

The University of Mississippi

Financial Statements

Unaudited • Fiscal Year 2019



THE UNIVERSITY of
MISSISSIPPI

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Unaudited • Fiscal Year 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 years ended June 30, 2019 and 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 22,273 and employ approximately 12,000 full-time employees, including more than 1,900 full-time faculty. The Oxford campus is comprised of 11 colleges and schools offering 164 degrees in 99 areas of study.

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

Athletics Foundation are considered parts of the University of Mississippi financial reporting entity and are therefore discretely presented in this report.

Statements of Net Position

The Statements of Net Position provide a snapshot of the entity's financial position at a specific point in time. Condensed versions of these statement for the University are presented below for June 30, 2019 and 2018. These statements disclose all institutional assets, liabilities and net position in broad descriptive categories. Assets and liabilities are further classified as current and non-current in order to convey to readers a sense of the availability of assets on short and long-term bases. This provides insight into the institution's ability to meet immediate and future obligations. The net position (assets minus liabilities) section presents a picture of the University's overall cumulative net value. This section is also categorized in a manner that communicates the degree of availability of net position to meet institutional obligations.

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



Condensed Statements of Net Position
(thousands of dollars)

	<u>2019</u>	<u>2018</u>
Current assets	\$ 264,612	\$ 173,818
Non-current assets	1,487,220	1,548,269
Deferred outflows of resources	<u>30,956</u>	<u>38,888</u>
Total assets	<u>\$ 1,782,788</u>	<u>\$ 1,760,975</u>
Current liabilities	\$ 89,726	\$ 96,878
Non-current liabilities	614,762	621,606
Deferred inflow of resources	<u>14,484</u>	<u>13,386</u>
Total liabilities	<u>\$ 718,972</u>	<u>\$ 731,870</u>
	<u>2019</u>	<u>2018</u>
Net investment in capital assets	\$ 927,833	\$ 917,712
Restricted, nonexpendable	53,119	52,056
Restricted, expendable	67,741	67,033
Unrestricted	<u>15,123</u>	<u>(7,696)</u>
Total net position	<u>\$ 1,063,816</u>	<u>\$ 1,029,105</u>

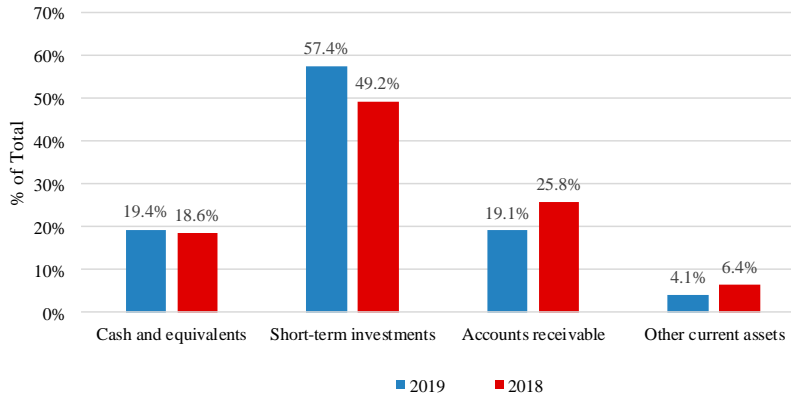
The financial position of the University strengthened during fiscal years 2019 and 2018 with total assets increasing to \$1.78 billion and \$1.76 billion, respectively. Total liabilities decreased by \$12.9 million between 2019 and 2018. The increase in total assets combined with the decrease in the total liabilities resulted in an increased net position for the current fiscal year.

The University experienced an increase in investments and cash and cash equivalents as the requirements for investments in capital projects have decreased. State support is typically received in monthly installments on a reimbursement basis and is somewhat consistent with spending activity. Tuition and fees payments are predominantly received at the beginning of semesters and associated expenses occur throughout the semester.

It should also be noted that a portion of cash and cash equivalents are classified as restricted non-current assets due to specific external restrictions regarding its use. These funds are held by the University, trustees and the State Treasury and are primarily restricted for use on specific capital projects. At the end of fiscal years 2019 and 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 96% and 94% of current assets in 2019 and 2018, respectively. Short-term investments are predominantly comprised of U.S. Treasury Notes and represent 57% and 49% of current assets for fiscal year 2019 and 2018, respectively.

Current Assets

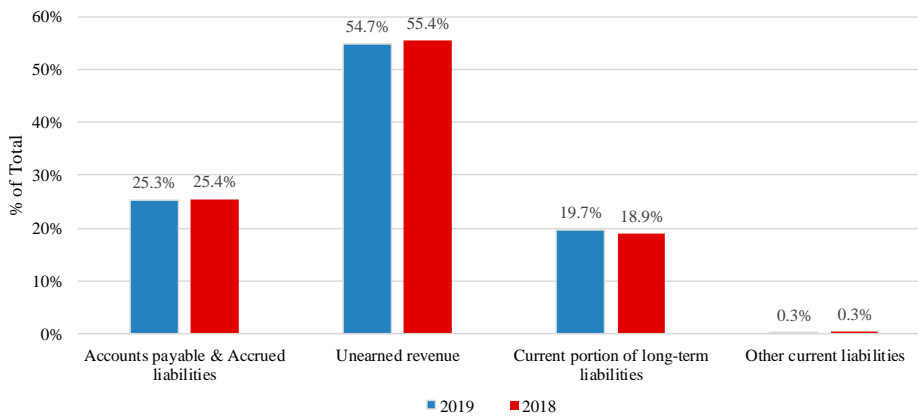


The largest components of current liabilities are amounts payable to vendors and employees and unearned revenues. Unearned revenues include advance receipts for tuition, fees and athletic tickets.

The current accrued leave liability represents an estimate of total accrued compensation to be paid in the twelve months

immediately following June 30. This liability consists of unused personal and medical leave earned by employees as required by state statute. Disbursements from this account only occur upon termination of employment. The portion of accrued leave liabilities considered current was 12% of the total accrued leave liability for both June 30, 2019 and 2018.

Current Liabilities

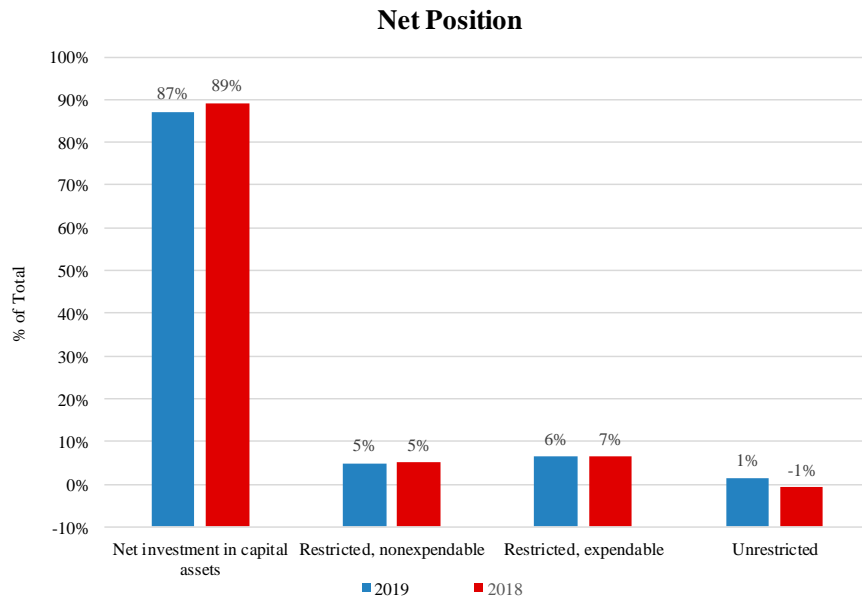


Non-current liabilities are those liabilities due and payable more than twelve months from June 30. Net pension liability comprised 53% and 51% of long-term liabilities at June 30, 2019 and 2018, respectively. The vast majority of other non-current liabilities are the result of financing activities for capital projects through the issuance of bonds. Additional detail about long-term debt can be found in Note 8 of the *Notes to Financial Statements*.

Net position was approximately \$1.06 billion and \$1.03 billion in fiscal years 2019 and 2018, respectively. 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



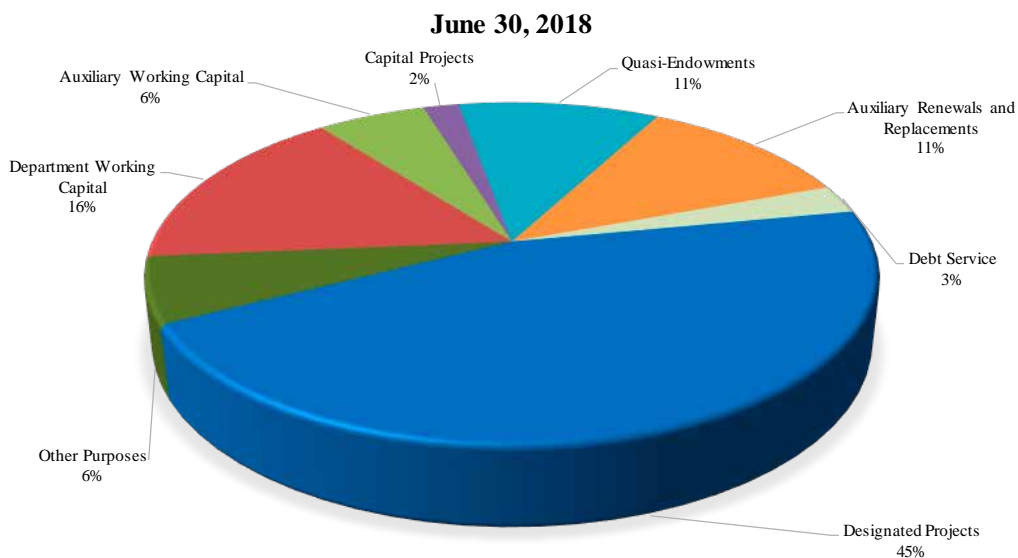
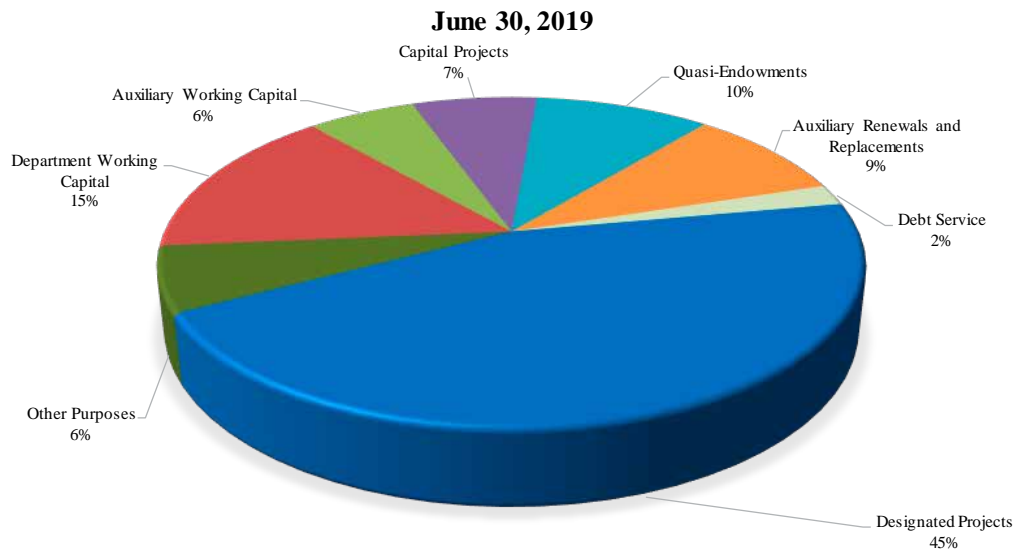
improvement of buildings and infrastructure to accommodate current and projected future needs. The following chart depicts the components of net position for the current and prior fiscal year.



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, 2019 and 2018 are depicted in the chart below.



Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position present readers with an accounting of all revenues earned, expenses incurred as well as any other gains or losses for the fiscal year. Activities are categorized as either operating or non-operating. In general terms, operating revenues are revenues earned as a result of providing goods or services, and operating expenses are those expenses incurred to acquire or produce those goods and services or to support

the mission of the University. All other revenues and expenses are categorized as non-operating. The net result of operating activities is presented as operating income or loss. The University has historically reported an operating loss due to the type and nature of revenues classified as non-operating. For example, state appropriations provide a material portion of revenues but are considered non-operating for reporting purposes. Therefore, management asserts that readers may find “increase in net position” a better indicator of overall annual financial results.

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

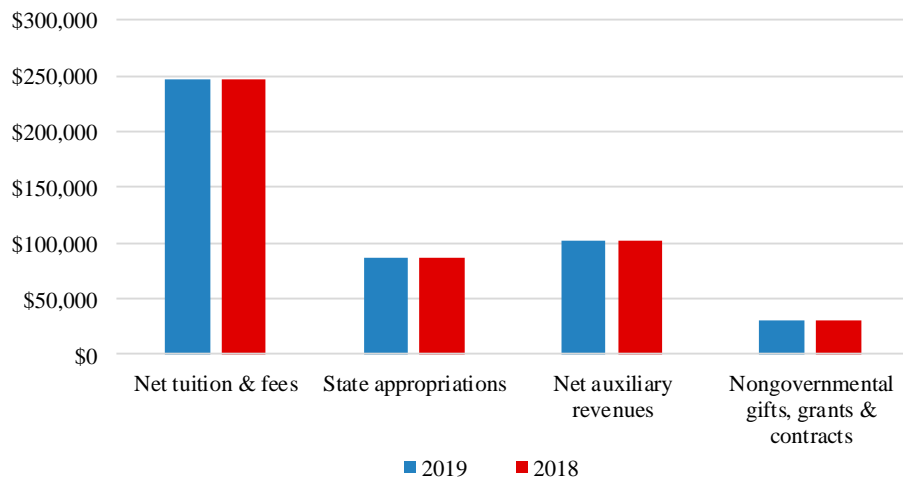
	2019	2018
Operating revenues	\$ 462,508	\$ 452,764
Operating expenses	558,053	539,234
Operating loss	(95,545)	(86,470)
Non-operating revenues and expenses	123,866	121,373
Income before other revenues, expenses, gains and losses	28,321	34,903
Other revenues, expenses, gains and losses	6,390	20,288
Increase in net position	34,711	55,191
Net Position Beginning of Year	1,029,105	973,914
Net position, end of year	<u>\$ 1,063,816</u>	<u>\$ 1,029,105</u>

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 \$365 million and \$357 million gross tuition and fees revenue for fiscal years 2019 and 2018, respectively, were slight decreases of 2.3% and 1.7% in headcount enrollment combined with a 4.4% increase in tuition rates in fiscal year 2019 and a 7.1% tuition rate increase for fiscal year 2018.
 - After deducting allowances for scholarships and doubtful accounts, net tuition and fees were \$247 million and \$248 million for fiscal years 2019 and 2018, respectively.
- Fiscal year 2019 brought a slight increase over fiscal year 2018 in revenue from nongovernmental grants and contracts while federal and state grants and contracts decreased slightly. Although the revenue has stabilized for governmental grants and contracts in recent years, the University anticipates the possibility of future declines in governmental contracts and grants revenues.
- For fiscal years 2019 and 2018, gifts and grants were \$35.5 million and \$35.8 million, respectively. 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 \$10.6 million and \$10.4 million for fiscal years 2019 and 2018, respectively. Total investment income is influenced by market fluctuations, shifts in interest rates and the amount of funds available for investment.

