

THE UNIVERSITY OF MISSISSIPPI

# Financial Statements

Unaudited • Fiscal Year 2020



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# 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, 2020 and 2019. 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, Pearl, Tupelo, Booneville and Grenada. These campuses combined serve a student population of 21,676 and employ approximately 11,000 full-time employees, including more than 1,700 full-time faculty. The Oxford campus is comprised of 11 colleges and schools offering 174 degrees in 105 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, 2020 and 2019. 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)

	2020	2019
Current assets	\$ 263,583	\$ 264,612
Non-current assets	1,536,516	1,487,220
Deferred outflows of resources	29,331	30,956
Total assets	\$ 1,829,430	\$ 1,782,788
Current liabilities	\$ 128,870	\$ 89,726
Non-current liabilities	616,219	614,762
Deferred inflow of resources	10,194	14,484
Total liabilities	\$ 755,283	\$ 718,972
	2020	2019
Net investment in capital assets	\$ 929,614	\$ 927,833
Restricted, nonexpendable	54,189	53,119
Restricted, expendable	65,785	67,741
Unrestricted	24,559	15,123
Total net position	\$ 1,074,147	\$ 1,063,816

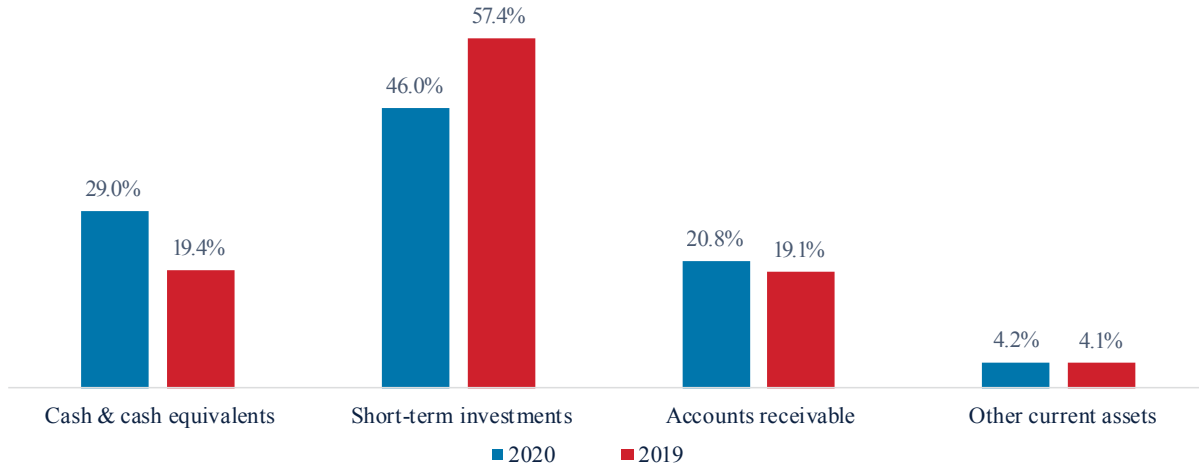
The financial position of the University strengthened during fiscal years 2020 and 2019 with total assets of \$1.83 billion and \$1.78 billion, respectively. Total liabilities increased by \$36.3 million between 2020 and 2019. The \$46.6 million increase in the current fiscal year total assets exceeded the increase in total liabilities resulting in an overall \$10.3 million increase in net position for fiscal year 2020.

The University experienced increases 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 2020 and 2019, restricted non-current cash and cash equivalents primarily were comprised of cash held by the University and the State Treasury for the purpose of major construction.

Cash, short-term investments and accounts receivable comprised approximately 96% of current assets in 2020 and 2019. Short-term investments are predominantly comprised of U.S. Treasury Notes and represent 46% and 57% of current assets for fiscal years 2020 and 2019, respectively.

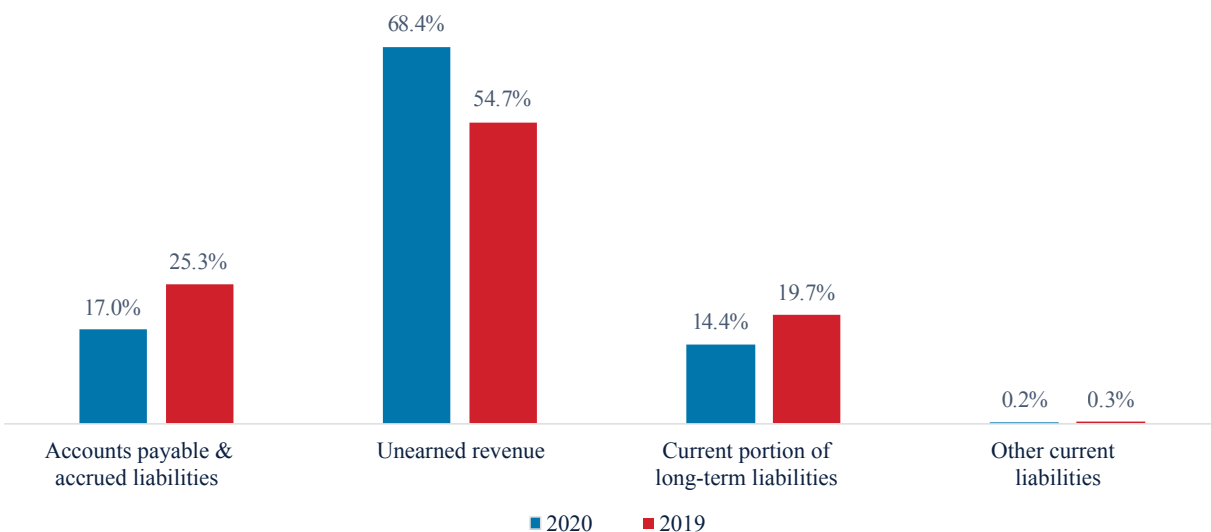
### Current Assets % of Total



The largest components of current liabilities are amounts payable to vendors and employees and unearned revenues. Unearned revenues include \$40M of construction funds from the State Treasury, 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 as of June 30, 2020 and 2019.

