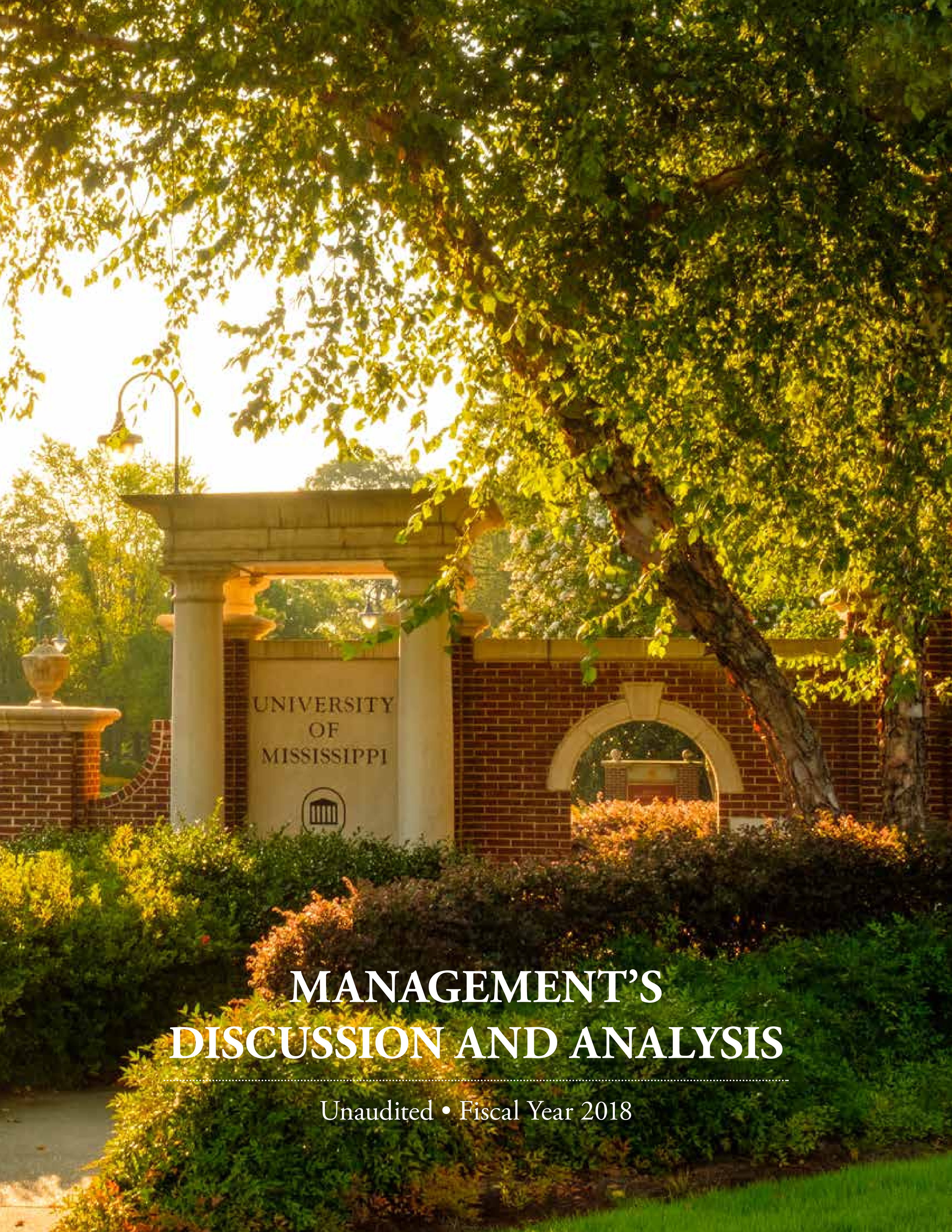
FINANCIAL STATEMENTS

Unaudited • Fiscal Year 2018

TABLE OF CONTENTS



MANAGEMENT'S DISCUSSION AND ANALYSIS

Unaudited • Fiscal Year 2018

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 have been prepared by management and should be considered in conjunction with the financial statements and accompanying note disclosures for the fiscal year ended June 30, 2018. 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 MD&A, financial statements and accompanying notes, are the responsibility of University management.

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 23,258 and employ approximately 11,800 full-time employees, including more than 1,800 full-time faculty. The Oxford campus is comprised of 11 colleges and schools offering 163 degrees in 98 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.

STATEMENT OF NET POSITION

The Statement of Net Position provides a snapshot of the entity's financial position at a specific point in time. A condensed version of this statement for the University is presented below for June 30, 2018. This statement discloses 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 Statement of Net Position

(thousands of dollars)

		2018
Current assets	$	173,818
Non-current assets		1,548,269
Deferred outflows of resources		38,888
Total assets	$	1,760,975
Current liabilities	$	96,878
Non-current liabilities		621,606
Deferred inflow of resources		13,386
Total liabilities	$	731,870

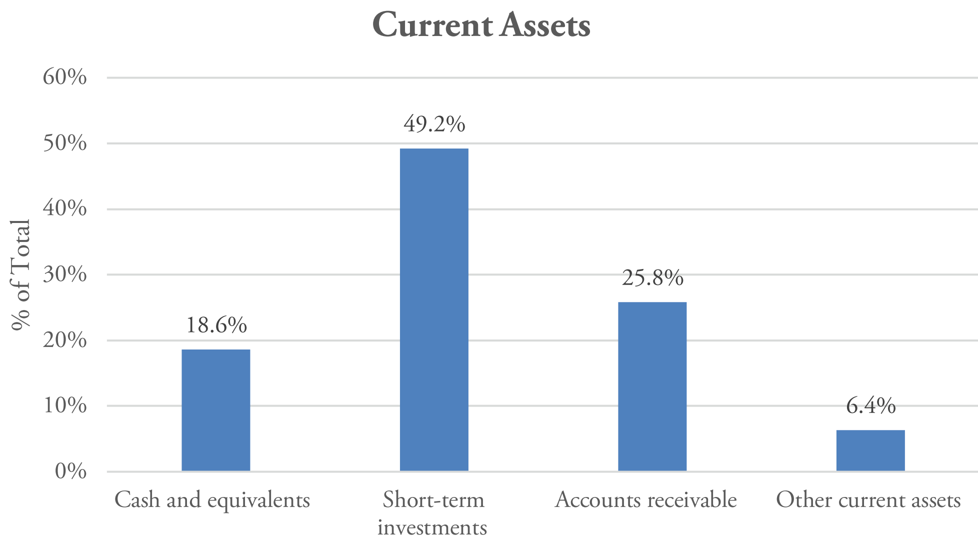
		2018
Net investment in capital assets	$	917,712
Restricted, nonexpendable		52,056
Restricted, expendable		67,033
Unrestricted		(7,696)
Total net position	$	1,029,105

The financial position of the University strengthened during fiscal year 2018 with total assets increasing to $1.76 billion. Total liabilities also increased to $731 million. However, the increase in total assets outpaced the increase in total liabilities resulting in an increased net position at June 30, 2018.

The University experienced a decrease in investments and cash and cash equivalents which is related to continued investments in capital projects. 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.

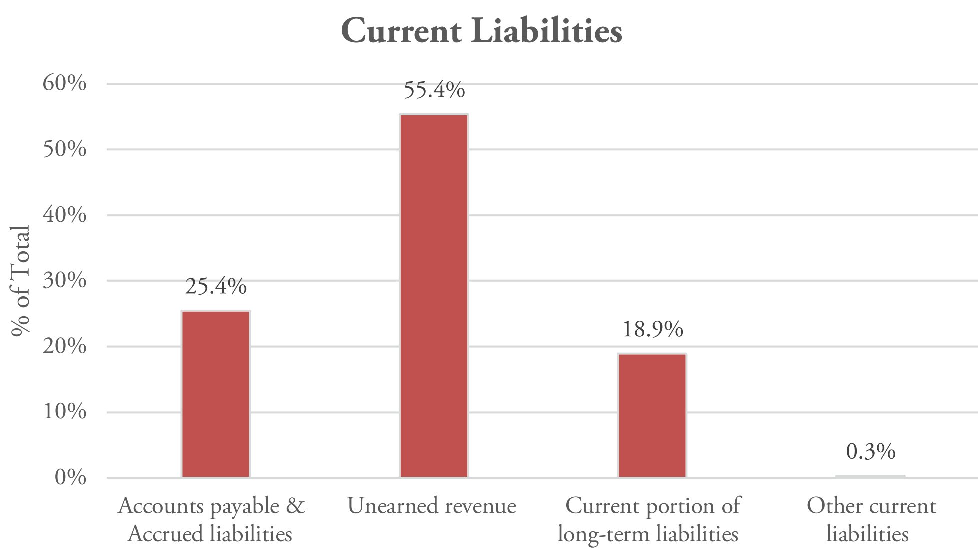
It should also be noted that a portion of cash and cash equivalents are classified as restricted non-current assets due to specific external restrictions regarding its use. These funds are held by the University, trustees and the State Treasury and are primarily restricted for use on specific capital projects. For fiscal year 2018, restricted non-current cash and cash equivalents primarily were comprised of cash held by the State Treasury for the purpose of major construction.

Cash, short-term investments and accounts receivable comprised approximately 94% of current assets in 2018. Short-term investments are predominantly comprised of U.S. Treasury Notes and represent 49% of current assets for fiscal year 2018.



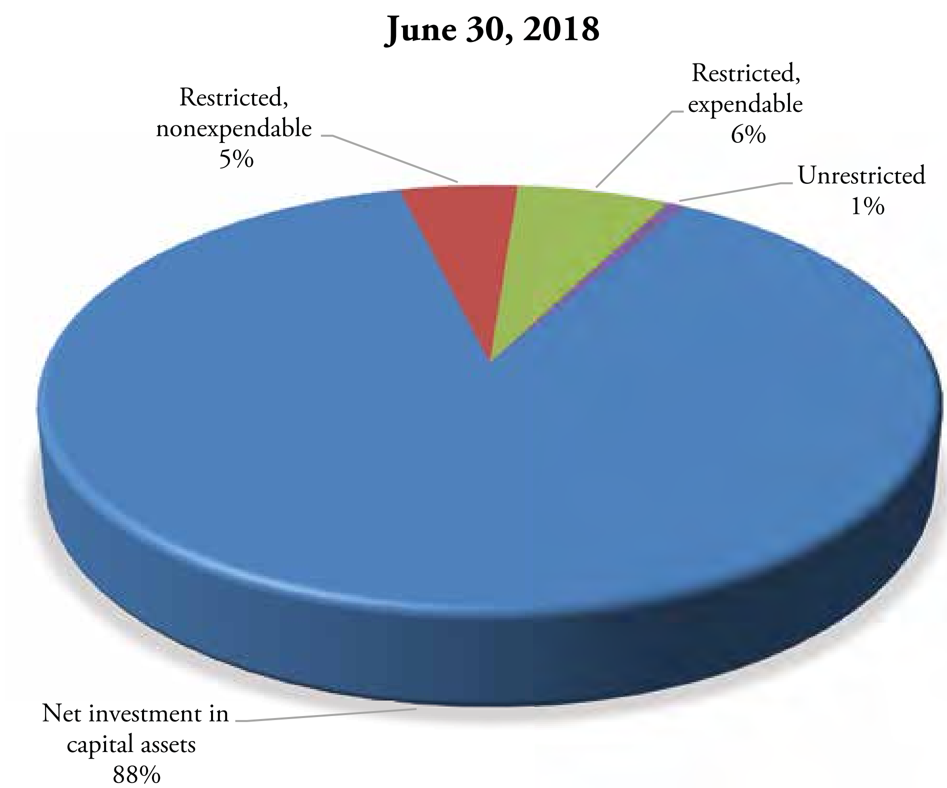
The largest components of current liabilities are amounts payable to vendors and employees and unearned revenues. Unearned revenues include advance receipts for tuition, fees and athletic tickets.

The current accrued leave liability represents an estimate of total accrued compensation to be paid in the twelve months immediately following June 30, 2018. 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 12% of the total accrued leave liability at June 30, 2018.