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

Operating Revenues & State Appropriations (thousands of dollars)



Expenses classified as operating represent the largest portion of expenses and totaled \$558 million and \$539 million in fiscal years 2019 and 2018, respectively. Personnel costs normally constitute the largest operating expense. These expenses comprised 57% and 58% of total operating expenses for fiscal years 2019 and 2018, respectively. As a 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

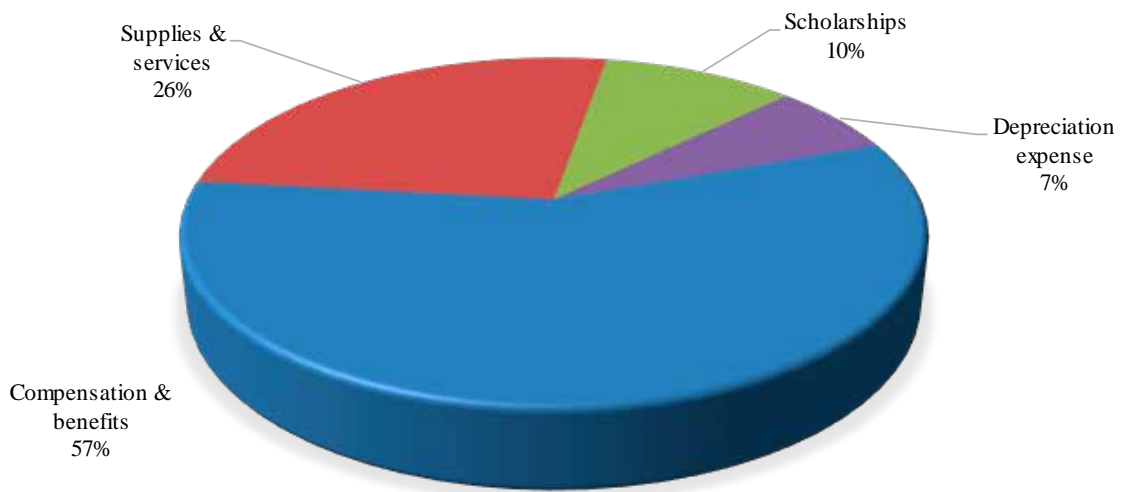
maintaining stable faculty-to-student ratios and providing competitive employee salaries.

New scholarships and expansion of existing scholarship programs led to student aid expenditures of \$181 million and \$170 million during fiscal years 2019 and 2018, respectively. The total amount of scholarships provided to students is comprised of Scholarships and Fellowships included within Operating Expenses and Scholarship Allowances included within the Operating Revenues section.

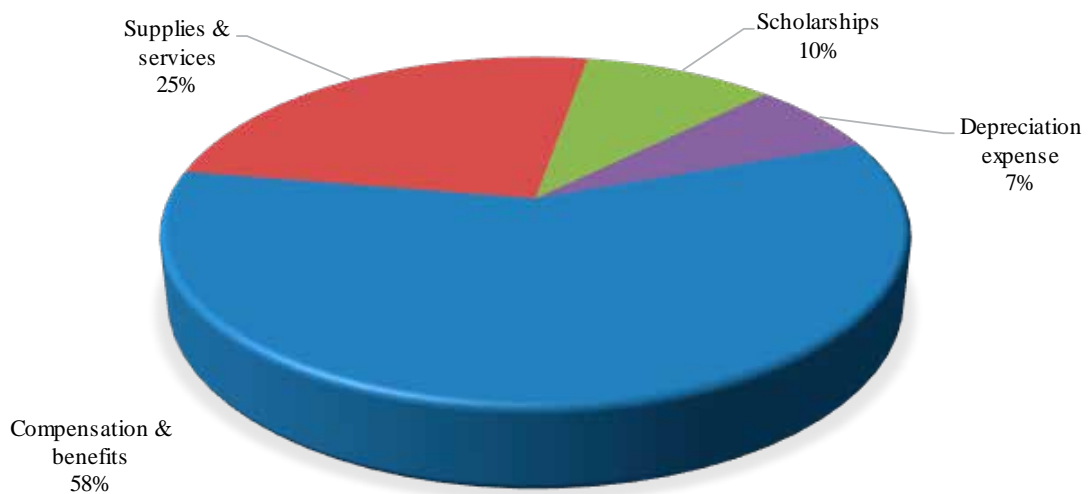


Operating expenses are commonly reported using two classifications. In the following classification method, operating expenses are categorized by the types of goods or services purchased and depicted in the Statements of Revenues, Expenses and Changes in Net Position:

Fiscal Year 2019

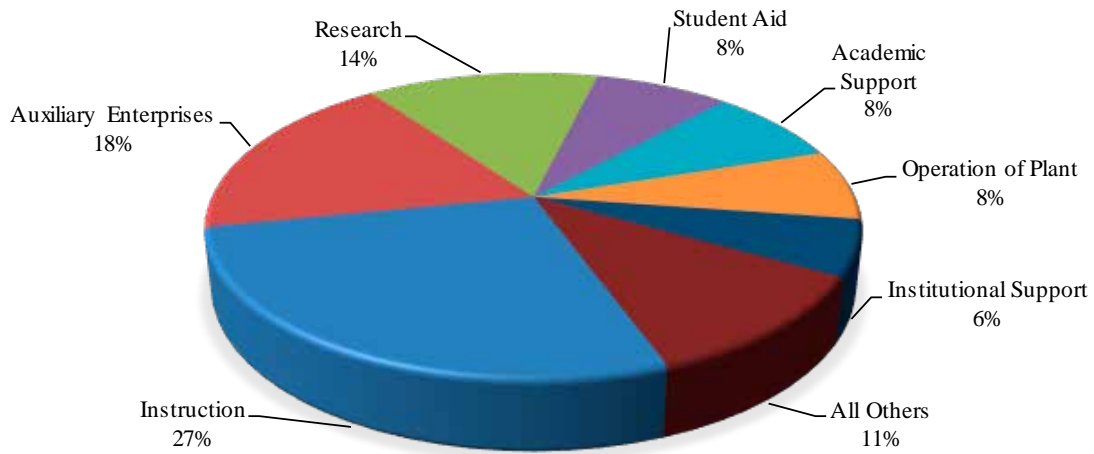


Fiscal Year 2018

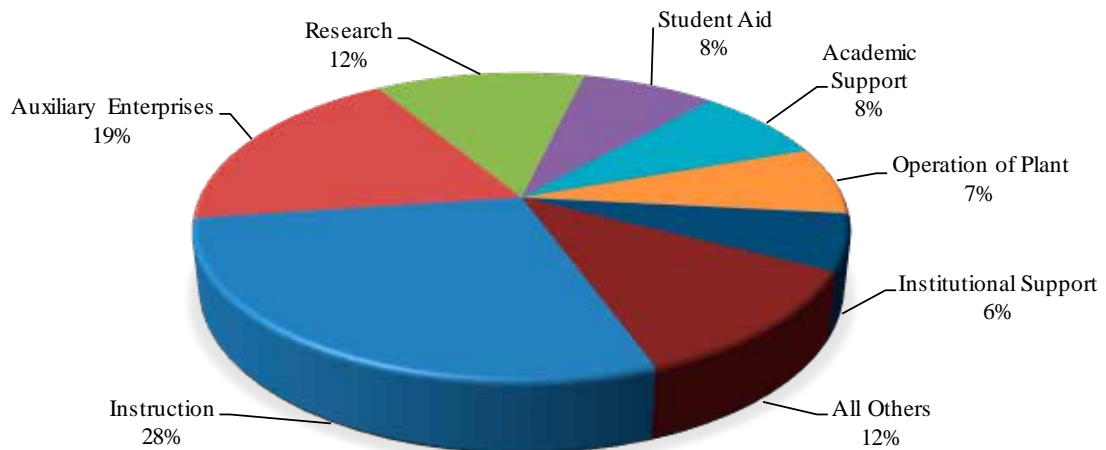


Operating expenses also are categorized according to functional area of campus activity. This classification is presented below with additional detail in Note 10 of the *Notes to Financial Statements*.

Fiscal Year 2019



Fiscal Year 2018



Statements of Cash Flows

The Statements of Cash Flows present the financial activities and results of the University on a cash basis. Each 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 Statements of Cash Flows
(thousands of dollars)

	2019	2018
Cash provided (used) by:		
Operating activities	\$ (44,984)	\$ (31,394)
Noncapital financing activities	117,300	113,300
Capital & related financing activities	(56,787)	(99,429)
Investing activities	(26)	(38,595)
Net change in cash	15,503	(56,118)
Cash, beginning of year	45,253	101,371
Cash, end of year	<u>\$ 60,756</u>	<u>\$ 45,253</u>

The Condensed Statements of Cash Flows illustrate the major summary components of cash sources and uses for each year. The major sources of cash in operating activities for fiscal years 2019 and 2018 were student tuition and fees (\$248.4 million and \$247.8 million, respectively), auxiliary enterprises (\$99.4 million and \$95.0 million, respectively), and grants and contracts (\$89.4 million and \$91.5 million, respectively). Major operating uses of cash for fiscal year 2019 and 2018 included payments to employees for salaries and benefits (\$302.0 million and \$291.7 million, respectively) and payments to suppliers (\$115.0 million and \$105.0 million, respectively).

Major sources of cash included in noncapital financing activities for fiscal years 2019 and 2018 include state appropriations (\$87.0 million and \$86.6 million, respectively) as well as gifts and grants received for purposes other than capital projects (\$29.5 million and \$30.3 million, respectively).

While there were no major sources of cash from capital and related financing activities in 2019, 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). A less significant source of cash came from capital grants and contracts (\$3.4 million and \$4.6 million) for fiscal years 2019 and 2018, respectively. Major uses of cash in this section for fiscal years 2019 and 2018 included the payments for capital assets (\$35.3 million and \$106.9 million, respectively) and principal and interest payments made on capital debt (\$24.0 million and \$67.5 million, respectively).

Sources of cash in the investing activities section for fiscal years 2019 and 2018 included sales and maturities of investments and interest received on investments (\$92.2 million and \$185.6 million, respectively). Uses of cash included in this section were for purchases of investments (\$95.7 million and \$229.2 million) for fiscal years 2019 and 2018, respectively.

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 \$72 million and \$186 million in fiscal years 2019 and 2018, respectively. No new long-term debt was issued during fiscal year 2019.

The most recent University bond financing occurred during fiscal year 2018 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. Also in 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.

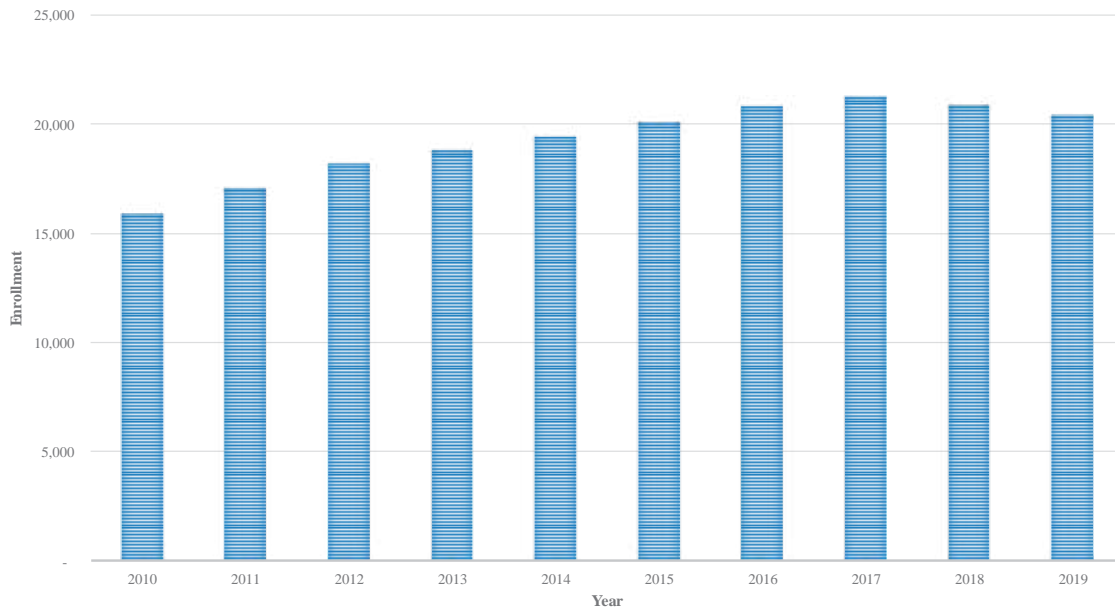
More information on long-term debt is available in Note 8 in the *Notes to Financial Statements*.

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 destabilized state and federal support for public institutions of higher education. Even though new student enrollment has declined, improved retention rates have minimized decreases in 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 decrease in overall enrollment including the freshman class for fall 2018.
- State appropriations increased in fiscal year 2019 by 1%. The additional appropriations were allocated to offset increases in the employer's required contribution to Public Employees Retirement System of Mississippi (PERS) and increased premiums for health insurance. Fiscal year 2018 state appropriations had decreased by 4% below the fiscal year 2017 level.
- 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 9.7%.

- 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.