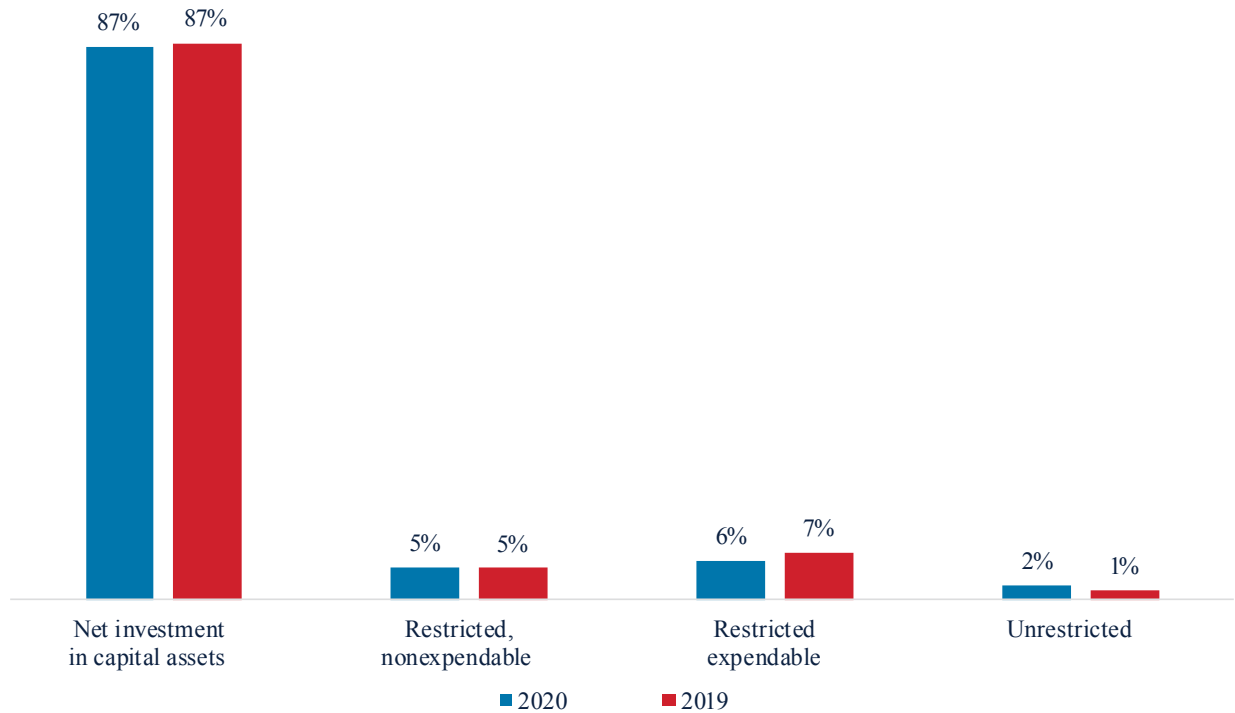
### Current Liabilities % of Total



Non-current liabilities are those liabilities due and payable more than twelve months from June 30. Net pension liability comprised 55% and 53% of long-term liabilities at June 30, 2020 and 2019, 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 \$1.07 billion and \$1.06 billion in fiscal years 2020 and 2019, 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 growth. The following chart depicts the components of net position for the current and prior fiscal year.

### Net Position % of Total

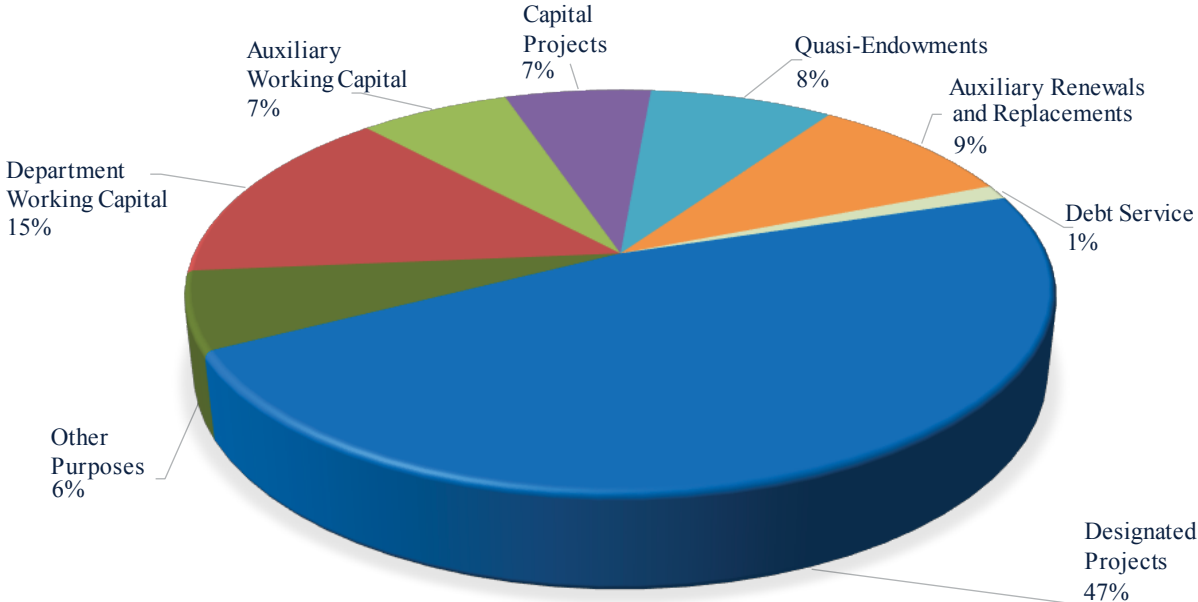


Yearly changes in net position are directly related to increased investment in capital facilities and supporting infrastructure. The unrestricted component of net position is reflective of the largest percentage of institutional operations and serves as one measure of financial viability at fiscal year-end.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

