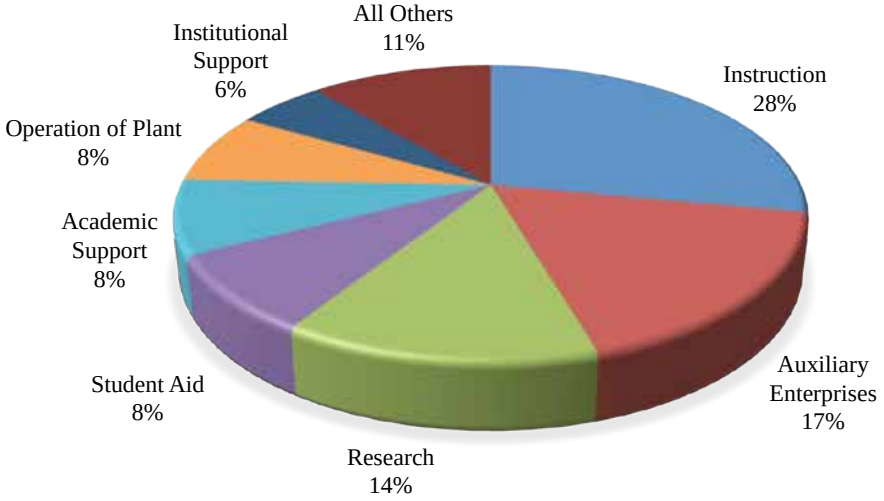


Operating expenses also are categorized according to functional area of campus activity. This classification is presented below with additional detail in Note 10 of the *Notes to Financial Statements.*

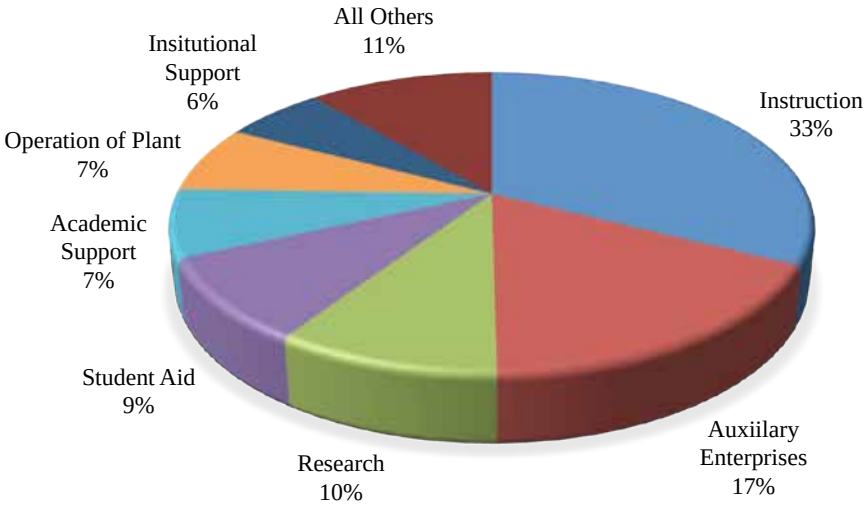
Fiscal Year 2017



Fiscal Year 2016



Fiscal Year 2015



STATEMENTS OF CASH FLOWS

The Statements of Cash Flows present the financial activities and results of the University on a cash basis. The statements are separated into four sections. The first section, Cash Flows from Operating Activities, reports cash generated and used through activities and accounts classified as operating. The activities represented in this section mirror the activities and accounts included in the operating sections of the Statement of Revenues, Expenses and Changes in Net Position.

The second section reports cash flows from non-capital financing activities. This area of the report includes cash transactions that do not involve operating activities as previously defined, investment activities or capital financing activities.

The third section focuses strictly on cash flows resulting from activities related to capital projects and the financing of these activities. This section includes cash used for the acquisition, construction, renovation and improvement of capital and related assets.

The fourth section focuses on cash flows from investing activities. This part can include cash used to purchase investments, cash returns on these investments and cash proceeds from the sale or maturity of investments.

Condensed Statements of Cash Flows
(thousands of dollars)

	2017	2016	2015
Cash provided (used) by:			
Operating activities	$ (15,239)	$ (7,842)	$ (25,843)
Non-capital financing activities	125,436	118,948	121,829
Capital & related financing activities	(131,454)	(52,328)	(46,337)
Investing activities	44,597	(37,336)	(32,303)
Net change in cash	23,340	21,442	17,346
Cash, beginning of year	78,031	56,589	39,243
Cash, end of year	$ 101,371	$ 78,031	$ 56,589

The condensed statements illustrate the major summary components of cash sources and uses for each year. The major sources of cash in operating activities for fiscal years 2017, 2016 and 2015 were student tuition and fees ($236.0 million, $222.3 million and $203.8 million, respectively), auxiliary enterprises ($110.1 million, $107.7 million and $95.6 million, respectively), and grants and contracts ($90.8 million, $97.7 million and $90.4 million, respectively). Major operating uses of cash for fiscal years 2017, 2016 and 2015 included payments to employees for salaries and benefits ($284.4 million, $273.6 million and $260.0 million, respectively) and payments to suppliers ($102.8 million, $103.2 million and $95.4 million, respectively).

Major sources of cash included in non-capital financing activities for fiscal years 2017, 2016 and 2015 include state appropriations ($90.1 million, $95.5 million and $92.3 million, respectively) as well as gifts and grants received for purposes other than capital projects ($32.7 million, $29.5 million and $30.3 million, respectively).

The major source of cash presented as part of capital and related financing activities for fiscal years 2016 and 2015 was derived from the issuance of bonds related to capital projects ($99.1 million and $26.1 million, respectively). Another significant source of cash came from capital grants and contracts of $16.9 million, $13.2 million and $11.1 million for fiscal years 2017, 2016 and 2015, respectively. Major uses of cash in this section for fiscal years 2017, 2016 and 2015 included the payments for capital assets ($120.0 million, $111.8 million and $71.8 million, respectively) and principal and interest payments made on capital debt ($31.2 million, $55.2 million and $13.1 million, respectively).

Sources of cash included in the investing activities section for fiscal years 2017, 2016 and 2015 included sales and maturities of investments and interest received on investments of $172.8 million, $166.0 million and $119.0 million, respectively. Uses of cash included in this section were for purchases of investments of $134.1 million, $207.0 million and $155.4 million for fiscal years 2017, 2016 and 2015, respectively.

SIGNIFICANT LONG-TERM LIABILITY AND DEBT ACTIVITIES

The University has made significant investments in capital assets as enrollment continues to grow. Capital grants and gifts combined with University resources enabled investments in facilities and infrastructure of more than $222 million in fiscal year 2017, $300 million in fiscal year 2016 and $150 million in fiscal year 2015. Long-term debt is typically a component of many large capital improvement projects. The most recent University bond financing for new capital improvement projects occurred in November 2015 when $49.3 million of bonds were issued to partially fund the construction of two new residence halls and improvements to athletic facilities. The $40.3 million residence hall project added over 600 new beds to existing inventory. It was funded with $6.6 million of Student Housing capital reserves and the remainder with bond financing. The athletic projects had a budget of $30.6 million and required $17.7 million of financing.

In May 2016, the University issued bonds totaling $33,245,000 to current and/or advance refund and defease the Series 2005, Series 2006A, and Series 2008A bonds. This refunding of bonds resulted in a net present value savings of $4 million over the remaining life of the bonds.

The University purchased land adjoining the main campus in Oxford during fiscal year 2016. The land purchase was partially financed through Hancock Bank with a loan of $9.5 million. The note is payable in 120 monthly payments with an interest rate of 2.59% with the final payment due June 1, 2026.

The University has plans to issue bonds for the construction of a new science facility within the next three years. Estimated costs of the facility are $150 million and the University has received a gift pledge of $25 million and state funding of $40 million for this facility.

The University recently began renovations and additions to the Student Union facility. The $61 million project received $10 million of funding from the State of Mississippi and $550,000 of gifts with the remaining costs funded through internal resources, including proceeds from a $50 per semester student capital improvement fee. Due to a portion of the funds being provided by the State of Mississippi, the project is being managed by the Bureau of Buildings, Grounds, and Real Property Management. The University entered into an agreement with the agency during fiscal year 2015 to provide reimbursement to the State for

the remaining funds necessary for the project. The University agreed to make an initial transfer of funds of $2 million in August 2015 followed by monthly transfers of $1.5 million through November 2017. The funds are being reported as restricted cash and cash equivalents on the University's Statement of Net Position until the funds are expended by the State.

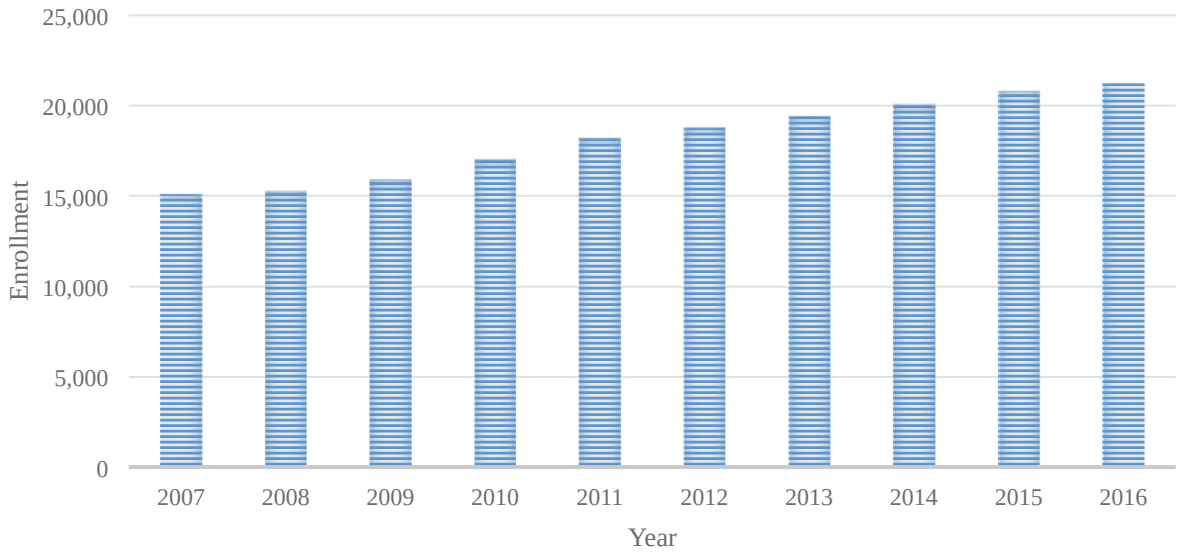
More information on long-term debt is available in Note 8 in the *Notes to Financial Statements*.

OPERATIONAL HIGHLIGHTS

The University has been able to maintain a consistent and stable financial position throughout recent periods. This result has been accomplished despite challenging economic circumstances that created unsteady financial markets and destabilized state and federal support for public institutions of higher education. A major contributing factor to the maintenance of financial stability has been student demand. The student demand, coupled with improving retention rates, has led to consistent enrollment. In addition, attractively priced tuition rates have allowed for consistent and moderate rate increases.

A strong and growing demand from nonresidents has been a significant contributing factor in application and enrollment increases. While nonresident students have been a key enrollment and financial component for several decades, their importance has intensified over the past decade as other revenue streams, including state appropriations, have contributed a smaller percentage of annual revenues.

The chart below depicts fall headcount enrollments for the past 10 years, exclusive of the medical and health related programs housed on the University of Mississippi Medical Center campus in Jackson.



SUBSEQUENT EVENTS AND OTHER OPERATIONAL FACTORS

- Fall 2017 enrollment (fiscal year 2018) decreased slightly from fall 2016 (fiscal year 2017) by 1.7%. Fall 2016 enrollment (fiscal year 2017) exceeded fall 2015 enrollment (fiscal year 2016) by 2.1%. Fall 2015 enrollment (fiscal year 2016) exceeded fall 2014 enrollment (fiscal year 2015) by 3.6%. Over the past five years, fall enrollments have increased 8%.

- The freshman classes for fall 2017, fall 2016 and fall 2015 were 3,697, 3,984 and 3,969, respectively. The freshman class increased 18% from fall 2013 through fall 2016 before the slight decrease in overall enrollment including the freshman class for fall 2017.

- Fiscal year 2015 state appropriations increased by 8% over the fiscal year 2014 level, fiscal year 2016 state

appropriations increased 4% over fiscal year 2015. There was a 6% decrease in state appropriations for fiscal year 2017.

- The State of Mississippi appropriated funding designated for capital purposes to all public universities in fiscal years 2014 through 2017. The University received $2.4 million for fiscal year 2015, $2.0 million for fiscal year 2016 and $2.4 million for fiscal year 2017 for the Oxford campus.
- A portion of the University's endowment investments is exposed to both equity and fixed income markets. The University maintains a diversified portfolio managed by professional investment managers and employs conservative spending and investing policies that should minimize the reduction in cash flows from these revenue sources. While the endowment portfolio experienced dramatic annual losses in fair market value during the last recession, the net return over the past three years was 7.0%.
- Based on preliminary applications and year-to-date comparisons, management expects enrollment demand to moderate and become more stable rather than continued dramatic year-over-year increases.
- The University previously received authority from the IHL to enact additional admission requirements for nonresident applicants. This has allowed greater selectivity of nonresident applicants and provided a mechanism to manage growth. The process was first enacted for the fall 2012 freshmen class.
- The University participates in four off-campus branch campuses associated with four separate public community colleges. The associated community colleges offer freshman and sophomore classes and the University offers junior, senior, and graduate classes. The majority of Mississippi public community colleges have experienced enrollment declines over the past several years which have led to related declines in these University off-campus enrollments.

MANAGEMENT'S OUTLOOK

University management continues to have a cautiously optimistic financial outlook. The University has adapted to the challenges and inconsistencies of the current economic and public education market. The University continues to rely on tuition revenues as the largest and most significant source of revenue. Management will continue to diligently focus on further increases in retention rates as well as continuous monitoring and forecasting of applications and enrollments.

Greater reliance on tuition and fees, the growing significance of other revenue streams, as well as the increased importance of efficiency measures is the new norm for public higher education. This University has a history of lean operations and significant investments in efficiency measures. These efforts must continue and remain a priority in order to sustain the current and expected future financial stability. Management continues to monitor these changing operational factors, assess potential impacts and proactively plan and act.

Larry D. Sparks
Vice Chancellor for Administration and Finance

FINANCIAL STATEMENTS

Unaudited | Fiscal Year 2017

UNIVERSITY OF MISSISSIPPI
STATEMENTS OF NET POSITION

Assets and Deferred Outflows	2017	2016
Current assets:		
Cash and cash equivalents	$ 80,754,109	$ 59,239,543
Short-term investments	125,021,331	113,823,895
Accounts receivable, net	39,167,502	43,555,891
Student notes receivable, net	8,142,325	7,399,244
Inventories	992,521	944,531
Prepaid expenses	1,750,426	1,755,170
Total current assets	255,828,214	226,718,274
Non-current assets:		
Restricted cash and cash equivalents	20,616,912	18,792,010
Restricted short-term investments	-	11,494,365
Endowment investments	102,635,891	83,006,446
Other long-term investments	140,199,682	190,506,585
Student notes receivable, net	19,853,594	19,126,483
Capital assets, net	1,099,018,811	1,007,041,811
Other non-current assets	69,900	69,900
Total non-current assets	1,382,394,790	1,330,037,600
Total assets	1,638,223,004	1,556,755,874
Deferred outflows of resources:		
Pension related to deferred outflows	69,088,436	54,558,710
Total deferred outflows of resources	69,088,436	54,558,710
Total assets and deferred outflows of resources	$ 1,707,311,440	$ 1,611,314,584
Liabilities, Deferred Inflows and Net Position		
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	$ 28,491,948	$ 31,181,400
Unearned revenues	54,037,762	55,889,910
Accrued leave liabilities-current portion	1,562,000	1,438,000
Long-term liabilities-current portion	13,867,537	14,594,485
Other current liabilities	3,109,888	3,500,470
Total current liabilities	101,069,135	106,604,265
Non-current liabilities:		
Net pension liability	333,566,560	287,872,551
Deposits refundable	91,515	88,072
Accrued leave liabilities	15,198,808	15,481,419
Long-term liabilities	251,939,882	274,012,212
Other non-current liabilities	9,445,100	9,326,700
Total non-current liabilities	610,241,865	586,780,954
Total liabilities	711,311,000	693,385,219

UNIVERSITY OF MISSISSIPPI
STATEMENTS OF NET POSITION CONT.

Deferred inflows of resources:		
Deferred amount of refundings	2,010,151	2,129,565
Difference between projected and actual earnings on pension plan	886,231	7,556,549
Total deferred inflows of resources	2,896,382	9,686,114
Total liabilities and deferred inflows of resources	$ 714,207,382	$ 703,071,333
Net position:		
Net invested in capital assets	$ 839,679,611	$ 726,851,612
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	7,763,330	7,470,521
Research	112,697	67,358
Other purposes	43,751,081	43,076,215
Expendable:		
Scholarships and fellowships	6,899,132	5,907,057
Research	4,108,649	4,379,459
Capital projects	4,908,877	6,062,973
Loans	21,734,293	19,762,424
Other purposes	22,110,470	16,379,213
Unrestricted	42,035,918	78,286,419
Total net position	$ 993,104,058	$ 908,243,251

See accompanying notes to financial statements.

UNIVERSITY OF MISSISSIPPI
DISCRETELY PRESENTED COMPONENT UNIT
UNIVERSITY OF MISSISSIPPI FOUNDATION
STATEMENTS OF FINANCIAL POSITION

Assets	2017	2016
Cash and cash equivalents	$ 2,412,726	$ 8,728,828
Pledges receivable, net	68,728,048	51,542,933
Investments	448,378,454	396,683,891
Beneficial interests in trusts	9,615,629	7,450,869
Property and equipment, net	2,484,477	2,542,793
Other assets	1,179,691	1,290,526
Total assets	$ 532,799,025	$ 468,239,840
Liabilities and net assets		
Funds held for others	$ 23,591,139	$ 22,056,528
Liabilities under remainder trusts and gift annuities	4,044,954	5,574,469
Other liabilities	1,471,376	7,558,472
Total liabilities	29,107,469	35,189,469
Net assets:		
Unrestricted	18,099,691	16,348,947
Temporarily restricted	248,262,610	193,482,320
Permanently restricted	237,329,255	223,219,104
Total net assets	503,691,556	433,050,371
Total liabilities and net assets	$ 532,799,025	$ 468,239,840

See accompanying notes to financial statements.