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
Vice Chancellor for Administration and Finance



FINANCIAL STATEMENTS

Unaudited • Fiscal Year 2019

UNIVERSITY OF MISSISSIPPI STATEMENTS OF NET POSITION

Assets and Deferred Outflows	2019	2018
Current assets:		
Cash and cash equivalents	\$ 51,506,639	\$ 32,395,780
Short-term investments	151,791,897	85,509,310
Accounts receivable, net	50,489,652	44,846,176
Student notes receivable, net	8,290,605	8,509,385
Inventories	1,044,141	979,909
Prepaid expenses	1,489,100	1,577,488
Total current assets	<u>264,612,034</u>	<u>173,818,048</u>
Non-current assets:		
Restricted cash and cash equivalents	9,249,788	12,857,482
Endowment investments	105,106,759	107,785,110
Other long-term investments	170,180,647	223,208,257
Student notes receivable, net	23,105,413	21,696,585
Capital assets, net	1,179,407,086	1,182,551,816
Other non-current assets	169,900	169,900
Total non-current assets	<u>1,487,219,593</u>	<u>1,548,269,150</u>
Total assets	<u>1,751,831,627</u>	<u>1,722,087,198</u>
Deferred outflows of resources:		
Pension related to deferred outflows	28,920,015	37,497,911
OPEB related to deferred outflows	2,036,367	1,390,441
Total deferred outflows of resources	<u>30,956,382</u>	<u>38,888,352</u>
Total assets and deferred outflows of resources	<u>\$ 1,782,788,009</u>	<u>\$ 1,760,975,550</u>
Liabilities, Deferred Inflows and Net Position		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 22,671,352	\$ 24,553,932
Unearned revenues	49,107,749	53,648,345
Accrued leave liabilities-current portion	1,904,000	1,845,000
Long-term liabilities-current portion	15,760,147	16,511,591
Other current liabilities	283,120	319,232
Total current liabilities	<u>89,726,368</u>	<u>96,878,100</u>

**UNIVERSITY OF MISSISSIPPI
STATEMENTS OF NET POSITION CONT.**

	2019	2018
Non-current liabilities:		
Net pension liability	325,309,886	319,127,442
Net OPEB liability	20,248,697	19,806,214
Deposits refundable	108,814	101,515
Accrued leave liabilities	14,600,919	13,424,749
Long-term liabilities	245,256,950	260,680,960
Other non-current liabilities	9,236,200	8,465,200
	614,761,466	621,606,080
Total non-current liabilities		
Total liabilities	704,487,834	718,484,180
 Deferred inflows of resources:		
Deferred amount of refundings	5,023,215	5,407,973
Pension related to deferred inflows	8,017,720	6,969,726
OPEB related to deferred inflows	1,442,761	1,008,525
Total deferred inflows of resources	14,483,696	13,386,224
Total liabilities and deferred inflows of resources	\$718,971,530	\$731,870,404
 Net position:		
Net investment in capital assets	\$927,832,854	\$917,712,150
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	8,881,093	7,980,660
Research	141,661	112,143
Other purposes	44,096,278	43,962,795
Expendable:		
Scholarships and fellowships	7,337,252	7,369,929
Research	7,926,517	6,585,511
Capital projects	4,259,739	5,614,174
Loans	25,973,747	23,911,601
Other purposes	22,244,180	23,551,919
Unrestricted	15,123,158	(7,695,736)
	\$1,063,816,479	\$1,029,105,146
Total net position		

See accompanying notes to financial statements.

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

Statements of Financial Position

June 30, 2019 and 2018

Assets	2019	2018
Cash and cash equivalents	\$ 7,472,205	\$ 3,866,290
Pledges receivable, net	66,606,002	69,532,717
Investments	524,068,630	489,931,616
Beneficial interests in trusts	10,273,201	9,867,261
Property and equipment, net	2,297,732	2,324,924
Other assets	1,575,992	1,844,070
Total assets	\$ 612,293,762	\$ 577,366,878
Liabilities and net assets		
Funds held for others	\$ 24,120,347	\$ 24,387,393
Liabilities under remainder trusts and gift annuities	4,413,780	4,600,059
Other liabilities	4,634,069	2,500,182
Total liabilities	33,168,196	31,487,634
Net assets:		
Without donor restrictions	16,019,062	17,065,336
With donor restrictions	563,106,504	528,813,908
Total net assets	579,125,566	545,879,244
Total liabilities and net assets	\$ 612,293,762	\$ 577,366,878

See accompanying notes to financial statements.

UNIVERSITY OF MISSISSIPPI
DISCRETELY PRESENTED COMPONENT UNIT
OLE MISS ATHLETICS FOUNDATION

Statements of Financial Position

June 30, 2019 and 2018

Assets	2019	2018
Current assets:		
Cash without donor restrictions	\$ 4,949,641	\$ 2,874,165
Cash with donor restrictions	4,924,692	3,059,331
Investments	10,648,602	10,638,110
UM/UMF receivable	1,077,361	519,188
Pledges receivable, current portion	6,648,273	6,440,501
CGA pledges receivable, net	142,440	180,697
Annual fund pledges receivable	4,493,314	4,454,044
Other receivables	61,023	801,985
Prepaid expenses	106,904	83,737
Total current assets	33,052,250	29,051,758
Long-term pledges receivable, net	11,261,490	14,207,107
Charitable trust	1,315,863	1,413,103
Property and equipment, net	25,482,409	27,237,374
Endowment	78,210	76,755
Other assets	25,000	25,000
Cash surrender value of life insurance	455,330	415,884
Total assets	\$ 71,670,552	\$ 72,426,981
Liabilities and net assets		
Current liabilities:		
Current installments of long-term debt	\$ 1,499,043	\$ 18,900,665
Accounts payable	262,172	1,733,434
Payroll and taxes payable	74,761	119,702
Deferred Liability	25,000	470,000
Deferred Revenue, Current Portion	577,578	-
UM payable	13,057,886	4,854,595
Total current liabilities	15,496,440	26,078,396
Long-term debt, net of current installments	23,090,682	8,189,671
Less debt issuance costs, net	(43,566)	-
Net debt	23,047,116	8,189,671
Long-term deferred revenue, net of current portion	323,772	901,350
Total liabilities	38,867,328	35,169,417
Net assets:		
Net assets without donor restrictions Permanently restricted	21,017,761	23,217,400
Net assets with donor restrictions Total net assets	11,785,463	14,040,164
Total net assets	32,803,224	37,257,564
Total liabilities and net assets	\$ 71,670,552	\$ 72,426,981

See accompanying notes to financial statements.

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

	2019	2018
Operating revenues:		
Tuition and fees	\$ 365,045,526	\$ 357,020,897
Less scholarship allowances	(116,949,312)	(109,055,944)
Less bad debt expense	(1,282,067)	(131,507)
Net tuition and fees	246,814,147	247,833,446
Federal grants and contracts	46,501,830	41,382,028
State grants and contracts	13,967,708	16,069,156
Nongovernmental grants and contracts	30,836,276	29,822,098
Sales and services of educational departments	7,097,135	6,812,675
Auxiliary enterprises:		
Student housing	26,403,396	26,376,797
Food services	3,892,427	3,957,859
Bookstore	496,430	492,704
Athletics	68,340,565	66,700,117
Other auxiliary revenues	11,397,161	11,933,659
Less auxiliary enterprise scholarship allowances	(7,996,535)	(7,706,309)
Interest earned on loans to students	659,652	540,176
Other operating revenues, net	14,098,202	8,549,408
Total operating revenues	462,508,394	452,763,814
Operating expenses:		
Salaries and wages	237,855,828	229,092,278
Fringe benefits	81,461,858	84,324,090
Travel	15,461,024	15,169,906
Contractual services	82,239,515	79,376,217
Utilities	13,818,502	13,630,414
Scholarships and fellowships	55,840,960	53,194,853
Commodities	33,302,904	26,814,808
Depreciation	37,375,537	37,038,705
Other operating expenses	697,069	592,231
Total operating expenses	558,053,197	539,233,502
Operating income (loss)	(95,544,803)	(86,469,688)
Non-operating revenues (expenses):		
State appropriations	87,076,804	86,111,013
Gifts and grants	35,514,047	35,812,515
Investment income	10,612,790	10,392,955
Interest expense on capital asset-related debt	(8,532,509)	(11,370,655)
Other non-operating revenues	-	979,900
Other non-operating expenses	(804,658)	(552,755)
Total non-operating revenues (expenses), net	123,866,474	121,372,973
Income (loss) before other revenues, expenses, gains and losses	28,321,671	34,903,285

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

	2019	2018
Other revenues, expenses, gains and losses:		
Capital grants and gifts	5,399,953	8,915,547
State appropriations restricted for capital purposes	1,333,562	12,949,323
Additions to permanent endowments	7,272	9,052
Other additions	396,609	259,434
Other deletions	(747,734)	(1,845,774)
Change in net position	34,711,333	55,190,867
Net position - beginning of year	1,029,105,146	993,104,058
Effect of adoption of GASB 75	-	(19,189,779)
Net position - beginning of year, as restated	1,029,105,146	973,914,279
Net position - end of year	\$ 1,063,816,479	\$ 1,029,105,146
See accompanying notes to financial statements.		

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

Statements of Activities
Year ended June 30, 2019

	Without donor restrictions	With donor restrictions	Total
Revenues, gains and other support:			
Contributions, gifts and bequests	\$ -	\$ 47,543,446	\$ 47,543,446
Investment return, net	1,896,871	20,455,684	22,352,555
Change in value of split-interest agreements	-	372,151	372,151
Gift management fees	1,752,022	(1,752,022)	-
Development fees	1,382,583	(1,382,583)	-
Other income	943,455	2,534,412	3,477,867
Total revenues, gains and other support	<u>5,974,931</u>	<u>67,771,088</u>	<u>73,746,019</u>
Net assets released from restrictions/redesignated by donor			
Appropriation from donor endowment	8,014,774	(8,014,774)	-
Satisfaction of program restrictions	25,463,718	(25,463,718)	-
Expenses:			
Support for University activities:			
Academic	4,851,265	-	4,851,265
Scholarship	8,095,031	-	8,095,031
Programmatic	17,953,195	-	17,953,195
University of Mississippi Medical Center	3,930,985	-	3,930,985
General and administrative expenses	3,877,421	-	3,877,421
Fund-raising expenses	1,791,800	-	1,791,800
Total expenses	<u>40,499,697</u>	<u>-</u>	<u>40,499,697</u>
Change in net assets	(1,046,274)	34,292,596	33,246,322
Net assets, beginning of year	<u>17,065,336</u>	<u>528,813,908</u>	<u>545,879,244</u>
Net assets, end of year	<u>\$ 16,019,062</u>	<u>\$ 563,106,504</u>	<u>\$ 579,125,566</u>

See accompanying notes to financial statements.

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

Year ended June 30, 2018

	Without donor restrictions	With donor restrictions	Total
Revenues, gains and other support:			
Contributions, gifts and bequests	\$ -	\$ 45,671,883	\$ 45,671,883
Investment return, net	1,384,748	33,039,012	34,423,760
Change in value of split-interest agreements	-	(86,796)	(86,796)
Gift management fees	1,744,458	(1,744,458)	-
Other income	791,950	2,025,461	2,817,411
Total revenues, gains and other support	3,921,156	78,905,102	82,826,258
Net assets released from restrictions/redesignated by donor			
Appropriation from donor endowment	9,382,068	(9,382,068)	-
Satisfaction of program restrictions	26,300,991	(26,300,991)	-
Expenses:			
Support for University activities:			
Academic	4,528,918	-	4,528,918
Scholarship	7,887,853	-	7,887,853
Programmatic	15,121,348	-	15,121,348
University of Mississippi Medical Center	8,743,422	-	8,743,422
General and administrative expenses	2,957,096	-	2,957,096
Fund-raising expenses	1,399,933	-	1,399,933
Total expenses	40,638,570	-	40,638,570
Change in net assets	(1,034,355)	43,222,043	42,187,688
Net assets, beginning of year	18,099,691	485,591,865	503,691,556
Net assets, end of year	\$ 17,065,336	\$ 528,813,908	\$ 545,879,244

See accompanying notes to financial statements.

UNIVERSITY OF MISSISSIPPI
DISCRETELY PRESENTED COMPONENT UNIT
OLE MISS ATHLETICS FOUNDATION

Statements of Activities
Year ended June 30, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues and Support:			
Annual fund contributions	\$ 19,462,275	\$ -	\$ 19,462,275
Other contributions	-	5,824,991	5,824,991
Other revenues (expenses)	1,490,366	701,511	2,191,877
Net assets released from restrictions	12,760,654	(12,760,654)	-
Total revenues and support	<u>33,713,295</u>	<u>(6,234,152)</u>	<u>27,479,143</u>
Expenses:			
Program expenses			
Support for Athletics Department activities	19,815,961	-	19,815,961
Support for team programs	667,685	-	667,685
Other restricted expenses including facilities	9,542,857	-	9,542,857
Fundraising expenses	1,269,392	-	1,269,392
Management and general expenses	637,588	-	637,588
Total expenses	<u>31,933,483</u>	<u>-</u>	<u>31,933,483</u>
Increase (decrease) in net assets	1,779,812	(6,234,152)	(4,454,340)
Net assets at beginning of year	23,217,400	14,040,164	37,257,564
Transfers	(3,979,451)	3,979,451	-
Net assets at end of year	<u>\$ 21,017,761</u>	<u>\$ 11,785,463</u>	<u>\$ 32,803,224</u>

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

Year ended June 30, 2018

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues and Support:			
Annual fund contributions	\$ 20,526,827	\$ -	\$ 20,526,827
Other contributions	-	8,416,496	8,416,496
Other revenues (expenses)	1,760,543	196,340	1,956,883
Net assets released from restrictions	21,226,955	(21,226,955)	-
Total revenues and support	<u>43,514,325</u>	<u>(12,614,119)</u>	<u>30,900,206</u>
Expenses:			
Program expenses			
Support for Athletics Department activities	20,532,272	-	20,532,272
Support for team programs	304,773	-	304,773
Other restricted expenses including facilities	17,803,906	-	17,803,906
Fundraising expenses	1,402,292	-	1,402,292
Management and general expenses	710,662	-	710,662
Total expenses	<u>40,753,905</u>	<u>-</u>	<u>40,753,905</u>
Increase (decrease) in net assets	2,760,420	(12,614,119)	(9,853,699)
Net assets at beginning of year	<u>20,456,980</u>	<u>26,654,283</u>	<u>47,111,263</u>
Net assets at end of year	<u>\$ 23,217,400</u>	<u>\$ 14,040,164</u>	<u>\$ 37,257,564</u>