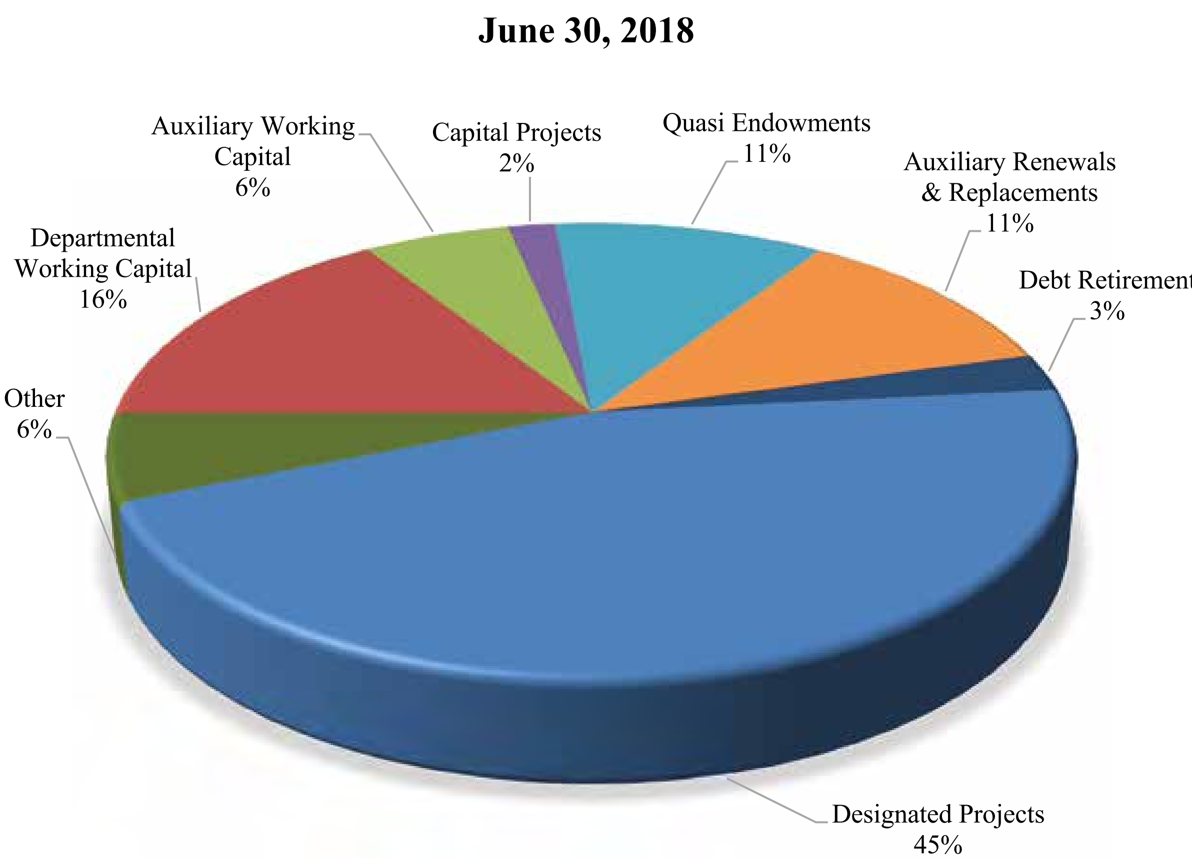
Non-current liabilities are those liabilities due and payable more than twelve months from June 30, 2018. Net pension liability comprised 51% of long-term liabilities at June 30, 2018. The vast majority of other non-current liabilities are the result of financing activities for capital projects through the issuance of bonds. Additional detail about long-term debt can be found in Note 8 of the *Notes to Financial Statements*.

Net position reached $1 billion in fiscal year 2018. Although net pension liability continues to increase, 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 fiscal year.



Yearly changes in 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, 2018 are depicted in the chart below.



STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents 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.

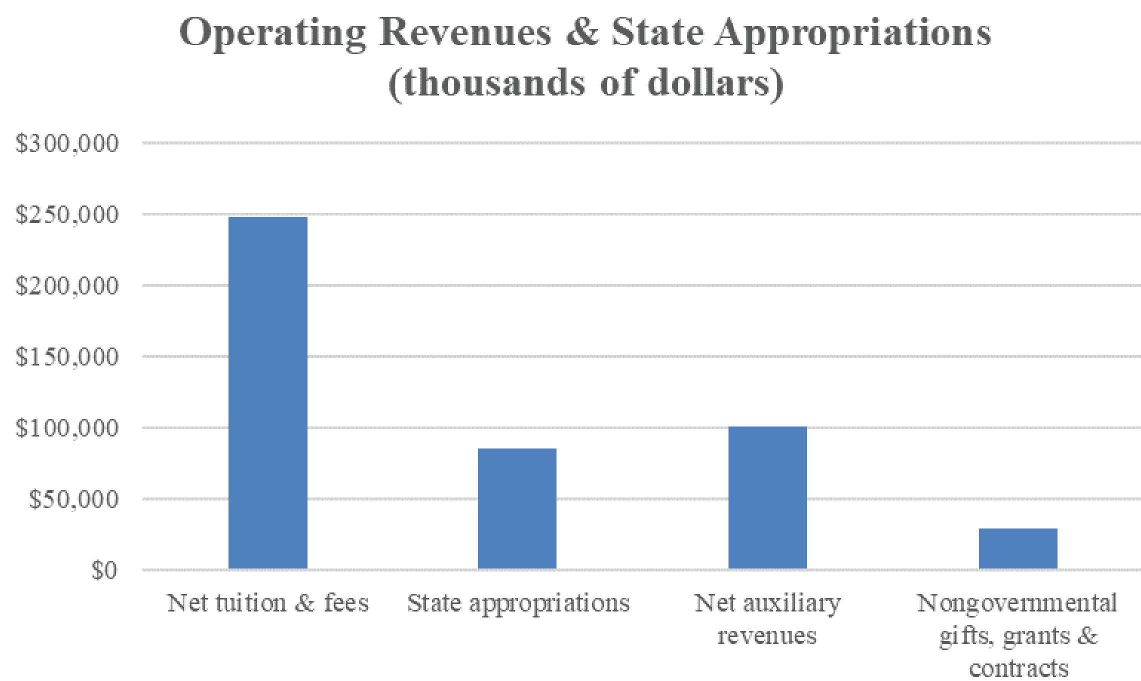
Condensed Statement of Revenues, Expenses and Changes in Net Position
(thousands of dollars)

		2018
Operating revenues	$	452,764
Operating expenses		539,234
Operating loss		(86,470)
Non-operating revenues and expenses		121,373
Income before other revenues, expenses, gains and losses		34,903
Other revenues, expenses, gains and losses		20,288
Increase in net position		55,191
Net position, beginning of year, as restated		973,914
Net position, end of year	$	1,029,105

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 provided the largest source of institutional revenues.
  - Underlying the $357 million gross tuition and fees revenue for fiscal year 2018 was a slight decrease of 1.7% in headcount enrollment and a 7% increase in tuition rates.
  - After deducting allowances for scholarships and doubtful accounts, net tuition and fees were $248 million for fiscal year 2018.
- Fiscal year 2018 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 year 2018, gifts and grants were $35.8 million, a 15.3% increase over fiscal year 2017. This type of non-operating revenue 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.
- Investment income, net of investment expense, was $10.4 million for fiscal year 2018. Total investment income is influenced by market fluctuations, shifts in interest rates and the amount of funds available for investment.

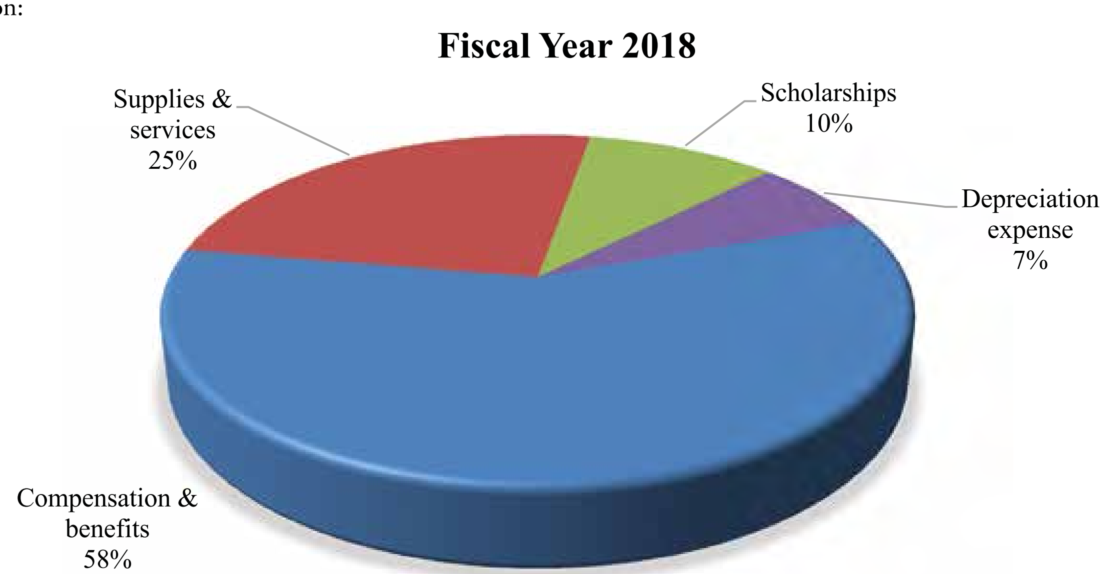
The following chart depicts the breakdown of operating revenues and state appropriations.



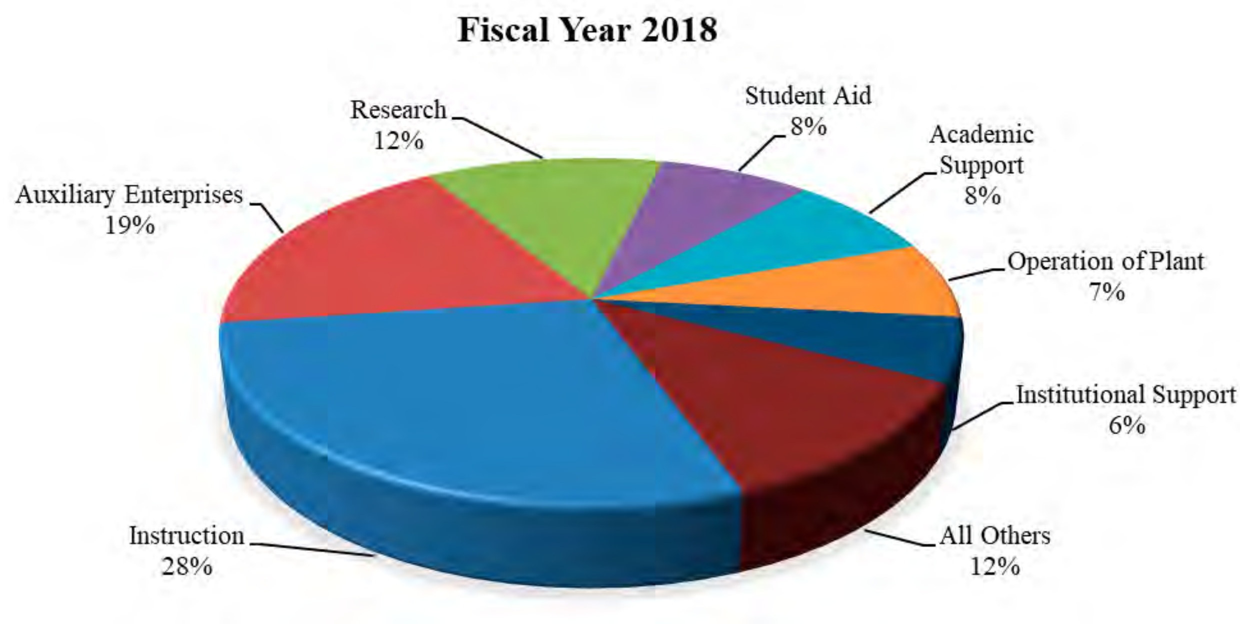
Expenses classified as operating represent the largest portion of expenses and totaled $539 million in fiscal year 2018. Personnel costs normally constitute the largest operating expense. These expenses comprised 58% of total operating expenses for fiscal year 2018. As a rapidly growing, service-providing 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.