UNIVERSITY OF MISSISSIPPI
DISCRETELY PRESENTED COMPONENT UNIT
OLE MISS ATHLETICS FOUNDATION
STATEMENTS OF FINANCIAL POSITION

Assets	2017	2016
Current assets:		
Cash and cash equivalents	$ 2,218,494	$ 12,083,526
Cash restricted to investment in property and equipment	6,013,547	19,906,018
Investments	8,670,101	163,436
UM Foundation accounts receivable	518,383	553,605
Pledges receivable	7,738,325	7,625,544
CGA pledges receivable	237,271	519,437
Memberships receivable	5,468,009	5,159,901
Current portion of capital leases receivable	-	5,709,292
Other receivables	11,915	37,557
Prepaid expenses	109,565	128,159
Total current assets	30,985,610	51,886,475
Long-term pledges receivable, net	15,729,932	19,622,988
Capital leases receivable, net of current portion	0	80,042,438
Total long-term receivables	15,729,932	99,665,426
Charitable trust	1,387,562	1,316,535
Construction in progress	6,228,769	8,388,658
Property and equipment, net	28,998,036	19,744,114
Other assets	25,000	469,260
Cash surrender value of life insurance	437,131	341,602
Total assets	$ 83,792,040	$ 181,812,070

Liabilities and net assets		
Current liabilities:		
Current installments of long-term debt	$ 3,265,613	$ 5,942,719
Accounts payable	1,272,212	2,101,445
Payroll and taxes payable	104,572	93,707
Payable to UM Athletics Department	691,819	5,340,764
Total current liabilities	5,334,216	13,478,635
Long-term debt, excluding current installments	30,976,561	110,230,397
Deferred liabilities	370,000	240,000
Total liabilities	36,680,777	123,949,032
Net assets:		
Unrestricted	20,456,980	14,538,908
Temporarily restricted	25,196,854	41,953,521
Permanently restricted	1,457,429	1,370,609
Total net assets	47,111,263	57,863,038
Total liabilites and net assets	$ 83,792,040	$ 181,812,070

See accompanying notes to financial statements.

UNIVERSITY OF MISSISSIPPI
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2017	2016
Operating revenues:		
Tuition and fees	$ 338,441,713	$ 311,834,424
Less scholarship allowances	(99,563,674)	(87,912,912)
Less bad debt expense	(712,691)	(919,053)
Net tuition and fees	238,165,348	223,002,459
Federal grants and contracts	44,131,906	41,957,886
State grants and contracts	18,274,069	16,672,000
Nongovernmental grants and contracts	27,614,485	28,673,723
Sales and services of educational departments	7,301,628	7,764,535
Auxiliary enterprises:		
Student housing	27,834,028	25,839,261
Food services	3,480,925	2,942,818
Bookstore	658,892	702,880
Athletics	76,090,299	70,228,405
Other auxiliary revenues	12,248,948	12,679,635
Less auxiliary enterprise scholarship allowances	(7,724,768)	(6,820,830)
Interest earned on loans to students	444,184	511,848
Other operating revenues, net	7,376,079	12,414,751
Total operating revenues	455,896,023	436,569,371
Operating expenses:		
Salaries and wages	224,424,378	215,497,862
Fringe benefits	85,070,095	69,243,055
Travel	15,632,274	14,684,490
Contractual services	75,631,458	75,574,480
Utilities	13,140,382	12,280,534
Scholarships and fellowships	51,810,535	50,565,626
Commodities	25,101,054	26,487,085
Depreciation	33,906,387	31,494,977
Other operating expenses	353,940	350,070
Total operating expenses	525,070,503	496,178,179
Operating income (loss)	(69,174,480)	(59,608,808)
Non-operating revenues (expenses):		
State appropriations	90,063,046	96,083,327
Gifts and grants	31,068,724	30,741,202
Investment income	13,615,710	9,443,620
Interest expense on capital asset-related debt	(8,492,093)	(9,830,329)
Other non-operating expenses	(172,240)	(308,713)
Total non-operating revenues (expenses), net	126,083,147	126,129,107
Income (loss) before other revenues, expenses, gains and losses	56,908,667	66,520,299
Other revenues, expenses, gains and losses:		
Capital grants and gifts	15,855,382	14,621,662
State appropriations restricted for capital purposes	14,236,255	10,552,325
Additions to permanent endowments	8,300	7,344
Other additions	159,510	1,000,926
Other deletions	(2,307,307)	(2,456,772)
Change in net position	84,860,807	90,245,784
Net position - beginning of year	908,243,251	817,997,467
Net position - end of year	$ 993,104,058	$ 908,243,251

See accompanying notes to financial statements.

UNIVERSITY OF MISSISSIPPI
DISCRETELY PRESENTED COMPONENT UNIT
UNIVERSITY OF MISSISSIPPI FOUNDATION
STATEMENTS OF ACTIVITIES

Year ended June 30, 2017

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains and other support:				
Contributions, gifts and bequests	$ -	$ 49,698,369	$ 8,006,208	$ 57,704,577
Dividend and interest income	1,588,665	5,094,077	-	6,682,742
Net unrealized and realized gains (losses) on investments	970,746	36,945,530	147,622	38,063,898
Change in value of split-interest agreements	-	47,509	1,572,214	1,619,723
Other income	1,909,728	1,858,818	629	3,769,175
Total revenues, gains and other support	4,469,139	93,644,303	9,726,673	107,840,115
Net assets released from restrictions/ redesignated by donor	34,480,535	(38,864,013)	4,383,478	-
Expenses:				
Support for University activities	33,193,872	-	-	33,193,872
General and administrative expenses	3,090,136	-	-	3,090,136
Fund-raising expenses	914,922	-	-	914,922
Total expenses	37,198,930	-	-	37,198,930
Change in net assets	1,750,744	54,780,290	14,110,151	70,641,185
Net assets, beginning of year	16,348,947	193,482,320	223,219,104	433,050,371
Net assets, end of year	$ 18,099,691	$ 248,262,610	$ 237,329,255	$ 503,691,556

Year ended June 30, 2016

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains and other support:				
Contributions, gifts and bequests	$ -	$ 51,015,382	$ 9,452,422	$ 60,467,804
Dividend and interest income	1,486,945	3,764,476	-	5,251,421
Net unrealized and realized gains (losses) on investments	(676,744)	(11,177,334)	11,006	(11,843,072)
Change in value of split-interest agreements	-	62,142	687,862	750,004
Other income	742,007	1,271,994	40,430	2,054,431
Total revenues, gains and other support	1,552,208	44,936,660	10,191,720	56,680,588
Net assets released from restrictions/ redesignated by donor	31,761,371	(34,498,632)	2,737,261	-
Expenses:				
Support for University activities	30,011,791	-	-	30,011,791
General and administrative expenses	2,707,271	-	-	2,707,271
Fund-raising expenses	1,431,811	-	-	1,431,811
Total expenses	34,150,873	-	-	34,150,873
Change in net assets	(837,294)	10,438,028	12,928,981	22,529,715
Net assets, beginning of year	17,186,241	183,044,292	210,290,123	410,520,656
Net assets, end of year	$ 16,348,947	$ 193,482,320	$ 223,219,104	$ 433,050,371

See accompanying notes to financial statements.

UNIVERSITY OF MISSISSIPPI
DISCRETELY PRESENTED COMPONENT UNIT
OLE MISS ATHLETICS FOUNDATION
STATEMENTS OF ACTIVITIES

Year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Support:				
Membership contributions	$ 21,093,372	$ -	$ -	$ 21,093,372
Other contributions	-	8,689,813	-	8,689,813
Other revenues (expenses)	969,597	164,751	86,820	1,221,168
Net assets released from restrictions	25,611,231	(25,611,231)	-	-
Total revenues and support	47,674,200	(16,756,667)	86,820	31,004,353
Expenses:				
Program expenses				
Support for Athletics Department activities	16,709,712	-	-	16,709,712
Support for sports programs and other restricted expenses	22,769,042	-	-	22,769,042
General and administrative expenses	2,277,374	-	-	2,277,374
Total expenses	41,756,128	-	-	41,756,128
Increase (decrease) in net assets	5,918,072	(16,756,667)	86,820	(10,751,775)
Reclassifications	-	-	-	-
Net assets at beginning of year	14,538,908	41,953,521	1,370,609	57,863,038
Net assets at end of year	$ 20,456,980	$ 25,196,854	$ 1,457,429	$ 47,111,263

Year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Support:				
Membership contributions	$ 20,688,105	$ -	$ -	$ 20,688,105
Other contributions	-	31,211,818	-	31,211,818
Other revenues (expenses)	685,527	158,686	(75,573)	768,640
Net assets released from restrictions	21,496,285	(21,496,285)	-	-
Total revenues and support	42,869,917	9,874,219	(75,573)	52,668,563
Expenses:				
Program expenses				
Support for Athletics Department activities	13,295,260	-	-	13,295,260
Support for sports programs and other restricted expenses	18,235,915	-	-	18,235,915
General and administrative expenses	2,126,972	-	-	2,126,972
Total expenses	33,658,147	-	-	33,658,147
Increase (decrease) in net assets	9,211,770	9,874,219	(75,573)	19,010,416
Reclassifications	(15,120,344)	15,120,344	-	-
Net assets at beginning of year	20,447,482	16,958,958	1,446,182	38,852,622
Net assets at end of year	$ 14,538,908	$ 41,953,521	$ 1,370,609	$ 57,863,038

See accompanying notes to financial statements.

UNIVERSITY OF MISSISSIPPI
STATEMENTS OF CASH FLOWS

	2017	2016
Operating activities:		
Tuition and fees	$ 236,024,917	$ 222,328,044
Grants and contracts	90,782,299	97,738,669
Sales and services of educational departments	7,428,446	7,693,312
Payments to suppliers	(102,780,679)	(103,238,613)
Payments to employees for salaries and benefits	(284,373,776)	(273,603,676)
Payments for utilities	(13,172,671)	(12,353,060)
Payments for scholarships and fellowships	(49,964,209)	(50,750,588)
Loans issued to students and employees	(4,224,573)	(3,729,033)
Collection of loans to students and employees	2,526,261	2,553,922
Auxiliary enterprise charges:		
Student housing	19,252,595	17,503,963
Food services	3,528,308	3,105,707
Bookstore	616,064	700,799
Athletics	73,861,566	73,358,080
Other auxiliary enterprises	12,827,852	13,076,792
Interest earned on loans to students	444,184	511,848
Other receipts	7,399,944	12,340,670
Other payments	(15,414,916)	(15,079,123)
Net cash used by operating activities	(15,238,388)	(7,842,287)
Noncapital financing activities:		
State appropriations	90,083,962	95,543,337
Gifts and grants for other than capital purposes	32,683,907	29,459,679
Private gifts for endowment purposes	8,300	7,344
Federal loan program receipts	104,994,647	104,188,349
Federal loan program disbursements	(104,994,647)	(104,188,349)
Other sources	2,659,369	160,143
Other uses	-	(6,222,154)
Net cash provided by noncapital financing activities	125,435,538	118,948,349
Capital and related financing activities:		
Proceeds from capital debt	-	99,065,613
Cash paid for capital assets	(120,038,792)	(111,752,304)
Capital appropriations received	2,395,548	1,988,947
Capital grants and contracts received	16,882,547	13,178,105
Principal paid on capital debt and leases	(22,317,954)	(45,991,084)
Interest paid on capital debt and leases	(8,852,500)	(9,168,460)
Other sources	1,131,239	1,363,040
Other uses	(654,577)	(1,011,610)
Net cash used by capital and related financing activities	(131,454,489)	(52,327,753)
Investing activities:		
Proceeds from sales and maturities of investments	172,761,805	165,983,327
Interest received on investments	5,954,187	3,659,598
Purchases of investments	(134,119,185)	(206,979,075)
Net cash used by investing activities	44,596,807	(37,336,150)
Net change in cash and cash equivalents	23,339,468	21,442,159
Cash and cash equivalents - beginning of year	78,031,553	56,589,394
Cash and cash equivalents - end of year	$ 101,371,021	$ 78,031,553

See accompanying notes to financial statements.

UNIVERSITY OF MISSISSIPPI
DISCRETELY PRESENTED COMPONENT UNIT
UNIVERSITY OF MISSISSIPPI FOUNDATION
STATEMENTS OF CASH FLOWS

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 70,641,185	$ 22,529,715
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	114,193	174,951
Permanently restricted contributions and split-interest agreements	(9,541,094)	(9,389,176)
Gifts in kind transferred to the University	-	95,602
Gifts in kind from donors	-	(260,000)
Net realized and unrealized (gains) losses on investments	(38,063,898)	11,843,072
Provision for uncollectible pledges	(929,043)	3,992,940
Changes in operating assets and liabilities:		
Other assets	110,835	27,438
Pledges receivable	(16,256,072)	(23,928,546)
Funds held for others	(1,221,071)	(686,058)
Beneficial interest in perpetual trust	(1,969,630)	21,826
Beneficial interest in remainder trust	(47,509)	(6,406,084)
Liabilities under remainder trusts	(1,433,378)	(688,703)
Other liabilities	(6,087,096)	2,173,052
Net cash used in operating activities	(4,682,578)	(499,971)
Cash flows from investing activities:		
Purchases of property and equipment	(55,877)	(35,899)
Purchase of investments	(158,694,930)	(188,908,991)
Proceeds from sales and maturities of investments	148,265,498	181,804,665
Net cash used in investing activities	(10,485,309)	(7,140,225)
Cash flows from financing activities:		
Permanently restricted contributions	9,541,094	9,389,176
Payments to beneficiaries under remainder trusts	(689,309)	(750,981)
Net cash provided by financing activities	8,851,785	8,638,195
Net increase in cash and cash equivalents	(6,316,102)	997,999
Cash and cash equivalents:		
Beginning of year	8,728,828	7,730,829
End of year	$ 2,412,726	$ 8,728,828

See accompanying notes to financial statements.

UNIVERSITY OF MISSISSIPPI
DISCRETELY PRESENTED COMPONENT UNIT
OLE MISS ATHLETICS FOUNDATION
STATEMENTS OF CASH FLOWS

	2017	2016
Cash flows from operating activities		
Change in net assets	$ (10,751,775)	$ 19,010,416
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,677,345	469,670
Provision for uncollectible pledges:		
Restricted for long-term purposes	(345,894)	1,093,055
Amortization of discount on pledges restricted for long-term purposes	(164,725)	271,068
Contributions restricted for long-term purposes	(4,660,582)	(30,622,141)
Unrealized and realized gain/loss on sale of investments	(112,395)	69,713
Gain/loss on sale of assets	-	45,590
Cash surrender value of life insurance	(95,529)	(21,116)
(Increase) decrease in:		
UM Foundation accounts receivable	35,222	1,942,529
Pledges receivable	180,000	240,943
CGA pledges receivable	(71,254)	(551,877)
Memberships receivable	(308,108)	1,245,090
Prepaid and other assets	547,540	161,742
Increase (decrease) in:		
Accounts payable	(829,233)	(2,130,161)
Other current liabilities	10,865	(72,622)
Deferred liabilities	130,000	122,500
Support payable to Athletics Department	(4,648,945)	(950,590)
Net cash used in operating activities	(19,407,468)	(9,676,191)
Cash flows from investing activities		
Proceeds from sale of investments	604,466	284,038
Collection of note receivable	-	150,000
Purchases and disposals of fixed assets	(8,771,378)	(8,415,980)
Amounts advanced under capital lease	-	(36,553,710)
Receipts on capital leases	-	3,524,004
Purchase of other investment assets	(9,078,507)	(214,046)
Net cash used in investing activities	(17,245,419)	(41,225,694)
Cash flows from investing activities		
Contributions restricted for long-term purposes	9,133,640	22,028,717
Proceeds from long-term debt	6,662,977	44,585,280
Payments on long-term debt	(2,842,189)	(5,661,048)
Payment of deferred financing costs	(59,044)	(96,845)
Net cash provided by investing activities	12,895,384	60,856,104
Net increase in cash and cash equivalents	(23,757,503)	9,954,219
Cash and cash equivalents at beginning of year	31,989,544	22,035,325
Cash and cash equivalents at end of year	$ 8,232,041	$ 31,989,544
Supplemental data:		
Interest paid, including capitalized interest, 2017, $1,457 and 2016, $1,238,887	$ 2,984,558	$ 3,719,970
Non-cash financing activity		
Bond payable and capital lease transferred to UMEBC	$ 85,751,730	$ -
Bond refinance	$ -	$ 12,600,000

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Unaudited | Fiscal Year 2017

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Operations

The University of Mississippi is a public, comprehensive, research institution that exists to enhance the educational, economic, healthcare, social and cultural foundations of the state, region and nation. As the oldest public institution of higher learning in the state and as a Carnegie Research University (high research activity), the institution's primary functions are the creation, dissemination and application of knowledge through a variety of undergraduate, graduate and professional programs and public service activities.

(b) Reporting Entity

The Mississippi Constitution was amended in 1943 to create a Board of Trustees of State Institutions of Higher Learning (IHL). This constitutional board provides management and control of the senior Mississippi public higher education institutions. The Board members are appointed by the Governor with the approval of the Senate. The IHL is considered a component unit of the State of Mississippi reporting entity.

The current twelve Board members were appointed by the Governor and approved by the Senate for twelve year terms as follows: one from each of the seven congressional districts, one from each of the three Supreme Court Districts and two appointed from the state-at-large. The Mississippi Constitution was amended in 2003 to change the length of terms and appointment districts for Board members. As vacancies occur, new appointments serve for terms of nine years and are appointed from each of the three Mississippi Supreme Court Districts until there are four members from each of these districts.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*, each of the University's affiliated organizations was evaluated for inclusion in the financial statements.