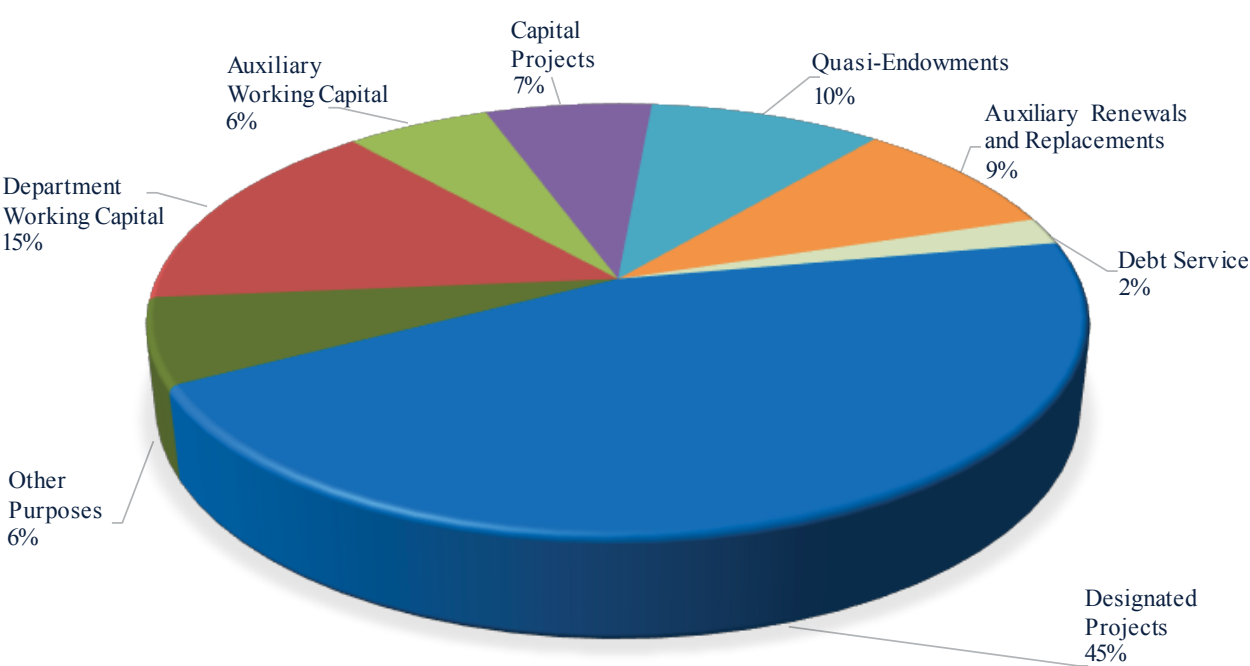


The unrestricted component of net position consists of all assets except capital assets and those restricted by external parties. The University designates or reserves the majority of unrestricted net position as part of its fiscal management and long-term strategic planning. The unrestricted net position designations and reservations in place at June 30, 2020 and 2019 are depicted in the charts below.

**June 30, 2020**



**June 30, 2019**





## 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)

	2020	2019
Operating revenues	\$ 442,319	\$ 462,508
Operating expenses	571,190	558,053
Operating loss	(128,871)	(95,545)
Non-operating revenues and expenses	130,413	123,866
Income before other revenues, expenses, gains and losses	1,542	28,321
Other revenues, expenses, gains and losses	8,789	6,390
Increase in net position	10,331	34,711
Net Position Beginning of Year - Restated	1,063,816	1,029,105
Net position, end of year	<u>\$ 1,074,147</u>	<u>\$ 1,063,816</u>

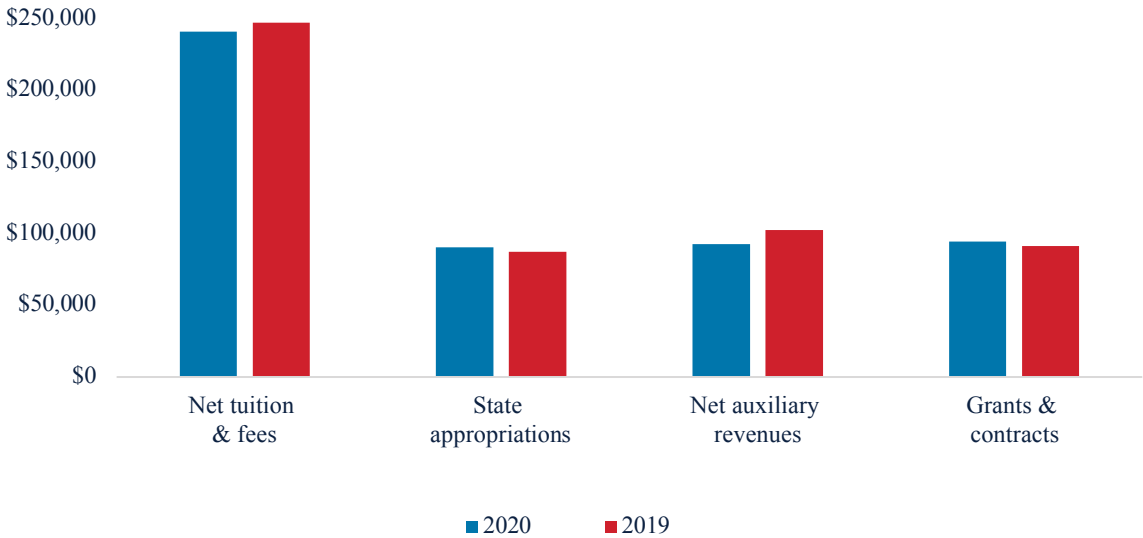


The University is supported by a mixture of revenues that is heavily dependent upon tuition and state appropriations. Several notable items concerning these revenues during the current and prior fiscal years are included below:

- Student tuition and fees provided the largest source of institutional revenues.
  - Underlying the \$355 million and \$365 million gross tuition and fees revenue for fiscal years 2020 and 2019, respectively, were 4.9% and 2.3% declines in headcount enrollment combined with a 4.4% increase in tuition rates in fiscal year 2019.
  - After deducting allowances for scholarships and doubtful accounts, net tuition and fees were \$241 million and \$247 million for fiscal years 2020 and 2019, respectively.
- Fiscal year 2020 brought 3% and 6% increases over fiscal year 2019 in revenue from federal and nongovernmental grants and contracts, respectively, while 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 contracts and grants revenues as long as economic weaknesses persist.
- For fiscal years 2020 and 2019, gifts and grants were \$45.2 million and \$35.5 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 \$4.0 million and \$10.6 million for fiscal years 2020 and 2019, respectively. Total investment income is ordinarily influenced by market fluctuations, shifts in interest rates and the amount of funds available for investment. Impacts resulting from the COVID-19 pandemic resulted in a marked decrease in the University’s investment earnings for fiscal year 2020.