New scholarships and expansion of existing scholarship programs led to student aid expenditures of over $53 million during fiscal year 2018. 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:



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*.



STATEMENT OF CASH FLOWS

The Statement of Cash Flows presents the financial activities and results of the University on a cash basis. The statement is 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 noncapital 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 includes cash used to purchase investments, cash returns on these investments and cash proceeds from the sale or maturity of investments.

Condensed Statement of Cash Flows
(thousands of dollars)

	2018
Cash provided (used) by:	
Operating activities	$ (31,394)
Noncapital financing activities	113,300
Capital & related financing activities	(99,429)
Investing activities	(38,595)
Net change in cash	(56,118)
Cash, beginning of year	101,371
Cash, end of year	$ 45,253

The Condensed Statement of Cash Flows illustrates the major summary components of cash sources and uses for each year. The major sources of cash in operating activities for fiscal year 2018 were student tuition and fees ($247.8 million), auxiliary enterprises ($95.0 million), and grants and contracts ($91.5 million). Major operating uses of cash for fiscal year 2018 included payments to employees for salaries and benefits ($291.7 million) and payments to suppliers ($105.0 million).

Major sources of cash included in noncapital financing activities for fiscal year 2018 include state appropriations ($86.6 million) as well as gifts and grants received for purposes other than capital projects ($30.3 million).

The major source of cash presented as part of capital and related financing activities for fiscal year 2018 was derived from the issuance of bonds and notes related to capital projects ($71.9 million). Another source of cash came from capital grants and contracts ($4.6 million) for fiscal year 2018. Major uses of cash in this section for fiscal year 2018 included the payments for capital assets ($106.9 million) and principal and interest payments made on capital debt ($67.5 million).

Sources of cash in the investing activities section for fiscal year 2018 included sales and maturities of investments and interest received on investments ($185.6 million). Uses of cash included in this section were for purchases of investments ($229.2 million) for fiscal year 2018.

SIGNIFICANT LONG-TERM LIABILITY AND DEBT ACTIVITIES

The University has made significant investments in capital assets. Capital grants and gifts combined with University resources enabled investments in facilities and infrastructure of more than $180 million in fiscal year 2018. Long-term debt is typically a component of many large capital improvement projects. The most recent University bond financing occurred in July 2017 when the University issued bonds totaling $38,995,000 to current and/or advance refund and defease the Series 2009A (Robert C. Khayat Law Center), Series 2009C (Luckyday Residential College), and Series 2011 (Residence Halls) bonds. This refunding of bonds resulted in a net present value savings of $3.2 million over the remaining life of the bonds.

During fiscal year 2018, the University negotiated two bank notes of approximately $25.8 million which funded athletic facilities improvements. Trustmark National Bank issued a note in the amount of $17,783,300 for renovations and improvements to the Oxford-University Stadium at Swayze Field with final payment in fiscal year 2033. Renasant Bank issued a note in the amount of $8,000,000 which funded the construction of an indoor tennis facility with final payment in fiscal year 2028.

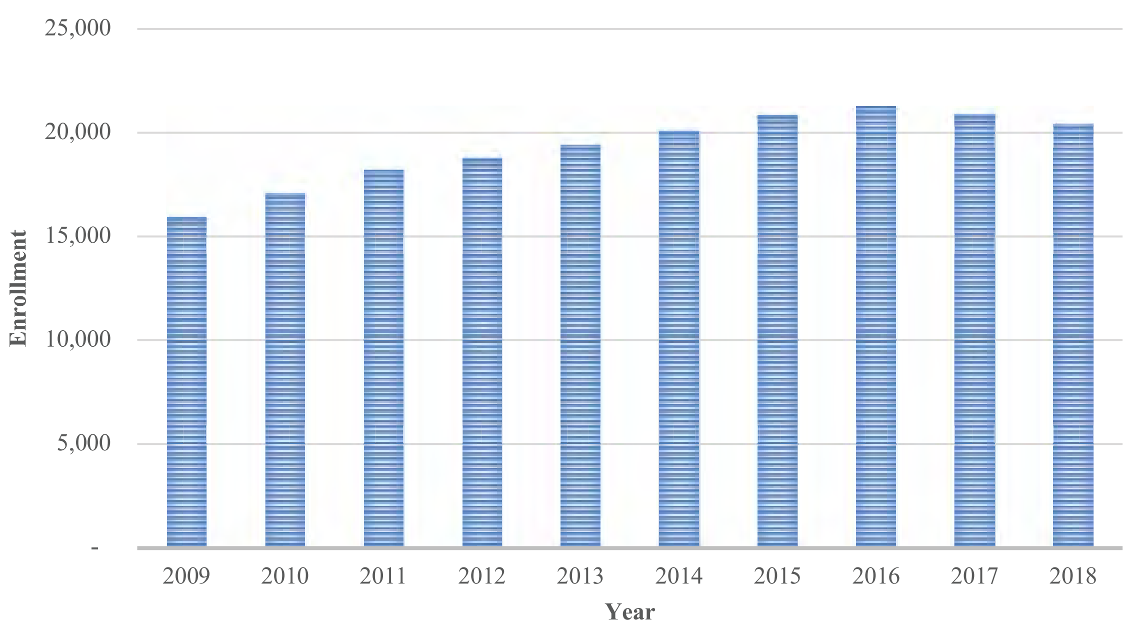
More information on long-term debt is available in Note 8 in the *Notes to Financial Statements*.

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. Even though new student enrollment has declined, improving retention rates have resulted in minimal decreases to overall enrollment. In addition, attractively priced tuition rates have allowed for consistent and moderate rate increases.

A strong demand from nonresidents has been a significant contributing factor in applications and student enrollment. 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 2018 enrollment (fiscal year 2019) decreased from fall 2017 (fiscal year 2018) by 2.3%. Fall 2017 enrollment (fiscal year 2018) decreased slightly from fall 2016 enrollment (fiscal year 2017) by 1.7%. Over the past five years, fall enrollments have a net increase of 2%.
- The freshman classes for fall 2018 and fall 2017 were 3,457 and 3,697, respectively. The freshman class increased 3% from fall 2013 through fall 2017 before the slight decrease in overall enrollment including the freshman class for fall 2018.
- Fiscal year 2018 state appropriations decreased by 4% below the fiscal year 2017 level. There was a 6% decrease in state appropriations for fiscal year 2017.
- 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 fluctuation in cash flows from these revenue sources. While the endowment portfolio experienced annual losses in fair market value during the last recession, the net return over the past three years was 9.5%.
- 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 or decreases.
- 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. Mississippi public community colleges have experienced fluctuating enrollment rates over the past several years, most recently a decline. This trend has led to related declines in 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 environment. 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. The 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
Interim Chancellor

FINANCIAL STATEMENTS

Unaudited • Fiscal Year 2018

UNIVERSITY OF MISSISSIPPI
STATEMENT OF NET POSITION

June 30, 2018
Assets and Deferred Outflows

Current assets:		
Cash and cash equivalents	$	32,395,780
Short-term investments		85,509,310
Accounts receivable, net		44,846,176
Student notes receivable, net		8,509,385
Inventories		979,909
Prepaid expenses		1,577,488
Total current assets		173,818,048
Non-current assets:		
Restricted cash and cash equivalents		12,857,482
Endowment investments		107,785,110
Other long-term investments		223,208,257
Student notes receivable, net		21,696,585
Capital assets, net		1,182,551,816
Other non-current assets		169,900
Total non-current assets		1,548,269,150
Total assets		1,722,087,198
Deferred outflows of resources:		
Pension related to deferred outflows		37,497,911
OPEB related to deferred outflows		1,390,441
Total deferred outflows of resources		38,888,352
Total assets and deferred outflows of resources	$	1,760,975,550

Liabilities, Deferred Inflows and Net Position

Current liabilities:		
Accounts payable and accrued liabilities	$	24,553,932
Unearned revenues		53,648,345
Accrued leave liabilities-current portion		1,845,000
Long-term liabilities-current portion		16,511,591
Other current liabilities		319,232
Total current liabilities		96,878,100

UNIVERSITY OF MISSISSIPPI
STATEMENT OF NET POSITION CONT.

Non-current liabilities:		
Net pension liability		319,127,442
Net OPEB liability		19,806,214
Deposits refundable		101,515
Accrued leave liabilities		13,424,749
Long-term liabilities		260,680,960
Other non-current liabilities		8,465,200
Total non-current liabilities		621,606,080
Total liabilities		718,484,180
Deferred inflows of resources:		
Deferred amount of refundings		5,407,973
Pension related to deferred inflows		6,969,726
OPEB related to deferred inflows		1,008,525
Total deferred inflows of resources		13,386,224
Total liabilities and deferred inflows of resources	$	731,870,404
Net position:		
Net investment in capital assets	$	917,712,150
Restricted for:		
Nonexpendable:		
Scholarships and fellowships		7,980,660
Research		112,143
Other purposes		43,962,795
Expendable:		
Scholarships and fellowships		7,369,929
Research		6,585,511
Capital projects		5,614,174
Loans		23,911,601
Other purposes		23,551,919
Unrestricted		(7,695,736)
Total net position	$	1,029,105,146

See accompanying notes to financial statements.

UNIVERSITY OF MISSISSIPPI
DISCRETELY PRESENTED COMPONENT UNIT
THE UNIVERSITY OF MISSISSIPPI FOUNDATION

Statement of Financial Position • June 30, 2018

Assets		
Cash and cash equivalents	$	3,866,290
Pledges receivable, net		69,532,717
Investments		489,931,616
Beneficial interests in trusts		9,867,261
Property and equipment, net		2,324,924
Other assets		1,844,070
Total assets	$	577,366,878
Liabilities and net assets		
Funds held for others	$	24,387,393
Liabilities under remainder trusts and gift annuities		4,600,059
Other liabilities		2,500,182
Total liabilities		31,487,634
Net assets:		
Unrestricted		17,065,336
Temporarily restricted		280,148,014
Permanently restricted		248,665,894
Total net assets		545,879,244
Total liabilities and net assets	$	577,366,878

See accompanying notes to financial statements.

UNIVERSITY OF MISSISSIPPI
DISCRETELY PRESENTED COMPONENT UNIT
OLE MISS ATHLETICS FOUNDATION

Statement of Financial Position • June 30, 2018

Assets		
Current assets:		
Cash and cash equivalents	$	2,874,165
Cash restricted to investment in property and equipment		3,059,331
Investments		10,714,865
UM Foundation accounts receivable		519,188
Pledges receivable		6,440,501
CGA pledges receivable		180,697
Memberships receivable		4,454,044
Other receivables		801,985
Prepaid expenses		83,737
Total current assets		29,128,513
Long-term pledges receivable, net		14,207,107
Total long-term receivables		14,207,107
Charitable trust		1,413,103
Construction in progress		-
Property and equipment, net		27,237,374
Other assets		25,000
Cash surrender value of life insurance		415,884
Total assets	$	72,426,981
Liabilities and net assets		
Current liabilities:		
Current installments of long-term debt	$	3,266,313
Accounts payable		1,733,434
Payroll and taxes payable		119,702
Payable to UM Athletics Department		4,854,595
Total current liabilities		9,974,044
Long-term debt, excluding current installments		23,824,023
Deferred revenue		901,350
Deferred liabilities		470,000
Total liabilities		35,169,417
Net assets:		
Unrestricted		23,217,400
Temporarily restricted		12,550,306
Permanently restricted		1,489,858
Total net assets		37,257,564
Total liabilities and net assets	$	72,426,981

See accompanying notes to financial statements.