The University of Mississippi established an educational building corporation (a non-profit Mississippi corporation) in accordance with Section 37-101-61 of the Mississippi Code Annotated, 1972. The purpose of this corporation is the acquisition of land and the construction, improvement and equipping of facilities for the University. All debt of this affiliated entity is expected to be repaid by the University and the entity was created for the exclusive benefit of the University. In accordance with the provisions of GASB Statement No. 61, this entity is deemed a component unit of the University and is included as a blended component unit in the general-purpose financial statements.

The University of Mississippi Foundation (the Foundation) is a legally separate tax-exempt organization. The Foundation raises and manages funds that predominantly act to supplement the resources that are available to the University in support of its programs. The Board of the Foundation 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 resources, or incomes thereon, which the Foundation holds and invests, are restricted to the activities of the University by donors. Because the majority of 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.

Although the University is the primary beneficiary of the Foundation, the Foundation is independent of the University in all respects. The Foundation is not a subsidiary of the University and is not directly or indirectly controlled by the University. Moreover, the assets of the Foundation are the exclusive property of the Foundation and do not belong to the University. The University is not accountable for and does not have ownership of any of the financial and capital resources of the Foundation. The University does not have the power or authorities to mortgage, pledge or encumber the assets of the Foundation. The Board of Directors of the Foundation is entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the University. Third parties dealing with the University, the IHL and the State of Mississippi (or any agency thereof) should not rely upon the financial statements of the Foundation for any purpose without consideration of all the foregoing conditions and limitations.

During the years ended June 30, 2017 and 2016, the Foundation distributed $30.7 million and $29.1 million, respectively, to the University for both restricted and unrestricted purposes. Separate financial statements for the Foundation can be obtained at Brandt Memory House, 406 University Avenue, Oxford, MS 38655.

The Ole Miss Athletics Foundation is another legally separate tax-exempt organization affiliated with the University. The Foundation is committed to provide resources for the Department of Intercollegiate Athletics at the University of Mississippi for purposes of providing scholarships for student athletes, assistance with debt service on facilities and support of programs and activities. For fiscal years ended June 30, 2017 and 2016, the Athletics Department requested such annual support from the Foundation totaling $4.5 million and $1.4 million, respectively.

(c) Basis of Presentation

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States as

prescribed by GASB, including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, issued in June and November, 1999, respectively. The University follows the "business type activities" reporting requirements of GASB Statement No. 34, *Basic Financial Statements-And Management's Discussion and Analysis-For State and Local Governments*, that provides a comprehensive presentation of the University's financial activities.

Both the University of Mississippi Foundation and Ole Miss Athletics Foundation are private non-profit corporations that report under the Financial Accounting Standards Board (FASB) Statement No. 117, *Financial Reporting for Not-for-Profit Organizations.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the entities' financial statement information in the University's financial reporting entity for these differences.

(d) Basis of Accounting

The financial statements of the University have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when reduced to a legal or contractual obligation to pay. All significant intra-institutional transactions have been eliminated.

(e) Use of Estimates

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

The University's investments are invested in various types of investment securities and in various companies within various markets. Investment securities are exposed to several risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the University's financial statements.

Significant estimates also include the determination of the allowances for uncollectible accounts and

notes receivable. As a result, there is at least a reasonable possibility that recorded estimates associated with these assets could change by a material amount in the near term.

In connection with the preparation of the financial statements, management evaluated subsequent events through the date the financial statements were available to be issued.

(f) Cash Equivalents

For purposes of the Statements of Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

(g) Short-Term Investments

Short-term investments are investments that are not cash equivalents but mature within the next fiscal year.

(h) Accounts Receivable, Net

Accounts receivable consist mainly of tuition and fee charges to students as well as amounts due from federal and state governments and nongovernmental sources in connection with reimbursement of allowable expenses made pursuant to University grants and contracts. Accounts receivable are recorded net of an allowance for doubtful accounts.

(i) Student Notes Receivable, Net

Student notes receivable consist of federal, state and institutional loans made to students for the purpose of paying tuition and fee charges. Loan balances that are expected to be paid during the next fiscal year are presented on the Statements of Net Position as current assets. Those balances that are either in deferment status or are expected to be paid back beyond the next fiscal year are presented as non-current assets on the Statements of Net Position.

(j) Inventories

Inventories consist of items stocked for repairs, maintenance and retail operations. These inventories are generally valued at the lower of cost or market on either the first-in, first-out ("FIFO") or average cost basis.

(k) Prepaid Expenses

Prepaid expenses consist of expenditures related to projects, programs, activities or revenues of future fiscal periods.

(l) Restricted Cash and Cash Equivalents and Restricted Short-Term Investments

Cash, cash equivalents and short-term investments that are externally restricted to make debt service payments, to maintain sinking or reserve funds or to purchase or construct capital or non-current assets, are classified as non-current assets in the Statements of Net Position.

(m) Endowment Investments

The majority of endowment investments is pooled and operates on the total-return concept (interest, dividends and appreciation). Distributions on these endowments are based on an adopted spending policy. The annual spending rate is 5% of the three-year moving average market value.

Accumulated appreciation is used to make up any difference between current year income (interest and dividends) and the distribution permitted under the spending rate policy. At June 30, 2017 and 2016, accumulated appreciation of $21,574,298 and $16,076,809, respectively, were available in the pooled endowment funds. This entire total was restricted for specific purposes.

(n) Other Long-Term Investments

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statements of Revenues, Expenses and Changes in Net Position. Investments for which there are no quoted market prices are not material.

(o) Investment Valuation

GASB Statement No. 72 enhances comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted

valuation techniques. The standard establishes a hierarchy of inputs used to measure fair value that prioritizes the inputs into three categories – Level 1, Level 2, and Level 3 inputs – considering the relative reliability of the inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted (unadjusted) prices in active markets for identical financial assets or liabilities that the university has the ability to access at the measurement date:
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the financial asset or liability, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the financial asset or liability.

The level in the fair value hierarchy in which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment risk.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified as Level 2 of the fair value hierarchy are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. There are no investments classified in Level 3.

(p) Capital Assets

Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional categories. Note 5 contains additional details concerning useful lives, salvage values and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. Capitalized interest for fiscal year 2017 and 2016, respectively, was $400,809 and $1,331,575. Certain maintenance and replacement reserves have been established to fund costs relating to auxiliary facilities.

(q) Collections

On occasion, the University may obtain collections of art or historical treasures (usually as private donations to the institution). These collections are usually held for public exhibition, education or research. The University is not required to capitalize these collections and in practice generally does not capitalize their value in the financial presentation.

(r) Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of amounts owed to vendors, contractors, or accrued items such as interest, wages and salaries.

(s) Deferred Revenues

Deferred revenues include amounts received for tuition, fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period.

(t) Income Taxes

The University of Mississippi is considered an agency of the State and is treated as a governmental entity for tax purposes. As such, the University generally is not subject to federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the University does remain subject to income taxes on any income that is derived from a trade or business regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded because, in the opinion of management, there is no significant amount of taxes on such unrelated business income.

(u) Compensated Absences

Twelve-month employees earn annual personal leave at a rate of 12 hours per month for zero to three years of service; 14 hours per month for three to eight years of service; 16 hours per month for 8 to 15 years of service; and from 15 years of service and over, 18 hours per month are earned. There is no requirement that annual leave be taken, and there is no maximum accumulation. At termination, these employees are paid for up to 240 hours of accumulated leave.

Nine-month employees earn major medical leave at a rate of 13.36 hours per month for one month to three years of service; 14.24 hours per month for three to eight years of service; 15.12 hours per month for eight to 15 years of service; and from 15 years of service and over, 16 hours per month are earned. There is no limit on the accumulation of major medical leave. At retirement, these employees are paid for up to 240 hours of accumulated major medical leave.

(v) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(w) Deposits Refundable

Deposits refundable represent good-faith deposits from students to secure admission to various programs and to reserve housing assignments.

(x) Non-current Liabilities

Non-current liabilities include (1) principal amounts of revenue bonds payable, notes payable and capital lease obligations; (2) estimated amounts for accrued compensated absences and other liabilities that will not be

paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as non-current assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method effective with the Series 2011 bond issue.

(y) Classification of Revenues and Expenditures

The University has classified its revenues and expenses as either operating or non-operating according to the following criteria:

Operating revenues and expenses have the characteristics of exchange transactions. These transactions can be defined as an exchange in which two or more entities both receive and sacrifice value, such as purchases and sales of goods or services. Examples of operating revenues include (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, and local grants and contracts, (4) interest on institutional student loans, and (5) other operating revenues. Examples of operating expenses include (1) employee compensation, benefits and related expenses, (2) scholarships and fellowships, net of scholarship discounts and allowances, (3) utilities, supplies and other services, (4) professional fees and (5) depreciation expense related to certain capital assets.

Non-operating revenues and expenses have the characteristics of non-exchange transactions, such as gifts and contributions, state appropriations, investment income and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34. Gifts (pledges) that are received on an installment basis are recorded at their net present value. Examples of non-operating expenses include interest on capital asset related debt and bond expenses.

(z) Auxiliary Enterprise Activities

Auxiliary enterprises typically exist to furnish goods or services to students, faculty, or staff, and that charge a fee directly related to, although not necessarily equal to, the cost of the goods or services. One distinguishing characteristic of auxiliary enterprises is they are managed as essentially self-supporting activities. Examples are residence halls, food services and intercollegiate athletic programs (only if they are essentially self-supporting). The general public may be served incidentally by auxiliary enterprises.

(aa) Scholarship Discounts and Allowances

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the statements of revenues, expenses and changes in net position. Financial

aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Aid is reflected in the financial statements as operating expenses or scholarship allowances which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a University-wide basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid versus non-third party aid.

(ab) Net Position

The University adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in fiscal year 2013 and as a result began reporting equity balances (previously referred to as "Net Assets") as "Net Position." Net position represents the difference between all other elements in a statement of financial position and is displayed in three components: net investment in capital assets, restricted and unrestricted.

> *Net Investment in Capital Assets:* Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
>
> *Restricted Non-expendable:* Net position subject to externally imposed constraints to be maintained permanently by the University. Such assets include the University's permanent endowment funds.
>
> *Restricted Expendable:* Net position whose use by the University is subject to externally imposed constraints that can be fulfilled by actions of the University pursuant to those constraints or that expire by the passage of time.
>
> *Unrestricted:* Net position not subject to externally imposed constraints. Unrestricted net positions may be designated for specific purposes by action of management or the board or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for academic, research and outreach programs and initiatives, operating and stabilization reserves, capital projects and capital asset renewals and replacements.

The unrestricted net position of the university was $42,035,918 and $78,286,419 at June 30, 2017 and 2016, respectively, which reflects a reduction of $265,364,355 and $240,870,390, respectively, for the net effect of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Excluding the net effect of the implementation, the unrestricted net position at June 30, 2017 includes $55,858,404 reserved for auxiliary operations, renewals and replacements; $42,163,150 reserved for departmental working capital; $36,225,665 reserved for capital projects; $29,415,024 reserved for quasi-endowments; $6,671,671 reserved for debt service; $115,630,412 reserved for designated projects; and $21,435,947 reserved for other purposes.

(ac) New Accounting Standards

Effective with fiscal year ending June 30, 2016, the University of Mississippi adopted GASB Statement No. 72, *Fair Value Measurement and Application.* This Statement generally requires investments to be measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuations techniques are required to be used that are appropriate with defined approaches. Disclosures are required to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. In accordance with the standards, the University has modified the presentation of the disclosures of investments to incorporate this information.

(ad) Recently Issued Accounting Standards

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued in June 2015. This statement establishes standards for recognizing post-employment benefits other than pensions (OPEB). Although specific amounts are not yet known, the implementation of this statement may result in a significant liability for the unfunded portion being recorded on the University's financial statements. This statement is effective for fiscal years beginning after June 15, 2017.

NOTE 2
CASH AND INVESTMENTS

Cash, Cash Equivalents and Short-Term Investments

Investment policies as set forth by the IHL Board of Trustees policy and state statute authorize the University to invest in demand deposits and interest-bearing time deposits such as savings accounts, certificates of deposit, money market funds, U.S. Treasury bills and notes, U.S. Government agency and sponsored enterprise obligations and repurchase agreements. For purposes of the Statements of Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and short-term investments include $10,064,250 and $7,416,351, respectively, in money market mutual funds with underlying portfolios with credit ratings of AAA as of June 30, 2017 and 2016.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of the failure of a financial institution, the University would not be able to recover deposits or collateral securities that are in the possession of an outside party. The IHL System does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages risk on behalf of the universities. Deposits above Federal Depository Insurance Corporation (FDIC) coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the IHL System.

The collateral for public deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and governed by Section 27-105-5 of the Mississippi Code Annotated, 1972. Under this program, the University's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the FDIC.

Investments

Investment policies as set forth by Board policy as authorized by Section 37-101-15, Mississippi Code Annotated (1972), and the Uniform Prudent Management of Institutional Funds (UPMIFA) as adopted by the State of Mississippi in 2012 authorize the University to invest in equity securities, bonds and other securities. Under UPMIFA, the University may appropriate for spending as much of the endowment as the institution deems prudent for the uses, benefits, purposes and duration for which the particular endowment fund was established, subject to evaluation of several specific factors including general economic conditions and the fund's purpose. The University has adopted investment and spending policies for endowments as recommended by the University's Joint Committee on Investments. Active investment managers are reviewed by the committee on an ongoing basis. Each investment manager has full investment discretion with regard to security selection consistent with the Investment Policy Statements, subject to the oversight of the Joint Committee on Investments. Investment categories are limited and managed by a cap, a floor and specified targets in relation to the total market value of the portfolio.

The following table summarizes the fair values of investments at June 30:

Investments	2017	2016
Current Assets:		
Short-Term Investments	$ 125,021,331	$ 113,823,895
Non-current Assets:		
Endowment Investments	102,635,891	94,500,811
Other Long-Term Investments	140,199,682	190,506,585
Total	$ 367,856,904	$ 398,831,291

The following table presents the fair value of investments by type at June 30:

Investment Type	2017	2016
U.S. Government Agency Obligations	$ 64,492,922	$ 79,172,665
U.S. Treasury Obligations	190,593,910	216,461,820
Certificates of Deposit	10,134,181	20,190,360
Bond Mutual Funds	8,446,913	9,172,814
Domestic Equity Mutual Funds	5,719,811	6,602,541
International Equity Mutual Funds	16,058,381	17,971,059
Hedge Funds	38,102,675	21,043,331
Private Credit	630,819	2,215,143
Private Equity	19,697,513	13,099,154
Natural Resources	13,245,971	12,168,596
Land Grant Seminary Fund	733,808	733,808
Total	$ 367,856,904	$ 398,831,291

The following tables present the financial assets carried at fair value by level within the valuation hierarchy, as well as the assets measured at the net asset value (NAV) per share as a practical expedient as of June 30, 2017 and 2016:

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Investment strategy:				
Fixed income:				
U.S. government securities	$ -	64,492,922	-	64,492,922
U.S. Treasury securities	190,593,910	-	-	190,593,910
Certificates of deposit	-	10,134,181	-	10,134,181
Fixed income mutual funds	8,446,913	-	-	8,446,913
Total fixed income investments	$ 199,040,823	74,627,103	-	273,667,926
Equities:				
Mutual funds	21,778,192	-	-	21,778,192
Total equity securities	$ 21,778,192	-	-	21,778,192
Investments measured at NAV as a practical expedient:				
Equity long/short hedge funds				$ 38,102,675
Private capital				19,697,513
Timber fund				3,637,348
Other miscellaneous investments				10,973,250
Total investments measured at NAV				72,410,786
Total investments measured at fair value				$ 367,856,904

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Investment strategy:				
Fixed income:				
U.S. government securities	$ -	79,172,665	-	79,172,665
U.S. Treasury securities	216,461,821	-	-	216,461,821
Certificates of deposit	-	20,190,360	-	20,190,360
Fixed income mutual funds	9,172,814	-	-	9,172,814
Total fixed income investments	$ 225,634,635	99,363,025	-	324,997,660
Equities:				
Mutual funds	20,098,782	-	-	20,098,782
Total equity securities	$ 20,098,782	-	-	20,098,782
Investments measured at NAV as a practical expedient:				
Equity long/short hedge funds				$ 25,348,660
Private capital				14,660,923
Timber fund				3,839,081
Other miscellaneous investments				9,886,185
Total investments measured at NAV				53,734,849
Total investments measured at fair value				$ 398,831,291

The valuation method for investments measured at NAV per share as a practical expedient is presented on the following table:

Investment	Fair Value 6/30/2017	Unfunded Commitments	Redemption frequency (if eligible)	Redemption notice period
Equity long/short hedge funds (1)	$ 38,102,675	$ -	Quarterly; Certain investments unavailable until August 1, 2017 and January 31, 2019	45 - 120 days for eligible investments
Timber fund	3,637,348	-	No redemption feature	None
Private capital (2)	19,697,513	11,465,386	Certain partnerships ineligible for redemption; Other investments available monthly	5 days for eligible investments
Other miscellaneous Investments (3)	10,973,250	1,416,850	Certain investments ineligible for redemption	90 days for eligible investments
Total investments measured at NAV	$ 72,410,786			

(1) Equity long/short hedge and venture capital funds specialize primarily in classic long/short hedge equity strategies. These funds invest globally, with a majority of the exposure in liquid, developed markets, and invest primarily in private investment partnerships, venture capital opportunities or limited liability companies, and in separately-managed accounts, each of which is managed by independent managers.

(2) Private capital investments help build new startup equities that are considered to have high-growth and high-risk potential, mainly in the technology and healthcare sectors.

(3) Other miscellaneous investments consist of various other miscellaneous tangible items, such as land and various real estate.