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

**Operating Revenues & State Appropriations  
(thousands of dollars)**

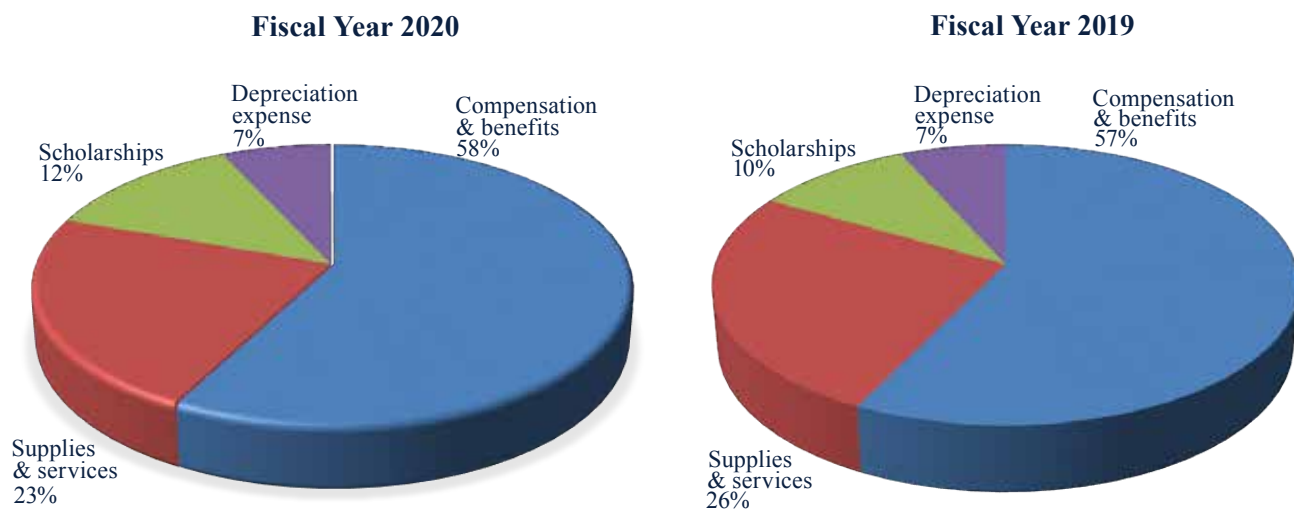




Expenses classified as operating represent the largest portion of expenses and totaled \$571 million and \$558 million in fiscal years 2020 and 2019, respectively. Personnel costs normally constitute the largest operating expense. These expenses comprised 58% and 57% of total operating expenses for fiscal years 2020 and 2019, respectively. As a rapidly growing, service-providing institution, the University anticipates that personnel costs will continue to consume a significant portion of operating revenues. The University is also strongly committed to keeping faculty-to-student ratios stable and providing competitive salaries during this cycle of growth.

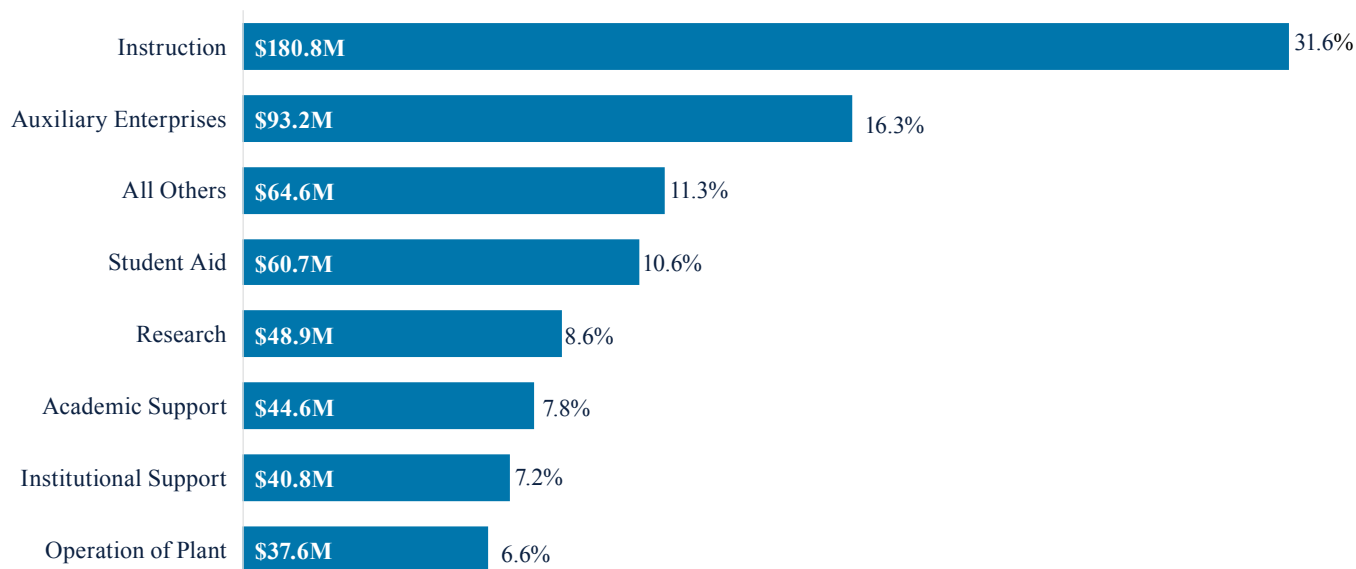
New scholarships and expansion of existing scholarship programs led to student aid expenditures of \$193 million and \$181 million during fiscal years 2020 and 2019, respectively. The total amount of scholarships provided to students is comprised of Scholarships and Fellowships included within Operating 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:

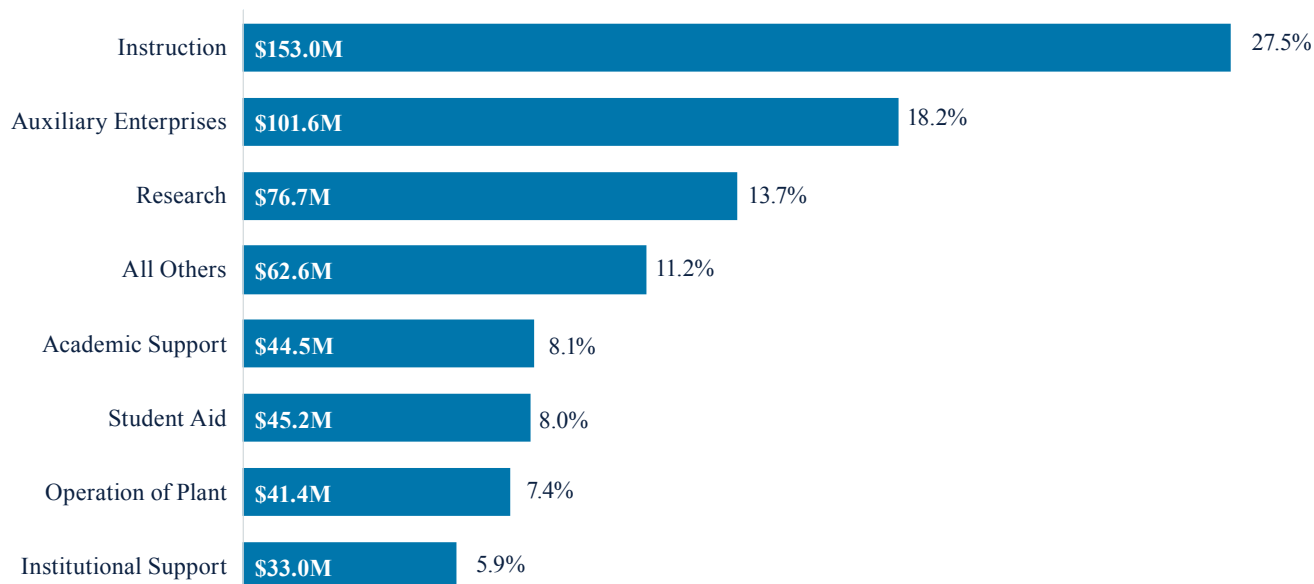


Operating expenses also are categorized according to functional area of campus activity. This classification is presented below with additional detail in Note 10 of the *Notes to Financial Statements*.