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

Year ended June 30, 2018

Operating revenues:		
Tuition and fees	$	357,020,897
Less scholarship allowances		(109,055,944)
Less bad debt expense		(131,507)
Net tuition and fees		247,833,446
Federal grants and contracts		41,382,028
State grants and contracts		16,069,156
Nongovernmental grants and contracts		29,822,098
Sales and services of educational departments		6,812,675
Auxiliary enterprises:		
Student housing		26,376,797
Food services		3,957,859
Bookstore		492,704
Athletics		66,700,117
Other auxiliary revenues		11,933,659
Less auxiliary enterprise scholarship allowances		(7,706,309)
Interest earned on loans to students		540,176
Other operating revenues, net		8,549,408
Total operating revenues		452,763,814
Operating expenses:		
Salaries and wages		229,092,278
Fringe benefits		84,324,090
Travel		15,169,906
Contractual services		79,376,217
Utilities		13,630,414
Scholarships and fellowships		53,194,853
Commodities		26,814,808
Depreciation		37,038,705
Other operating expenses		592,231
Total operating expenses		539,233,502
Operating income (loss)		(86,469,688)
Non-operating revenues (expenses):		
State appropriations		86,111,013
Gifts and grants		35,812,515
Investment income		10,392,955
Interest expense on capital asset-related debt		(11,370,655)

UNIVERSITY OF MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION CONT.

Other non-operating revenues		979,900
Other non-operating expenses		(552,755)
Total non-operating revenues (expenses), net		121,372,973
Income (loss) before other revenues, expenses, gains and losses		34,903,285
Other revenues, expenses, gains and losses:		
Capital grants and gifts		8,915,547
State appropriations restricted for capital purposes		12,949,323
Additions to permanent endowments		9,052
Other additions		259,434
Other deletions		(1,845,774)
Change in net position		55,190,867
Net position - beginning of year		993,104,058
Effect of adoption of GASB 75		(19,189,779)
Net position - beginning of year, as restated		973,914,279
Net position - end of year	$	1,029,105,146

See accompanying notes to financial statements.

UNIVERSITY OF MISSISSIPPI
DISCRETELY PRESENTED COMPONENT UNIT
THE UNIVERSITY OF MISSISSIPPI FOUNDATION

Statement of Activities • Year ended June 30, 2018

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains and other support:				
Contributions, gifts and bequests	$ -	$ 34,662,025	$ 11,009,858	$ 45,671,883
Dividend and interest income	1,574,566	7,628,290	-	9,202,856
Net unrealized and realized gains (losses) on investments	(189,818)	26,926,646	78,974	26,815,802
Change in value of split-interest agreements	-	214,206	(301,002)	(86,796)
Other income	791,950	1,922,316	103,145	2,817,411
Total revenues, gains and other support	2,176,698	71,353,483	10,890,975	84,421,156
Net assets released from restrictions/redesignated by donor	39,022,415	(39,468,079)	445,664	-
Expenses:				
Support for University activities	37,821,554	-	-	37,821,554
General and administrative expenses	3,011,982	-	-	3,011,982
Fund-raising expenses	1,399,932	-	-	1,399,932
Total expenses	42,233,468	-	-	42,233,468
Change in net assets	(1,034,355)	31,885,404	11,336,639	42,187,688
Net assets, beginning of year	18,099,691	248,262,610	237,329,255	503,691,556
Net assets, end of year	$ 17,065,336	$ 280,148,014	$ 248,665,894	$ 545,879,244

See accompanying notes to financial statements.

UNIVERSITY OF MISSISSIPPI
DISCRETELY PRESENTED COMPONENT UNIT
OLE MISS ATHLETICS FOUNDATION

Statement of Activities • Year ended June 30, 2018

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and support:				
Membership contributions	$ 20,526,827	$ -	$ -	$ 20,526,827
Other contributions	-	8,500,435	-	8,500,435
Other revenues (expenses)	1,700,991	163,911	32,429	1,897,331
Net assets released from restrictions	21,310,894	(21,310,894)	-	-
Total revenues and support	43,538,712	(12,646,548)	32,429	30,924,593
Expenses:				
Program expenses				
Support for Athletics Department activities	20,501,612	-	-	20,501,612
Support for sports programs and other restricted expenses	18,139,339	-	-	18,139,339
General and administrative expenses	2,137,341	-	-	2,137,341
Total expenses	40,778,292	-	-	40,778,292
Increase (decrease) in net assets	2,760,420	(12,646,548)	32,429	(9,853,699)
Reclassifications	-	-	-	-
Net assets at beginning of year	20,456,980	25,196,854	1,457,429	47,111,263
Net assets at end of year	$ 23,217,400	$ 12,550,306	$ 1,489,858	$ 37,257,564

See accompanying notes to financial statements.

UNIVERSITY OF MISSISSIPPI
STATEMENT OF CASH FLOWS

Year ended June 30, 2018

Operating activities:		
Tuition and fees	$	247,815,582
Grants and contracts		91,531,232
Sales and services of educational departments		6,612,970
Payments to suppliers		(104,967,245)
Payments to employees for salaries and benefits		(291,698,970)
Payments for utilities		(13,509,354)
Payments for scholarships and fellowships		(53,143,641)
Loans issued to students and employees		(4,953,954)
Collection of loans to students and employees		2,299,886
Auxiliary enterprise charges:		
Student housing		18,314,064
Food services		3,819,221
Bookstore		539,917
Athletics		60,544,628
Other auxiliary enterprises		11,749,012
Interest earned on loans to students		540,176
Other receipts		8,659,506
Other payments		(15,547,228)
Net cash used by operating activities		(31,394,198)
Noncapital financing activities:		
State appropriations		86,592,794
Gifts and grants for other than capital purposes		30,317,180
Private gifts for endowment purposes		9,052
Federal loan program receipts		105,143,694
Federal loan program disbursements		(105,143,694)
Other sources		219,589
Other uses		(3,838,062)
Net cash provided by noncapital financing activities		113,300,553
Capital and related financing activities:		
Proceeds from capital debt		71,898,594
Cash paid for capital assets		(106,942,151)
Capital grants and contracts received		4,599,303
Principal paid on capital debt and leases		(55,981,304)
Interest paid on capital debt and leases		(11,472,991)
Other sources		126,345
Other uses		(1,656,931)
Net cash used by capital and related financing activities		(99,429,135)
Investing activities:		
Proceeds from sales and maturities of investments		185,564,846

UNIVERSITY OF MISSISSIPPI
STATEMENT OF CASH FLOWS CONT.

Interest received on investments		5,056,986
Purchases of investments		(229,216,811)
Net cash used by investing activities		(38,594,979)
Net change in cash and cash equivalents		(56,117,759)
Cash and cash equivalents - beginning of year		101,371,021
Cash and cash equivalents - end of year	$	45,253,262
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	$	(86,469,688)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		37,038,705
Bad debt expense		305,969
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Receivables, net		(6,064,647)
Inventories		12,613
Prepaid expenses		173,241
Loans to students and employees		(2,686,269)
Deferred outflows of resources		30,979,404
Other assets		(100,303)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities		796,918
Deferred revenue		3,620,901
Accrued leave liability		(1,491,059)
Net pension liability		(14,439,118)
Net OPEB liability		(162,885)
Deferred inflows of resources		10,489,842
Other liabilities		(3,397,822)
Total adjustments		55,075,490
Net cash provided (used) by operating activities	$	(31,394,198)
Reconciliation of cash and cash equivalents:		
Current assets - cash and cash equivalents		32,395,780
Non-current assets - restricted cash and cash equivalents		12,857,482
Cash and cash equivalents - end of year	$	45,253,262
Noncash capital related financing and investing activities:		
Capital assets acquired through donations	$	12,949,323
Capital appropriations from the State of Mississippi		6,634,288

See accompanying notes to financial statements.

UNIVERSITY OF MISSISSIPPI
DISCRETELY PRESENTED COMPONENT UNIT
THE UNIVERSITY OF MISSISSIPPI FOUNDATION

Statement of Cash Flows • Year ended June 30, 2018

Cash flows from operating activities:	
Change in net assets	$ 42,187,688
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	143,297
Permanently restricted contributions and split-interest agreements	(11,335,343)
Gifts in kind transferred to the University	341,354
Net realized and unrealized (gains) losses on investments	(26,815,802)
Provision for uncollectible pledges	(467,248)
Changes in operating assets and liabilities:	
Other assets	(664,379)
Pledges receivable	(337,421)
Funds held for others	(1,425,384)
Beneficial interest in perpetual trust	41,549
Beneficial interest in remainder trust	(214,316)
Liabilities under remainder trusts	480,663
Other liabilities	1,028,806
Net cash used in operating activities	2,963,464
Cash flows from investing activities:	
Purchases of property and equipment	(325,097)
Purchase of investments	(109,787,198)
Proceeds from sales and maturities of investments	97,591,132
Net cash used in investing activities	(12,521,163)
Cash flows from financing activities:	
Permanently restricted contributions	11,335,343
Payments to beneficiaries under remainder trusts	(324,080)
Net cash provided by financing activities	11,011,263
Net increase in cash and cash equivalents	1,453,564
Cash and cash equivalents:	
Beginning of year	2,412,726
End of year	$ 3,866,290

See accompanying notes to financial statements.

UNIVERSITY OF MISSISSIPPI
DISCRETELY PRESENTED COMPONENT UNIT
OLE MISS ATHLETICS FOUNDATION

Statement of Cash Flows • Year ended June 30, 2018

Cash flows from operating activities	
Change in net assets	$(9,853,699)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,767,930
Provision for uncollectible pledges:	
Restricted for long-term purposes	(237,799)
Amortization of discount on pledges restricted for long-term purposes	92,527
Contributions restricted for long-term purposes	(6,380,876)
Unrealized and realized gain/loss on sale of investments	133,789
Net athletic facilities transferred to the University	6,669,084
Cash surrender value of life insurance	21,247
(Increase) decrease in:	
UM Foundation accounts receivable	(805)
Pledges receivable	98,650
CGA pledges receivable	(23,247)
Memberships receivable	1,013,965
Prepaid and other assets	(764,242)
Increase (decrease) in:	
Accounts payable	461,222
Other current liabilities	15,130
Deferred liabilities	100,000
Deferred revenues	901,350
Support payable to Athletics Department	4,162,776
Net cash used in operating activities	(1,822,998)
Cash flows from investing activities	
Proceeds from sale of investments	2,335,032
Purchases of Property and Equipment and Construction in Progress	(8,447,583)
Purchase of other investment assets	(4,540,612)
Net cash used in investing activities	(10,653,163)
Cash flows from investing activities	
Contributions restricted for long-term purposes	9,329,454
Proceeds from long-term debt	4,019,717
Payments on long-term debt	(3,171,555)
Payment of deferred financing costs	-
Net cash provided by investing activities	10,177,616
Net increase in cash and cash equivalents	(2,298,545)

UNIVERSITY OF MISSISSIPPI
DISCRETELY PRESENTED COMPONENT UNIT CONT.
OLE MISS ATHLETICS FOUNDATION

Cash and cash equivalents at beginning of year		8,232,041
Cash and cash equivalents at end of year	$	5,933,496
Cash and cash equivalents at end of year		
Cash and Cash Equivalents	$	2,874,165
Cash Restricted to Investment and Property		3,059,331
	$	5,933,496
Supplemental data:		
Interest Paid, Including Capitalized Interest; 2018, $130,433	$	3,263,050
Non-cash investing and financing activity		
Athletic Facilities Transferred to University	$	14,669,084
Notes Payable Transferred to University		(8,000,000)
Net Athletic Facilities Transferred to the University	$	6,669,084

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Unaudited • Fiscal Year 2018

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 year ended June 30, 2018, the Foundation distributed $33.6 million 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 providing 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 year ended June 30, 2018, the Athletics Department requested such annual support from the Foundation totaling $7.6 million.