Investment	Fair Value 6/30/2016	Unfunded Commitments	Redemption frequency (if eligible)	Redemption notice period
Equity long/short hedge funds (1)	$ 25,348,660	$ -	Quarterly; Certain investments unavailable until October 31, 2016, August 1, 2017 and January 31, 2019	45 - 120 days for eligible investments
Timber fund	3,839,081	-	No redemption feature	None
Private capital (2)	14,660,923	6,805,012	Certain partnerships ineligible for redemption; Other investments available monthly	5 days for eligible investments
Other miscellaneous Investments (3)	9,886,185	281,386	Certain investments ineligible for redemption	90 days for eligible investments
Total investments measured at NAV	$ 53,734,849			

(1) Equity long/short hedge and venture capital funds specialize primarily in classic long/short hedge equity strategies. These funds invest globally, with a majority of the exposure in liquid, developed markets, and invest primarily in private investment partnerships, venture capital opportunities or limited liability companies, and in separately-managed accounts, each of which is managed by independent managers.

(2) Private capital investments help build new startup equities that are considered to have high-growth and high-risk potential, mainly in the technology and healthcare sectors.

(3) Other miscellaneous investments consist of various other miscellaneous tangible items, such as land and various real estate.

Custodial Credit Risk

Per GASB Statement No. 40, *Deposit and Investment Risk Disclosures-An Amendment of GASB Statement No. 3*, custodial credit risk is defined as the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The University does not presently have a formal policy for custodial credit risk. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered with securities held by the counterparty's trust department or agent but not held in the government's name. As of June 30, 2017 and 2016, no investments were exposed to custodial credit risk.

Interest Rate Risk

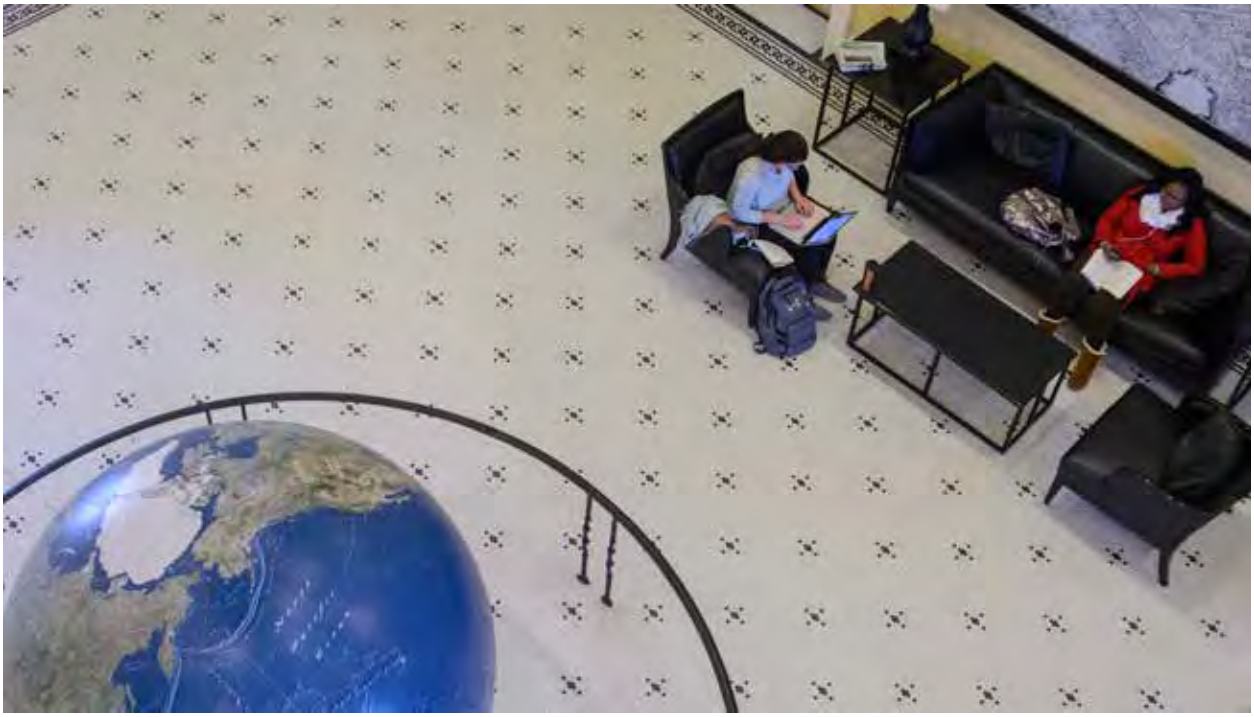
Per GASB Statement No. 40, interest rate risk is defined as the risk a government may face should interest rate variances affect the fair value of investments. According to University investment policy, the average weighted maturity of the interest-bearing portfolio may not exceed 2.5 years in order to limit interest rate risk. As of June 30, 2017 and 2016, the University had the following investments subject to interest rate risk:

As of June 30, 2017

		Investment Maturities (In Years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
U.S. government agency obligations	$ 64,492,922	$ 9,983,500	$ 35,273,722	$ 19,235,700	$ -
U.S. Treasury obligations	190,593,910	104,903,650	85,690,260	-	-
Certificates of deposit	10,134,181	10,134,181	-	-	-
Fixed income mutual funds	8,446,913	-	8,446,913	-	-
Total	$ 273,667,926	$ 125,021,331	$ 129,410,895	$ 19,235,700	$ -

As of June 30, 2016

		Investment Maturities (In Years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
U.S. government agency obligations	$ 79,172,665	$ 11,494,365	$ 47,634,650	$ 20,043,650	$ -
U.S. Treasury obligations	216,461,821	103,695,970	112,765,851	-	-
Certificates of deposit	20,190,360	10,127,925	10,062,435	-	-
Fixed income mutual funds	9,172,814	-	9,172,814	-	-
Total	$ 324,997,660	$ 125,318,260	$ 179,635,750	$ 20,043,650	$ -



Credit Risk

Per GASB Statement No. 40, credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. According to University investment policy, core fixed income investments must maintain an overall weighted average credit rating of A or better by Moody's and Standard & Poor's. An overall weighted average credit rating of B or better must be maintained by high-yield fixed income investments. The University had the following investment credit risk at June 30:

Average Credit Rating	2017	2016
AA+	$ 64,492,922	$ 79,172,665
Not Rated	8,446,913	9,172,814
Total	$ 72,939,835	$ 88,345,479

Bond mutual funds in the amount of $8,446,913 and $9,172,814 are included in the securities not rated at June 30, 2017 and 2016, respectively, and are invested in funds with underlying portfolios with average credit ratings as follows:

Average Credit Rating	2017	2016
AAA	$ 5,135,545	$ 4,529,753
AA	149,498	151,317
A	318,844	480,481
BBB	527,736	937,095
BB	375,427	556,032
B	197,255	470,241
CCC or lower	682,713	683,439
Not Rated	1,059,895	1,364,456
	$ 8,446,913	$ 9,172,814

The credit risk ratings listed above are issued upon standards set by Standard and Poor's.

Concentration of Credit Risk

Per GASB Statement No. 40, concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. According to University investment policy, investments in certificates of deposit issued by one bank may not exceed 50% of the total cash management portfolio and investments in obligations of the United States government or its agencies may not exceed 75% of this portfolio.

The University had the following investments that represent more than 5% of net investments at June 30:

Issuer	Fair Value 2017	% of Total Investments	Fair Value 2016	% of Total Investments
Federal Home Loan Bank	$ 30,036,222	8.17%	$ 49,026,315	12.29%
U.S. Treasury Obligations	190,593,910	51.81%	216,461,820	54.27%
Federal Farm Credit Bank	24,513,300	6.66%	20,036,300	5.02%
Hancock Bank - CD	10,134,181	2.75%	20,190,360	5.06%

Foreign Currency Risk

Per GASB Statement No. 40, the foreign currency risk is defined as the risk that changes in exchange rates will adversely affect the fair value of an investment. The University does not presently have a formal policy that addresses foreign currency risk. The University's exposure to foreign currency risk is limited to $10,506,218 and $7,244,496 invested in global or pooled non-U.S. equity mutual funds at June 30, 2017 and 2016, respectively.

NOTE 3
ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30:

	2017	2016
Student Tuition	$ 15,726,815	$ 14,069,379
Auxiliary Enterprises and Other Operating Activities	12,380,122	12,806,840
Contributions and Gifts	5,040,314	8,048,417
Federal, State and Private Grants and Contracts	12,694,825	14,465,200
State Appropriations	2,164,225	2,185,141
Accrued Interest	939,704	948,741
Other	1,440,217	1,538,202
Total Accounts Receivable	50,386,222	54,061,920
Less Allowance for Doubtful Accounts	(11,218,720)	(10,506,029)
Net Accounts Receivable	$ 39,167,502	$ 43,555,891

NOTE 4
NOTES RECEIVABLE FROM STUDENTS

Notes receivable from students are payable in installments over a period of up to ten years and may commence immediately from the date of disbursement up to twelve months from the date that the enrollment status of the student drops below half-time. The following are schedules of interest rates and outstanding balances for the different types of notes receivable held by the University at June 30:

	Interest Rates	June 30, 2017	Current Portion	Non-Current Portion
Perkins Student Loans	3% to 5%	$ 7,800,107	$ 1,760,535	$ 6,039,572
Other Federal Loans	3% to 5%	2,004,520	199,426	1,805,094
Institutional Loans	1% to 5%	19,494,045	7,049,117	12,444,928
Total Notes Receivable		29,298,672	9,009,078	20,289,594
Less Allowance for Doubtful Accounts		(1,302,753)	(866,753)	(436,000)
Net Notes Receivable		$ 27,995,919	$ 8,142,325	$ 19,853,594

	Interest Rates	June 30, 2016	Current Portion	Non-Current Portion
Perkins Student Loans	3% to 5%	$ 8,249,282	$ 1,664,394	$ 6,584,888
Other Federal Loans	3% to 5%	1,967,730	187,663	1,780,067
Institutional Loans	1% to 5%	17,543,949	6,363,421	11,180,528
Total Notes Receivable		27,760,961	8,215,478	19,545,483
Less Allowance for Doubtful Accounts		(1,235,234)	(816,234)	(419,000)
Net Notes Receivable		$ 26,525,727	$ 7,399,244	$ 19,126,483

NOTE 5
CAPITAL ASSETS

Summaries of changes in capital assets for the years ended June 30, 2017 and 2016 are presented as follows:

	July 1, 2016	Additions	Deletions	June 30, 2017
Capital Assets, Non-depreciable:				
Land	$ 44,581,432	$ 9,525	$ -	$ 44,590,957
Construction in Progress	119,629,451	116,200,857	111,608,528	124,221,780
Total Capital Assets, Non-depreciable	164,210,883	116,210,382	111,608,528	168,812,737
Capital Assets, Depreciable:				
Improvements Other Than Buildings	101,062,148	9,525,929	2,803,135	107,784,943
Buildings	896,089,276	102,057,223	1,771,316	996,375,183
Equipment	128,124,298	6,387,379	2,872,873	131,638,804
Library Books	119,817,878	5,619,740	195,345	125,242,273
Total Capital Assets, Depreciable	1,245,093,600	123,590,272	7,642,670	1,361,041,202
Less Accumulated Depreciation:				
Improvements Other Than Buildings	40,435,646	3,893,334	2,242,507	42,086,473
Buildings	168,954,882	18,489,218	207,590	187,236,510
Equipment	95,808,553	6,557,621	2,688,489	99,677,685
Library Books	97,063,591	4,966,214	195,345	101,834,460
Total Accumulated Depreciation	402,262,672	33,906,387	5,333,931	430,835,128
Capital Assets, Net of Depreciation	$ 1,007,041,811	$ 205,894,267	$ 113,917,267	$ 1,099,018,811

	July 1, 2015	Additions	Deletions	June 30, 2016
Capital Assets, Non-depreciable:				
Land	$ 32,757,232	$ 11,824,200	$ -	$ 44,581,432
Construction in Progress	114,925,529	97,878,826	93,174,908	119,629,447
Assets under Capital Lease - Construction in Progress	52,080,755	41,575,245	93,656,000	-
Total Capital Assets, Non-depreciable	199,763,516	151,278,271	186,830,908	164,210,879
Capital Assets, Depreciable:				
Improvements Other Than Buildings	99,110,787	2,225,529	274,168	101,062,148
Buildings	714,140,176	184,621,617	2,672,514	896,089,279
Equipment	127,054,075	7,806,707	6,736,483	128,124,299
Library Books	114,756,457	5,418,944	357,522	119,817,879
Total Capital Assets, Depreciable	1,055,061,495	200,072,797	10,040,687	1,245,093,605
Less Accumulated Depreciation:				
Improvements Other Than Buildings	37,055,488	3,479,639	99,481	40,435,646
Buildings	156,023,551	14,364,195	1,432,864	168,954,882
Equipment	93,074,153	8,801,048	6,066,648	95,808,553
Library Books	92,571,019	4,850,095	357,522	97,063,592
Total Accumulated Depreciation	378,724,211	31,494,977	7,956,515	402,262,673
Capital Assets, Net of Depreciation	$ 876,100,800	$ 319,856,091	$ 188,915,080	$ 1,007,041,811

As of June 30, 2016, capital assets included assets under capital leases with an original cost basis of $116,659,391 with accumulated depreciation of $1,665,001. In July 2016, the University of Mississippi became a co-borrower of the construction debt associated with these assets under capital lease. Ownership was subsequently transferred to the University resulting in no assets under capital lease as of June 30, 2017.

Depreciation is computed on a straight-line basis with the exception of library books, which is computed using a composite method. The following useful lives, salvage values and capitalization thresholds are used to compute depreciation:

	Estimated Useful Lives	Salvage Value	Capitalization Threshold
Buildings	40 years	20%	$ 50,000
Improvements Other Than Buildings	20 years	20%	25,000
Equipment	3-15 years	1 – 10%	5,000
Library books	10 years	0%	-

NOTE 6
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30:

	2017	2016
Vendors and Contractors	$ 20,964,235	$ 24,439,283
Accrued Salaries, Wages and Employee Withholdings	7,441,193	6,611,693
Other	86,520	130,424
Total	$ 28,491,948	$ 31,181,400

All amounts are considered current and expected to be settled within one year.

NOTE 7
UNEARNED REVENUES

Unearned Revenues consisted of the following at June 30:

	2017	2016
Tuition and Fees	$ 11,575,055	$ 12,240,045
Contracts and Grants	19,576,717	18,823,184
Auxiliary and Other Activities	22,885,990	24,826,681
Total	$ 54,037,762	$ 55,889,910

All amounts are considered current and expected to be settled within one year.

NOTE 8
LONG-TERM LIABILITIES

Long-term liabilities consist of notes and bonds payable, capital lease obligations, compensated absences, refundable deposits and a federal loan fund contingency. This contingency represents the federal portion of the Perkins Loan program that would be due and payable to the U.S. government if the University ceased to participate in this program. Information regarding original issue amounts, interest rates and maturity dates for bonds and notes payable at June 30 is listed in the following schedules:

Description and Purpose	Original Issue	Annual Interest Rates	Maturity (Fiscal Year)	2017 July 1, 2016	2017 Additions	2017 Deletions	2017 June 30, 2017	Due Within One Year
Bonded Debt								
Educational Building Corporation Bonds								
Series 2006A	$ 17,985,000	5.00%	2017	$ 1,330,000	$ -	$ 1,330,000	$ -	$ -
Series 2006B-1	17,290,000	3.625 - 5.00%	2027	9,470,000	-	9,470,000	-	-
Series 2008A	29,785,000	4.00 - 4.25%	2034	2,790,000	-	890,000	1,900,000	930,000
Series 2009A	19,870,000	3.5 - 4.50%	2030	15,310,000	-	840,000	14,470,000	870,000
Series 2009B	24,165,000	3.623 - 5.00%	2021	11,730,000	-	2,125,000	9,605,000	2,210,000
Series 2009C	14,770,000	3.25 - 4.75%	2035	12,365,000	-	440,000	11,925,000	455,000
Series 2011	27,995,000	3.00 - 5.00%	2032	25,670,000	-	750,000	24,920,000	845,000
Series 2013C	62,900,000	3.22%	2034	-	62,900,000	-	62,900,000	-
Series 2013D	12,100,000	3.10%	2021	-	10,777,228	2,107,763	8,669,465	2,380,544
Series 2015	15,000,000	Variable	2025	-	12,075,000	825,000	11,250,000	900,000
Series 2015A	15,660,000	2.00 - 4.00%	2040	15,560,000	-	180,000	15,380,000	190,000
Series 2015B	10,125,000	1.375 - 3.75%	2030	9,570,000	-	585,000	8,985,000	590,000
Series 2015C	31,630,000	2.00 - 5.00%	2046	31,630,000	-	600,000	31,030,000	610,000
Series 2015D	17,660,000	0.993 - 4.452%	2036	17,660,000	-	685,000	16,975,000	690,000
Series 2016A	33,245,000	2.00 - 5.00%	2034	33,245,000	-	575,000	32,670,000	1,850,000
Total Bonded Debt				186,330,000	85,752,228	21,402,763	250,679,465	12,520,544
Unamortized Premiums				6,949,468	-	481,323	6,468,145	481,322
Total Bonded Debt - Net				193,279,468	85,752,228	21,884,086	257,147,610	13,001,866
Notes Payable								
Hancock Bank			2026	9,500,000	-	840,191	8,659,809	865,671
Total Notes Payable				9,500,000	-	840,191	8,659,809	865,671
Capital Leases								
Buildings			2034	85,827,228	-	85,827,228	-	-
Total Capital Leases				85,827,228	-	85,827,228	-	-
Other Long-Term Liabilities								
Accrued Leave Liabilities				16,919,420	-	158,612	16,760,808	1,562,000
Net Pension Liability				287,872,551	45,694,009	-	333,566,560	-
Deposits Refundable				88,072	3,443	-	91,515	-
Other				9,326,700	118,400	-	9,445,100	-
Total Other Long-Term Liabilities				314,206,743	45,815,852	158,612	359,863,983	1,562,000
Total				$ 602,813,439	$ 131,568,080	$ 108,710,117	625,671,402	$ 15,429,537
Due Within One Year							15,429,537	
Total Long-Term Liabilities							$ 610,241,865	