#### Fiscal Year 2020



#### Fiscal Year 2019





## 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 Statements 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)

	2020	2019
Cash provided (used) by:		
Operating activities	\$ (84,699)	\$ (44,984)
Noncapital financing activities	141,303	117,300
Capital & related financing activities	(1,786)	(56,787)
Investing activities	9,932	(26)
Net change in cash	64,750	15,503
Cash, beginning of year	60,756	45,253
Cash, end of year	<u>\$ 125,506</u>	<u>\$ 60,756</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 2020 and 2019 were student tuition and fees (\$240.2 million and \$248.4 million, respectively), auxiliary enterprises (\$91.5 million and \$99.4 million, respectively), and grants and contracts (\$89.0 million and \$89.4 million, respectively). Major operating uses of cash for fiscal year 2020 and 2019 included payments to employees for salaries and benefits (\$314.3 million and \$302.1 million, respectively) and payments to suppliers (\$107.1 million and \$115.0 million, respectively).

Major sources of cash included in noncapital financing activities for fiscal years 2020 and 2019 include state appropriations (\$89.8 million and \$87.0 million, respectively) as well as gifts and grants received for purposes other than capital projects (\$51.2 million and \$29.5 million, respectively).

There were no major sources of cash from capital and related financing activities in fiscal year 2019. The major source of cash presented as part of capital and related financing activities for fiscal year 2020 was derived from the issuance of bonds and notes related to capital projects (\$89.7 million). The State Treasury advanced the University \$40 million of construction

funds included in cash from capital and related financing activities for fiscal year 2020 resulting in a net cash provided from capital grants and contracts of \$34.1 million. For fiscal year 2019, cash provided from capital grants and contracts was \$3.4 million. Major uses of cash in this section for fiscal years 2020 and 2019 included the payments for capital assets (\$17.1 million and \$35.3 million, respectively) and principal and interest payments made on capital debt (\$109.9 million and \$24.0 million, respectively).

Sources of cash in the investing activities section for fiscal years 2020 and 2019 included sales and maturities of investments and interest received on investments (\$270.1 million and \$95.7 million, respectively). Uses of cash included in this section were for purchases of investments (\$260.2 million and \$95.7 million) for fiscal years 2020 and 2019, 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 net investments in facilities and infrastructure of \$17 million and \$35 million in fiscal years 2020 and 2019, respectively. Long-term debt is typically a component of many

large capital improvement projects. For fiscal year 2020, the University issued bonds totaling \$76,715,000 to refund and advance refund for interest rate savings all or a portion of the Series 2013C (Pavilion at Ole Miss) and Series 2015 (Pavilion at Ole Miss Parking Garage) bonds, and the Trustmark National Bank note payable (Oxford-University Stadium at Swayze Field). No new long-term debt was issued during fiscal year 2019.

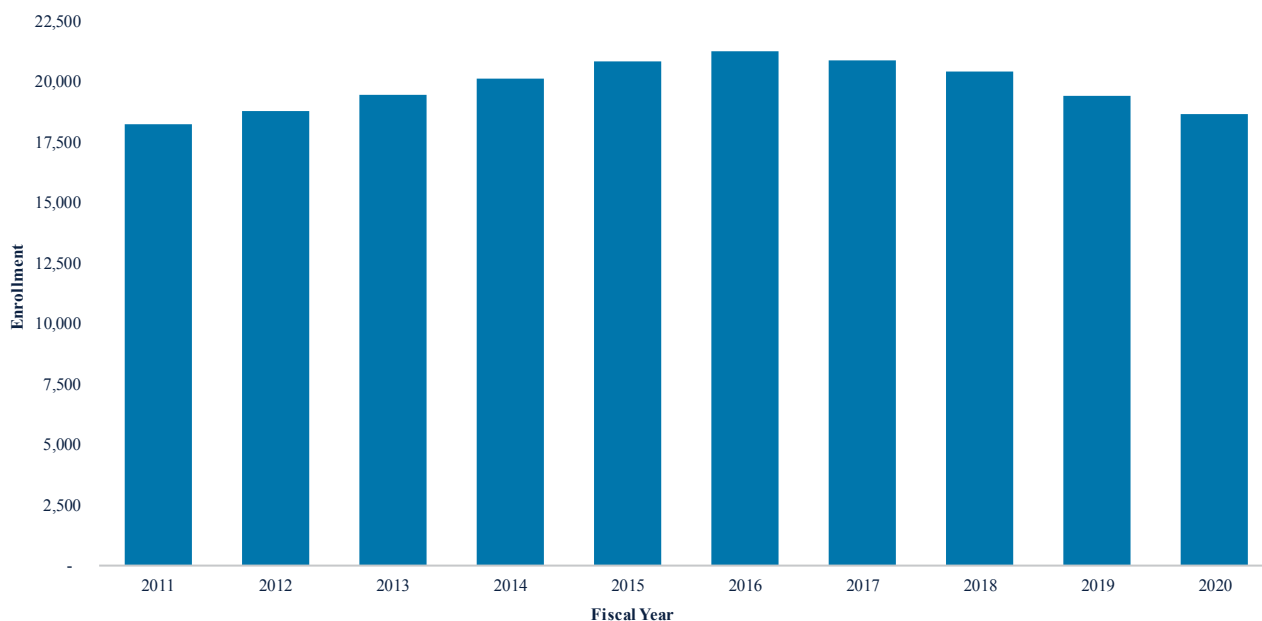
More information on long-term debt is available in Note 8 in the *Notes to Financial Statements*.

### Operational Highlights

The University has been able to maintain a consistent and stable financial position throughout recent periods. This result has been accomplished despite challenging economic circumstances that created unsteady financial markets and destabilized state and federal support for public institutions of higher education.

A 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 2019 enrollment (fiscal year 2020) decreased from fall 2018 enrollment (fiscal year 2019) by 4.9%. Fall 2018 enrollment (fiscal year 2019) decreased from fall 2017 (fiscal year 2018) by 2.3%. Over the past five years, fall enrollments have a net decrease of 6.8%.
- The freshman classes for fall 2019 and fall 2018 were 3,243 and 3,457, respectively. The freshman class increased 3% from fall 2013 through fall 2017 before the decreases in overall enrollment including the freshman class for fall 2018 and fall 2019.
- State appropriations increased in fiscal year 2020 by 3.6%. Fiscal year 2019 state appropriations increased by 1% over the fiscal year 2018 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 fiscal year, the net return over the past three years was 1.8%.