(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 is invested in various types of securities and 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 Statement 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 Statement 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 Statement 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 Statement 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, 2018, accumulated appreciation of $24,234,299 was 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 Statement 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 the 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 2018 was $318,240. 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 an 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 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 Statement 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 ($7,695,736) at June 30, 2018, which reflects a reduction of $288,599,256 for the net effect of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and $18,032,374 for the net effect of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Excluding the net effect of the GASB implementations, the unrestricted net position at June 30, 2018 includes $51,556,587 reserved for auxiliary operations, renewals and replacements; $47,625,204 reserved for departmental working capital; $5,576,753 reserved for capital projects; $31,818,633 reserved for quasi-endowments; $8,001,607 reserved for debt service; $135,805,472 reserved for designated projects; and $18,551,638 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 Statement 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 $3,384,347 in money market mutual funds with underlying portfolios with credit ratings of AAA as of June 30, 2018.

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 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	2018
Current Assets:	
Short-Term Investments	$ 85,509,310
Non-current Assets:	
Endowment Investments	107,785,110
Other Long-Term Investments	223,208,257
Total	$ 416,502,677

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

Investment Type	2018
U.S. Government Agency Obligations	$ 68,254,207
U.S. Treasury Obligations	240,463,360
Fixed Income Mutual Funds	7,862,153
Domestic Equity Mutual Funds	4,030,716
International Equity Mutual Funds	14,470,944
Hedge Funds	43,007,159
Private Credit	300,193
Private Equity	21,068,541
Natural Resources	16,311,596
Land Grant Seminary Fund	733,808
Total	$ 416,502,677

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:

	2018			
	Level 1	Level 2	Level 3	Total
Investment strategy:				
Fixed income:				
U.S. government securities	$ -	$ 68,254,207	$ -	$ 68,254,207
U.S. Treasury securities	240,463,360	-	-	240,463,360
Fixed income mutual funds	7,862,153	-	-	7,862,153
Total fixed income investments	248,325,513	68,254,207	-	316,579,720
Equities:				
Mutual funds	18,501,660	-	-	18,501,660
Total equity securities	$ 18,501,660	$ -	$ -	18,501,660
Investments measured at NAV as a practical expedient:				
Equity long/short hedge funds				43,007,159
Private capital				21,068,541
Timber fund				3,425,867
Other miscellaneous investments				13,919,730
Total investments measured at NAV				81,421,297
Total investments measured at fair value				$ 416,502,677

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

As of June 30, 2018

Investment	Fair Value 6/30/2018	Unfunded Commitments	Redemption Frequency (if eligible)	Redemption Notice Period
Equity long/short hedge funds (1)	$ 43,007,159	$ -	Quarterly; Certain investments unavailable until January 31, 2019	45 - 120 days for eligible investments
Timber fund	3,425,867	-	No redemption feature	None
Private capital (2)	21,068,541	10,076,041	Certain partnerships ineligible for redemption; Other investments available monthly	5 days for eligible investments
Other miscellaneous investments (3)	13,919,730	1,037,284	Certain investments ineligible for redemption	90 days for eligible investments
Total investments measured at NAV	$ 81,421,297			

(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 tangible items such as land and real estate.

The equity in the long/short hedge funds, private capital and other miscellaneous investments represents the University's participation in those investments, which is measured at NAV per share.

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 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, 2018, 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, 2018, the University had the following investments subject to interest rate risk:

		Investment Maturities (In Years)			
Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. government agency obligations	$ 68,254,207	$ -	$ 54,123,157	$ 14,131,050	$ -
U.S. Treasury obligations	240,463,360	85,509,310	154,954,050	-	-
Fixed income mutual funds	7,862,153	-	7,862,153	-	-
Total	$ 316,579,720	$ 85,509,310	$ 216,939,360	$ 14,131,050	$ -

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	2018
AA+	$ 68,254,207
Not Rated	7,862,153
Total	$ 76,116,360

Bond mutual funds in the amount of $7,862,153 are included in the securities not rated at June 30, 2018, and are invested in funds with underlying portfolios with average credit ratings as follows:

Average Credit Rating	2018
AAA	$ 5,472,058
AA	118,719
A	255,520
BBB	117,932
BB	123,436
B	68,401
CCC or lower	777,567
Not Rated	928,520
Total	$ 7,862,153

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

Concentration of Credit Risk

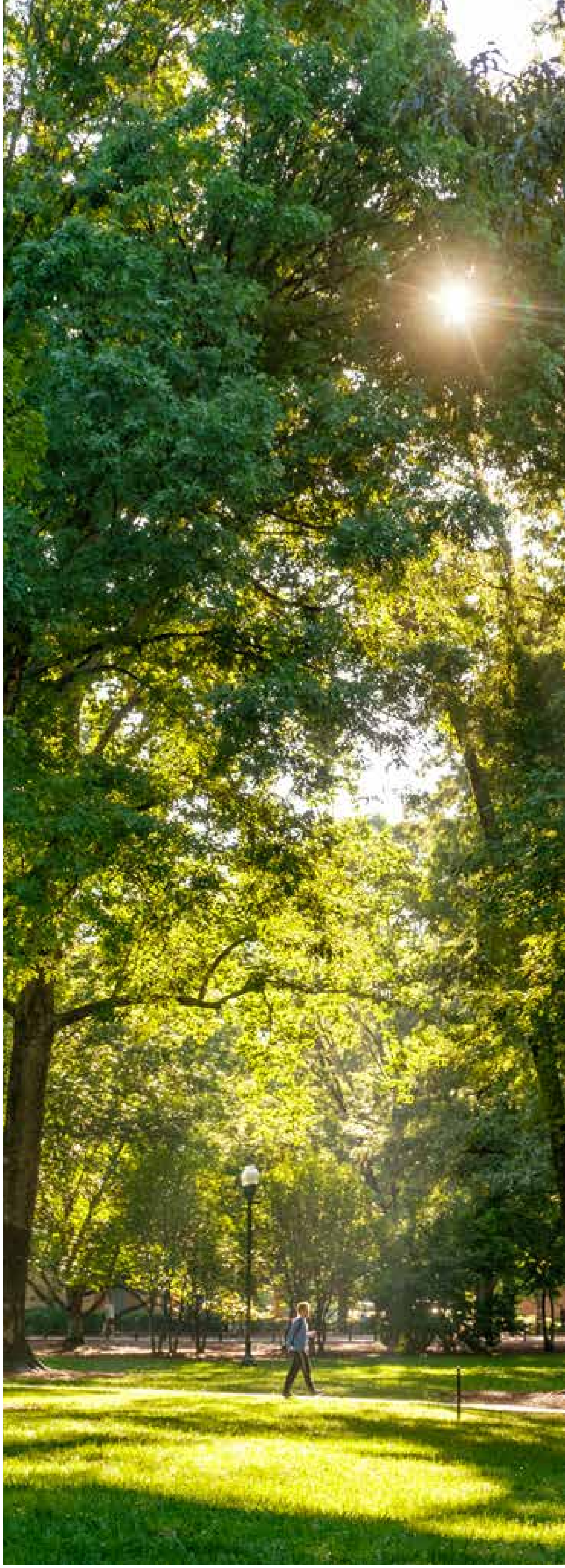
Per GASB Statement No. 40, concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. According to University investment policy, investments in certificates of deposit issued by one bank may not exceed 50% of the total cash 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 2018	% of Total Investments
Federal Home Loan Bank	$ 34,329,707	8.24%
U.S. Treasury Obligations	240,463,360	57.73%
Federal Farm Credit Bank	19,217,900	4.61%

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 $10,154,419 invested in global or pooled non-U.S. equity mutual funds at June 30, 2018.



NOTE 3
ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30:

		2018
Student Tuition	$	15,397,642
Auxiliary Enterprises and Other Operating Activities		15,288,750
Contributions and Gifts		5,610,964
Federal, State and Private Grants and Contracts		15,629,554
State Appropriations		1,703,071
Accrued Interest		1,276,284
Other		1,290,138
Total Accounts Receivable		56,196,403
Less Allowance for Doubtful Accounts		(11,350,227)
Net Accounts Receivable	$	44,846,176

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, 2018		Current Portion		Non-Current Portion
Perkins Student Loans	3% to 5%	$	8,213,662	$	1,862,171	$	6,351,491
Other Federal Loans	3% to 5%		2,108,135		199,761		1,908,374
Institutional Loans	1% to 5%		21,361,389		7,421,669		13,939,720
Total Notes Receivable			31,683,186		9,483,601		22,199,585
Less Allowance for Doubtful Accounts			(1,477,216)		(974,216)		(503,000)
Net Notes Receivable		$	30,205,970	$	8,509,385	$	21,696,585

NOTE 5
CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2018 is presented as follows:

		July 1, 2017		Additions		Deletions		June 30, 2018
Capital Assets, Non-depreciable:								
Land	$	44,590,957	$	5,157,153	$	2	$	49,748,108
Construction in Progress		124,221,780		73,199,526		63,248,953		134,172,353
Total Capital Assets, Non-depreciable		168,812,737		78,356,679		63,248,955		183,920,461
Capital Assets, Depreciable:								
Improvements Other Than Buildings		107,784,942		16,412,267		147,859		124,049,350
Buildings		996,375,183		77,837,209		-		1,074,212,392
Equipment		131,638,804		7,439,448		8,208,360		130,869,892
Library Books		125,242,273		5,734,161		257,948		130,718,486
Total Capital Assets, Depreciable		1,361,041,202		107,423,085		8,614,167		1,459,850,120
Less Accumulated Depreciation:								
Improvements Other Than Buildings		42,086,473		4,388,393		6,226		46,468,640
Buildings		187,236,510		20,271,514		-		207,508,024
Equipment		99,677,685		7,261,528		6,390,894		100,548,319
Library Books		101,834,460		5,117,270		257,948		106,693,782
Total Accumulated Depreciation		430,835,128		37,038,705		6,655,068		461,218,765
Capital Assets, Net of Depreciation	$	1,099,018,811	$	148,741,059	$	65,208,054	$	1,182,551,816

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:

	2018
Vendors and Contractors	$ 17,109,758
Accrued Salaries, Wages and Employee Withholdings	7,209,435
Other	234,739
Total	$ 24,553,932

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:

	2018
Tuition and Fees	$ 11,614,481
Contracts and Grants	22,331,454
Auxiliary and Other Activities	19,702,410
Total	$ 53,648,345

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 schedule:

				2018				
Description and Purpose	**Original Issue**	**Annual Interest Rates**	**Maturity (Fiscal Year)**	**July 1, 2017**	**Additions**	**Deletions**	**June 30, 2018**	**Due Within One Year**
Bonded Debt								
Educational Building Corporation Bonds								
Series 2008A	$ 29,785,000	4.00 - 4.25%	2034	$ 1,900,000	$ -	$ 930,000	$ 970,000	$ 970,000
Series 2009A	19,870,000	3.50 - 3.75%	2030	14,470,000	-	12,635,000	1,835,000	900,000
Series 2009B	24,165,000	3.623 - 5.00%	2021	9,605,000	-	2,210,000	7,395,000	2,345,000
Series 2009C	14,770,000	3.25 - 3.75%	2035	11,925,000	-	10,965,000	960,000	470,000
Series 2011	27,995,000	4.00 - 5.00%	2032	24,920,000	-	20,465,000	4,455,000	945,000
Series 2013C	62,900,000	3.22%	2034	62,900,000	-	-	62,900,000	-
Series 2013D	12,100,000	3.10%	2021	8,669,465	-	2,370,085	6,299,380	2,448,080
Series 2015	12,600,000	Variable	2026	11,250,000	-	900,000	10,350,000	900,000
Series 2015A	15,660,000	2.00 - 4.00%	2040	15,380,000	-	190,000	15,190,000	215,000
Series 2015B	10,125,000	1.375 - 3.750%	2030	8,985,000	-	590,000	8,395,000	600,000
Series 2015C	31,630,000	2.00 - 5.00%	2046	31,030,000	-	610,000	30,420,000	625,000
Series 2015D	17,660,000	0.993 - 4.452%	2036	16,975,000	-	690,000	16,285,000	700,000
Series 2016A	33,245,000	2.00 - 5.00%	2034	32,670,000	-	1,850,000	30,820,000	1,890,000
Series 2017	38,995,000	2.00 - 5.00%	2035	-	38,995,000	595,000	38,400,000	-
Total Bonded Debt				250,679,465	38,995,000	55,000,085	234,674,380	13,008,080
Unamortized Premiums				6,468,145	3,352,455	764,320	9,056,280	724,376
Total Bonded Debt - Net				257,147,610	42,347,455	55,764,405	243,730,660	13,732,456
Notes Payable								
Hancock Bank			2026	8,659,809	-	865,670	7,794,139	888,360
Renasant Bank			2028	-	8,000,000	115,548	7,884,452	705,222
Trustmark Bank			2033	-	17,783,300	-	17,783,300	1,185,553
Total Notes Payable				8,659,809	25,783,300	981,218	33,461,891	2,779,135
Other Long-Term Liabilities								
Accrued Leave Liabilities				16,760,808	-	1,491,059	15,269,749	1,845,000
Net Pension Liability				333,566,560	62,471,894	76,911,012	319,127,442	-
Net OPEB Liability				19,969,099	-	162,885	19,806,214	-
Deposits Refundable				91,515	10,000	-	101,515	-
Other				9,445,100	-	979,900	8,465,200	-
Total Other Long-Term Liabilities				379,833,082	62,481,894	79,544,856	362,770,120	1,845,000
Total				$ 645,640,501	$ 130,612,649	$ 136,290,479	639,962,671	$ 18,356,591
Due Within One Year							18,356,591	
Total Long-Term Liabilities							$ 621,606,080	

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 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 a 4.00 – 4.25% interest rate payable semiannually. 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 3.50% to 3.75% payable semiannually with final maturity in October 2029. These bonds were partially refunded in fiscal year 2018 with the Series 2017 Revenue Refunding Bonds (Series 2017).