**UNIVERSITY OF MISSISSIPPI
STATEMENTS OF CASH FLOWS**

	2019	2018
Operating activities:		
Tuition and fees	\$ 248,392,894	\$ 247,815,582
Grants and contracts	89,445,290	91,531,232
Sales and services of educational departments	7,296,573	6,612,970
Payments to suppliers	(115,014,652)	(104,967,245)
Payments to employees for salaries and benefits	(302,074,739)	(291,698,970)
Payments for utilities	(14,112,819)	(13,509,354)
Payments for scholarships and fellowships	(55,700,468)	(53,143,641)
Loans issued to students and employees	(4,132,486)	(4,953,954)
Collection of loans to students and employees	2,415,872	2,299,886
Auxiliary enterprise charges:		
Student housing	14,555,409	18,314,064
Food services	3,921,630	3,819,221
Bookstore	538,196	539,917
Athletics	68,858,490	60,544,628
Other auxiliary enterprises	11,496,355	11,749,012
Interest earned on loans to students	659,652	540,176
Other receipts	13,974,857	8,659,506
Other payments	(15,503,746)	(15,547,228)
	(44,983,692)	(31,394,198)
Noncapital financing activities:		
State appropriations	87,030,385	86,592,794
Gifts and grants for other than capital purposes	29,543,358	30,317,180
Private gifts for endowment purposes	7,272	9,052
Federal loan program receipts	103,469,327	105,143,694
Federal loan program disbursements	(103,469,327)	(105,143,694)
Other sources	865,166	219,589
Other uses	(146,028)	(3,838,062)
	117,300,153	113,300,553
Capital and related financing activities:		
Proceeds from capital debt	-	71,898,594
Cash paid for capital assets	(35,315,916)	(106,942,151)
Capital grants and contracts received	3,403,973	4,599,303
Proceeds from capital assets	144,876	-
Principal paid on capital debt and leases	(15,451,078)	(55,981,304)
Interest paid on capital debt and leases	(8,602,662)	(11,472,991)
Other sources	176,328	126,345
Other uses	(1,142,791)	(1,656,931)
	(56,787,270)	(99,429,135)

**UNIVERSITY OF MISSISSIPPI
STATEMENTS OF CASH FLOWS CONT.**

	2019	2018
Investing activities:		
Proceeds from sales and maturities of investments	92,209,310	185,564,846
Interest received on investments	3,514,468	5,056,986
Purchases of investments	(95,749,804)	(229,216,811)
Net cash used by investing activities	(26,026)	(38,594,979)
Net change in cash and cash equivalents	15,503,165	(56,117,759)
Cash and cash equivalents - beginning of year	45,253,262	101,371,021
Cash and cash equivalents - end of year	\$ 60,756,427	\$ 45,253,262
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (95,544,803)	\$ (86,469,688)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	37,375,537	37,038,705
Bad debt expense	1,336,717	305,969
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Receivables, net	(830,195)	(6,064,647)
Inventories	(64,233)	12,613
Prepaid expenses	88,439	173,241
Loans to students and employees	(1,752,085)	(2,686,269)
Deferred outflows of resources	7,931,970	30,979,404
Other Assets	(50)	(100,303)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	1,057,115	796,918
Deferred revenue	(3,924,431)	3,620,901
Accrued leave liability	1,235,170	(1,491,059)
Net pension liability	6,182,444	(14,439,118)
Net OPEB liability	442,483	(162,885)
Deferred inflows of resources	1,482,230	10,489,842
Other liabilities	-	(3,397,822)
Total adjustments	50,561,111	55,075,490
Net cash provided (used) by operating activities	\$ (44,983,692)	\$ (31,394,198)
Reconciliation of cash and cash equivalents:		
Current assets - cash and cash equivalents	51,506,639	32,395,780
Non-current assets - restricted cash and cash equivalents	9,249,788	12,857,482
Cash and cash equivalents - end of year	\$ 60,756,427	\$ 45,253,262
Noncash capital related financing and investing activities:		
Capital assets acquired through donations	\$ 1,333,562	\$ 12,949,323
Capital appropriations from the State of Mississippi	1,008,762	6,634,288

See accompanying notes to financial statements.

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

Statements of Cash Flows
Years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 33,246,322	\$ 42,187,688
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	146,875	143,297
Contributions restricted for long-term purposes and split-interest agreements	(11,461,225)	(11,335,343)
Gifts in kind transferred to the University	-	341,354
Net realized and unrealized (gains) losses on investments	(15,212,955)	(26,815,802)
Provision for uncollectible pledges	(343,649)	(467,248)
Changes in operating assets and liabilities:		
Other assets	268,078	(664,379)
Pledges receivable	3,270,364	(337,421)
Funds held for others	(1,346,572)	(1,425,384)
Beneficial interest in perpetual trust	99,195	41,549
Beneficial interest in remainder trust	(405,940)	(214,316)
Liabilities under remainder trusts	(65,408)	480,663
Other liabilities	2,133,887	1,028,806
Net cash provided by operating activities	10,328,972	2,963,464
Cash flows from investing activities:		
Purchases of property and equipment	(119,683)	(325,097)
Purchase of investments	(152,076,139)	(109,787,198)
Proceeds from sales and maturities of investments	134,329,340	97,591,132
Net cash used in investing activities	(17,866,482)	(12,521,163)
Cash flows from financing activities:		
Contributions restricted for long-term purposes and split-interest agreements	11,461,225	11,335,343
Payments to beneficiaries under remainder trusts	(317,800)	(324,080)
Net cash provided by financing activities	11,143,425	11,011,263
Net increase in cash and cash equivalents	3,605,915	1,453,564
Cash and cash equivalents:		
Beginning of year	3,866,290	2,412,726
End of year	\$ 7,472,205	\$ 3,866,290

See accompanying notes to financial statements.

UNIVERSITY OF MISSISSIPPI
DISCRETELY PRESENTED COMPONENT UNIT
OLE MISS ATHLETICS FOUNDATION

Statements of Cash Flows
Years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ (4,454,340)	\$ (9,853,699)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,766,006	1,767,930
Amortization of debt issuance costs	1,614	-
Bad debt expense	847,830	(29,966)
Provision for uncollectible pledges restricted for long-term purposes	(284,825)	(207,833)
Amortization of discount on pledges restricted for long-term purposes	(33,208)	92,527
Contributions restricted for long-term purposes	(5,737,264)	(6,380,876)
Net athletic facilities transferred to the University	-	6,669,084
Unrealized and realized gain/loss on sale of investments	(285,414)	133,789
Cash surrender value of life insurance	(39,446)	21,247
(Increase) decrease in:		
UM/UMF receivable	(558,173)	(805)
Pledges receivable	271,979	98,650
CGA pledges receivable	(8,861)	(23,247)
Annual fund pledges receivable	(39,270)	1,013,965
Prepaid and other assets	717,795	(764,242)
Increase (decrease) in:		
Accounts payable	(1,471,262)	461,222
Other current liabilities	(44,941)	15,130
Deferred liabilities	(445,000)	100,000
Deferred revenues	-	901,350
UM payable	8,203,291	4,162,776
Net cash used in operating activities	(1,593,489)	(1,822,998)
Cash flows from investing activities		
Proceeds from sale of investments	617,179	2,335,032
Purchases of Property and Equipment and Construction in Progress	(11,041)	(8,447,583)
Purchase of investments	(246,472)	(4,540,612)
Net cash provided by (used in) investing activities	359,666	(10,653,163)
Cash flows from financing activities		
Contributions restricted for long-term purposes	7,720,451	9,329,454
Proceeds from long-term debt	-	4,019,717
Payments on long-term debt	(2,545,791)	(3,171,555)
Net cash provided by financing activities	5,174,660	10,177,616
Net change in cash and cash equivalents	3,940,837	(2,298,545)

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

	2019	2018
Cash and cash equivalents at beginning of year	5,933,496	8,232,041
Cash and cash equivalents at end of year	\$ 9,874,333	\$ 5,933,496
Cash and cash equivalents at end of year		
Cash without donor restrictions	\$ 4,949,641	\$ 2,874,165
Cash with donor restrictions	4,924,692	3,059,331
	\$ 9,874,333	\$ 5,933,496
Supplemental disclosures of cash flow information cash paid for		
Interest, Including Capitalized Interest; 2019,\$0; 2018, \$130,433	\$ 772,022	\$ 3,263,050
Non-cash financing activity		
Note paid off by refinancing with another bank	\$ 16,483,181	\$ -
Debt issuance costs	45,180	-
Principal amount of new note	\$ 16,528,361	\$ -
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.

A black metal archway with the words "WALK OF CHAMPIONS" in gold lettering, supported by two brick pillars. The pillars feature a circular gold emblem with a building and the year "1848".

WALK OF CHAMPIONS



NOTES TO FINANCIAL STATEMENTS

Unaudited • Fiscal Year 2019

— 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) for the purpose of overseeing and directing Mississippi's eight public universities. This constitutional board provides management and control of the state's public four-year 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 confirmed by the Senate for nine-year terms, representing the three Mississippi Supreme Court Districts.

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

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

The University of Mississippi Foundation (the Foundation) is a legally separate tax-exempt organization. The Foundation raises and manages funds that predominantly act to supplement the resources that are

available to the University in support of its programs. The Board of the Foundation consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or incomes thereon, which the Foundation holds and invests, are restricted to the activities of the University by donors. Because the majority of these restricted resources held by the Foundation can only be used by or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

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

During the years ended June 30, 2019 and 2018, the Foundation distributed \$30.9 million and \$27.5 million, respectively, to the University for both restricted and unrestricted purposes. Separate financial statements for the Foundation can be obtained at Brandt Memory House, 406 University Avenue, Oxford, MS 38655.

The Ole Miss Athletics Foundation is another legally separate tax-exempt organization affiliated with the University. The Foundation is committed to 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 years ended June 30, 2019 and 2018, the Athletics Department requested such annual support from the Foundation totaling \$8.7 million and \$7.6 million, respectively.

(c) Basis of Presentation

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States as prescribed by GASB, including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local*

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

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

(d) Basis of Accounting

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

Grant and contract revenues, which are received or receivable from external sources, are recognized as revenues to the extent of related expenses or satisfaction of eligibility requirements. State appropriations are recognized as nonoperating revenues when eligibility requirements are satisfied.

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

(g) Short-Term Investments

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

(h) Accounts Receivable, Net

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

(i) Student Notes Receivable, Net

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

(j) Inventories

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

(k) Prepaid Expenses

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

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

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

(m) Endowment Investments

The University's endowment investments are recorded at fair value and are generally subject to the restrictions of donor gift instruments. They include donor restricted endowments, which are funds received from a donor with the restrictions that only the income is to be utilized or for which the donor has stipulated that the principal may be expended only after a stated period or upon the occurrence of a certain event, and funds functioning as endowments, which are funds established to function similar to an endowment fund but may be fully expended at any time at the discretion of the institution.

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, 2019 and 2018, accumulated appreciation of \$23,511,449 and \$24,234,299, respectively, 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. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statements of Revenues, Expenses and Changes in Net Position. Investments in partnerships for which there are no quoted market prices are valued at net asset value, as a practical expedient in determining fair value.

(o) Investment Valuation

GASB Statement No. 72, *Fair Value Measurement and Application*, 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 \$318,240. There was no capitalized interest for fiscal year 2019. 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) **Unearned Revenues**

Unearned 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. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

(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) **Deferred Inflows and Outflows**

The University has deferred inflows of resources. The deferred inflows of resources are an acquisition of net assets that is applicable to a future reporting period and include pension and OPEB related deferred inflows and deferred amounts of debt refunding.

The University has deferred outflows of resources. The deferred outflows of resources are consumption of net assets by the University that are applicable to a future reporting period and include the unamortized amounts for pension and OPEB related deferred outflows.

(w) **Net Pension and OPEB Liabilities**

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, and OPEB and OPEB expense, respectively, information about the fiduciary net position of the institution's proportionate share of the liability for pension and OPEB, and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported on the Public Employees' Retirement System of Mississippi (PERS) and the State and School Employees' Life and Health Insurance Plan (OPEB plan). 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.

(x) **Deposits Refundable**

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

(y) **Non-current Liabilities**

Non-current liabilities include: (1) principal amounts of revenue bonds payable, notes payable and capital lease obligations; (2) estimated amounts of proportionate share of net pension and OPEB liabilities, (3) estimated amounts for accrued compensated absences, deposits refundable, and other liabilities that will not be paid within the next fiscal year; and (4) other liabilities that, although payable within one year, are to be paid from funds that are classified as non-current assets.

(z) **Government Advances Refundable**

The University participates in the Federal Perkins Loan and other federal loan programs, which are funded through a combination of federal and institutional resources. The portion of the programs that has been funded with federal funds is ultimately refundable to the U.S. government upon the termination of the institution's participation in the programs. Although the federal government has terminated the Perkins Loan program disallowing new loans to be made, institutions may continue to collect and service existing loans. The University does not have a timeline for discontinuing its participation in this program. The portion that would be refundable upon the termination of the program has been presented as other long-term liabilities and approximated \$9.2 and \$8.5 million as of June 30, 2019 and 2018, respectively.

(aa) **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.

(bb) **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.

(cc) **Scholarship Discounts and Allowances**

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

(dd) **Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in a statement of net 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 Nonexpendable: 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 \$15,123,158 and (\$7,695,736) at June 30, 2019 and 2018, respectively, which reflects an increase of \$22,818,894 in fiscal year 2019 and a decrease of \$288,599,256 in fiscal year 2018. The cumulative net effect of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, at June 30 was a decrease in unrestricted net assets of \$304,407,591 and \$288,599,256 for 2019 and 2018, respectively. The cumulative net effect of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* was a decrease in unrestricted net assets of \$19,655,091 and \$18,032,374 for 2019 and 2018, respectively. Excluding the net effect of the GASB implementations, the unrestricted net position at June 30, 2019 includes \$51,008,851 reserved for auxiliary operations, renewals and replacements; \$50,781,999 reserved for departmental working capital; \$23,298,785 reserved for capital projects; \$32,626,803 reserved for quasi-endowments; \$6,889,042 reserved for debt service; \$152,954,970 reserved for designated projects; and \$21,625,390 reserved for other purposes.