- Based on preliminary applications and year-to-date comparisons, management expects enrollment demand to soften but become more stable.
- The University participates in four off-campus branch campuses associated with four separate public community colleges. The associated community colleges offer freshman and sophomore classes, and the University offers junior, senior and graduate classes.

### **Management's Outlook**

University management continues to have a cautiously optimistic financial outlook. The University has adapted to the challenges and inconsistencies of the 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. The University has enhanced and will focus its future efforts in this area with the creation of a cabinet level enrollment management function that will plan, coordinate, and lead these institutional efforts.

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 & Finance*



# FINANCIAL STATEMENTS



**UNIVERSITY OF MISSISSIPPI**  
**Statements of Net Position**

<b>Assets and Deferred Outflows</b>	<b>2020</b>	<b>2019</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 76,447,443	\$ 51,506,639
Short-term investments	121,124,118	151,791,897
Accounts receivable, net	54,857,318	50,489,652
Student notes receivable, net	8,266,151	8,290,605
Inventories	1,147,764	1,044,141
Prepaid expenses	1,739,846	1,489,100
Total current assets	263,582,640	264,612,034
<b>Non-current assets:</b>		
Restricted cash and cash equivalents	49,058,388	9,249,788
Endowment investments	91,029,230	105,106,759
Other long-term investments	208,890,811	170,180,647
Student notes receivable, net	24,064,682	23,105,413
Capital assets, net	1,156,519,231	1,179,407,086
Other non-current assets	6,953,569	169,900
Total non-current assets	1,536,515,911	1,487,219,593
Total assets	1,800,098,551	1,751,831,627
<b>Deferred outflows of resources:</b>		
Pension related to deferred outflows	25,804,590	28,920,015
OPEB related to deferred outflows	3,526,537	2,036,367
Total deferred outflows of resources	29,331,127	30,956,382
Total assets and deferred outflows of resources	\$ 1,829,429,678	\$ 1,782,788,009
<b>Liabilities, Deferred Inflows and Net Position</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 21,878,648	\$ 22,671,352
Unearned revenues	88,144,472	49,107,749
Accrued leave liabilities-current portion	2,078,000	1,904,000
Long-term liabilities-current portion	16,454,498	15,760,147
Other current liabilities	314,188	283,120
Total current liabilities	128,869,806	89,726,368

**UNIVERSITY OF MISSISSIPPI**  
**Statements of Net Position Continued**

<b>Non-current liabilities:</b>	<u>2020</u>	<u>2019</u>
Net pension liability	339,244,839	325,309,886
Net OPEB liability	22,349,145	20,248,697
Deposits refundable	126,116	108,814
Accrued leave liabilities	15,272,235	14,600,919
Long-term liabilities	230,578,868	245,256,950
Other non-current liabilities	<u>8,647,900</u>	<u>9,236,200</u>
Total non-current liabilities	<u>616,219,103</u>	<u>614,761,466</u>
Total liabilities	745,088,909	704,487,834
 <b>Deferred inflows of resources:</b>		
Deferred amount of refundings	4,638,458	5,023,215
Pension related to deferred inflows	4,076,672	8,017,720
OPEB related to deferred inflows	<u>1,478,817</u>	<u>1,442,761</u>
Total deferred inflows of resources	<u>10,193,947</u>	<u>14,483,696</u>
Total liabilities and deferred inflows of resources	<u>\$ 755,282,856</u>	<u>\$ 718,971,530</u>
 <b>Net position:</b>		
Net investment in capital assets	\$ 929,614,093	\$ 927,832,854
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	9,599,094	8,881,093
Research	143,446	141,661
Other purposes	44,446,253	44,096,278
Expendable:		
Scholarships and fellowships	5,750,263	7,337,252
Research	8,322,298	7,926,517
Capital projects	7,677,581	4,259,739
Loans	28,280,042	25,973,747
Other purposes	15,755,205	22,244,180
Unrestricted	<u>24,558,547</u>	<u>15,123,158</u>
Total net position	<u>\$ 1,074,146,822</u>	<u>\$ 1,063,816,479</u>

*See accompanying notes to financial statements.*

**UNIVERSITY OF MISSISSIPPI**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**THE UNIVERSITY OF MISSISSIPPI FOUNDATION**  
**Statements of Financial Position**

June 30, 2020 and 2019

<b>Assets</b>	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 12,974,805	\$ 7,472,205
Pledges receivable, net	80,841,525	66,606,002
Investments	496,354,507	524,068,630
Beneficial interests in trusts	10,229,426	10,273,201
Property and equipment, net	2,091,723	2,297,732
Other assets	<u>1,322,329</u>	<u>1,575,992</u>
Total assets	<u>\$ 603,814,315</u>	<u>\$ 612,293,762</u>
<b>Liabilities and net assets</b>		
Funds held for others	\$ 23,079,151	\$ 24,120,347
Liabilities under remainder trusts and gift annuities	3,223,775	4,413,780
Other liabilities	<u>2,932,785</u>	<u>4,634,069</u>
Total liabilities	<u>29,235,711</u>	<u>33,168,196</u>
Net assets:		
Without donor restrictions	15,782,334	16,019,062
With donor restrictions	<u>558,796,270</u>	<u>563,106,504</u>
Total net assets	<u>574,578,604</u>	<u>579,125,566</u>
Total liabilities and net assets	<u>\$ 603,814,315</u>	<u>\$ 612,293,762</u>

*See accompanying notes to financial statements.*



**UNIVERSITY OF MISSISSIPPI**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**OLE MISS ATHLETICS FOUNDATION**  
**Statements of Financial Position**

June 30, 2020 and 2019

<b>Assets</b>	<b>2020</b>	<b>2019</b>
Current assets:		
Cash without donor restrictions	\$ 3,596,090	\$ 4,949,641
Cash with donor restrictions	5,132,918	4,924,692
Investments	4,931,814	10,648,602
UM/UMF receivable	521,610	1,077,361
Pledges receivable, current portion	6,808,709	6,648,273
CGA pledges receivable, net	31,101	142,440
Annual fund pledges receivable	3,943,352	4,493,314
Note receivable, current portion	1,777,958	-
Other receivables	48,434	61,023
Prepaid expenses	73,780	106,904
Total current assets	<u>26,865,766</u>	<u>33,052,250</u>
Long-term pledges receivable, net of current portion	<u>9,032,022</u>	<u>11,261,490</u>
Long-term note receivable, net of current portion	897,863	-
Charitable trust	1,328,172	1,315,863
Property and equipment, net	23,762,290	25,482,409
Endowment	70,018	78,210
Other assets	25,000	25,000
Cash surrender value of life insurance	473,865	455,330
Total assets	<u>\$ 62,454,996</u>	<u>\$ 71,670,552</u>