Description and Purpose	Original Issue	Annual Interest Rates	Maturity (Fiscal Year)	2016 July 1, 2015	Additions	Deletions	June 30, 2016	Due Within One Year
Bonded Debt								
Educational Building Corporation Bonds								
Series 2005	$ 10,965,000	3.50 - 4.375%	2028	$ 7,015,000	$ -	$ 7,015,000	$ -	$ -
Series 2006A	17,985,000	5.00%	2017	9,860,000	-	8,530,000	1,330,000	1,330,000
Series 2006B-1	17,290,000	3.625 - 5.00%	2027	10,500,000	-	1,030,000	9,470,000	1,065,000
Series 2008A	29,785,000	4.00 - 4.25%	2034	25,205,000	-	22,415,000	2,790,000	890,000
Series 2009A	19,870,000	3.25 - 4.50%	2030	16,125,000	-	815,000	15,310,000	840,000
Series 2009B	24,165,000	3.623 - 5.00%	2021	13,740,000	-	2,010,000	11,730,000	2,125,000
Series 2009C	14,770,000	3.00 - 4.75%	2035	12,795,000	-	430,000	12,365,000	440,000
Series 2011	27,995,000	3.00 - 5.00%	2032	26,355,000	-	685,000	25,670,000	750,000
Series 2015A	15,660,000	2.00 - 4.00%	2040	15,660,000	-	100,000	15,560,000	180,000
Series 2015B	10,125,000	0.90 - 3.75%	2030	10,125,000	-	555,000	9,570,000	585,000
Series 2015C	31,630,000	2.00 - 5.00%	2046	-	31,630,000	-	31,630,000	600,000
Series 2015D	17,660,000	0.69 - 4.452%	2036	-	17,660,000	-	17,660,000	685,000
Series 2016A	33,245,000	2.00 - 5.00%	2034	-	33,245,000	-	33,245,000	575,000
Total Bonded Debt				147,380,000	82,535,000	43,585,000	186,330,000	10,065,000
Unamortized Premiums				2,294,289	4,881,145	225,966	6,949,468	481,322
Total Bonded Debt - Net				149,674,289	87,416,145	43,810,966	193,279,468	10,546,322
Notes Payable								
Hancock Bank			2026	-	9,500,000	-	9,500,000	840,191
Total Notes Payable				-	9,500,000	-	9,500,000	840,191
Capital Leases								
Buildings			2034	52,797,452	36,753,154	3,723,378	85,827,228	3,207,972
Total Capital Leases				52,797,452	36,753,154	3,723,378	85,827,228	3,207,972
Other Long-Term Liabilities								
Accrued Leave Liabilities				15,905,194	1,014,226	-	16,919,420	1,438,000
Net Pension Liability				224,435,474	63,437,077	-	287,872,551	-
Deposits Refundable				100,222	-	12,150	88,072	-
Other				9,405,200	-	78,500	9,326,700	-
Total Other Long-Term Liabilities				249,846,090	64,451,303	90,650	314,206,743	1,438,000
Total				$ 452,317,831	$ 198,120,602	$ 47,624,994	602,813,439	$ 16,032,485
Due Within One Year							16,032,485	
Total Long-Term Liabilities							$ 586,780,954	

BONDS PAYABLE

The University has issued bonds to construct, renovate and improve various campus facilities. As noted in the summary of significant accounting policies, the University established the University of Mississippi Educational Building Corporation (UMEBC). This non-profit Mississippi corporation was established in accordance with Section 37-101-61 of the Mississippi Code Annotated, 1972, for the purpose of acquiring, constructing, renovating, improving and equipping University facilities. In accordance with GASB Statement No. 14, UMEBC is considered a blended component unit of the University and is included in the general-purpose financial statements.

Series 2005: UMEBC issued bonds totaling $10,965,000 in February 2005 (Series 2005) for the refunding of portions of UMEBC bonds issued July 1996 (Series 1996A) and December 1997 (Series 1997A). These bonds were refunded in full in fiscal year 2016 with Series 2016A.

Series 2006A: UMEBC issued bonds totaling $17,985,000 in April 2006 (Series 2006A) for the construction and improvement of athletic facilities and the refunding of portions of UMEBC bonds issued August 1999 (Series 1999). Outstanding coupons bear interest at 5.00% payable semiannually with final maturity in August 2025. These bonds were partially refunded in fiscal year 2016 with Series 2016A. These bonds were fully redeemed in fiscal year 2017.

Series 2006B-1: UMEBC issued bonds totaling $17,290,000 in December 2006 (Series 2006B-1) for (i) expansion and related infrastructure improvements to Oxford-University Stadium/ Swayze Field, (ii) renovation of the University golf course clubhouse/pro shop, expansion and upgrading of golf course irrigation and improvements to cart paths, landscaping and other necessary course infrastructure, and (iii) a portion of the construction, equipping and expansion of the Inn at Ole Miss including external infrastructure improvements. Outstanding coupons bear interest at rates ranging from 3.625% to 5.00% payable semiannually with final maturity in October 2026. These bonds were fully redeemed in fiscal year 2017.

Series 2008A: UMEBC issued bonds totaling $29,785,000 in August 2008 (Series 2008A) for the construction, equipping and landscaping of residential colleges, dormitories and academic facilities including external infrastructure improvements. Outstanding coupons bear interest at rates ranging from 4.00% to 4.25% payable semiannually with final maturity in October 2033. These bonds were partially refunded in fiscal year 2016 with Series 2016A.

Series 2009A: UMEBC issued bonds totaling $19,870,000 in June 2009 (Series 2009A) for the construction, equipping and landscaping of a new school of law, including external infrastructure improvements. Outstanding coupons bear interest at rates ranging from 3.25% to 4.50% payable semiannually with final maturity in October 2029.

Series 2009B: UMEBC issued bonds totaling $24,165,000 in June 2009 (Series 2009B) for the refunding of all outstanding UMEBC bonds issued October 2000 (Series 2000A). Outstanding coupons bear interest at rates ranging from 3.623% to 5.00% payable semiannually with final maturity in October 2020.

Series 2009C: UMEBC issued bonds totaling $14,770,000 in November 2009 (Series 2009C) for the construction, equipping and landscaping of residential colleges, dormitories and academic facilities including external infrastructure improvements. Outstanding coupons bear interest at rates ranging from 3.00% to 4.75% payable semiannually with final maturity in November 2034.

Series 2011: UMEBC issued bonds totaling $27,995,000 in October 2011 (Series 2011) for the construction, equipping and landscaping of student housing and/or residence halls including external infrastructure improvements. Outstanding coupons bear interest at rates ranging from 3.00% to 5.00% payable semiannually with final maturity in October 2031.

Series 2013C: In July 2016, UMEBC became a co-borrower of tax-exempt revenue bonds (Series 2013C) issued by the Ole Miss Athletic Foundation (OMAF). The bonds originally were issued for $62,900,000 for the construction of the Pavilion

at Ole Miss. Outstanding coupons bear an interest rate of 3.22% with interest only payments payable monthly through December 2020. Monthly principal payments begin January 2021 with final maturity in November 2033.

Series 2013D: In July 2016, UMEBC became a co-borrower of OMAF-issued taxable revenue bonds (Series 2013D) originally totaling $12,100,000 for the construction of the Pavilion at Ole Miss. Outstanding coupons bear an interest rate of 3.10% payable monthly through November 2020.

Series 2015: In July 2016, UMEBC became a co-borrower of OMAF-issued revenue refunding bonds (Series 2015). The refunding bonds were issued for $12,600,000 to refinance OMAF Series 2013A revenue bonds. The OMAF Series 2013A bonds were used for the construction of the Pavilion at Ole Miss Parking Garage. Outstanding coupons bear a variable interest rate with principal payments of $75,000 plus interest payable monthly through December 2025.

Series 2015A: UMEBC issued bonds totaling $15,660,000 in March 2015 (Series 2015A) for the construction, equipping and landscaping of an additional student residential housing facility. Outstanding coupons bear interest at rates ranging from 2.00% to 4.00% payable semiannually with final maturity in November 2039.

Series 2015B: UMEBC issued taxable bonds totaling $10,125,000 in March 2015 (Series 2015B) for expansion and related infrastructure improvements to Vaught-Hemingway Stadium. Outstanding coupons bear interest at rates ranging from 0.90% to 3.75% payable semiannually with final maturity in November 2029.

Series 2015C: UMEBC issued bonds totaling $31,630,000 in November 2015 (Series 2015C) for the construction, equipping and landscaping of additional student residential housing facilities. Outstanding coupons bear interest at rates ranging from 2.00% to 5.00% payable semiannually with final maturity in November 2046.

Series 2015D: UMEBC issued taxable bonds totaling $17,660,000 in November 2015 (Series 2015D) for expansion and related infrastructure improvements to Vaught-Hemingway Stadium. Outstanding coupons bear interest at rates ranging from 0.69% to 4.452% payable semiannually with final maturity in November 2036.

Series 2016A: UMEBC issued bonds totaling $33,245,000 in May 2016 (Series 2016A) to refund and advance refund the Series 2005, Series 2006A and Series 2008A bonds. The Series 2016A bonds require varying principal payments through November 1, 2034, and bear interest rates ranging from 2.00% to 5.00% with interest payable semiannually.

NOTE PAYABLE

Hancock Bank Land Note: This note was for the purchase of land adjoining the main campus in Oxford, Mississippi. The note is payable in 120 monthly payments of $89,978 with an interest rate of 2.59% with the final payment due June 1, 2026.

CAPITAL LEASES PAYABLE

Ole Miss Athletics Foundation (OMAF) – The Pavilion at Ole Miss Parking Garage: During the year ended June 30, 2014, the University executed a lease for the use of a parking garage constructed by OMAF. Because the University was involved with certain structural aspects of construction, the University was deemed the "owner" for accounting purposes requiring treatment of the lease as a "build-to-suit" lease. Upon completion of construction, a sale-leaseback analysis was performed pursuant to ASC 840-40, *Sales-Leaseback Transactions* to determine if the asset and liability should be removed from the Statement of Net Position. The required criteria to qualify for sale-leaseback accounting and de-recognition of the property assets and related financing liabilities were not met; therefore, the property asset and related financing obligation remained on the Statement of Net Position.

As of June 30, 2016, the asset was included in the Statement of Net Position at the amount paid by OMAF to construct the facility, along with corresponding financing liabilities of the lessor. The lease provided for a primary term of five years and would automatically renew for successive one-year terms unless either party submitted an advance written notice of termination. The garage was to become the property of the University at the end of the lease with a final lease payment equal to the outstanding debt on the structure. Interim rental payments were to be equal to the debt service requirements. As of June 30, 2016, the balances of the property asset and the related financing obligation were $23,003,391 and $12,150,000, respectively.

In July 2016, the University of Mississippi became a co-borrower of the OMAF construction debt associated with The Pavilion at Ole Miss Parking Garage, and ownership of the asset was transferred to the University. Accordingly, the University's long-term liability associated with the parking facility is no longer reflected as a capital lease but is included in bonds payable presented in the Statement of Net Position as of June 30, 2017.

Ole Miss Athletics Foundation – The Pavilion at Ole Miss: During the year ended June 30, 2014, the University executed a lease for the use of an arena being constructed by OMAF. Because the University was involved with certain structural aspects of construction, the University was deemed the "owner" for accounting purposes requiring treatment of the lease as a "build-to-suit" lease. Upon completion of construction, a sale-leaseback analysis was performed pursuant to ASC 840-40, *Sales-*

Leaseback Transactions to determine if the asset and liability should be removed from the Statement of Net Position. The required criteria to qualify for sale-leaseback accounting and de-recognition of the property assets and related financing liabilities were not met; therefore, the property asset and related financing obligation remained on the Statement of Net Position.

As of June 30, 2016, the asset was included in the Statement of Net Position at the amount paid by OMAF to construct the facility, along with corresponding financing liabilities of the lessor. The lease provided for a primary term of five years and would automatically renew for successive one-year terms unless either party submitted an advance written notice of termination. The arena was to become the property of the University at the end of the lease with a final lease payment equal to the outstanding debt on the structure. Interim rental payments were to be equal to the debt service requirements. As of June 30, 2016, the balances of the property asset and the related financing obligation were $93,656,000 and $73,677,228, respectively.

In July 2016, the University of Mississippi became a co-borrower of the OMAF construction debt associated with The Pavilion at Ole Miss, and ownership of the asset was transferred to the University. Accordingly, the University's long-term liability associated with the arena is no longer reflected as a capital lease but is included in bonds payable presented in the Statement of Net Position as of June 30, 2017.

The estimated future annual requirements necessary to pay principal and interest associated with long-term debt at June 30, 2017, are as follows:

Fiscal Year(s)	Bonds Payable	Notes Payable	Interest	Total
2018	$ 13,001,867	$ 865,671	$ 9,231,732	$ 23,099,270
2019	13,438,143	888,360	8,833,335	23,159,838
2020	12,890,825	911,644	8,438,745	22,241,214
2021	13,723,951	935,537	7,997,060	22,656,548
2022	11,863,109	960,057	7,549,803	20,372,969
2023-2027	68,891,881	4,098,540	30,417,038	103,407,459
2028-2032	65,515,708	-	16,913,528	82,429,236
2033-2037	39,753,237	-	6,264,110	46,017,347
2038-2042	11,128,177	-	2,663,625	13,791,802
2043-2046	6,940,712	-	691,750	7,632,462
Totals	$ 257,147,610	$ 8,659,809	$ 99,000,726	$ 364,808,145

NOTE 9
OPERATING LEASES

Property under operating leases is composed of office and apartment rentals, computer and office equipment. The following is a schedule by years of the future minimum rental payments required under those operating leases:

Year Ending June 30	Amount
2018	$ 1,241,273
2019	1,213,907
2020	350,200
2021	369,200
2022	19,200
Total minimum payments required	$ 3,193,780

The total rental expense for all operating leases, except those with terms of a month or less that were not renewed, for the years ending June 30, 2017 and 2016 approximated $2.2 million and $2.8 million for each year, respectively.

NOTE 10
OPERATING EXPENSES BY NATURAL AND FUNCTIONAL CLASSIFICATIONS

The University's operating expenses by functional classification were as follows for the years ended June 30, 2017 and 2016:

Year Ended June 30, 2017

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships	Commodities	Depreciation	Other	Total
Instruction	$ 92,569,338	$ 33,747,230	$ 4,228,553	$ 14,816,530	$ 54,115	$ -	$ 3,995,311	$ -	$ -	$ 149,411,077
Research	43,299,428	15,344,457	1,847,842	8,784,165	8,577	-	2,212,586	-	-	71,497,055
Public Service	2,985,866	1,243,680	198,320	1,162,564	6,698	-	741,112	-	-	6,338,240
Academic Support	19,905,927	8,169,118	798,631	6,103,202	-	-	7,020,522	-	-	41,997,400
Student Services	9,115,541	3,595,056	376,793	3,576,393	11,903	-	1,905,415	-	-	18,581,101
Institutional Support	14,830,228	6,310,239	481,383	5,496,613	40,317	-	820,902	-	-	27,979,682
Operation of Plant	13,111,180	6,518,922	48,159	7,782,973	8,127,002	-	1,436,534	-	-	37,024,770
Student Aid	155,907	34,263	67,249	16,982	-	41,318,766	2,555	-	-	41,595,722
Auxiliary Enterprises	28,450,963	10,107,130	7,585,344	27,892,036	4,891,770	10,491,769	6,966,117	-	-	96,385,129
Depreciation	-	-	-	-	-	-	-	33,906,387	-	33,906,387
Loan Fund Expenses	-	-	-	-	-	-	-	-	353,940	353,940
Total Operating Expenses	$ 224,424,378	$ 85,070,095	$ 15,632,274	$ 75,631,458	$ 13,140,382	$ 51,810,535	$ 25,101,054	$ 33,906,387	$ 353,940	$ 525,070,503

Year Ended June 30, 2016

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships	Commodities	Depreciation	Other	Total
Instruction	$ 88,658,760	$ 26,720,131	$ 3,892,284	$ 14,541,916	$ 47,362	$ -	$ 4,883,433	$ -	$ -	$ 138,743,886
Research	42,411,655	12,392,943	1,752,161	8,360,160	8,031	-	2,835,732	-	-	67,760,682
Public Service	3,068,459	1,105,122	163,321	1,067,152	7,290	-	633,451	-	-	6,044,795
Academic Support	19,180,594	6,634,081	680,974	6,488,359	-	-	7,130,524	-	-	40,114,532
Student Services	8,849,903	2,917,217	352,027	3,558,435	11,468	-	2,102,363	-	-	17,791,413
Institutional Support	14,006,009	6,217,280	389,047	5,356,447	40,334	-	893,283	-	-	26,902,400
Operation of Plant	12,801,489	5,471,556	43,558	10,924,130	7,693,111	-	1,536,550	-	-	38,470,394
Student Aid	173,873	31,913	42,638	141,786	-	41,408,715	1,347	-	-	41,800,272
Auxiliary Enterprises	26,347,121	7,752,811	7,368,480	25,136,095	4,472,938	9,156,911	6,470,402	-	-	86,704,758
Depreciation	-	-	-	-	-	-	-	31,494,977	-	31,494,977
Loan Fund Expenses	-	-	-	-	-	-	-	-	350,070	350,070
Total Operating Expenses	$ 215,497,863	$ 69,243,054	$ 14,684,490	$ 75,574,480	$ 12,280,534	$ 50,565,626	$ 26,487,085	$ 31,494,977	$ 350,070	$ 496,178,179

NOTE 11
CONSTRUCTION COMMITMENTS AND FINANCING

The University has contracted or made commitments for various construction projects as of June 30, 2017. Estimated costs to complete the various projects and the sources of anticipated funding are presented below:

	Estimated Costs To Complete	Funding Sources			
		Federal	State	University	Other
Buildings					
Classrooms					
Garland, Hedleston & Mayes	$ 15,678,000	$ -	$ 9,022,900	$ 6,655,100	$ -
STEM Building	128,700,000	-	25,000,000	78,700,000	25,000,000
Research					
Natural Products Center Phase II	1,416,800	-	-	1,416,800	-
Other					
Gillom Sports Center	4,695,500	-	-	4,695,500	-
Jackson Avenue Center Phase II	2,346,000	-	-	2,346,000	-
Johnson Commons East	6,621,600	-	6,162,800	458,800	-
South Campus Recreational Facility	25,813,200	-	-	25,813,200	-
Student Union	28,963,000	-	-	28,412,800	550,200
Improvements Other Than Buildings					
Chucky Mullins Roundabout	1,208,500	-	-	1,208,500	-
North Parking Structure	3,107,000	-	-	3,107,000	-
Oxford-University Swayze Field	16,026,020	-	-	16,026,020	-
Waste Water Treatment Facility	2,605,000	-	-	2,605,000	-
	$237,180,620	$ -	$ 40,185,700	$171,444,720	$ 25,550,200

NOTE 12
PENSION PLAN

The University of Mississippi participates in the following separately administered plans maintained by Public Employees' Retirement System of Mississippi (PERS):

Plan Type	Plan Name
Multiple-employer, defined benefit	PERS Defined Benefit Plan
Multiple-employer, defined contribution	Optional Retirement Plan (ORP) Defined Contribution Plan

PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries under one of the plans outlined above (collectively, the Plans). Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issued a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained at www.pers.ms.gov, by writing to the Public Employees' Retirement IHL System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005, or by calling (601) 359-3589 or 1-800-444-PERS.