(ee) New Accounting Standards

During fiscal year 2019, the University adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. Direct borrowings and direct placements have terms negotiated directly with the investor or lender and are not offered for public sale.

(ff) Recently Issued Accounting Standards

In June 2017, the GASB issued Statement No. 87, *Leases*. This standard establishes recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for fiscal years beginning after December 15, 2019.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This standard establishes accounting requirements for interest cost incurred before the end of a construction period. Such costs should now be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The Statement reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. This Statement is effective for fiscal years beginning after December 15, 2019.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*. The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for fiscal years beginning after December 15, 2018.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement is effective for fiscal years beginning after December 15, 2020.

The impact of these pronouncements on the University's financial statements is currently being evaluated and has not yet been fully determined.

NOTE 2
CASH AND INVESTMENTS

Cash, Cash Equivalents and Short-Term Investments

Investment policies as set forth by the IHL Board of Trustees policy and state statute authorize the University to invest in demand deposits and interest-bearing time deposits such as savings accounts, certificates of deposit, money market funds, U.S. Treasury bills and notes, U.S. Government agency and sponsored enterprise obligations and repurchase agreements. For purposes of the Statements of Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and short-term investments include \$6,260,529 and \$3,384,347, respectively, in money market mutual funds with underlying portfolios with credit ratings of AAA as of June 30, 2019 and 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.

A summary of cash and investments as of June 30 is as follows:

	2019	2018
Cash	\$ 51,506,639	\$ 32,395,780
Restricted cash and cash equivalents	9,249,788	12,857,482
U.S. Treasury securities	251,474,805	240,463,360
U.S. government agency securities	70,497,739	68,254,207
Global equity securities	10,664,202	-
Fixed income mutual funds	-	7,862,153
International equity mutual funds	-	14,470,944
Domestic equity mutual funds	1,687,581	4,030,716
Equity long/short hedge funds	43,511,535	43,007,159
Private capital	27,462,009	21,068,541
Other fixed income securities	6,913,346	-
Miscellaneous	14,868,086	17,345,597
Total Cash and Investments	\$ 487,835,730	\$ 461,755,939

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 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, 2019 and 2018:

As of June 30, 2019

	2019			
	Level 1	Level 2	Level 3	Total
Investment strategy:				
Fixed income:				
U.S. government securities	\$ -	\$ 70,497,739	\$ -	\$ 70,497,739
U.S. Treasury securities	251,474,805	-	-	251,474,805
Other fixed income securities	-	6,913,346	-	6,913,346
Total fixed income investments	<u>251,474,805</u>	<u>77,411,085</u>	<u>-</u>	<u>328,885,890</u>
Equities:				
Domestic equity securities	1,687,581	-	-	1,687,581
Global equity securities	6,376,554	4,287,648	-	10,664,202
Total equity securities	<u>\$ 8,064,135</u>	<u>\$ 4,287,648</u>	<u>\$ -</u>	<u>\$ 12,351,783</u>
Investments measured at NAV as a practical expedient:				
Equity long/short hedge funds				43,511,535
Private capital				27,462,009
Timber fund				3,315,004
Other miscellaneous investments				<u>11,553,082</u>
Total investments measured at NAV				<u>85,841,630</u>
Total investments measured at fair value				<u>\$ 427,079,303</u>

As of June 30, 2018

	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	<u>248,325,513</u>	<u>68,254,207</u>	<u>-</u>	<u>316,579,720</u>
Equities:				
Mutual funds	18,501,660	-	-	18,501,660
Total equity securities	<u>\$ 18,501,660</u>	<u>\$ -</u>	<u>\$ -</u>	<u>18,501,660</u>
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				<u>13,919,730</u>
Total investments measured at NAV				<u>81,421,297</u>
Total investments measured at fair value				<u>\$ 416,502,677</u>

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

As of June 30, 2019

Investment	Fair Value 6/30/2019	Unfunded Commitments	Redemption frequency (if eligible)	Redemption notice period
Equity long/short hedge funds (1)	\$ 43,511,535	\$ -	Quarterly; Certain investments unavailable until January 31, 2019	45 - 120 days for eligible investments
Timber fund	3,315,004	-	No redemption feature	None
Private capital (2)	27,462,009	7,715,149	Certain partnerships ineligible for redemption; Other investments available monthly	2 - 5 days for eligible investments
Other miscellaneous investments (3)	11,553,082	270,799	Certain investments ineligible for redemption	90 days for eligible investments
Total investments measured at NAV	<u>\$ 85,841,630</u>			

- (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.

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	<u>\$ 81,421,297</u>			

- (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, 2019 and 2018, no investments were exposed to custodial credit risk.

Interest Rate Risk

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, 2019 and 2018, the University had the following investments subject to interest rate risk:

As of June 30, 2019

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. government agency obligations	\$ 70,497,739	\$ 10,703,811	\$ 59,793,928	\$ -	\$ -
U.S. Treasury obligations	251,474,805	141,088,086	110,386,719	-	-
Fixed income mutual funds	6,913,346	-	6,913,346	-	-
Total	\$ 328,885,890	\$ 151,791,897	\$ 177,093,993	\$ -	\$ -

As of June 30, 2018

Investment Type	Fair Value	Investment Maturities (In Years)			
		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:

<u>Average Credit Rating</u>	<u>2019</u>	<u>2018</u>
AA+	\$ 70,497,739	\$ 68,254,207
Not Rated	6,913,346	7,862,153
Total	<u>\$ 77,411,085</u>	<u>\$ 76,116,360</u>

Bond mutual funds in the amount of \$6,913,346 and \$7,862,153 are included in the securities not rated at June 30, 2019 and 2018, respectively, and are invested in funds with underlying portfolios with average credit ratings as follows:

<u>Average Credit Rating</u>	<u>2019</u>	<u>2018</u>
AAA	\$ 3,005,232	\$ 5,472,058
AA	235,054	118,719
A	1,068,112	255,520
BBB	1,128,258	117,932
BB	506,748	123,436
B	396,826	68,401
CCC or lower	184,586	777,567
Not Rated	388,530	928,520
Total	<u>\$ 6,913,346</u>	<u>\$ 7,862,153</u>

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:

<u>Issuer</u>	<u>Fair Value</u> <u>2019</u>	<u>% of Total</u> <u>Investments</u>	<u>Fair Value</u> <u>2018</u>	<u>% of Total</u> <u>Investments</u>
Federal Home Loan Bank	\$ 35,602,771	8.34%	\$ 34,329,707	8.24%
U.S. Treasury Obligations	251,474,805	58.88%	240,463,360	57.73%

Foreign Currency Risk

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 investments in global or pooled non-U.S. equity mutual funds, which approximated \$21.2 million and \$10.2 million at June 30, 2019 and 2018, respectively.

NOTE 3
ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30:

	2019	2018
Student Tuition	\$ 17,097,155	\$ 15,397,642
Auxiliary Enterprises and Other Operating Activities	11,174,949	15,288,750
Contributions and Gifts	11,582,780	5,610,964
Federal, State and Private Grants and Contracts	18,423,436	15,629,554
State Appropriations	1,728,862	1,703,071
Accrued Interest	1,354,376	1,276,284
Other	1,760,388	1,290,138
Total Accounts Receivable	63,121,946	56,196,403
Less Allowance for Doubtful Accounts	(12,632,294)	(11,350,227)
Net Accounts Receivable	<u>\$ 50,489,652</u>	<u>\$ 44,846,176</u>

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, 2019 and 2018:

As of June 30, 2019

	Interest Rates	June 30, 2019	Current Portion	Non-Current Portion
Perkins Student Loans	3% to 5%	\$ 7,180,460	\$ 1,786,731	\$ 5,393,729
Other Federal Loans	3% to 5%	2,361,674	172,255	2,189,419
Institutional Loans	1% to 5%	23,385,749	7,324,484	16,061,265
Total Notes Receivable		32,927,883	9,283,470	23,644,413
Less Allowance for Doubtful Accounts		(1,531,865)	(992,865)	(539,000)
Net Notes Receivable		<u>\$ 31,396,018</u>	<u>\$ 8,290,605</u>	<u>\$ 23,105,413</u>

As of June 30, 2018

	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		<u>\$ 30,205,970</u>	<u>\$ 8,509,385</u>	<u>\$ 21,696,585</u>

NOTE 5
CAPITAL ASSETS

Summaries of changes in capital assets for the years ended June 30, 2019 and 2018 are presented as follows:

	July 1, 2018	Additions	Deletions	June 30, 2019
Capital Assets, Non-depreciable:				
Land	\$ 49,748,108	\$ -	\$ 6,250	\$ 49,741,858
Construction in Progress	134,172,353	27,228,716	37,045,704	124,355,365
Total Capital Assets, Non-depreciable	183,920,461	27,228,716	37,051,954	174,097,223
Capital Assets, Depreciable:				
Improvements Other Than Buildings	124,049,350	32,666,102	82,480	156,632,972
Buildings	1,074,212,392	5,331,896	-	1,079,544,288
Equipment	130,869,892	6,318,257	10,821,208	126,366,941
Library Books	130,718,486	361,927	69,158	131,011,255
Total Capital Assets, Depreciable	1,459,850,120	44,678,182	10,972,846	1,493,555,456
Less Accumulated Depreciation:				
Improvements Other Than Buildings	46,468,640	5,477,277	39,865	51,906,052
Buildings	207,508,024	20,529,380	-	228,037,404
Equipment	100,548,319	6,691,391	10,239,686	97,000,024
Library Books	106,693,782	4,677,489	69,158	111,302,113
Total Accumulated Depreciation	461,218,765	37,375,537	10,348,709	488,245,593
Capital Assets, Net of Depreciation	\$ 1,182,551,816	\$ 34,531,361	\$ 37,676,091	\$ 1,179,407,086

	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:

	2019	2018
Vendors and Contractors	\$ 15,503,750	\$ 17,109,758
Accrued Salaries, Wages and Employee Withholdings	7,113,979	7,209,435
Other	53,623	234,739
Total	\$ 22,671,352	\$ 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:

	2019	2018
Tuition and Fees	\$ 11,797,573	\$ 11,614,481
Contracts and Grants	21,707,835	22,331,454
Auxiliary and Other Activities	15,602,341	19,702,410
Total	\$ 49,107,749	\$ 53,648,345

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



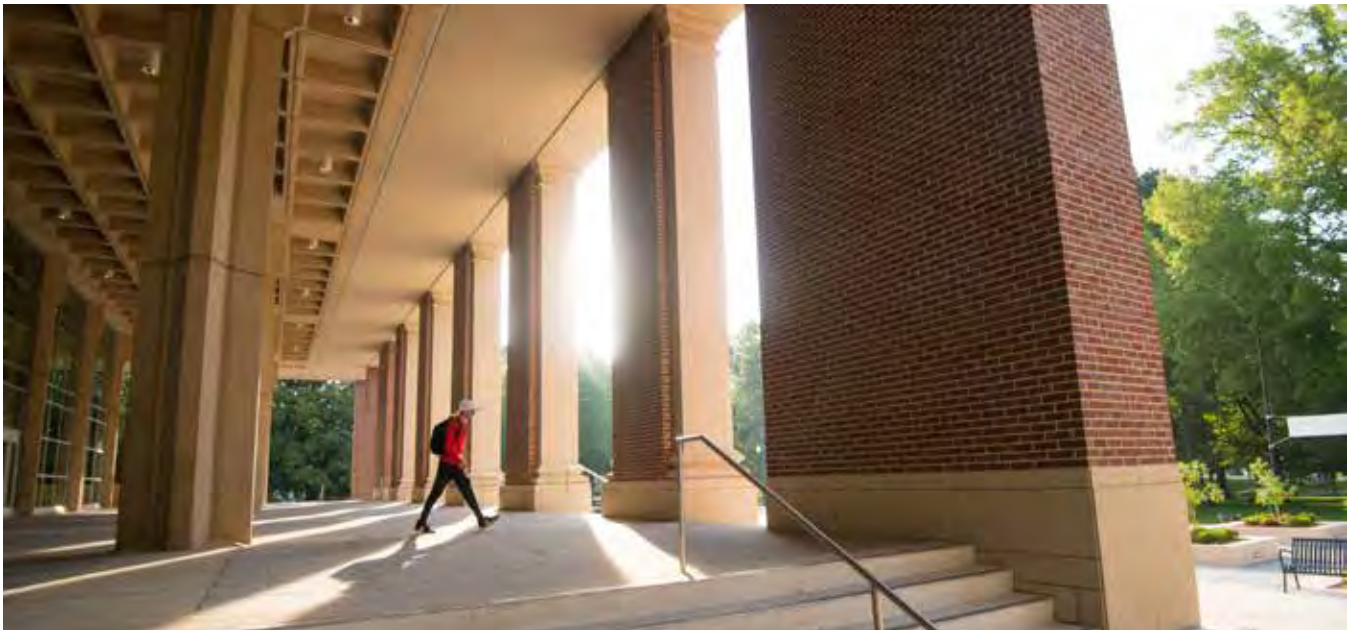
NOTE 8
LONG-TERM LIABILITIES

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

Description and Purpose	Original Issue	Annual Interest Rates	Maturity (Fiscal Year)	2019			Due Within One Year
				July 1, 2018	Additions	Deletions	
Bonded Debt							
Educational Building Corporation Bonds							
Series 2008A	\$ 29,785,000	4.00 - 4.25%	2034	\$ 970,000	\$ -	\$ 970,000	\$ -
Series 2009A	19,870,000	3.50 - 3.75%	2030	1,835,000	-	900,000	935,000
Series 2009B	24,165,000	3.623 - 5.00%	2021	7,395,000	-	2,345,000	5,050,000
Series 2009C	14,770,000	3.25 - 3.75%	2035	960,000	-	470,000	490,000
Series 2011	27,995,000	4.00 - 5.00%	2032	4,455,000	-	945,000	3,510,000
Series 2013C	62,900,000	3.22%	2034	62,900,000	-	-	62,900,000
Series 2013D	12,100,000	3.10%	2021	6,299,380	-	2,444,706	3,854,674
Series 2015	12,600,000	Variable	2026	10,350,000	-	900,000	9,450,000
Series 2015A	15,660,000	2.00 - 4.00%	2040	15,190,000	-	215,000	14,975,000
Series 2015B	10,125,000	1.375 - 3.750%	2030	8,395,000	-	600,000	7,795,000
Series 2015C	31,630,000	2.00 - 5.00%	2046	30,420,000	-	625,000	29,795,000
Series 2015D	17,660,000	0.993 - 4.452%	2036	16,285,000	-	700,000	15,585,000
Series 2016A	33,245,000	2.00 - 5.00%	2034	30,820,000	-	1,890,000	28,930,000
Series 2017	38,995,000	2.00 - 5.00%	2035	38,400,000	-	-	38,400,000
Total Bonded Debt				234,674,380	-	13,004,706	221,669,674
Unamortized Premiums				9,056,280	-	724,376	8,331,904
Total Bonded Debt - Net				243,730,660	-	13,729,082	230,001,578
Notes Payable							
Hancock Bank			2026	7,794,139	-	888,360	6,905,779
Renasant Bank			2028	7,884,452	-	705,191	7,179,261
Trustmark Bank			2033	17,783,300	-	852,821	16,930,479
Total Notes Payable				33,461,891	-	2,446,372	31,015,519
Other Long-Term Liabilities							
Accrued Leave Liabilities				15,269,749	1,235,170	-	16,504,919
Net Pension Liability				319,127,442	6,182,444	-	325,309,886
Net OPEB Liability				19,806,214	442,483	-	20,248,697
Deposits Refundable				101,515	7,299	-	108,814
Other				8,465,200	771,000	-	9,236,200
Total Other Long-Term Liabilities				362,770,120	8,638,396	-	371,408,516
Total				\$ 639,962,671	\$ 8,638,396	\$ 16,175,454	632,425,613
Due Within One Year							17,664,147
Total Long-Term Liabilities							\$ 614,761,466

Description and Purpose	Original Issue	Annual Interest Rates	Maturity (Fiscal Year)	2018				Due Within One Year
				July 1, 2017	Additions	Deletions	June 30, 2018	
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	

*Net OPEB liability is recorded at the beginning of fiscal year 2018 in accordance with GASB Statement No. 75.