**UNIVERSITY OF MISSISSIPPI**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**OLE MISS ATHLETICS FOUNDATION**  
**Statements of Financial Position Continued**

June 30, 2020 and 2019

<b>Liabilities and net assets</b>	<b>2020</b>	<b>2019</b>
Current liabilities:		
Current installments of long-term debt	\$ 1,296,314	\$ 1,499,043
Accounts payable	256,645	262,172
Payroll and taxes payable	122,561	74,761
Deferred liability, current portion	1,981,868	25,000
Deferred revenue, current portion	164,819	577,578
UM payable	7,984,507	13,057,886
Total current liabilities	11,806,714	15,496,440
Long-term debt, net of current installments	26,699,750	23,090,682
Less debt issuance costs, net	(37,112)	(43,566)
Net debt	26,662,638	23,047,116
Deferred liability, net of current portion	5,414,166	-
Long-term deferred revenue, net of current portion	158,954	323,772
Total liabilities	44,042,472	38,867,328
Net assets:		
Net assets without donor restrictions	7,560,969	21,017,761
Net assets with donor restrictions	10,851,555	11,785,463
Total net assets	18,412,524	32,803,224
Total liabilities and net assets	\$ 62,454,996	\$ 71,670,552

*See accompanying notes to financial statements.*

**UNIVERSITY OF MISSISSIPPI**  
**Statements of Revenues, Expenses and Changes in Net Position**

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Tuition and fees	\$ 354,795,561	\$ 365,045,526
Less scholarship allowances	(114,482,420)	(116,949,312)
Less bad debt expense	320,502	(1,282,067)
	<u>240,633,643</u>	<u>246,814,147</u>
Net tuition and fees	240,633,643	246,814,147
Federal grants and contracts	47,903,329	46,501,830
State grants and contracts	13,752,690	13,967,708
Nongovernmental grants and contracts	32,768,588	30,836,276
Sales and services of educational departments	6,552,780	7,097,135
Auxiliary enterprises:		
Student housing	19,599,856	26,403,396
Food services	2,559,299	3,892,427
Bookstore	393,528	496,430
Athletics	69,332,035	68,340,565
Other auxiliary revenues	6,583,125	11,397,161
Less auxiliary enterprise scholarship allowances	(6,025,390)	(7,996,535)
Interest earned on loans to students	511,820	659,652
Other operating revenues, net	7,753,773	14,098,202
	<u>442,319,076</u>	<u>462,508,394</u>
Total operating revenues	442,319,076	462,508,394
Operating expenses:		
Salaries and wages	244,592,749	237,855,828
Fringe benefits	84,671,830	81,461,858
Travel	10,658,422	15,461,024
Contractual services	78,743,413	82,239,515
Utilities	11,077,833	13,818,502
Scholarships and fellowships	72,384,930	55,840,960
Commodities	29,084,257	33,302,904
Depreciation	39,269,650	37,375,537
Other operating expenses	707,415	697,069
	<u>571,190,499</u>	<u>558,053,197</u>
Total operating expenses	571,190,499	558,053,197
Operating income (loss)	<u>(128,871,423)</u>	<u>(95,544,803)</u>

**UNIVERSITY OF MISSISSIPPI**  
**Statements Of Revenues, Expenses And Changes In Net Position Continued**

	<b>2020</b>	<b>2019</b>
Non-operating revenues (expenses):		
State appropriations	90,173,418	87,076,804
Gifts and grants	45,169,385	35,514,047
Investment income	3,983,193	10,612,790
Interest expense on capital asset-related debt	(8,710,744)	(8,532,509)
Other non-operating revenues	588,300	-
Other non-operating expenses	(790,164)	(804,658)
Total non-operating revenues (expenses), net	130,413,388	123,866,474
Income (loss) before other revenues, expenses, gains and losses	1,541,965	28,321,671
Other revenues, expenses, gains and losses:		
Capital grants and gifts	4,861,699	5,399,953
State appropriations restricted for capital purposes	4,115,751	1,333,562
Additions to permanent endowments	7,232	7,272
Other additions	303,999	396,609
Other deletions	(500,303)	(747,734)
Change in net position	10,330,343	34,711,333
Net position - beginning of year	1,063,816,479	1,029,105,146
Net position - end of year	\$ 1,074,146,822	\$ 1,063,816,479

*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, 2020

	Without donor restrictions	With donor restrictions	Total
Revenues, gains and other support:			
Contributions, gifts and bequests	\$ -	\$ 58,663,178	\$ 58,663,178
Investment return, net	1,530,275	(26,016,208)	(24,485,933)
Change in value of split-interest agreements	-	631,182	631,182
Gift management fees	1,819,436	(1,819,436)	-
Development fees	1,450,096	(1,450,096)	-
Other income	953,216	3,394,304	4,347,520
Total revenues, gains and other support	5,753,023	33,402,924	39,155,947
Net assets released from restrictions/ redesignated by donor			
Appropriation from donor endowment	8,747,683	(8,747,683)	-
Satisfaction of program restrictions	28,965,475	(28,965,475)	-
Expenses:			
Support for University activities:			
Academic	5,183,557	-	5,183,557
Scholarship	9,336,811	-	9,336,811
Programmatic	19,086,224	-	19,086,224
University of Mississippi Medical Center	4,998,169	-	4,998,169
General and administrative expenses	2,914,710	-	2,914,710
Fund-raising expenses	2,183,438	-	2,183,438
Total expenses	43,702,909	-	43,702,909
Change in net assets	(236,728)	(4,310,234)	(4,546,962)
Net assets, beginning of year	16,019,062	563,106,504	579,125,566
Net assets, end of year	\$ 15,782,334	\$ 558,796,270	\$ 574,578,604

*See accompanying notes to financial statements.*

**UNIVERSITY OF MISSISSIPPI**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**THE UNIVERSITY OF MISSISSIPPI FOUNDATION**  
**Statements of Activities Continued**

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	5,974,931	67,771,088	73,746,019
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	40,499,697	-	40,499,697
Change in net assets	(1,046,274)	34,292,596	33,246,322
Net assets, beginning of year	17,065,336	528,813,908	545,879,244
Net assets, end of year	\$ 16,019,062	\$ 563,106,504	\$ 579,125,566

*See accompanying notes to financial statements.*

**UNIVERSITY OF MISSISSIPPI**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**OLE MISS ATHLETICS FOUNDATION**  
**Statements of Activities**