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 3.25% to 3.75% payable semiannually. These bonds were partially refunded in fiscal year 2018 with the Series 2017 Revenue Refunding Bonds (Series 2017).

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 4.00% to 5.00% payable semiannually. These bonds were partially refunded in fiscal year 2018 with the Series 2017 Revenue Refunding Bonds (Series 2017).

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 December 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 December 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 1.375% to 3.750% 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 2045.

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 0.993% to 4.452% payable semiannually with final maturity in November 2035.

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 October 2033 and bear interest rates ranging from 2.00% to 5.00% with interest payable semiannually.

Series 2017: In July 2017, UMEBC 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; 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. The Series 2017 Bonds require varying principal payments through October 2034, and outstanding coupons bear interest rates ranging from 2.00% to 5.00%, with interest and principal payable semiannually on October 1 and April 1 of each year. The refunding and advance refunding of the Series 2009A, Series 2009C and Series 2011 bonds will result in an economic gain of approximately $3.2 million.

Notes Payable

Hancock Bank: 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.

Trustmark National Bank: In September 2017, the IHL approved an agreement with Trustmark National Bank to finance up to $19,000,000 for renovations and improvements to the Oxford-University Stadium at Swayze Field. During construction, the University utilized an interest-only non-revolving line of credit through May 31, 2018. Upon expiration of the line of credit, the Trustmark National Bank note was issued for $17,783,300, requiring 180 monthly varying principal payments bearing an interest rate equal to 30-day LIBOR plus 139 basis points, with the final payment due May 31, 2033.

Renasant Bank: On September 30, 2016, OMAF obtained a loan from Renasant Bank to finance construction of an indoor tennis facility in the amount of $8,000,000. The first eighteen months of the loan term were a non-revolving line of credit phase. The line of credit converted to a permanent term loan on February 21, 2018, upon which OMAF transferred ownership of the asset and responsibility for the related loan to UMEBC. The note payable bears a fixed interest rate of 2.745% with varying principal payments monthly through May 1, 2028.

The estimated future annual requirements necessary to pay principal and interest associated with long-term debt at June 30, 2018, are as follows:

Fiscal Year(s)	Bonded Debt	Capital Leases	Notes Payable	Interest	Total
2019	$ 13,732,456	$ -	$ 2,779,135	$ 9,630,876	$ 26,142,467
2020	13,184,908	-	2,821,784	9,344,795	25,351,487
2021	14,080,910	-	2,866,618	8,857,913	25,805,441
2022	12,115,482	-	2,912,154	8,343,983	23,371,619
2023	12,264,913	-	2,958,925	7,858,350	23,082,188
2024-2028	69,430,206	-	13,195,508	30,153,474	112,779,188
2029-2033	61,764,671	-	5,927,767	15,051,373	82,743,811
2034-2038	31,646,355	-	-	4,973,952	36,620,307
2039-2043	10,194,260	-	-	2,241,444	12,435,704
2044-2046	5,316,499	-	-	395,125	5,711,624
Total	$ 243,730,660	$ -	$ 33,461,891	$ 96,851,285	$ 374,043,836

NOTE 9
OPERATING LEASES

Property under operating leases is composed of office and apartment rentals, computers 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
2019	$	1,374,846
2020		1,235,896
2021		369,200
2022		19,200
Total minimum payments required	$	2,999,142

The total rental expense for all operating leases, except those with terms of a month or less that were not renewed, for the year ending June 30, 2018 approximated $1.9 million.

NOTE 10
OPERATING EXPENSES BY NATURAL AND FUNCTIONAL CLASSIFICATIONS

The University's operating expenses by functional classification were as follows:

Year Ended June 30, 2018

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships	Commodities	Depreciation	Other	Total
Instruction	$ 95,437,933	$ 33,131,210	$ 4,334,068	$ 16,426,568	$ 113,741	$ -	$ 3,615,500	$ -	$ -	$ 153,059,020
Research	41,807,535	14,065,533	1,811,942	7,448,657	9,071	-	1,713,106	-	-	66,855,844
Public Service	3,312,152	1,350,262	197,835	1,087,299	8,721	-	826,339	-	-	6,782,608
Academic Support	20,271,142	8,040,919	683,740	6,534,576	101	-	7,016,353	-	-	42,546,831
Student Services	9,502,653	3,725,676	363,522	3,978,299	12,503	-	1,859,285	-	-	19,441,938
Institutional Support	15,757,844	7,513,942	513,927	7,371,806	39,955	-	877,837	-	-	32,075,311
Operation of Plant	13,098,346	6,292,182	46,080	6,911,432	8,871,140	-	3,027,680	-	-	38,246,860
Student Aid	49,857	37,317	68,634	61,993	-	42,679,908	6,986	-	-	42,904,695
Auxiliary Enterprises	29,854,816	10,167,049	7,150,158	29,555,587	4,575,182	10,514,945	7,871,722	-	-	99,689,459
Depreciation	-	-	-	-	-	-	-	37,038,705	-	37,038,705
Loan Fund Expenses	-	-	-	-	-	-	-	-	592,231	592,231
Total Operating Expenses	$ 229,092,278	$ 84,324,090	$ 15,169,906	$ 79,376,217	$ 13,630,414	$ 53,194,853	$ 26,814,808	$ 37,038,705	$ 592,231	$ 539,233,502

NOTE 11
CONSTRUCTION COMMITMENTS AND FINANCING

The University has contracted or made commitments for various construction projects as of June 30, 2018. Estimated costs to complete the various projects and the sources of anticipated funding are presented below:

	Estimated Costs	Funding Sources			
	To Complete	Federal	State	University	Other
Buildings					
Classrooms					
Garland, Hedleston & Mayes	$ 6,120,100	$ -	$ -	$ 6,120,100	$ -
STEM Building	125,215,000	-	25,000,000	75,215,000	25,000,000
Research					
Natural Products Center Phase II	1,334,000	-	-	1,334,000	-
Other					
Johnson Commons East	2,619,808	-	2,236,408	383,400	-
South Campus Recreational Facility	8,141,100	-	-	8,141,100	-
Student Union	11,845,500	-	-	11,845,500	-
Improvements Other Than Buildings					
Gertrude Ford Blvd Retaining Wall	1,443,800	650,000	-	793,800	-
Golf Practice Facility Renovation	1,891,600	-	-	370,000	1,521,600
Manning Center Hydrotherapy Room Renovation	1,224,860	-	-	604,240	620,620
Oxford-University Swayze Field	1,281,225	-	-	1,281,225	-
	$ 161,116,993	$ 650,000	$ 27,236,408	$ 106,088,365	$ 27,142,220

NOTE 12
PENSION AND OTHER EMPLOYEE BENEFIT PLANS

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

The employees of the University are covered by one of the pension plans outlined above (collectively, the Plans). The Plans do not provide for measurements of assets and pension benefit obligations for individual entities. The measurement date of the Plans is June 30, 2017 for fiscal year 2018.

The funding methods and determination of benefits payable were established by the legislative acts creating such plans, as amended, and in general, provide that the funds are to be accumulated from employee contributions, participating entity contributions and income from the investment of accumulated funds. The plans are administered by separate boards of trustees.

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

A stand-alone audited financial report is issued for the Plans and can be obtained at www.pers.ms.gov.

Disclosures under GASB 68

The pension disclosures that follow for fiscal year 2018 include all disclosures for GASB Statement No. 68 using the latest valuation reports available (June 30, 2017). For fiscal year 2018, the measurement date for the PERS defined benefit plan is June 30, 2017. The University is presenting net pension liability as of June 30, 2017 for fiscal year 2018.

(a) PERS Defined Benefit Plan

Plan Description

The PERS of Mississippi was created with the purpose 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, elected members of the State Legislature and the President of the Senate. PERS administers a cost-sharing, 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 and officials of the State of Mississippi (the State), state universities, community and junior colleges, and teachers and employees of the public school districts. Members and employers are statutorily required to contribute certain percentages of salaries and wages as specified by 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.

Participating 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 (25 years for those who became members of PERS before July 1, 2011), 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. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

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.

Policies for PERS provide for employer and member contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. PERS members were required to contribute 9.00% of their annual pay. The institution's contractually required contribution rate for the year ended June 30, 2018 is 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 20.00% 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 3.00% 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 year ended June 30, 2018, were $19,672,498. The University's proportionate share was calculated on the basis of historical contributions. Although GASB Statement No. 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocation on the basis of historical employer contributions is considered acceptable. Employer contributions recognized by the University that are not representative of future contribution effort are excluded in the determination of employer's proportionate share. Examples of employer contributions not representative of future contribution efforts are contributions towards the purchase of employee service and employer contributions paid by employees in connection with early retirement.

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 Plan:			
2018	$ 19,396,594	1.919749%	0.052336%

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, 2018 is summarized in the following table:

	Year Ended June 30, 2018	
Asset class	**Target allocation**	**Long-term expected real rate of return**
U.S. broad	27.00%	4.60%
International equity	18.00%	4.50%
Emerging markets equity	4.00%	4.75%
Global	12.00%	4.75%
Fixed income	18.00%	0.75%
Real assets	10.00%	3.50%
Private equity	8.00%	5.10%
Emerging debt	2.00%	2.25%
Cash	1.00%	0.00%
	100.00%	

Net Pension Liability

The University of Mississippi's proportion of the net pension liability at June 30, 2018 is as follows:

Plan	Proportion of net pension liability	Proportionate share of net pension liability
PERS Defined Benefit:		
2018	1.919749%	$ 319,127,442

Discount Rate

For the year ended June 30, 2018, 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%) for the year ended June 30, 2018. 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 University of Mississippi's proportionate share of the net pension liability of the cost-sharing plan for 2018, 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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
University's proportionate share of the net pension liability:			
2018	$ 418,556,945	$ 319,127,442	$ 236,579,348

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, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016.