Information within this note is based on the certification provided by consulting actuary, Cavanaugh Macdonald Consulting, LLC.

Disclosures under GASB 68

The pension disclosures that follow for fiscal years 2017 and 2016 include all disclosures for GASB 68 using the latest valuation reports available (June 30, 2016). For fiscal year 2017, the measurement date for the PERS defined benefit plan is June 30, 2016. For fiscal year 2016, the measurement date for the PERS defined benefit plan is June 30, 2015. The University is presenting net pension liability as of June 30, 2016 and 2015 for the fiscal year 2017 and 2016 financials.

(a) PERS Defined Benefit Plan

Plan Description

The Public Employees' Retirement System of Mississippi (PERS) was created to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employees whose employers have elected to participate in PERS, and elected members of the State Legislature and the President of the Senate. PERS administers a cost-share, multiple-employer defined benefit pension plan. PERS is administered by a 10-member Board of Trustees that includes the State Treasurer, one gubernatorial appointee who is a member of PERS, two state employees, two PERS retirees, and one representative each from public schools and community colleges, state universities, municipalities, and counties. With the exception of the State Treasurer and the gubernatorial appointee, all members are elected to staggered six-year terms by the constituents they represent.

Membership and Benefits Provided

Membership in PERS is a condition of employment granted upon hiring for qualifying employees. Members and employers are statutorily required to contribute certain percentages of salaries and wages as specified by the the board of trustees. A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a full refund of his or her accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions.

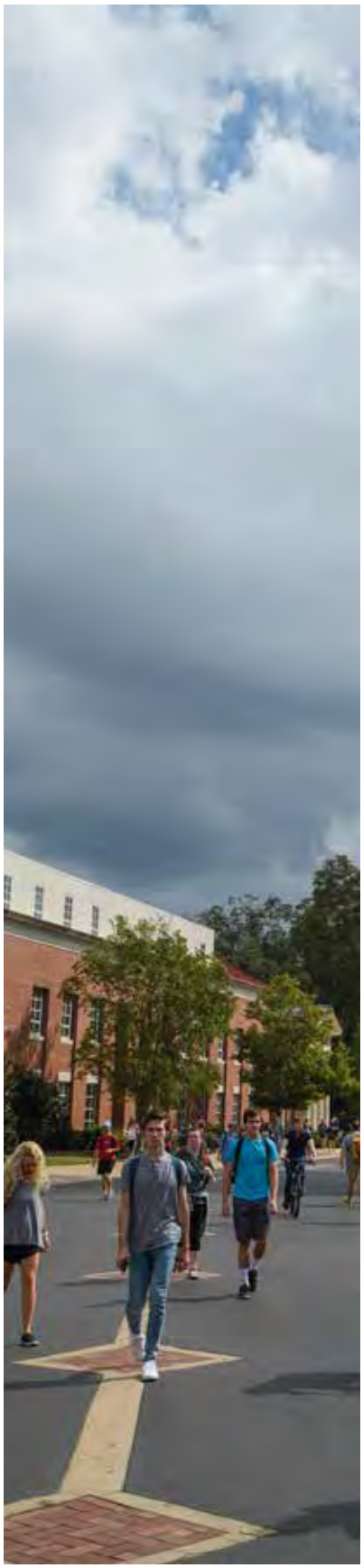
Members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0% of their average compensation for each year of creditable service up to and including 30 years, plus 2.5% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits.

A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0% of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0% compounded for each fiscal year thereafter.

Contributions

Plan provisions and the board of trustees' authority to determine contribution rates are established by Miss. Code Ann. § 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi legislature.

PERS members currently are required to contribute 9.0% of their annual salary. The institution's contractually required contribution rate for the years ended June 30, 2017 and 2016 was 15.75% for each year of annual payroll. Employer contribution rates consist of an amount for service cost, the amount estimated to finance benefits earned by current members during the year, and an amount for amortization of the unfunded actuarial accrued liability. For determining employer contribution rates, the actuary evaluates the assets of the plans based on a five-year smoothed expected return with 20% of a year's excess or shortfall of expected return recognized each year for five years. Contribution rates are determined using the entry age actuarial cost method and include provisions for an annual 3.0% cost-of-living increase calculated according to the terms of the respective plan. Contributions from the University are recognized when legally due, based on statutory requirements.



Employer Contributions

The University of Mississippi's contributions to PERS for the years ended June 30, 2017 and 2016 were $19,396,594 and $18,815,424, respectively. Contributions equaled the required contributions for the year. The proportionate share was calculated on the basis of historical contributions. Employer contributions recognized by the University that are not representative of future contribution effort are excluded in the determination of employer's proportionate shares.

The following table provides the institution's contributions used in the determination of its proportionate share of collective net pension amount reported:

Plan	Proportionate share of contributions	Allocation percentage of proportionate share of collective pension amount	Change in proportionate share of collective pension amount
PERS Defined Benefit			
2017	$ 18,815,408	1.867413%	0.005128%
2016	18,324,329	1.862285%	0.013279%

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 and 2016 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
U.S. broad	34.00%	5.20%
International equity	19.00%	5.00%
Emerging markets equity	8.00%	5.45%
Fixed income	20.00%	0.25%
Real assets	10.00%	4.00%
Private equity	8.00%	6.15%
Cash	1.00%	-0.50%
	100.00%	

Net Pension Liability

The University of Mississippi's proportion of the net pension liability at June 30, 2017 and 2016 is as follows:

Plan	Proportion of net pension liability	Proportionate share of net pension liability
PERS:		
2017	1.867413%	$ 333,566,560
2016	1.862285%	287,872,551

Discount Rate

For the years ended June 30, 2017 and 2016, the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan-member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

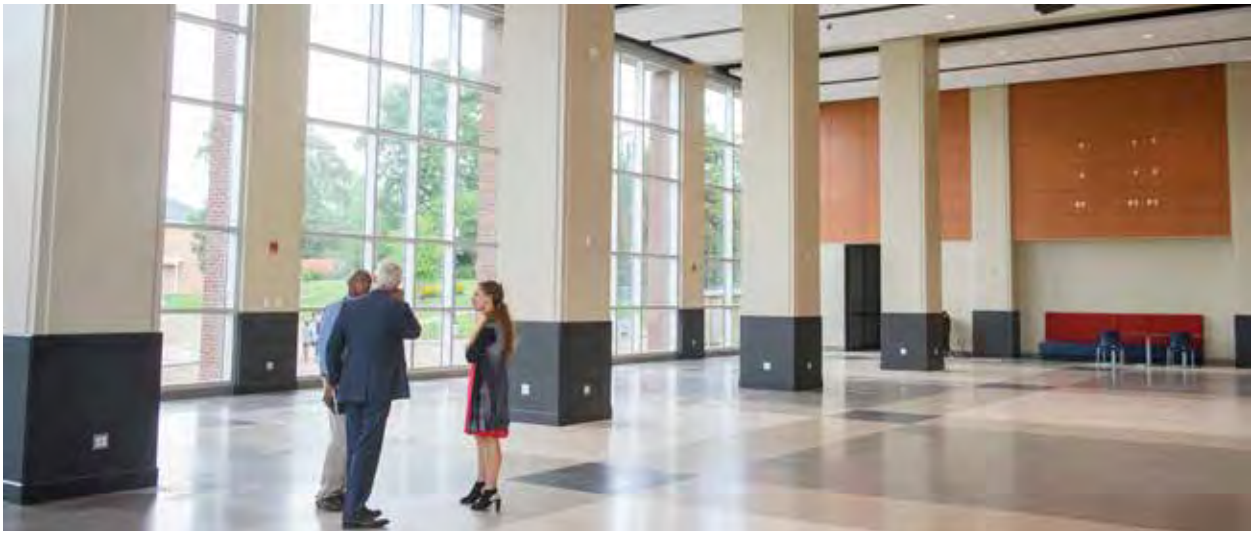
Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following table presents the University of Mississippi's proportionate share of the net pension liability, calculated using the discount rate of 7.75%, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate (amounts in thousands):

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
University's proportionate share of the net pension			
2017	$ 427,707	$ 333,566	$ 255,460
2016	379,442	287,873	211,887

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Mississippi state statute requires that an actuarial experience study be completed at least once in each five-year period. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The latest experience study was performed after the June 30, 2016 valuation was complete; it covers the four-year period from July 1, 2012 to June 30, 2016 and was issued on April 18, 2017.



The following table provides a summary of the actuarial methods and assumptions used to determine the contribution rate reported for PERS for the years ended June 30, 2017 and 2016:

	2017	2016
Valuation date	June 30, 2016	June 30, 2015
Asset Valuation Method	Market value	Market value
Actuarial assumptions:		
Inflation rate	3.00%	3.00%
Salary increases	3.75%	3.75%
Investment rate of return	7.75%	7.75%

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016 with males' rates set forward one year.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2017 and 2016, the University of Mississippi's proportionate share of pension expense was $41 million and $27.4 million, respectively, related to the PERS defined benefit plan.

Deferred outflows of resources were related to differences between expected and actual experience, changes of assumptions and contributions made after the measurement date. The difference between expected and actual experience with regard to economic and demographic factors is amortized over the average of the

expected remaining service life of active and inactive members which is approximately five years. The first year of amortization is recognized as pension expense with the remaining years shown as a deferred outflow of resources.

At June 30, the University of Mississippi reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2017					
Deferred outflows of resources					
Differences between expected and actual experience	Changes of assumptions	Changes in the proportion and differences between employer contributions and proportionate share of contributions	Contributions subsequent to the measurement date	Net difference between projected and actual investment earnings on pension plan investments	Total deferred outflows of resources
$ 9,302,449	$ 15,722,300	$ 2,750,842	$ 18,719,288	$ 22,593,557	$ 69,088,436

Deferred inflows of resources		
Net difference between projected and actual investment earnings on pension plan investments	Changes of assumptions	Total deferred inflows of resources
$ -	$ 886,231	$ 886,231

2016				
Deferred outflows of resources				
Differences between expected and actual experience	Changes of assumptions	Changes in the proportion and differences between employer contributions and proportionate share of contributions	Contributions subsequent to the measurement date	Total deferred outflows of resources
$ 6,671,943	$ 24,799,246	$ 4,505,091	$ 18,582,430	$ 54,558,710

Deferred inflows of resources		
Net difference between projected and actual investment earnings on pension plan investments	Changes of assumptions	Total deferred inflows of resources
$ 7,556,549	$ -	$ 7,556,549

Contributions subsequent to the measurement date of $18.7 million and $18.6 million reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the years ended June 30, 2017 and 2016, respectively.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Deferred Outflow of Resources Year Ended June 30						
2018	2019	2020	2021	2022	Thereafter	Total
$18,673,751	$ 13,133,731	$ 11,975,946	$ 6,585,720	$ -	$ -	$ 50,369,148

Deferred Inflow of Resources Year Ended June 30						
2018	2019	2020	2021	2022	Thereafter	Total
$357,423	$ 357,423	$ 171,385	$ -	$ -	$ -	$ 886,231

(b) ORP Defined Contribution Plan

The Optional Retirement Plan (ORP) was established by the Mississippi Legislature in 1990 to help attract qualified and talented institutions of higher learning faculty. The membership of the ORP is composed of teachers and administrators appointed or employed on or after July 1, 1990, who elect to participate in ORP and reject membership in PERS. The ORP provides funds at retirement for employees and in the event of death, provides funds for their beneficiaries through an arrangement by which contributions are made to this plan. The current contribution rate of both the employee and the university are identical to that of the PERS defined contribution plan.

The ORP uses the accrual basis of accounting. Investments are reported at fair value, based on quoted market prices. Employees immediately vest in plan contributions upon entering the plan. The University's contributions to the ORP for the year ended June 30, 2017 and 2016 were $12,348,596 and $11,741,093, respectively, which equaled its required contribution for the period.

NOTE 13
DONOR-RESTRICTED ENDOWMENTS

The net appreciation on investments of donor-restricted endowments available for expenditure authorization was $21,574,298 at June 30, 2017 and $16,076,809 at June 30, 2016. This amount is included on the Statement of Net Position as follows:

	2017	2016
Net Position - Expendable for Scholarships and Fellowships	$ 6,724,169	$ 5,735,998
Net Position - Expendable for Other Purposes	14,850,129	10,340,811
	$ 21,574,298	$ 16,076,809

Most endowments operate on the total-return concept as permitted by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Mississippi Legislature enacted House Bill 1104 adopting UPMIFA that took effect July 1, 2012.

NOTE 14
FEDERAL DIRECT LENDING AND FFEL PROGRAMS

The University distributed $104,994,647 and $104,188,349 for the year ended June 30, 2017 and 2016, respectively, for student loans through U.S. Department of Education lending programs. These distributions and their related funding sources are included as noncapital financing distributions and receipts in the Statements of Cash Flow.

NOTE 15
RISK MANAGEMENT

Several types of risk are inherent in the operation of an institution of higher learning. The University deals with these risks in several manners. One of these methods is the pooling of resources among institutions. The eight public Mississippi universities have pooled their resources to establish professional and general liability trust funds. Funds have been established for Workers' Compensation, Unemployment and Tort Liability.

The Workers' Compensation program provides a mechanism for the University to fund and budget for the costs of providing worker compensation benefits to eligible employees. The program does not pay benefits directly to employees. Funds are set aside in trust, and a third-party administrator is utilized to distribute the benefits to eligible employees. University payments to the Workers' Compensation fund for the fiscal years ended June 30, 2017 and 2016 were $1,042,273 and $1,102,075, respectively.

The Unemployment Trust Fund operates in the same manner as the Workers' Compensation Fund. The fund does not pay benefits directly to former employees. The Fund reimburses the Mississippi Department of Employment Security for benefits the Commission pays directly to former employees. University payments to the Unemployment Trust Fund for the fiscal years ended June 30, 2017 and 2016 were $131,724 and $157,986, respectively.

The Tort Liability Fund was established in accordance with Section 11-46 of Mississippi State Law. The Mississippi Tort Claims Board authorized the IHL to establish a fund in order to self-insure a certain portion of its liability under the Mississippi Tort Claims Act. Effective July 1, 1993, Mississippi statute permitted tort claims to be filed against public universities. A maximum liability limit of $500,000 per occurrence is currently permissible. During the year ended June 30, 2003, the IHL Board authorized the Tort Fund and subsequently acquired an educator's legal liability policy with a deductible of $1,000,000. The IHL Board designated $1,000,000 of IHL Tort Fund net assets towards any future payment of this deductible. The Tort Claims Pool also purchases a fleet automobile policy. University payments to the Tort Liability Fund for the fiscal year ended June 30, 2017 and 2016 were $411,697 and $269,705, respectively. The University's payments for the fleet automobile policy and a blanket public official bond for the fiscal years 2017 and 2016 were as follows:

	2017	2016
Fleet Automobile Policy	$ 138,255	$ 132,224
Blanket Public Official Bond	4,200	4,200

NOTE 16
FOUNDATIONS AND AFFILIATED ENTITIES

The University has five affiliated organizations that were evaluated in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, which the University adopted on July 1, 2012. These organizations were formed exclusively for the benefit of the University and serve to promote, encourage and assist with educational, scientific, literary, research, athletic, facility improvement and service activities of the University and its affiliates. These organizations include the University of Mississippi Foundation, the University of Mississippi Educational Building Corporation (UMEBC), the Ole Miss Athletics Foundation, the University of Mississippi Research Foundation and the University of Mississippi Alumni Association. These affiliated entities are audited separately and, with the exception of the University of Mississippi Foundation, Ole Miss Athletics Foundation, and University of Mississippi Educational Building Corporation, have not been included in these financial statements. The University of Mississippi Foundation's financial statements and the Ole Miss Athletics Foundation financial statements are presented discreetly following the University's financial statements. In accordance GASB Statement No. 61, the Educational Building Corporation is deemed to be a material component unit of the University of Mississippi but is reported as a blended component unit. Condensed financial information as of June 30, 2017 and 2016 is listed in the following schedule:

University of Mississippi Educational Building Corporation

	2017	2016
Total Current Assets	$ 15,952,250	$ 16,157,933
Total Non-current Assets	253,378,897	276,051,753
Total Assets	269,331,147	292,209,686
Total Current Liabilities	15,381,114	16,067,910
Total Non-current Liabilities	251,939,882	274,012,211
Total Liabilities	267,320,996	290,080,121
Deferred Amount of Refundings	2,010,151	2,129,565
Total Deferred Inflows of Resources	2,010,151	2,129,565
Total Net Position	-	-
Total Operating Revenues	-	-
Total Operating Expenses	-	-
Operating Income (Loss)	-	-
Total Non-operating Revenues	8,892,902	7,440,535
Total Non-operating Expenses	8,892,902	7,440,535
Change in Net Position	$ -	$ -

NOTE 17
CONTINGENT LIABILITIES

The University is party to various lawsuits arising out of the normal course of operations. In the opinion of University management, the ultimate resolution of these matters will not have a material adverse impact on the financial position of the University.