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.

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.

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.



The annual debt service requirements for the outstanding debt as of June 30, 2019 are as follows:

Fiscal Year(s)	Bonded Debt	Notes Payable	Interest	Total
2020	\$ 13,184,802	\$ 2,575,345	\$ 9,186,947	\$ 24,947,094
2021	14,084,390	2,656,598	8,695,122	25,436,110
2022	12,115,482	2,739,967	8,203,530	23,058,979
2023	12,264,913	2,826,038	7,738,824	22,829,775
2024	12,739,738	2,914,624	7,218,259	22,872,621
2025-2029	70,192,774	11,584,066	26,694,217	108,471,057
2030-2034	67,135,764	5,718,881	12,330,616	85,185,261
2035-2039	15,471,086	-	4,145,145	19,616,231
2040-2044	9,200,343	-	1,838,094	11,038,437
2045-2046	3,612,286	-	178,250	3,790,536
Total	\$ 230,001,578	\$ 31,015,519	\$ 86,229,004	\$ 347,246,101



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
2020	\$ 1,434,487
2021	1,246,897
2022	26,808
Total minimum payments required	\$ 2,708,192

The total rental expense for all operating leases, except those with terms of a month or less that were not renewed, for the years ending June 30, 2019 and 2018 approximated \$4.2 million and \$1.9 million for each year, respectively.

NOTE 10
OPERATING EXPENSES BY NATURAL AND FUNCTIONAL CLASSIFICATIONS

The University's operating expenses by functional classification were as follows for the years ended June 30, 2019 and 2018:

Year Ended June 30, 2019

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual					Total
				Services	Utilities	Scholarships	Commodities	Depreciation	
Instruction	\$ 95,655,310	\$ 31,078,803	\$ 4,313,224	\$ 15,736,020	\$ 85,129	\$ -	\$ 6,161,651	\$ -	\$ 153,030,137
Research	46,674,282	14,571,722	1,820,901	8,458,499	19,041	-	5,109,184	-	76,653,629
Public Service	2,241,129	762,951	155,753	1,347,686	6,674	-	249,846	-	4,764,039
Academic Support	21,862,995	8,040,620	772,415	6,704,248	1,878	-	7,802,972	-	45,185,128
Student Services	9,858,475	3,653,459	342,212	4,119,881	11,666	-	1,795,326	-	19,781,019
Institutional Support	16,904,982	7,433,667	429,499	7,011,013	31,966	-	1,197,181	-	33,008,308
Operation of Plant	13,190,182	5,982,179	43,886	9,191,621	9,178,471	-	3,833,835	-	41,420,174
Student Aid	75,125	38,917	26,586	157,415	-	44,159,014	67,430	-	44,524,487
Auxiliary Enterprises	31,393,348	9,899,540	7,556,548	29,513,132	4,483,677	11,681,946	7,085,479	-	101,613,670
Depreciation	-	-	-	-	-	-	-	37,375,537	37,375,537
Loan Fund Expenses	-	-	-	-	-	-	-	-	697,069
Total Operating Expenses	\$ 237,855,828	\$ 81,461,858	\$ 15,461,024	\$ 82,239,515	\$ 13,818,502	\$ 55,840,960	\$ 33,302,904	\$ 37,375,537	\$ 697,069

Year Ended June 30, 2018

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual					Total
				Services	Utilities	Scholarships	Commodities	Depreciation	
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
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

NOTE 11
CONSTRUCTION COMMITMENTS AND FINANCING

The University has contracted or made commitments for various construction projects as of June 30, 2019. 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	\$ 4,049,100	\$ -	\$ -	\$ 4,049,100	\$ -
STEM Building	148,000,000	-	40,000,000	81,600,000	26,400,000
Other					
Johnson Commons East	1,102,359	-	902,846	199,513	-
South Campus Recreational Facility	2,110,000	-	-	2,110,000	-
Student Union	1,737,200	-	-	1,737,200	-
Improvements Other Than Buildings					
Gertrude Ford Blvd Retaining Wall	1,371,900	650,000	-	721,900	-
Manning Center Hydrotherapy Room Renovation	78,550	-	-	74,100	4,450
	<u>\$ 158,449,109</u>	<u>\$ 650,000</u>	<u>\$ 40,902,846</u>	<u>\$ 90,491,813</u>	<u>\$ 26,404,450</u>

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, 2018 for fiscal year 2019 and 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 Statement No. 68

The pension disclosures that follow for fiscal years 2019 and 2018 include all disclosures for GASB Statement No. 68 using the latest valuation reports available (June 30, 2018). For fiscal year 2019, the measurement date for the PERS

defined benefit plan is June 30, 2018. 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, 2018 and 2017 for the fiscal years 2019 and 2018 financials, respectively.

(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 years ended June 30, 2019 and 2018 was 15.75% for each year of annual payroll. Employer contribution rates consist of an amount for service cost; the amount estimated to finance benefits earned by current members during the year; and an amount for amortization of the unfunded actuarial accrued liability. For determining employer contribution rates, the actuary evaluates the assets of the plans based on a five-year smoothed expected return with 20.00% 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 years ended June 30, 2019 and 2018 were \$19,783,651 and \$19,672,498, respectively. 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:			
2019	\$ 19,671,339	1.955813%	0.036064%
2018	19,396,594	1.919749%	0.052336%

Net Pension Liability

The University of Mississippi’s proportion of the net pension liability at June 30, 2019 and 2018 is as follows:

Plan	Proportion of net pension liability	Proportionate share of net pension liability
PERS Defined Benefit:		
2019	1.955813%	\$ 325,309,886
2018	1.919749%	319,127,442

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

Deferred outflows of resources were related to differences between expected and actual experience, changes of assumptions, changes in proportion and differences between employer contributions and the proportionate share of contributions, 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:

2019				
Deferred outflows				
Differences between expected and actual experience	Changes of assumptions	Changes in proportion and differences between employer contributions and proportionate share of contributions	Contributions subsequent to the measurement date	Total deferred outflows of resources
\$ 1,426,140	\$ 191,924	\$ 7,760,332	\$ 19,541,619	\$ 28,920,015
Deferred inflows				
Net difference between projected and actual investment earnings on pension plan investment	Changes of assumptions	Differences between expected and actual experience	Total deferred inflows of resources	
\$ 6,466,721	\$ 179,661	\$ 1,371,338	\$ 8,017,720	

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, 2020.

2018				
Deferred outflows				
Differences between expected and actual experience	Changes of assumptions	Changes in proportion and differences between employer contributions and proportionate share of contributions	Contributions subsequent to the measurement date	Total deferred outflows of resources
\$ 4,584,841	\$ 7,092,954	\$ 6,314,886	\$ 19,505,230	\$ 37,497,911
Deferred inflows				
Net difference between projected and actual investment earnings on pension plan investment	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 outflows of resources Year Ended June 30				
2020	2021	2022	2023	Total
\$ 5,362,867	\$ 2,556,052	\$ 1,459,477	—	\$ 9,378,396

Deferred inflows of resources Year Ended June 30				
2020	2021	2022	2023	Total
\$ (2,400,233)	\$ 1,211,878	\$ 7,743,132	\$ 1,462,944	\$ 8,017,721

Actuarial Methods and Assumptions

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, 2018 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, 2019 and 2018:

	2019	2018
Valuation date	June 30, 2018	June 30, 2017
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Inflation rate	3.00%	3.00%
Salary increases	3.25	3.25
Investment rate of return	7.75	7.75

Mortality

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.

Discount Rate

For the years ended June 30, 2019 and 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 years ended June 30, 2019 and 2018. Beginning July 1, 2019, the employer contribution rate will be 17.40%. 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.

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 arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 and 2018 are summarized in the following table:

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	-
	100.00 %	



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 2019 and 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 net pension liability:			
2019	\$ 428,339,772	\$ 325,309,886	\$ 239,678,446
2018	418,556,945	319,127,442	236,579,348

(b) **Optional Retirement Plan, a defined contribution plan**

The Optional Retirement Plan (ORP) was established by the Mississippi Legislature in 1990 to help attract qualified and talented institutions of higher learning faculty. The membership of the ORP is composed of teachers and administrators appointed or employed on or after July 1, 1990, who elect to participate in ORP and reject membership in PERS. The ORP provides funds at retirement for employees, and in the event of death, 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 contributions to the ORP for the years ended June 30, 2019 and 2018 were \$13,772,216 and \$12,757,414, respectively, 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.

Membership and Benefits Provided

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, the Plan is considered 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.

Contributions

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 or her 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, 2018 and 2017, the Plan provided health coverage to 327 and 334 employer units, respectively.

Disclosures under GASB Statement No. 75

The disclosures that follow for fiscal years 2019 and 2018 include all disclosures for GASB Statement No. 75 using the latest valuation report available (June 30, 2018). For fiscal year 2019, the measurement date for the State and School Employees' Life and Health Insurance Plan is June 30, 2018. 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, 2018 and 2017 for the fiscal years 2019 and 2018 financials, respectively.

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

At June 30, 2019 and 2018, the University of Mississippi reported a liability of \$20.2 million and \$19.8 million, respectively, for its proportionate share of the net OPEB liability (NOL). For fiscal year ending June 30, 2019, the NOL was measured as of June 30, 2018, 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, 2019 and 2018, the University's proportion was 2.62% and 2.52%, respectively.

For the years ended June 30, 2019 and 2018, the University recognized OPEB expense of \$968,027 and \$983,080, respectively.

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

2019

Deferred outflows

Differences between expected and actual experience	Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	Implicit rate subsidy	Total deferred outflows of resources
\$ 41,228	\$ 1,099,316	\$ 895,823	\$ 2,036,367

Deferred inflows

Changes of assumptions	Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	Total deferred inflows of resources
\$ 1,442,761	\$ —	\$ 1,442,761

\$895,823 reported as deferred outflows of resources related to OPEB resulting from the University contributions subsequent to the measurement date will be recognized as a reduction of the NOL in the year ending June 30, 2020.

2018

Deferred outflows

Deferred inflows

Changes in proportion and differences between employer OPEB benefit 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

\$844,368 reported as deferred outflows of resources related to OPEB resulting from the University contributions subsequent to the measurement date was recognized as a reduction of the NOL in 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, 2018 measurement period is 6.4 years. 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.

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

Deferred outflows (inflows) of resources year ended June 30						
2020	2021	2022	2023	2024	Thereafter	Total
\$ (67,337)	\$ (67,337)	\$ (67,337)	\$ (67,337)	\$ (41,027)	\$ 8,158	\$ (302,217)

Actuarial Methods and Assumptions

The following table provides a summary of the actuarial methods and assumptions used to determine the discount rate reported for OPEB for the years ended June 30, 2019 and 2018:

	2019	2018
Valuation date	June 30, 2018	June 30, 2017
Measurement date	June 30, 2018	June 30, 2017
Experience study	April 18, 2017	April 18, 2017
Actuarial assumptions:		
Cost method	Entry age normal	Entry age normal
Inflation rate	3.00%	3.00%
Long-term expected rate of return	4.50%	N/A
Discount rate	3.89%	3.56%
Projected cash flows	N/A	N/A
Projected salary increases	3.25% - 18.50%	3.25% - 18.50%
Healthcare cost trend rates	7.75% decreasing to 4.75% by 2028	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.

Mortality

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.

Discount Rate

For the years ended June 30, 2019 and 2018, the discount rate used to measure the total OPEB liability was 3.89% and 3.56%, respectively. The discount rate is based on an 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.

Long-term Expected Rate of Return

At June 30, 2019, the long-term expected rate of return, net of OPEB plan investment expense, including inflation was 4.50%. For fiscal year ended June 30, 2018, since there were no assets in a trust as of the measurement date, there was no projection of cash flows for the plan and no long-term expected rate of return on plan assets.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following tables presents the University's proportionate share of the NOL for 2019 and 2018, calculated using the discount rate of 3.56% and 3.89%, respectively, as well as what the University's NOL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

University of Mississippi proportionate share of net OPEB liability 2019	Discount Rate Sensitivity		
	1% Decrease	Current	1% Increase
	(2.89%)	discount rate (3.89%)	(4.89%)
	\$ 22,445,178	\$ 20,248,697	\$ 18,359,656

University of Mississippi proportionate share of net OPEB liability 2018	Discount Rate Sensitivity		
	1% Decrease	Current	1% Increase
	(2.56%)	discount rate (3.56%)	(4.56%)
	\$ 20,329,283	\$ 19,806,214	\$ 19,416,682

Sensitivity of Net OPEB Liability to Changes in the Health Care Cost Trend Rates

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:

University of Mississippi proportionate share of net OPEB liability	Health Care Cost Trend Rates Sensitivity		
	1% Decrease	Current	1% Increase
		discount rate	
2019	\$ 18,756,987	\$ 20,248,697	\$ 21,942,855
2018	18,292,366	19,806,214	21,534,429

Non-cash Impact on Fringe Benefits Expense

For the years ended June 30, 2019 and 2018, the non-cash impact of GASB Statement No. 68 on fringe benefits expense was \$15.8 and \$23.2 million, respectively. For the years ended June 30, 2019 and 2018, the non-cash impact of GASB Statement No. 75 on fringe benefits expense was \$230,793 and \$234,519, respectively.