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

	2018
Valuation date	June 30, 2017
Asset Valuation Method	Market value
Actuarial assumptions:	
Inflation rate	3.00%
Salary increases	3.25%
Investment rate of return	7.75%

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022 with males' rates set forward one year.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Unaudited)
Deferred outflows of resources were related to differences between expected and actual experience, changes in 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:

2018

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
$ 4,584,841	$ 7,092,954	$ 6,314,886	$ 19,505,230	$ -	$ 37,497,911

Deferred Inflows of Resources

Net difference between projected and actual investment earnings on pension plan investments	Changes of assumptions	Differences between expected and actual experience	Total deferred inflows of resources
$ 4,097,359	$ 543,788	$ 2,328,579	$ 6,969,726

Contributions subsequent to the measurement date of $19.5 million reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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

2019	2020	2021	2022	Total
$ 13,341,144	$ 3,718,079	$ 933,458	$ -	$ 17,992,681

Deferred Inflow of Resources Year Ended June 30

2019	2020	2021	2022	Total
$ 4,843,721	$ (3,791,932)	$ (246,444)	$ 6,164,381	$ 6,969,726

(b) Optional Retirement 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, the ORP 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 benefit 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 contribution to the ORP for the year ended June 30, 2018 was $12,757,414, which equaled its required contribution for the period.

NOTE 13
POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

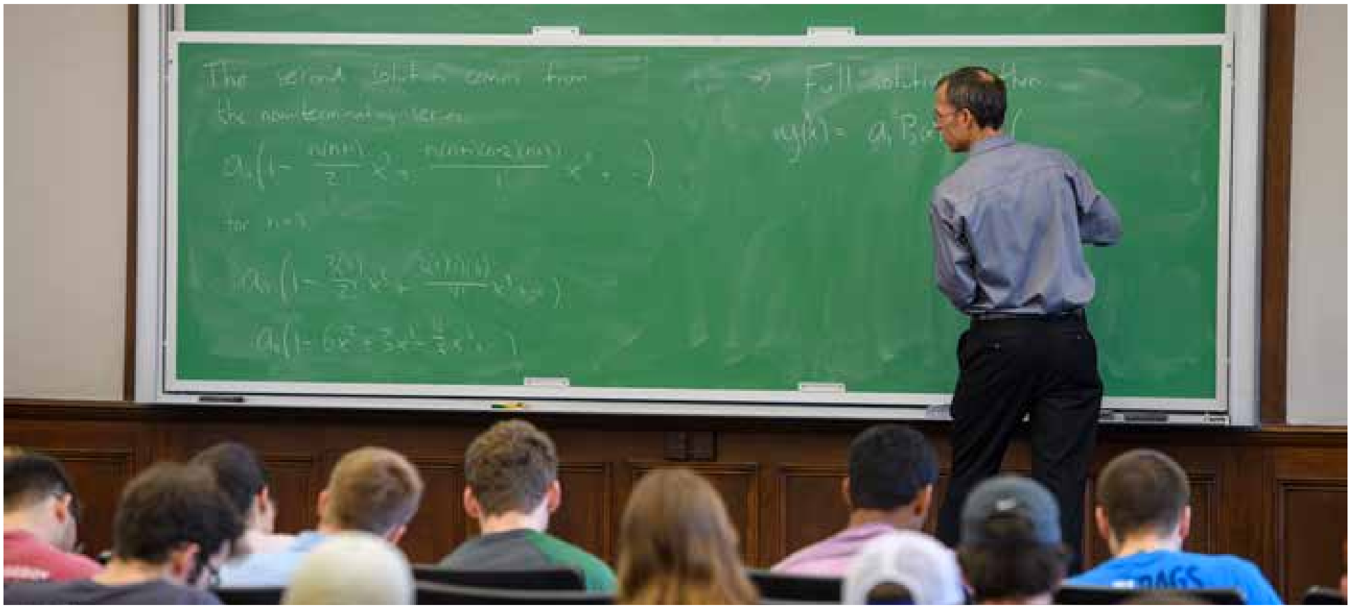
Plan Description

In addition to providing pension benefits, the University provides other postemployment benefits (OPEB) such as health care and life insurance benefits to all eligible retirees and dependents. The State and School Employees' Life and Health Insurance Plan (the Plan) is self-insured and financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan.

The 14-member board is comprised of the Chairman of the Workers' Compensation Commission; the State Personnel Director; the Commissioner of Insurance; the Commissioner of Higher Education; the State Superintendent of Public Education; the Executive Director of the Department of Finance and Administration; the Executive Director of the Mississippi Community College Board; the Executive Director of the Public Employees' Retirement System; two appointees of the Governor; the Chairman of the Senate Insurance Committee, or his designee; the Chairman of the House of Representatives Insurance Committee, or his designee; the Chairman of the Senate Appropriations Committee, or his designee; and the Chairman of the House of Representatives' Appropriations Committee, or his designee. The Board has a fiduciary responsibility to manage the funds of the Plan. The Plan maintains a budget approved by the Board.

The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan for units of state government, political subdivisions, community colleges and school districts. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017, plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age-adjusted.

Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance will have the full cost of such insurance premium deducted monthly from his state retirement plan check or direct billed



for the cost of the premium if the retirement check is insufficient to pay for the premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance.

Pursuant to the authority granted by Mississippi Statute, the Board has the authority to establish and change premium rates for the participants, employers and other contributing entities. An outside consulting actuary advises the Board regarding changes in premium rates. If premium rates are changed, they generally become effective at the beginning of the next calendar year or next fiscal year.

Plan participants are not subject to supplemental assessment in the event of a premium deficiency. At the time of premium payment, the risk of loss due to incurred benefit costs is transferred from the participant to the Plan. If the assets of the Plan were to be exhausted, participants would not be responsible for the Plan's liabilities.

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

The audited financial report for the Plan can be found at knowyourbenefits.dfa.ms.gov.

At June 30, 2017, the Plan provided health coverage to 334 employer units.

Disclosures under GASB Statement No. 75

The disclosures that follow for fiscal year 2018 include all disclosures for GASB Statement No. 75 using the latest valuation report available (June 30, 2017). For fiscal year 2018, the measurement date for the State and School Employees' Life and Health Insurance Plan is June 30, 2017. The University is presenting net OPEB liability as of June 30, 2017 for the fiscal year 2018 financials.

Proportionate Share Allocation Methodology

The basis for an employer's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the plan in the fiscal year of all employers. This allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by an employee.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the University reported a liability of $19.8 million for its proportionate share of the net OPEB liability (NOL). The NOL was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. At June 30, 2018, the University's proportion was 2.52%.

For the year ended June 30, 2018, the University recognized OPEB expense of $983,080.

See the following table for deferred outflows and inflows of resources related to OPEB from the following sources:

Deferred Outflows			Deferred Inflows	
Changes in proportion and differences between employer OPEB benefits payments and proportionate share of OPEB benefit payments	Implicit rate subsidy	Total deferred outflows of resources	Changes of assumptions	Total deferred inflows of resources
$ 546,073	$ 844,368	$ 1,390,441	$ 1,008,525	$ 1,008,525

OPEB payments subsequent to the measurement date (implicit rate subsidy) of $844,368 reported as deferred outflows of resources will be recognized as a reduction of the NOL for the year ended June 30, 2019.

Deferred outflows of resources and deferred inflows of resources are calculated at the plan level and are allocated to employers based on their proportionate share. Changes in employer proportion, an employer specific deferral, is amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. The average remaining service life determined as of the beginning of the June 30, 2017 measurement period is 6.7 years. Employers are required to recognize pension expense based on their proportionate share of collective OPEB expense plus amortization of employer specific deferrals.

The deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Deferred outflows (inflows) of resources year ended June 30						
2019	2020	2021	2022	2023	Thereafter	Total
$ (81,132)	$ (81,132)	$ (81,132)	$ (81,132)	$ (81,132)	$ (56,792)	$ (462,452)

Actuarial Methods and Assumptions

The net OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions:

	2018
Valuation date	June 30, 2017
Measurement date	June 30, 2017
Experience study	April 18, 2017
Actuarial assumptions:	
Cost method	Entry age normal
Inflation rate	3.00%
Long-term expected rate of return	N/A
Discount rate	3.56%
Projected cash flows	N/A
Projected salary increases	3.25% - 18.50%
Healthcare cost trend rates	7.75% decreasing to 5.00% by 2023

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision, as actual results are compared to past expectations and new estimates are made about the future.

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

Long-term Expected Rate of Return

Since there were no assets in a trust as of the measurement date, there is no projection of cash flows for the plan and no long-term expected rate of return on plan assets.

Discount Rate

Among the items needed for the plan's total OPEB liability calculation is a discount rate, as defined by GASB, or a single equivalent interest rate (SEIR). To determine the SEIR, the plan's fiduciary net position (FNP) must be projected into the future for as long as there are anticipated benefits payable under the plan provisions applicable to the membership and beneficiaries of the plan on the measurement date. Future contributions were projected to be made at the current levels set in statute. If the FNP is not projected to be depleted at any point in the future, the long-term expected rate of return on plan investments expected to be used to finance the benefit payments may be used as the SEIR.

If, however, the FNP is projected to be depleted at a future measurement date, the SEIR is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by discounting all projected benefit payments through the date of depletion by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by a 20-year tax-exempt municipal bond (rating AA/Aa or higher) rate. The rate used, if necessary, for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

The trust was established on June 28, 2018. Since there were no assets in a trust as of the measurement date, the FNP is projected to be depleted immediately. Therefore, the Municipal Bond Index Rate is used in the determination of the SEIR for the June 30, 2017 NOLs. The SEIR for 2017 is 3.56%.

Discount Rate Sensitivity

The following table presents the NOL of the University, calculated using the discount rate of 3.56%, as well as what the University's NOL would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current rate:

Discount Rate Sensitivity

University of Mississippi proportionate share of NOL	1% Decrease (2.56%)	Current discount rate (3.56%)	1% Increase (4.56%)
2018	$ 20,329,283	$ 19,806,214	$ 19,416,682

Health Care Cost Trend Rates Sensitivity

The following table presents the NOL of the University, calculated using the health care cost trend rates, as well as what the University's NOL would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Health Care Cost Trend Rates Sensitivity

University of Mississippi proportionate share of NOL	1% Decrease	Current discount rate	1% Increase
2018	$ 18,292,366	$ 19,806,214	$ 21,534,429

Non-cash Impact on Fringe Benefits Expense

For the year ended June 30, 2018, the non-cash impact of GASB Statement Nos. 68 and 75 on fringe benefits expense was $23.2 million and $234,519, respectively.

Year ended June 30, 2018

Total fringe benefits expense	Non-cash change in net pension liability and related deferred inflows and outflows due to GASB 68	Non-cash change in net OPEB liability and related deferred inflows and outflows due to GASB 75	Fringe benefits expense excluding non-cash impact of GASB 68 and 75
$ 84,324,090	$ (23,234,902)	$ (234,519)	$ 60,854,669

NOTE 14
DONOR-RESTRICTED ENDOWMENTS

The net appreciation on investments of donor-restricted endowments available for expenditure authorization was $24,234,299 at June 30, 2018. This amount is included in the Statement of Net Position as follows:

		2018
Net Position - Expendable for Scholarships and Fellowships	$	7,204,047
Net Position - Expendable for Other Purposes		17,030,252
	$	24,234,299

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 15
FEDERAL DIRECT LENDING AND FEDERAL FAMILY EDUCATION LOAN PROGRAMS

The University distributed $105,143,694 for the year ended June 30, 2018, 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 Statement of Cash Flows.

NOTE 16
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 year ended June 30, 2018, was $1,202,740.

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 (MDES) for benefits the MDES pays directly to former employees. University payments to the Unemployment Trust Fund for the fiscal year ended June 30, 2018 was $114,851.

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, 2018, was $424,572. The University's payments for the fleet automobile policy and a blanket public official bond for fiscal year 2018 was as follows:

	2018
Fleet Automobile Policy	$ 148,583
Blanket Public Official Bond	4,200

NOTE 17
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's financial statements are presented discreetly following the University's financial statements. In accordance with 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, 2018 is listed in the following schedule:

University of Mississippi Educational Building Corporation

	2018
Total Current Assets	$ 22,188,514
Total Non-current Assets	262,017,628
Total Assets	284,206,142
Total Current Liabilities	18,117,209
Total Non-current Liabilities	260,680,960
Total Liabilities	278,798,169
Deferred Amount of Refundings	5,407,973
Total Deferred Inflows of Resources	5,407,973
Total Net Position	-
Total Operating Revenues	-
Total Operating Expenses	-
Operating Income (Loss)	-
Total Non-operating Revenues	12,117,537
Total Non-operating Expenses	(12,117,537)
Change in Net Position	$ -

NOTE 18
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 19
SUBSEQUENT EVENTS

The University of Mississippi has no subsequent events to report.