The University also participates in certain federally sponsored programs. These programs are subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursement from the granting agency for expenditures disallowed under the terms of the grant. Management believes disallowances, if any, will not have a material adverse impact on the financial position of the University.

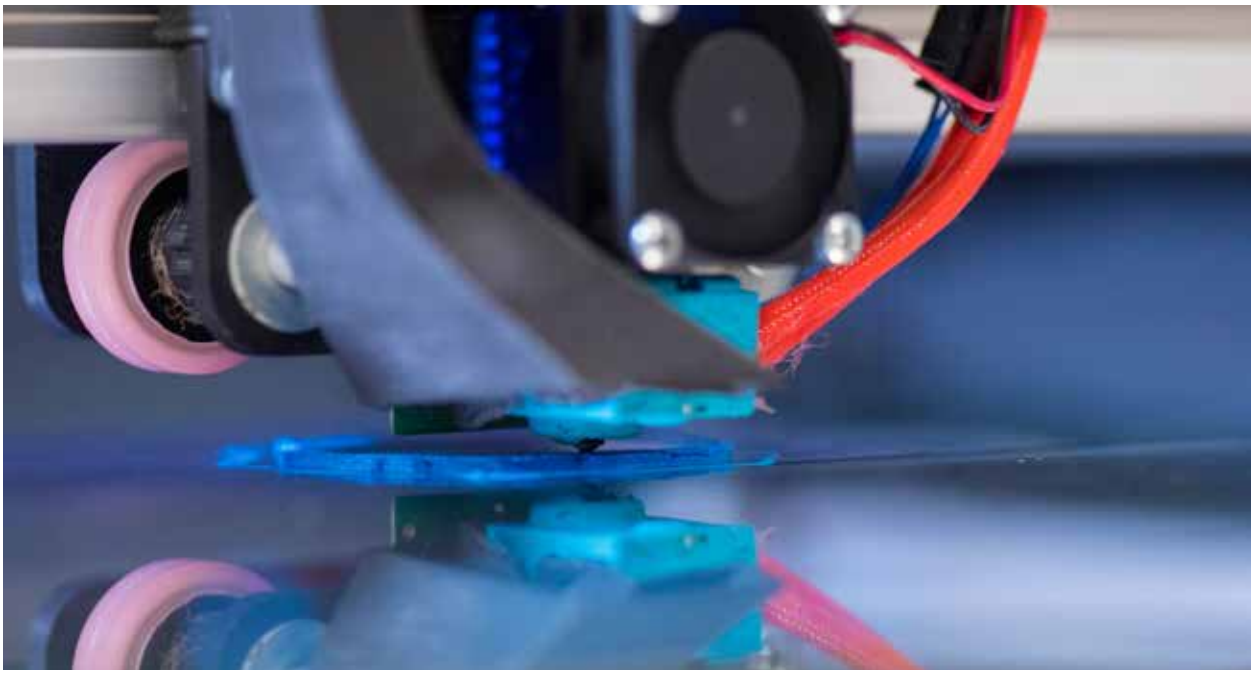
NOTE 18
SUBSEQUENT EVENTS

In July 2017, the University of Mississippi Educational Building Corporation issued bonds totaling $38,995,000 (Series 2017) to refund and advance refund for interest rate savings all or a portion of the Series 2009A Bonds, issued in the original principal amount of $19,870,000, Series 2009C Bonds, issued in the original principal amount of $14,770,000 and Series 2011 Bonds, issued in the original principal amount of $27,995,000; and to pay related costs of issuance, sale and delivery of the Series 2017 bonds. The bonds included a premium of $7,120,294. Outstanding coupons of the Series 2017 Bonds bear interest at rates ranging from 2% to 5% payable semiannually with final maturity in October 2034. The refunding and advance refunding of the Series 2009A, Series 2006A and Series 2008A bonds will result in an economic gain of approximately $3.2 million.

In August 2017, the University of Mississippi purchased property owned by Baptist Memorial Health Care Corporation ("Baptist") located in Oxford, Mississippi. The property consisted of a 428,516 square foot building, a parking structure and surface parking on approximately 14.5 acres of land. Upon purchase of the property, the University entered into a property lease with Baptist allowing use of the facility until a new

facility is completed by Baptist. The estimated date for this transfer of occupancy is February 2018.

In September 2017, the IHL approved an agreement with Trustmark National Bank to finance up to $19,000,000 for improvements to the University of Mississippi's baseball stadium. During construction, the University will utilize an interest-only non-revolving line of credit not to extend beyond May 31, 2018. Interest will be charged at a rate equal to 30-day LIBOR plus 132 basis points. Upon completion of construction or May 31, 2018, whichever occurs earlier, the note becomes payable in 180 monthly payments with an interest rate equal to 30-day LIBOR plus 139 basis points.



NOTE 19
SIGNIFICANT DISCLOSURES FOR THE DISCRETELY PRESENTED COMPONENT UNIT OF THE UNIVERSITY OF MISSISSIPPI – UNIVERSITY OF MISSISSIPPI FOUNDATION, INC.

(1) Nature of Organization

The University of Mississippi Foundation (the Foundation) is a nonprofit, nonstock corporation formed for the benefit of The University of Mississippi (the University). The Foundation promotes, encourages and assists educational, scientific, literary, research and service activities of the University and its affiliates.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

The Foundation prepares its financial statements in accordance with U.S. generally accepted accounting principles, which require that management make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses. Such estimates include the present value discount rates applied to the pledges receivable and liabilities under remainder trusts, allowance for uncollectible pledges, fair market values of certain investments including real estate, partnership and member interests and depreciation of property and equipment. Actual results could differ significantly from those estimates.

The Foundation's investments are primarily invested in various types of investment securities within many financial markets. Investment securities are exposed to several risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Foundation's financial statements.

(b) Donor-imposed Restrictions

The financial statements report amounts in three classes of net assets – unrestricted net assets, temporarily restricted net assets and permanently restricted net assets – based on the existence or absence of donor-imposed restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Foundation considers donor contributions to the various University schools and departments to be temporarily restricted as those University units have authority over expenditures. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted.

When a donor restriction expires or the stated purpose is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the statements of activities as net assets released from restriction.

The permanently restricted net assets include the principal amount of contributions accepted with the stipulation from the donor that the principal be maintained in perpetuity and only the income from investment thereof be expended. The purpose of such expenditure may also be specified by the donor.

(c) Revenue Recognition

The Foundation generally recognizes gifts as revenue when notified of an unconditional promise to give. Unconditional promises to give that are expected to be collected in future years are reported at the present value of their future cash flows. The discounts on these amounts are computed using risk-free interest rates at the time of the pledge, which are applicable to the years in which the pledges are scheduled to be received. Accretion of the discounts is included in contribution revenue. An allowance for uncollectible pledges is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of the fund-raising activity.

(d) Investments

Investments are recorded at fair value. The fair values of all investments other than real estate and partnership and membership interests (which include certain private equity investments and hedge funds) are based on quoted market prices and other observable inputs such as quoted prices for similar assets, quoted prices in inactive markets or inputs corroborated by observable market data. The Foundation's partnership and member interests are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value of the Foundation's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2017 and 2016, the Foundation had no plans or intentions to sell investments at amounts different from NAV. The Foundation's real estate investments are initially recognized at fair value based on appraised values at the date of receipt and are subsequently carried at fair value. Both realized and unrealized gains and losses are classified in the accompanying statements of activities based on restrictions put in place by the donor.

(3) Pledges Receivable, Net

The Foundation obtains pledges through fund-raising projects in support of various activities. At June 30, 2017, pledges were scheduled to mature at various dates through 2041 (approximately $13,476,000 is due in fiscal year 2018, $39,367,000 is due in total during the period including fiscal year 2019 through fiscal year 2023, and $31,453,000 is due thereafter). At June 30, 2016, pledges were scheduled to mature at various dates through 2037 (approximately $9,957,000 was due in fiscal year 2017, $29,812,000 is due in total during the period including fiscal year 2018 through fiscal year 2022, and $28,109,000 is due thereafter). A summary of pledges receivable as of June 30, 2017 and 2016 is as follows:

	2017	2016
Temporarily restricted	$ 75,044,354	$ 57,215,469
Permanently restricted	9,251,535	10,661,872
	84,295,889	67,877,341
Allowances for uncollectible pledges	(3,836,822)	(5,247,427)
Present value discounts (ranging from 1.6% to 6.1%)	(11,731,019)	(11,086,981)
	$ 68,728,048	$ 51,542,933

(4) Investments

The Foundation's investments, aggregated by investment strategy, with related liquidity information consist of the following at June 30, 2017 and 2016:

	2017	2016
Investment strategy:		
Fixed income:		
U.S. government securities	$ 2,014,708	$ 2,060,009
Corporate bonds	20,916,453	21,155,503
Certificates of deposit	751,629	518,015
Other fixed income securities	47,038,392	46,994,089
Total fixed income	70,721,182	70,727,616
Equities:		
Common stocks	13,099,444	9,146,996
Common stock funds	48,646,634	51,642,330
Mutual funds	5,941,927	5,156,814
Index funds	6,267,465	22,219,614
Total equities	73,955,470	88,165,754
Hedge funds	170,049,875	135,221,582
Venture capital and private equity	111,120,721	79,953,494
Real estate and other investments:		
Real estate owned and other investments	4,359,468	4,655,693
Timber fund	11,834,657	12,495,924
Partnership interest	-	750,000
Total real estate	16,194,125	17,901,617
Other short-term investments	6,337,081	4,713,828
Total investments	$ 448,378,454	$ 396,683,891

(5) Fair Value Measurement

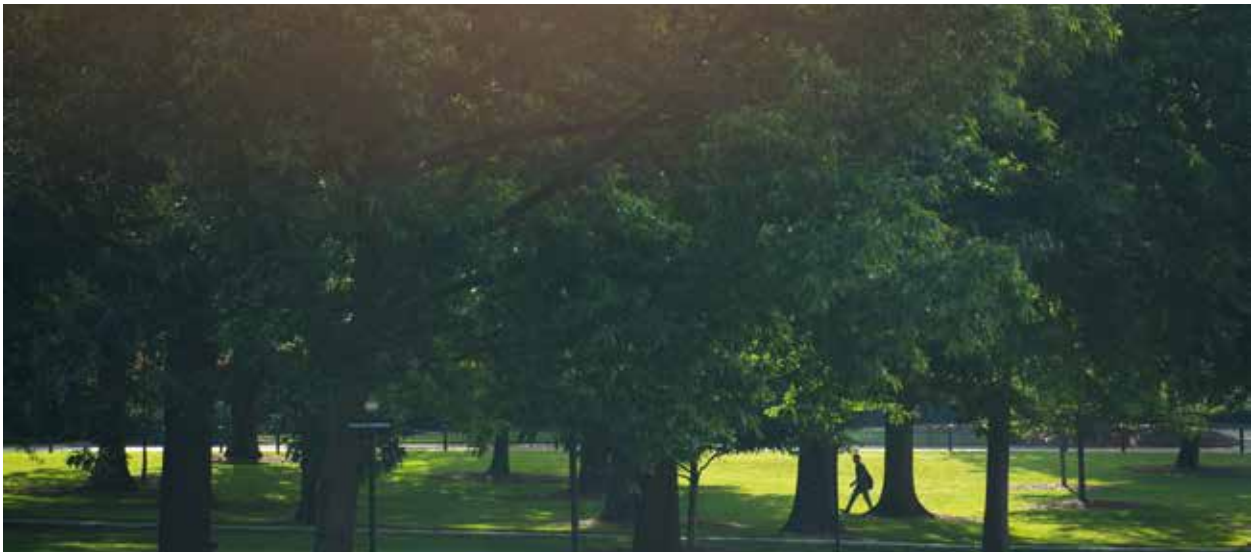
ASC Topic 820, *Fair Value Measurements,* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are observable at the measurement date;
- Level 2: Significant observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data; and
- Level 3: Significant unobservable inputs for the asset or liability that reflects the reporting entity's own estimates about the assumptions that market participants would use in pricing the asset or liability. These assumptions are based on audited financial statements provided by the general partner of the investment combined with additional third party due diligence.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. In accordance with Accounting Standards Update (ASU) 2009-12, *Investments that can be Redeemed at Net Asset Value on the Measurement Date or in the Near Term,* such investments may be classified as Level 2, depending upon the redemption features of such investments. NAV is used as a practical expedient to estimate the fair value of such investments unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2017 and 2016, the Foundation had no plans or intentions to sell investments at amounts different from NAV.

The following table presents the financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
Investment strategy:				
Fixed income:				
U.S. government securities	$ -	$ 2,014,708	$ -	$ 2,014,708
Corporate bonds	-	20,916,453	-	20,916,453
Certificates of deposit	-	751,629	-	751,629
Other fixed income securities	41,848,231	5,190,161	-	47,038,392
Total fixed income	41,848,231	28,872,951	-	70,721,182
Equities:				
Common stocks	13,099,444	-	-	13,099,444
Common stock funds	48,646,634	-	-	48,646,634
Mutual funds	5,941,927	-	-	5,941,927
Index funds	6,267,465	-	-	6,267,465
Total equities	73,955,470	-	-	73,955,470
Hedge funds	-	129,002,490	41,047,385	170,049,875
Venture capital and private equity	-	-	111,120,721	111,120,721
Real estate:				
Real estate owned	-	-	4,359,468	4,359,468
Timber fund	-	-	11,834,657	11,834,657
Partnership interest	-	-	-	-
Total real estate	-	-	16,194,125	16,194,125
Other short-term investments	6,337,081	-	-	6,337,081
Total investments	$ 122,140,782	$ 157,875,441	$ 168,362,231	$ 448,378,454
Beneficial interest in trusts	$ 2,774,752	$ 6,840,877	$ -	$ 9,615,629



The following table presents the financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
Investment strategy:				
Fixed income:				
U.S. government securities	$ -	$ 2,060,009	$ -	$ 2,060,009
Corporate bonds	-	21,155,503	-	21,155,503
Certificates of deposit	-	518,015	-	518,015
Other fixed income securities	38,639,893	8,354,196	-	46,994,089
Total fixed income	38,639,893	32,087,723	-	70,727,616
Equities:				
Common stocks	9,146,996	-	-	9,146,996
Common stock funds	51,642,330	-	-	51,642,330
Mutual funds	5,156,814	-	-	5,156,814
Index funds	22,219,614	-	-	22,219,614
Total equities	88,165,754	-	-	88,165,754
Hedge funds	-	77,429,628	57,791,954	135,221,582
Venture capital and private equity	-	-	79,953,494	79,953,494
Real estate:				
Real estate owned	-	-	4,655,693	4,655,693
Timber fund	-	-	12,495,924	12,495,924
Partnership interest	-	-	750,000	750,000
Total real estate	-	-	17,901,617	17,901,617
Other short-term investments	4,713,828	-	-	4,713,828
Total investments	$ 131,519,475	$ 109,517,351	$ 155,647,065	$ 396,683,891
Beneficial interest in trusts	$ 1,789,587	$ 5,661,282	$ -	$ 7,450,869

These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table includes a rollforward of the amounts for the year ended June 30, 2017 and 2016 for investments classified within Level 3:

	Real estate	Venture capital and private equity	Hedge funds	Total
Balance as of June 30, 2015	$ 17,582,460	$ 59,498,831	$ 34,268,490	$ 111,349,781
Net realized and unrealized gain (loss)	508,612	6,210,788	(2,804,741)	3,914,659
Acquisitions	260,000	20,354,624	26,722,308	47,336,932
Dispositions	(449,455)	(6,110,749)	(394,103)	(6,954,307)
Balance as of June 30, 2016	17,901,617	79,953,494	57,791,954	155,647,065
Net realized and unrealized gain (loss)	(376,864)	11,288,905	7,280,115	18,192,156
Acquisitions	-	29,767,573	541,364	30,308,937
Dispositions	(1,330,628)	(9,889,251)	(8,416,909)	(19,636,788)
Transfer to Level 2	-	-	(16,149,139)	(16,149,139)
Balance as of June 30, 2017	$ 16,194,125	$ 111,120,721	$ 41,047,385	$ 168,362,231

Hedge funds include long/short equity funds, fixed income funds and multi-strategy funds. These funds generally invest directly into corporate equity and debt securities. As of June 30, 2017, the Foundation transferred approximately $16,100,000 of a high income hedge fund from level 3 to level 2. This transfer was a result of the expiration of the lock up period on the investment. Venture capital and private equity investments are comprised of funds primarily invested in startup entities with high growth potential. Real estate investments consist of funds invested directly or indirectly in real property. The table below represents a summary of the fair value, unfunded commitments, eligible redemption frequency and expected life of the respective investments as of June 30, 2017:

Investment	Fair value	Unfunded commitments	Redemption frequency (if eligible)	Redemption notice period	Expected life span of investment
Hedge funds (Level 2):					
Event driven	$ 26,294,105	-	Quarterly	60 days	Indefinite
Relative value	17,138,140	-	Quarterly	90-120 days	Indefinite
Energy MLP	20,040,368	-	Monthly	30 days	Indefinite
High income	16,149,139	-	Quarterly	120 days	Indefinite
Directional	49,267,318	-	Quarterly	60-120 days	Indefinite
Other	113,420	-	Quarterly	60-120 days	Indefinite
	$ 129,002,490				
Hedge funds (Level 3):					
Natural resource private fund	$ 10,551,011	446,838	No redemption feature	None	10 years
Directional	18,279,843	-	No redemption feature	None	5 years
Other	12,216,531	-	No redemption feature	None	5 years
	$ 41,047,385				
Venture capital and private equity	$ 111,120,721	77,327,332	No redemption feature	None	7 to 12 years
Real estate:					
Timber fund	$ 11,834,657	-	No redemption feature	None	10 years
Real estate	4,359,468	-	No redemption feature	None	Indefinite
Partnership interest	-	-	No redemption feature	None	Indefinite
	$ 16,194,125				

(6) Net Asset Classification of Endowment Funds

The Foundation has adopted ASC Topic 958-205, *Enhanced Disclosures for All Endowment Funds, and Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA).* This standard provides guidance on the net asset classification of donor-restricted endowment funds and related disclosures. ASC Topic 958-205 also provides guidance relative to net asset classification of funds subject to UPMIFA. When adopted by the state of domicile, UPMIFA requires a number of management assessments, including:

- Determination as to whether a donor intended an endowment to maintain its purchasing power or as a fixed sum,
- The classification of endowment earnings, and
- The ability to spend corpus of an endowment.