	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
2019	\$ 81,461,858	\$ (15,808,334)	\$ (230,793)	\$ 65,422,731
2018	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 \$23,511,449 at June 30, 2019 and \$24,234,299 at June 30, 2018. This amount is included in the Statement of Net Position as follows:

	2019	2018
Net Position - Expendable for Scholarships and Fellowships	\$ 7,082,544	\$ 7,204,047
Net Position - Expendable for Other Purposes	16,428,905	17,030,252
	\$ 23,511,449	\$ 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 \$103,469,327 and \$105,143,694 for the years ended June 30, 2019 and 2018, respectively, for student loans through U.S. Department of Education lending programs. These distributions and their related funding sources are included as noncapital financing distributions and receipts in the Statements of Cash 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 years ended June 30, 2019 and 2018 were \$1,027,761 and \$1,202,740, respectively.

The Unemployment Trust Fund operates in the same manner as the Workers' Compensation Fund. The fund does not pay benefits directly to former employees. The Fund reimburses the Mississippi Department of Employment Security (MDES) for benefits the MDES pays directly to former employees. University payments to the Unemployment Trust Fund for the fiscal years ended June 30, 2019 and 2018 were \$84,845 and \$114,851, respectively.

The Tort Liability Fund was established in accordance with Section 11-46 of Mississippi State Law. The Mississippi Tort Claims Board authorized the IHL to establish a fund in order to self-insure a certain portion of its liability under the Mississippi Tort Claims Act. Effective July 1, 1993, Mississippi statute permitted tort claims to be filed against public universities. A maximum liability limit of \$500,000 per occurrence is currently permissible. During the year ended June 30, 2003, the IHL Board authorized the Tort Fund and subsequently acquired an educator's legal liability policy with a deductible of \$1,000,000. The IHL Board designated \$1,000,000 of IHL Tort Fund net assets towards any future payment of this deductible. The Tort Claims Pool also purchases a fleet automobile policy. University payments to the Tort Liability Fund for the fiscal years ended June 30, 2019 and 2018 were \$622,875 and \$424,572, respectively. The University's payments for the fleet automobile policy and a blanket public official bond for the fiscal years 2019 and 2018 were as follows:

	2019	2018
Fleet Automobile Policy	\$ 150,758	\$ 148,583
Blanket Public Official Bond	4,200	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, 2019 and 2018 is listed in the following schedule:

University of Mississippi Educational Building Corporation

	2019	2018
Total Current Assets	\$ 19,192,264	\$ 22,188,514
Total Non-current Assets	248,383,514	262,017,628
Total Assets	267,575,778	284,206,142
Total Current Liabilities	17,295,612	18,117,209
Total Non-current Liabilities	245,256,950	260,680,960
Total Liabilities	262,552,562	278,798,169
Deferred Amount of Refundings	5,023,216	5,407,973
Total Deferred Inflows of Resources	5,023,216	5,407,973
Total Net Position	-	-
Total Operating Revenues	-	-
Total Operating Expenses	-	-
Operating Income (Loss)	-	-
Total Non-operating Revenues	8,566,167	12,117,537
Total Non-operating Expenses	(8,566,167)	(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

During July 2019, the University of Mississippi Educational Building Corporation (UMEBC) issued Series 2019 revenue bonds to refund and refinance all or part of Series 2013 (Ole Miss Athletics Foundation Multi-Purpose Arena Construction Project), Series 2015 (Ole Miss Athletics Foundation Parking Facilities Refunding Project), and a taxable promissory note, Series 2017, and pay issuance costs. The total new issued bonds approximated \$76.7 million.

NOTE 20
**SIGNIFICANT DISCLOSURES FOR
THE DISCRETELY PRESENTED
COMPONENT UNIT OF THE UNIVERSITY
OF MISSISSIPPI – UNIVERSITY OF
MISSISSIPPI FOUNDATION**

(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

Net assets, revenue, expenses, gains and losses are

classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Foundation are classified into the following two classes:

- Net assets with donor restrictions consist of contributions that have been restricted by the donor for specific purposes or are time restricted, including contributions that the donor stipulate the resources be maintained in perpetuity, but permit the Foundation to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.
- Net assets without donor restrictions represent funds that are available for support of the operations of the Foundation and that are not subject to donor stipulation.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor imposed restrictions. The Foundation considers donor contributions to the various University schools and departments to be included in net assets with donor restrictions as those University units have authority over expenditures. Expenses are reported as decreases in net assets without donor restrictions. When a donor restriction expires or the stated purpose is accomplished, net assets are reclassified as applicable in the statements of activities as net assets released from restriction.

Board designated net assets are net assets without donor restrictions that are used only for the specific purpose passed by Board resolution. Changes to designations require a subsequent Board resolution. The President/CEO and other staff of the Foundation may not change the purpose of any Board designated funds without the consent of the Board. Board designated net assets are \$14,300,000 and \$15,300,000 as of June 30, 2019 and 2018, respectively. These net assets are designated for providing a general operating fund reserve and charitable gift annuity reserve.

(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 \$(344,000) and \$(467,000) is included in the contributions, gifts and bequests caption within the statements of activities for the years ended June 30, 2019 and 2018, respectively. 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 endowment funds held. Effective July 1, 2018, the Board approved a development fee of 0.4% to be utilized by the University's office of development to expand its staff and reach to increase the University's private support. For the fiscal years ended June 30, 2019 and 2018, such fees totaled approximately \$3,135,000 and \$1,744,000, respectively.

(d) Investments

Investments are recorded at fair value. The fair

values of all investments other than real estate and partnership and membership interests (which includes pooled investment 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, 2019 and 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 statements of activities based on restrictions put in place by the donor.

(3) Pledges Receivable

The Foundation obtains pledges through fund raising projects in support of various activities. All pledges are classified as net assets with donor restrictions. A summary of pledges receivable as of June 30, 2019 and 2018 is as follows:

	2019	2018
Unconditional promises expected to be collected in:		
One year	\$ 14,187,360	12,267,439
Two to five years	38,607,939	41,904,269
More than five years	28,179,628	31,353,449
	<u>80,974,927</u>	<u>85,525,157</u>
Allowances for uncollectible pledges	(2,481,848)	(2,881,202)
Present value discounts (rates ranging from 1.6% to 5.1%)	(11,887,077)	(13,111,238)
	<u>\$ 66,606,002</u>	<u>69,532,717</u>



(4) Investments

The Foundation's investments, aggregated by investment strategy, consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Investment strategy:		
Fixed income:		
U.S. government securities	\$ 3,698,434	3,179,079
Corporate bonds	20,824,579	22,685,726
Certificates of deposit	522,625	512,021
Other fixed income securities	30,707,071	49,680,983
Total fixed income	<u>55,752,709</u>	<u>76,057,809</u>
Equities:		
Common stocks	28,626,727	27,678,093
Common stock funds:		
International	660,892	830,980
Global	—	37,584,218
Mutual funds	3,515,956	3,568,017
Total equities	<u>32,803,575</u>	<u>69,661,308</u>
Real estate owned	4,079,468	3,919,468
Other short-term investments	22,555,664	8,147,048
Pooled investment funds, at NAV:		
Diversifying strategies	14,679,611	12,769,458
Energy MLP	17,429,790	18,439,862
Event driven	15,271,477	13,411,692
Fixed income	27,426,730	—
Global equity	64,584,861	31,211,088
Global equity-long only	43,921,891	47,660,692
High income	13,057,247	16,615,018
Long/short equity fund	21,039,917	19,687,193
Natural resource private fund	7,956,131	9,359,706
Private credit	14,294,096	13,325,257
Relative value	15,014,109	17,876,172
Timber fund	10,888,182	11,129,821
Other	56,083	61,932
Venture capital and private equity	143,257,089	120,598,092
Total pooled investment funds, at NAV	<u>408,877,214</u>	<u>332,145,983</u>
Total investments	<u>\$ 524,068,630</u>	<u>489,931,616</u>

(5) **Fair Value Measurement**

ASC Topic 820, *Fair Value Measurement*, 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 statements of financial position.

The following table presents the financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment strategy:				
Fixed income:				
U.S. government securities	\$ —	3,698,434	—	3,698,434
Corporate bonds	—	20,824,579	—	20,824,579
Certificates of deposit	—	522,625	—	522,625
Other fixed income securities	26,588,520	4,118,551	—	30,707,071
Total fixed income	<u>26,588,520</u>	<u>29,164,189</u>	<u>—</u>	<u>55,752,709</u>
Equities:				
Common stocks	28,626,727	—	—	28,626,727
Common stock funds:				
International	660,892	—	—	660,892
Mutual funds	3,515,956	—	—	3,515,956
Total equities	<u>32,803,575</u>	<u>—</u>	<u>—</u>	<u>32,803,575</u>
Real estate owned	—	—	4,079,468	4,079,468
Other short-term investments	22,555,664	—	—	22,555,664
	<u>\$ 81,947,759</u>	<u>29,164,189</u>	<u>4,079,468</u>	<u>115,191,416</u>
Pooled investment funds, at NAV	—	—	—	408,877,214
Total investments				<u>524,068,630</u>
Beneficial interest in trusts	\$ 3,441,055	6,832,146	—	10,273,201

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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	<u>46,444,779</u>	<u>29,613,030</u>	<u>—</u>	<u>76,057,809</u>
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	<u>69,661,308</u>	<u>—</u>	<u>—</u>	<u>69,661,308</u>
Real estate owned	—	—	3,919,468	3,919,468
Other short-term investments	8,147,048	—	—	8,147,048
	<u>\$ 124,253,135</u>	<u>29,613,030</u>	<u>3,919,468</u>	<u>157,785,633</u>
Pooled investment funds, at NAV				<u>332,145,983</u>
Total investments				<u>489,931,616</u>
Beneficial interest in trusts	\$ 3,308,622	6,558,639	—	9,867,261

The following table includes a roll forward of the amounts for the years ended June 30, 2019 and 2018 for investments classified within Level 3:

	<u>Real estate owned</u>
Balance as of June 30, 2017	\$ 4,359,468
Net realized and unrealized loss	(47,881)
Acquisitions	—
Dispositions	(392,119)
Balance as of June 30, 2018	<u>3,919,468</u>
Net realized and unrealized loss	—
Acquisitions	160,000
Dispositions	—
Balance as of June 30, 2019	<u>\$ 4,079,468</u>

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, 2019:

<u>Investment</u>	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency (if eligible)</u>	<u>Redemption notice period</u>	<u>Expected life span of investment</u>
Pooled investment funds, at NAV:					
Diversifying strategies	\$ 14,679,611	—	Semiannually	60 days	Indefinite
Energy MLP	17,429,790	—	Quarterly	60 days	Indefinite
Event driven	15,271,477	—	Quarterly	60 days	Indefinite
Fixed income	27,426,730	—	No redemption feature	None	Indefinite
Global equity	64,584,861	—	No redemption feature	None	Indefinite
Global equity-long only	43,921,891	—	No redemption feature	None	Indefinite
High income	13,057,247	—	Quarterly	120 days	Indefinite
Long/short equity fund	21,039,917	—	Quarterly	60 days	Indefinite
Natural resource private fund	7,956,131	—	No redemption feature	None	10 years
Private credit	14,294,096	—	No redemption feature	None	Indefinite
Relative value	15,014,109	—	Quarterly	65 days	Indefinite
Timber Fund	10,888,182	—	No redemption feature	None	12 years
Other	56,083	—	No redemption feature	None	Indefinite
Venture capital and private equity	143,257,089	45,221,903	No redemption feature	None	7 years to indefinite
	<u>\$ 408,877,214</u>				
Real estate:					
Real estate owned	\$ 4,079,468	—	No redemption feature	None	Indefinite
	<u>\$ 4,079,468</u>				



(6) Endowment Funds

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 segregates within the net asset class with donor restrictions, the original gift amount

Endowment net asset composition by type of fund for the years ended June 30, 2019 and 2018 were as follows

	Without donor restrictions	With donor restrictions	Total
Endowment funds:			
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be retained by donor	\$ —	261,443,280	261,443,280
Portion subject to appropriation	—	125,641,224	125,641,224
Board-designated quasi endowment	14,271,593	—	14,271,593
Total endowment funds, June 30, 2019	<u>\$ 14,271,593</u>	<u>387,084,504</u>	<u>401,356,097</u>

	Without donor restrictions	With donor restrictions	Total
Endowment funds:			
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be retained by donor	\$ —	248,665,894	248,665,894
Portion subject to appropriation	—	123,407,160	123,407,160
Board-designated quasi endowment	15,283,457	—	15,283,457
Total endowment funds, June 30, 2018	<u>\$ 15,283,457</u>	<u>372,073,054</u>	<u>387,356,511</u>



Changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2017	\$ 16,094,148	342,329,576	358,423,724
Contributions and transfers to endowment	—	11,257,665	11,257,665
Appropriation of expenditures	(1,214,616)	(11,126,526)	(12,341,142)
Investment return:			
Investment income	581,452	18,213,899	18,795,351
Net appreciation (depreciation)	(177,527)	11,398,440	11,220,913
Endowment net assets, June 30, 2018	15,283,457	372,073,054	387,356,511
Contributions and transfers to endowment	—	12,672,947	12,672,947
Appropriation of expenditures	(1,692,533)	(11,149,379)	(12,841,912)
Investment return:			
Investment income	928,004	11,913,031	12,841,035
Net appreciation (depreciation)	(247,335)	1,574,851	1,327,516
Endowment net assets, June 30, 2019	<u>\$ 14,271,593</u>	<u>387,084,504</u>	<u>401,356,097</u>

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 total amount of the gifts made to the endowment by the donor. There were no deficiencies at June 30, 2019 or 2018.