NOTE 20
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 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 statement 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. A reversal for uncollectible pledges of $(467,000) is included in the contributions, gifts and bequests caption within the statement of activities for the year ended June 30, 2018. See note 3 for further discussion of pledges receivable. Investments received by gift are recorded at fair value at the date of donation.

The increase in the cash surrender value of life insurance policies is recorded as a component of other income.

The Foundation earns a management fee of 0.5% on certain endowment funds. For the fiscal year ended June 30, 2018, such fees totaled approximately $1,855,000.

(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, 2018, 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 statement 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, 2018, pledges were scheduled to mature at various dates through 2042 (approximately $12,267,000 is due in fiscal year 2019, $41,904,000 is due in total during the period including fiscal year 2020 through fiscal year 2024, and $31,354,000 is due thereafter). A summary of pledges receivable as of June 30, 2018 is as follows:

	2018
Temporarily restricted	$ 76,274,342
Permanently restricted	9,250,815
	85,525,157
Allowances for uncollectible pledges	(2,881,202)
Present value discounts (rates ranging from 1.6% to 6.1%)	(13,111,238)
	$ 69,532,717

(4) Investments

The Foundation's investments, aggregated by investment strategy, with related liquidity information consist of the following at June 30, 2018:

	2018
Investment strategy:	
Fixed income:	
U.S. government securities	$ 3,179,079
Corporate bonds	22,685,726
Certificates of deposit	512,021
Other fixed income securities	49,680,983
Total fixed income	76,057,809
Equities:	
Common stocks	27,678,093
Common stock funds:	
International	830,980
Global	37,584,218
Mutual funds	3,568,017
Total equities	69,661,308
Real estate owned	3,919,468
Other short-term investments	8,147,048
Pooled investment funds, at NAV:	
Diversifying strategies	12,769,458
Energy MLP	18,439,862
Event driven	13,411,692
Global equity	31,211,088
Global equity - long only	47,660,692
High income	16,615,018
Long/short equity fund	19,687,193
Natural resource private fund	9,359,706
Private credit	13,325,257
Relative value	17,876,172
Timber fund	11,129,821
Other	61,932
Venture capital and private equity	120,598,092
Total pooled investment funds, at NAV	332,145,983
Total investments	$ 489,931,616

(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 Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the fair value hierarchy table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statement of financial position.

The following table presents the financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Investment strategy:				
Fixed income:				
U.S. government securities	$ -	$ 3,179,079	$ -	$ 3,179,079
Corporate bonds	-	22,685,726	-	22,685,726
Certificates of deposit	-	512,021	-	512,021
Other fixed income securities	46,444,779	3,236,204	-	49,680,983
Total fixed income	46,444,779	29,613,030	-	76,057,809
Equities:				
Common stocks	27,678,093	-	-	27,678,093
Common stock funds:				
International	830,980	-	-	830,980
Global	37,584,218	-	-	37,584,218
Mutual funds	3,568,017	-	-	3,568,017
Total equities	69,661,308	-	-	69,661,308
Real estate owned	-	-	3,919,468	3,919,468
Other short-term investments	8,147,048	-	-	8,147,048
	$ 124,253,135	$ 29,613,030	$ 3,919,468	157,785,633
Pooled investment funds, at NAV				332,145,983
Total investments				$ 489,931,616
Beneficial interest in trusts	$ 3,308,622	$ 6,558,639	$ -	$ 9,867,261

See note 2(d), Investments, for information regarding the methods used to determine the fair value of the Foundation's investments. 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, 2018 for investments classified within Level 3:

	Real estate
Balance as of June 30, 2017	$ 4,359,468
Net realized and unrealized gain (loss)	(47,881)
Acquisitions	-
Dispositions	(392,119)
Balance as of June 30, 2018	$ 3,919,468

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, 2018:

Investment	Fair value	Unfunded commitments	Redemption frequency (if eligible)	Redemption notice period	Expected life span of investment
Pooled investment funds, at NAV:					
Diversifying strategies	$ 12,769,458	$ -	Semiannually	60 days	Indefinite
Energy MLP	18,439,862	-	Quarterly	60 days	Indefinite
Event driven	13,411,692	-	Quarterly	60 days	Indefinite
Global equity	31,211,088	-	No redemption feature	None	Indefinite
Global equity-long only	47,660,692	-	No redemption feature	None	Indefinite
High income	16,615,018	-	Quarterly	120 days	Indefinite
Long/short equity fund	19,687,193	-	Quarterly	60 days	Indefinite
Natural resource private fund	9,359,706	-	No redemption feature	None	10 years
Private credit	13,325,257	-	No redemption feature	None	Indefinite
Relative value	17,876,172	-	Quarterly	65 days	Indefinite
Timber Fund	11,129,821	-	No redemption feature	None	12 years
Other	61,932	-	No redemption feature	None	Indefinite
Venture capital and private equity	120,598,092	62,696,199	No redemption feature	None	7 years to indefinite
	$ 332,145,983				
Real estate:					
Real estate owned	$ 3,919,468	-	No redemption feature	None	Indefinite
	$ 336,065,451				

(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, 2018 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment net assets (deficit), June 30, 2017	$ (674)	$ 105,000,321	$ 233,448,475	$ 338,448,122
Contributions and transfers to endowment	-	-	11,898,387	11,898,387
Appropriation for expenditures	-	(14,787,203)	-	(14,787,203)
Investment return:				
Investment income	-	22,869,614	-	22,869,614
Net appreciation (depreciation)	674	10,324,428	78,974	10,404,076
Donor-restricted endowment net assets (deficit), June 30, 2018	$ -	$ 123,407,160	$ 245,425,836	$ 368,832,996

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 no endowment funds with deficiencies as of June 30, 2018.

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 statement of financial position as of June 30, 2018:

		2018
Donor-restricted endowment net assets	$	245,425,836
Permanently restricted pledges receivable, net		7,554,064
Liabilities under remainder trusts		(4,600,059)
Cash value of life insurance		286,053
Permanently restricted net assets	$	248,665,894

(7) Net Assets

Permanently restricted net assets at June 30, 2018 were restricted for the following purposes:

		2018
Academic and program support	$	50,170,337
Scholarship support		112,427,761
Faculty support		72,162,202
Library support		13,905,594
Total	$	248,665,894

The vast majority of temporarily restricted net assets at June 30, 2018 were available for academic and program support.

NOTE 21
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 amended and restated articles of incorporation and bylaws effective March l, 2013, and the name was formally changed. The currently effective bylaws were amended and restated October 19, 2017. 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. The agreement currently in effect commenced on January 1, 2018 and expires on December 31, 2023, if not renewed. Among other terms, the affiliation agreement calls for the Foundation and the Athletics Department to agree on an amount of financial support for scholarships, facilities, compensation, and other support provided by the Foundation each year.

(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, 2018, are restricted to:

		2018
Investments in perpetuity the income from which is expendable to support:		
Football, basketball, and women's operations	$	76,755
Scholarships		1,413,103
Total	$	1,489,858

Temporarily Restricted Net Assets as of June 30, 2018, are available for the following purposes:

		2018
Forward Together Campaign	$	11,850,079
Sports Programs		699,720
Other		507
Total	$	12,550,306

(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, 2018, 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 the statement of financial position at $1,413,103 as of June 30, 2018.

(3) Pledges Receivable

The Foundation obtains pledges through fundraising programs in support of various activities. At June 30, 2018, 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, 2018:

	2018
Receivable in one year	$ 6,623,023
Receivable in one to five years	14,008,099
Receivable in more than five years	2,605,500
	$ 23,236,622
Unrestricted pledges receivable	$ 215,000
Temporarily restricted pledges receivable	23,021,622
	23,236,622
Less: Allowance for Doubtful Pledges Receivable	(1,846,153)
	21,390,469
Less: Unamortized Discount (2.73% at June 30, 2018)	(562,164)
Net Pledges Receivable	$ 20,828,305

(4) Investments and Charitable Trust

The following table presents the financial assets carried at fair value within the valuation hierarchy as of June 30, 2018:

2018	Level 1	Level 2	Level 3	Total
Equity and futures	$ 364,520	$ -	$ -	$ 364,520
Fixed income	10,190,203	-	-	10,190,203
Pooled investments - UM Foundation	76,755	-	-	76,755
Other Investments	82,878	-	509	83,387
Total investments	10,714,356	-	509	10,714,865
Charitable trust	1,413,103	-	-	1,413,103
Total	$ 12,127,459	$ -	$ 509	$ 12,127,968

(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. Funds that amounted to $4,141,078 at June 30, 2018, are managed by the UM Foundation and are not included in these financial statements. Funds that amounted to $76,755 at June 30, 2018, are managed by the UM Foundation and are included in investments.

(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, 2018 was $415,884.

(7) Net Assets Released from Restrictions

For the year ended June 30, 2018, temporarily restricted net assets were released from restrictions for the following purposes:

	2018
Support for sports programs	$ 400,254
Facility improvements	14,730,921
Interest expense	3,132,617
Net restricted expenses allocated to operating revenue	(186,443)
Provision for uncollectible pledges	61,990
Principal payments on capital debt	3,171,555
Total	$ 21,310,894

REQUIRED SUPPLEMENTARY INFORMATION

Unaudited • Fiscal Year 2018

Schedule of Proportionate Share of the Net Pension Liability
Year ended June 30, 2018

Fiscal year	Proportionate share 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	1.85%	$ 224,435,474	$ 112,983,803	199.00%	67.00%
2016	1.86%	287,872,551	116,344,946	247.43%	61.70%
2017	1.87%	333,566,560	119,462,908	279.22%	57.47%
2018	1.92%	319,127,442	123,152,978	259.13%	61.49%

Schedule of Proportionate Share of Contributions
Year ended June 30, 2018

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	-	118,016,508	15.75%
2017	18,719,288	18,719,288	-	118,852,622	15.75%
2018	19,505,230	19,505,230	-	123,842,730	15.75%

Schedule of Proportionate Share of the Net OPEB Liability
June 30, 2018

Fiscal year	Proportionate share of the net OPEB liability	Proportionate share of the net OPEB liability	Covered-employee payroll	Proportionate share of the net OPEB liability as percentage of covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2018	2.52%	$ 19,806,214	$ 113,411,739	17.46%	0.00%

Schedule of Proportionate Share of Employer Contributions
June 30, 2018

Fiscal year	Proportionate share of contributions	Required contributions	Contribution deficiency (excess)	Actual covered-employee payroll	Contributions as percentage of covered-employee payroll
2018	$ 1,102,456	$ 779,315	$ 323,141	$ 113,411,739	0.69%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION:

(1) Net Pension Liability

(a) Schedule of Proportionate Share of Net Pension Liability

This schedule presents historical trend information about the University'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.

(b) 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.

(c) Changes of Assumptions and Benefit Terms

Changes of assumptions:

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022;
- The wage inflation assumption was reduced from 3.75% to 3.25%;
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience; and
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.
- In fiscal year 2018, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

Changes of benefit terms: Amounts reported for fiscal year 2018 reflect no changes in benefit terms.

(2) Net OPEB Liability

(a) Schedule of Proportionate Share of the Net OPEB Liability

This schedule presents historical trend information about the University's proportionate share of the net OPEB liability for its employees who participate in the State and School Employees' Life and Health Insurance Plan. The net OPEB liability is measured as the total OPEB 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.

(b) Schedule of Proportionate Share of Employer Contributions to the State and School Employees' Life and Health Insurance Plan

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.

(c) Changes in Assumptions and Benefit Terms (OPEB plan)

Changes of assumptions: The SEIR was changed from 3.01% for the prior measurement date to 3.56% to the current measurement date.

Changes of benefit terms: Amounts reported for fiscal year 2018 reflect no changes in benefit terms.

THE UNIVERSITY of MISSISSIPPI