The State of Mississippi adopted UPMIFA effective July 1, 2012. The Foundation's Board of Directors has determined its donor agreements provide for the preservation of the fair value of the original gift as of the date of the gift. As a result, the Foundation classifies as permanently restricted net assets the original gift donated to the permanent endowment and the original value of subsequent gifts and other income. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified in temporarily restricted net assets until the amounts are appropriated for expenditure in accordance with the donor memorandums of agreement.

The Foundation has established policies to achieve the overall, long-term investment goal of achieving an annualized total return, through appreciation and income, greater than or equal to the rate of inflation plus any distribution needs, thus protecting the assets against inflation. The Foundation's Board and Joint Committee on Investments agree that investing in securities with higher return expectations outweighs their short-term volatility risk. As a result, the majority of assets are invested in equity or equity-like securities. Fixed income securities are used to lower the short-term volatility of the portfolio and to provide income stability, especially during periods of weak or negative equity market returns. Cash is not a strategic asset of the portfolio, but is a residual to the investment process and used to meet short-term liquidity needs. The primary performance objective of the Foundation is to achieve a total return, net of investment management fees and expenses, equal to or in excess of inflation and the spending rate.

Income available for spending is determined by a total return system and is approved by the Board of Directors of the Foundation. The amount to be spent for the endowed purpose is calculated based on a percentage of a long-term monthly moving average of the endowment's

market value. The objective is to provide relatively stable spending allocations. However, no portion of the original gift value of the endowed assets will be allocated for spending.

Changes in donor-restricted endowment net assets for the year ended June 30, 2017 and 2016 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment net assets (deficit), June 30, 2015	$ (2,501)	$ 97,714,197	$ 208,338,466	$ 306,050,162
Contributions and transfers to endowment	-	-	11,134,800	11,134,800
Appropriation for expenditures	-	(10,000,381)	-	(10,000,381)
Investment return:				
Investment income	-	661,387	-	661,387
Net appreciation (depreciation)	(220,470)	(9,915,924)	11,006	(10,125,388)
Donor-restricted endowment net assets (deficit), June 30, 2016	(222,971)	78,459,279	219,484,272	297,720,580
Contributions and transfers to endowment	-	-	13,816,581	13,816,581
Appropriation for expenditures	-	(10,652,154)	-	(10,652,154)
Investment return:				
Investment income	-	8,645,067	-	8,645,067
Net appreciation (depreciation)	222,297	28,548,129	147,622	28,918,048
Donor-restricted endowment net assets (deficit), June 30, 2017	$ (674)	$ 105,000,321	$ 233,448,475	$ 338,448,122

As a result of unfavorable volatility in the financial markets, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the fund's original value. Deficiencies of this nature are reported in unrestricted net assets. Subsequent gains that restore the fair value of assets of the endowment fund to the required level are classified as an increase in unrestricted net assets. There were endowment funds with deficiencies totaling approximately $700 and $223,000 as of June 30, 2017, and June 30, 2016, respectively.

The following table provides a reconciliation of the donor-restricted net assets shown in the previous table to the permanently restricted net assets presented in the statements of financial position as of June 30, 2017 and 2016:

	2017	2016
Donor-restricted endowment net assets	$ 233,448,475	$ 219,484,272
Permanently restricted pledges receivable, net	7,699,889	9,078,939
Liabilities under remainder trusts	(4,044,954)	(5,574,469)
Cash value of life insurance	225,845	230,362
Permanently restricted net assets	$ 237,329,255	$ 223,219,104

(7) Net Assets

Permanently restricted net assets at June 30, 2017 and 2016 were restricted for the following purposes:

	2017	2016
Academic and program support	$ 42,715,492	$ 38,570,620
Scholarship support	112,213,855	98,807,643
Faculty support	68,511,529	71,986,540
Library support	13,888,379	13,854,301
Total	$ 237,329,255	$ 223,219,104

The vast majority of temporarily restricted net assets at June 30, 2017 and 2016 were available for academic and program support.

NOTE 20
SIGNIFICANT DISCLOSURES FOR THE DISCRETELY PRESENTED COMPONENT UNIT OF THE UNIVERSITY OF MISSISSIPPI – OLE MISS ATHLETICS FOUNDATION

(1) Nature of Organization

The Ole Miss Athletics Foundation (the Foundation) is a Mississippi nonprofit corporation whose mission is to provide resources for the Department of Intercollegiate Athletics (the Athletics Department) at the University of Mississippi (the University). Formerly known as the Ole Miss Loyalty Foundation and the UMAA Foundation, the Foundation adopted the amended and restated articles of incorporation and bylaws effective March l, 2013, and the name was formally changed. Effective January 1, 2011, the Foundation has an affiliation agreement with the University that defines arrangements between the two organizations concerning services, facilities, premises, activities, and other miscellaneous provisions.

(2) Summary of Significant Accounting Policies

(a) Classification of Net Assets

The Foundation reports transactions in three classes of net assets - permanently restricted, temporarily restricted or unrestricted as follows:

Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donor of these assets permits the Foundation to use all or part of the income earned on related investments for general or specific purposes in support of the Athletics Department.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.

Unrestricted net assets - net assets that represent resources generated from operations or that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenditures are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Income and realized and unrealized gains and losses on investments of permanently restricted net assets are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift or the Foundation's interpretation of relevant state law require that gains be added to the principal of a permanent endowment fund;
- as increases or decreases in temporarily restricted net assets if the terms of the gift impose restrictions on their use;
- as increases or decreases in unrestricted net assets in all other cases.

Permanently Restricted Net Assets as of June 30, 2017 and 2016, are restricted to:

	2017	2016
Investments in perpetuity the income from which is expendable to support:		
Football, basketball, and women's operations	$ 69,866	$ 54,074
Scholarships	1,387,563	1,316,535
	$ 1,457,429	$ 1,370,609

Temporarily Restricted Net Assets as of June 30, 2017 and 2016, are available for the following purposes:

	2017	2016
Forward Together Campaign	$ 24,774,674	$ 41,215,666
Sports Programs	420,712	732,732
Other	1,468	5,123
Total	$ 25,196,854	$ 41,953,521

(b) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Such estimates include the present value discount rates applied to pledges receivable, the allowance for uncollectible pledges and estimated useful lives and salvage values of property and equipment. Accordingly, actual results could differ significantly from those estimates.

(c) Fair Value Measurements

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements that involve significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

a) Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that are observable at the measurement date;

b) Level 2: Significant observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data; and

c) Level 3: Significant unobservable inputs for the asset or liability that reflects the reporting entity's own estimates about the assumptions that market participants would use in pricing the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based upon the lowest level input that is significant to the fair value measurement in its entirety. In accordance with Accounting Standards Update (ASU) 2009-12, *Investments that can be Redeemed at Net Asset Value on the Measurement Date or in the Near Term*, such investments may be classified as Level 2. NAV is used as a practical expedient to estimate the fair value of such investments unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2017, the Foundation had no plans or intentions to sell investments at amounts different from NAV.

(d) Investments

Investments are recorded at fair value. The fair values of all investments and trusts are based on quoted market prices and other observable inputs such as quoted prices for similar assets, quoted prices in inactive markets, or inputs corroborated by observable market data. Both realized and unrealized gains and losses are included in the change in net assets. Real estate and other properties donated to the Foundation and held by the University of Mississippi Foundation (the UM Foundation) are also carried at fair value based on appraisal values at the date of receipt and as subsequently updated.

The Foundation's investments include commodities, a charitable trust, fixed income, pooled accounts and a partnership interest. These investments are exposed to several risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the fair value of these investments will occur in the near term and such changes could materially affect the amounts reported in the Foundation's financial statements.

(e) Charitable Trust

The Foundation is the beneficiary under an irrevocable charitable remainder unitrust with a local bank as trustee. Under the terms of the trust agreement, the Foundation receives distributions from the trust based on a formula using the lesser of the net income of the trust or 7% of the fair market value of the trust assets at the beginning of the trust taxable year. The trustee performs this calculation and makes the distribution. Expenses of the trust, such as taxes and administrative fees, are paid from the trust assets. The remaining principal of the trust is reported as a permanently restricted net asset per the terms of the trust agreement. Assets of the trust are reported at fair market value in investments in the statements of financial position at $1,387,562 and $1,316,535, as of June 30, 2017 and 2016, respectively.

(3) Pledges Receivable

The Foundation obtains pledges through fundraising programs in support of various activities. At June 30, 2017, pledges for the Vaught Society are scheduled to mature at various dates through 2027. The Capital Gift Agreements are due primarily in the next year.

A summary of the pledges receivable as of June 30, 2017 and 2016 is as follows:

	2017	2016
Receivable in one year	$ 7,975,596	$ 8,150,228
Receivable in one to five years	16,907,490	18,194,450
Receivable in more than five years	1,376,032	4,487,500
	$ 26,259,118	$ 30,832,178
Unrestricted pledges receivable	$ 313,650	$ 546,317
Temporarily restricted pledges receivable	25,945,468	30,285,861
	26,259,118	30,832,178
Less: Allowance for doubtful pledges receivable	(2,083,953)	(2,429,846)
	24,175,165	28,402,332
Less: Unamortized discount (1.96% and 1.41% at June 30, 2017 and 2016, respectively)	(469,637)	(634,363)
Net pledges receivable	$ 23,705,528	$ 27,767,969

(4) Investments and Charitable Trust

The following table presents the financial assets carried at fair value within the valuation hierarchy as of June 30, 2017 and 2016:

2017	Level 1	Level 2	Level 3	Total
Equity and futures	$ 360,834	$ -	$ -	$ 360,834
Fixed income	8,191,717	-	-	8,191,717
Pooled investments- UM Foundation	69,866	-	-	69,866
Other investments	46,216	-	1,468	47,684
Total investments	8,668,633	-	1,468	8,670,101
Charitable trust	1,387,562	-	-	1,387,562
	$ 10,056,195	$ -	$ 1,468	$ 10,057,663

2016	Level 1	Level 2	Level 3	Total
Equity and futures	$ 104,239	$ -	$ -	$ 104,239
Pooled investments- UM Foundation	54,074	-	-	54,074
Other investments	-	-	5,123	5,123
Total investments	158,313	-	5,123	163,436
Charitable trust	1,316,535	-	-	1,316,535
	$ 1,474,848	$ -	$ 5,123	$ 1,479,971

(5) Endowments

The UM Foundation holds certain funds that are considered permanent endowments and scholarship funds. These endowments are created for the benefit of the Athletics Department, and any contributions to the Foundation that are designated for these funds are transferred to the UM Foundation. Such funds, which amounted to $3,771,430 and $3,479,735 at June 30, 2017 and 2016, respectively, are managed by the UM Foundation and are not included in these financial statements.

(6) Life Insurance Policies

The Foundation has been gifted life insurance policies for which it has been named owner and beneficiary. The face amounts of life insurance policies in excess of cash surrender values held by the Foundation are deferred and recognized as revenue only when collected. The cash surrender value of such policies at June 30, 2017 and 2016 was $437,131 and $341,602.

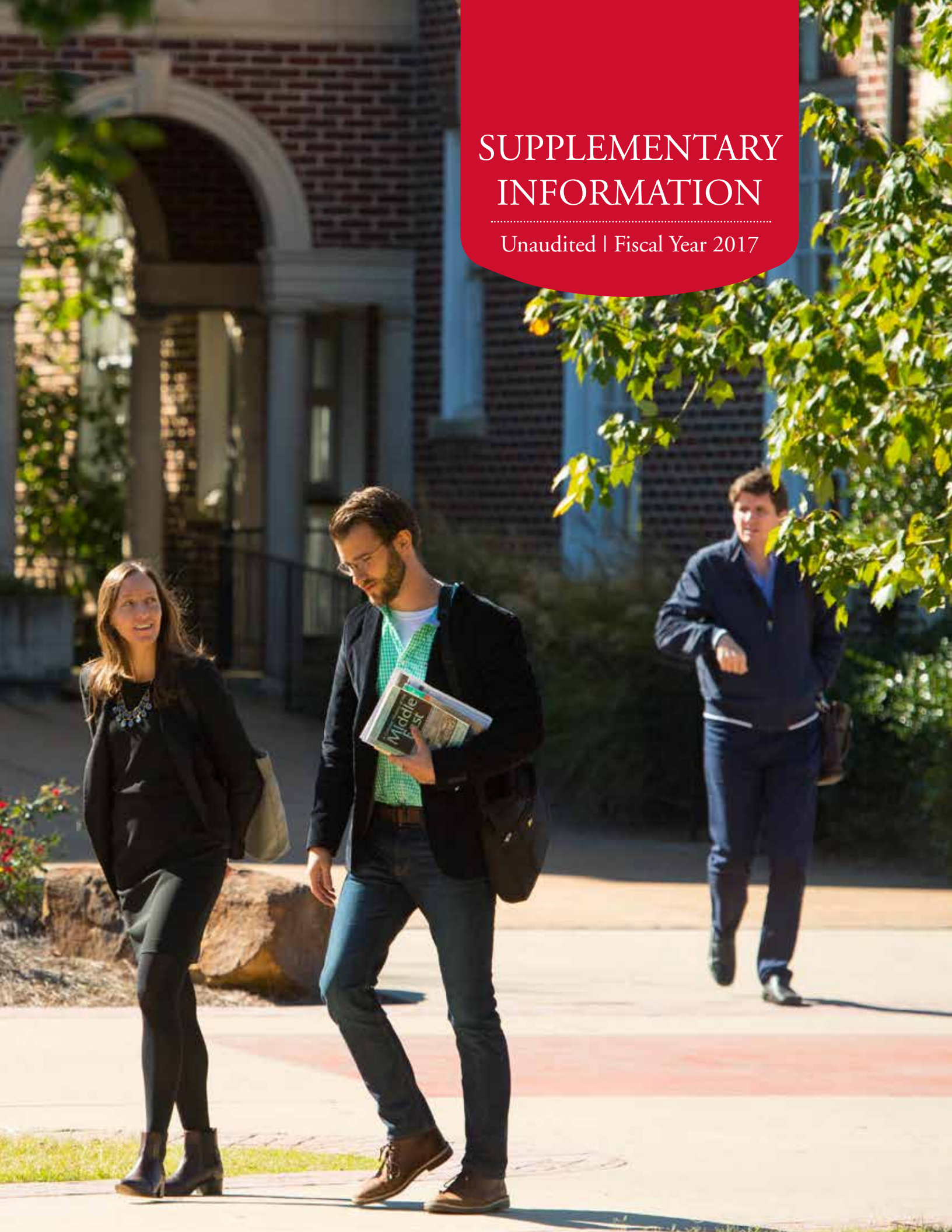
(7) Net Assets Released from Restrictions

For the years ended June 30, 2017 and 2016, temporarily restricted net assets were released from restrictions for the following purposes:

	2016	2016
Support for sports programs	$ 900,816	$ 897,743
Facility improvements	14,658,029	14,039,986
Interest expense	2,983,101	907,503
Operating costs allocated to restricted expenses	2,028,822	2,390,683
Provision for uncollectible pledges	2,198,274	-
Principal payments on capital debt	2,842,189	3,260,370
Total	$ 25,611,231	$ 21,496,285

SUPPLEMENTARY INFORMATION

Unaudited | Fiscal Year 2017



REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability
Year ended June 30, 2017

Fiscal year	Proportion of the net pension liability	Proportionate share of the net pension liability	Estimated covered-employee payroll	Proportionate share of the net pension liability as percentage of covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	1.8490%	$ 224,435,474	$ 112,983,803	198.64%	67.00%
2016	1.8623%	287,872,551	116,344,946	247.43%	61.70%
2017	1.8674%	333,566,560	119,462,908	279.22%	57.47%

Schedule of Proportionate Share of Contributions
Year ended June 30, 2017

Fiscal year	Proportionate share of contributions	Required contributions	Contribution deficiency (excess)	Actual covered-employee payroll	Contributions as percentage of covered-employee payroll
2015	$ 18,189,943	$ 18,189,943	$ -	$ 115,491,702	15.75%
2016	18,587,600	18,587,600	-	118,016,509	15.75%
2017	18,719,288	18,719,288	-	118,852,622	15.75%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION:

(1) Schedule of Proportionate Share of Net Pension Liability

This schedule represents historical trend information about the University of Mississippi's proportionate share of the net pension liability for its employees who participate in the PERS. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the plan. Information related to previous years is not available, therefore, trend information will be accumulated to display a ten-year presentation.

(2) Schedule of Proportionate Share of the University of Mississippi's Contributions

The required contributions and percentage of those contributions actually made are presented in the schedule. Information related to previous years is not available, therefore, trend information will be accumulated to display a ten-year presentation.

(3) Changes of Assumptions and Benefit Terms

Changes of assumptions: Amounts reported for fiscal year 2017 reflect no changes in assumptions. In fiscal year 2016, price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

Changes in benefit provisions: Amounts reported for fiscal year 2017 and 2016 reflect no changes in benefit terms.

THE UNIVERSITY of MISSISSIPPI