(7) **Net Assets**

Net assets with donor restrictions at June 30, 2019 and 2018 were restricted for the following purposes:

	2019	2018
Spendable:		
Academic and program support	\$ 178,032,801	158,352,067
Scholarship support	75,759,328	54,207,900
Faculty support	39,100,045	58,535,188
Library support	8,771,050	9,052,859
Total	<u>301,663,224</u>	<u>280,148,014</u>
Endowment:		
Academic and program support	\$ 54,083,486	50,170,337
Scholarship support	118,100,910	112,427,761
Faculty support	75,311,037	72,162,202
Library support	13,947,847	13,905,594
Total	<u>261,443,280</u>	<u>248,665,894</u>
Total net assets with donor restrictions	<u>\$ 563,106,504</u>	<u>528,813,908</u>

— 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 1, 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**

In accordance with ASU 2016-14, the Foundation reports net assets in two categories as follows:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. Contributions gifted for recurring programs are generally not considered “restricted” under accounting principles generally accepted in the United States of America (GAAP). Net assets restricted solely through the actions of the Board, if any, are reported as net assets without donor restrictions, board designated.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that are more restrictive than the Foundation’s general purpose. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenditures are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions 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 release from restriction between the two classes of net assets.

Income and realized and unrealized gains and losses on investments of net assets with donor restrictions are reported as follows:

- as increases in net assets with donor restrictions 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 net assets with donor restrictions if the terms of the gift impose restrictions on their use;
- as increases or decreases in net assets without donor restrictions in all other cases.

(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, 2019, 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, equity securities, fixed income and pooled accounts. 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 \$1,315,863 and \$1,413,103 as of June 30, 2019 and 2018, respectively.

(3) Pledges Receivable

The Foundation obtains pledges through fundraising programs in support of various activities. At June 30, 2019, 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, 2019 and 2018, is as follows:

	2019	2018
Receivable in one year	\$ 6,790,713	\$ 6,623,023
Receivable in one to five years	12,064,836	14,008,099
Receivable in more than five years	1,286,937	2,605,500
	\$ 20,142,486	\$ 23,236,622
Unrestricted pledges receivable	\$ 115,000	\$ 215,000
Temporarily restricted pledges receivable	20,027,486	23,021,622
	20,142,486	23,236,622
Less: Allowance for Doubtful Pledges Receivable	(1,561,327)	(1,846,153)
	18,581,159	21,390,469
Less: Unamortized Discount (2.73% at June 30, 2018)	(528,956)	(562,164)
Net Pledges Receivable	\$ 18,052,203	\$ 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, 2019 and 2018:

<u>2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity and futures	\$ 376,681	\$ -	\$ -	\$ 376,681
Fixed income	10,194,693	-	-	10,194,693
Other Investments	<u>77,228</u>	<u>-</u>	<u>-</u>	<u>77,228</u>
Total investments	10,648,602	-	-	10,648,602
Pooled investments - UM Foundation	78,210	-	-	78,210
Charitable trust	<u>1,315,863</u>	<u>-</u>	<u>-</u>	<u>1,315,863</u>
Total	<u>\$ 12,042,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,042,675</u>

<u>2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity and futures	\$ 364,520	\$ -	\$ -	\$ 364,520
Fixed income	10,190,203	-	-	10,190,203
Other Investments	<u>82,878</u>	<u>-</u>	<u>509</u>	<u>83,387</u>
Total investments	10,637,601	-	509	10,638,110
Pooled investments - UM Foundation	76,755	-	-	76,755
Charitable trust	<u>1,413,103</u>	<u>-</u>	<u>-</u>	<u>1,413,103</u>
Total	<u>\$ 12,127,459</u>	<u>\$ -</u>	<u>\$ 509</u>	<u>\$ 12,127,968</u>

(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 \$4,213,789 and \$4,141,078 at June 30, 2019 and 2018, respectively, are managed by the UM Foundation and are not included in these financial statements. Funds that amounted to \$78,210 and \$76,755 at June 30, 2019 and 2018, respectively, are managed by the UM Foundation and are included in investments. These endowments were created for the benefit of the Foundation.

(6) **Net Assets Without Donor Restrictions**

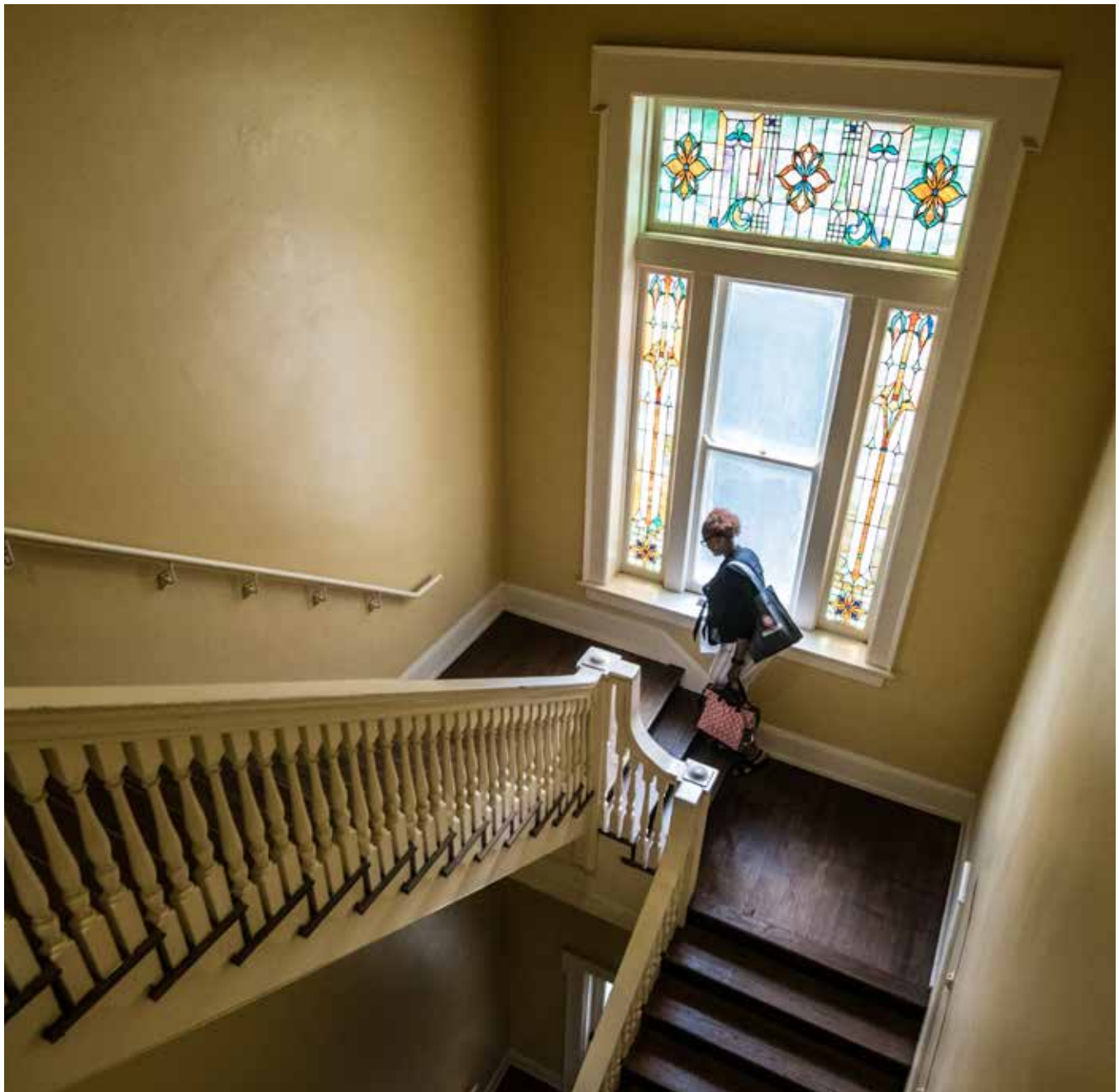
Net assets without donor restrictions as of June 30, 2019 and 2018, are detailed as shown:

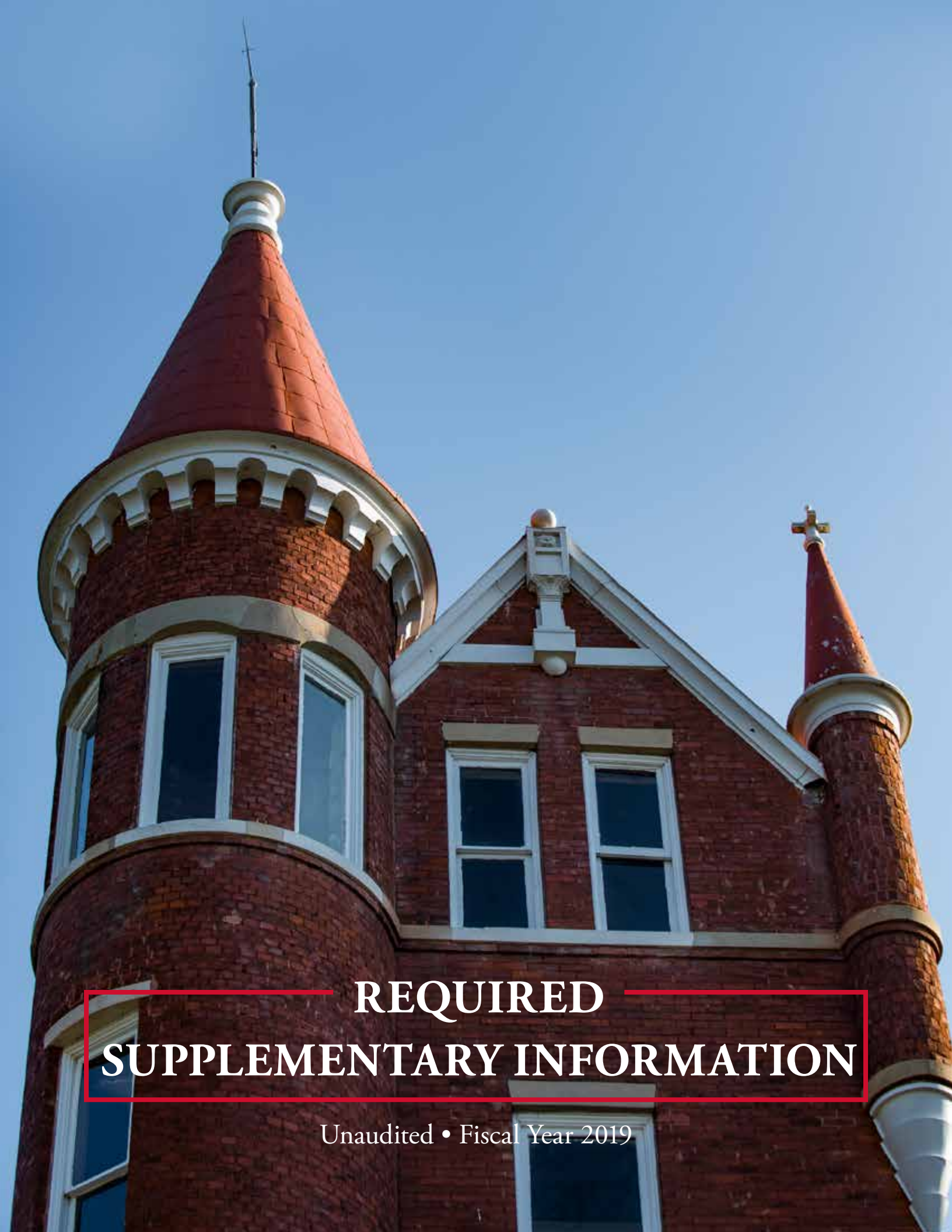
	<u>2019</u>	<u>2018</u>
Net Assets Designated by Board as a Reserve	\$ 593,448	\$ 558,345
Net Assets Without Board Designation	<u>20,424,313</u>	<u>22,659,055</u>
Total Net Assets Without Donor Restrictions	<u>\$ 21,017,761</u>	<u>\$ 23,217,400</u>

(7) **Net assets with Donor Restrictions**

Net assets with donor restrictions as of June 30 2019 and 2018, are available for the following purposes:

	2019	2018
Forward Together Campaign	\$ 9,951,637	\$ 11,850,079
Team Programs	439,753	699,720
Other	-	507
Total Time and Purpose Restrictions	<u>10,391,390</u>	<u>12,550,306</u>
Investments in Perpetuity the Income from which is expendable to Support:		
Football, Basketball, Women's Athletics	78,210	76,755
Scholarships	1,315,863	1,413,103
Total Perpetual Restrictions	<u>1,394,073</u>	<u>1,489,858</u>
Total Net Assets With Donor Restrictions	<u>\$ 11,785,463</u>	<u>\$ 14,040,164</u>





REQUIRED
SUPPLEMENTARY INFORMATION

Unaudited • Fiscal Year 2019

Schedule of Proportionate Share of the Net Pension Liability
GASB 67 Paragraph 32(b)
June 30, 2019

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%
2019	1.96%	325,309,886	124,897,390	260.46%	62.54%

Schedule of Proportionate Share of Contributions
GASB 67 Paragraph 32(c)
June 30, 2019

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%
2019	19,541,619	19,541,619	-	124,073,771	15.75%

Schedule of Proportionate Share of the Net OPEB Liability
GASB 74 Paragraph 36(a)
June 30, 2019

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%
2019	2.62%	20,248,697	118,393,742	17.10%	0.00%



Schedule of Proportionate Share of Employer Contributions
GASB 74 Paragraph 36(c)
June 30, 2019

Fiscal year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as percentage of covered- employee payroll
2018	\$ 1,102,456	\$ 779,315	\$ 323,141	\$ 113,411,739	0.69%
2019	1,232,120	901,748	330,371	118,393,742	0.76%

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 Provisions**

Changes of assumptions:

- 2019
 - o There were no changes of assumptions.
- 2018
 - o The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022.
 - o The wage inflation assumption was reduced from 3.75% to 3.25%.
 - o Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
 - o The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

- o 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 years 2019 and 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:

- 2019
 - o The SEIR was changed from 3.56% for the prior measurement date to 3.89% for the current measurement date.
- 2018
 - o 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 2019 and 2018 reflect no changes in benefit terms.







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