Year ended June 30, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues and Support:			
Annual fund contributions	\$ 17,961,103	\$ -	\$ 17,961,103
Other contributions	-	7,421,869	7,421,869
Other revenues (expenses)	1,850,780	130,625	1,981,405
Net assets released from restrictions	8,486,402	(8,486,402)	-
Total revenues and support	28,298,285	(933,908)	27,364,377
Expenses:			
Program expenses			
Support for Athletics Department activities	33,200,070	-	33,200,070
Support for team programs	470,284	-	470,284
Other restricted expenses including facilities	6,422,457	-	6,422,457
Fundraising expenses	1,138,468	-	1,138,468
Management and general expenses	523,798	-	523,798
Total expenses	41,755,077	-	41,755,077
Increase (decrease) in net assets	(13,456,792)	(933,908)	(14,390,700)
Net assets at beginning of year	21,017,761	11,785,463	32,803,224
Net assets at end of year	\$ 7,560,969	\$ 10,851,555	\$ 18,412,524

*See accompanying notes to financial statements.*

**UNIVERSITY OF MISSISSIPPI**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**OLE MISS ATHLETICS FOUNDATION**  
**Statements of Activities Continued**

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	33,713,295	(6,234,152)	27,479,143
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	31,933,483	-	31,933,483
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	\$ 21,017,761	\$ 11,785,463	\$ 32,803,224

*See accompanying notes to financial statements.*

**UNIVERSITY OF MISSISSIPPI**  
**Statements of Cash Flows**

	2020	2019
Operating activities:		
Tuition and fees	\$ 240,202,593	\$ 248,392,894
Grants and contracts	88,958,447	89,445,290
Sales and services of educational departments	6,337,222	7,296,573
Payments to suppliers	(107,099,100)	(115,014,652)
Payments to employees for salaries and benefits	(314,338,067)	(302,074,739)
Payments for utilities	(11,880,437)	(14,112,819)
Payments for scholarships and fellowships	(72,587,262)	(55,700,468)
Loans issued to students and employees	(4,007,400)	(4,132,486)
Collection of loans to students and employees	2,287,212	2,415,872
Auxiliary enterprise charges:		
Student housing	15,329,219	14,555,409
Food services	2,942,264	3,921,630
Bookstore	393,528	538,196
Athletics	64,749,758	68,858,490
Other auxiliary enterprises	8,071,296	11,496,355
Interest earned on loans to students	511,820	659,652
Other receipts	7,184,254	13,974,857
Other payments	(11,754,342)	(15,503,746)
	(84,698,995)	(44,983,692)
Net cash used by operating activities		
Noncapital financing activities:		
State appropriations	89,843,849	87,030,385
Gifts and grants for other than capital purposes	51,171,385	29,543,358
Private gifts for endowment purposes	7,232	7,272
Federal loan program receipts	95,971,950	103,469,327
Federal loan program disbursements	(95,971,950)	(103,469,327)
Other sources	285,050	865,166
Other uses	(4,656)	(146,028)
	141,302,860	117,300,153
Net cash provided by noncapital financing activities		



**UNIVERSITY OF MISSISSIPPI**  
**Statements of Cash Flows Continued**

	2020	2019
Capital and related financing activities:		
Proceeds from capital debt	89,748,330	-
Cash paid for capital assets	(17,087,124)	(35,315,916)
Capital appropriations received	3,698,151	-
Capital grants and contracts received	34,115,031	3,403,973
Proceeds from capital assets	18,949	144,876
Principal paid on capital debt and leases	(102,495,044)	(15,451,078)
Interest paid on capital debt and leases	(7,367,160)	(8,602,662)
Other sources	-	176,328
Other uses	(2,416,939)	(1,142,791)
	(1,785,806)	(56,787,270)
Net cash used by capital and related financing activities		
Investing activities:		
Proceeds from sales and maturities of investments	259,970,029	92,209,310
Interest received on investments	10,133,010	3,514,468
Purchases of investments	(260,171,694)	(95,749,804)
	9,931,345	(26,026)
Net cash provided (used) by investing activities		
Net change in cash and cash equivalents	64,749,404	15,503,165
Cash and cash equivalents - beginning of year	60,756,427	45,253,262
Cash and cash equivalents - end of year	\$ 125,505,831	\$ 60,756,427
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (128,871,423)	\$ (95,544,803)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	39,269,650	37,375,537
Self-insured claims expense	-	-
Provision for uncollectible receivables	(294,052)	1,336,717
Other	-	-

**UNIVERSITY OF MISSISSIPPI**  
**Statements of Cash Flows Continued**

	2020	2019
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Receivables, net	(4,672,943)	(830,195)
Inventories	(103,622)	(64,233)
Prepaid expenses	(245,747)	88,439
Loans to students and employees	(1,621,314)	(1,752,085)
Deferred outflows of resources	1,625,255	7,931,970
Other assets	-	(50)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(453,863)	1,057,115
Unearned revenue	(963,246)	(3,924,431)
Deposits refundable	(1,343,415)	-
Accrued leave liability	845,316	1,235,170
Net pension liability	13,934,953	6,182,444
Net OPEB liability	2,100,448	442,483
Deferred inflows of resources	(3,904,992)	1,482,230
Other liabilities	-	-
Total adjustments	44,172,428	50,561,111
Net cash used by operating activities	\$ (84,698,995)	\$ (44,983,692)
Reconciliation of cash and cash equivalents:		
Current assets - cash and cash equivalents	76,447,443	51,506,639
Non-current assets - restricted cash and cash equivalents	49,058,388	9,249,788
Cash and cash equivalents - end of year	\$ 125,505,831	\$ 60,756,427
Noncash capital related financing and investing activities:		
Capital assets acquired through donations	\$ 417,600	\$ 1,333,562
Capital appropriations from the State of Mississippi	767,462	1,008,762

*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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (4,546,962)	\$ 33,246,322
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	146,098	146,875
Contributions restricted for long-term purposes and split-interest agreements	(8,447,817)	(11,461,225)
Gifts in kind transferred to the University	165,733	-
Net realized and unrealized (gains) losses on investments	33,767,311	(15,212,955)
Net loss on disposal of property and equipment	14,567	-
Provision for uncollectible pledges	590,675	(343,649)
Changes in operating assets and liabilities:		
Other assets	253,663	268,078
Pledges receivable	(14,826,198)	3,270,364
Funds held for others	689,599	(1,346,572)
Beneficial interest in perpetual trust	(8,625)	99,195
Beneficial interest in remainder trust	43,775	(405,940)
Liabilities under remainder trusts	(605,655)	(65,408)
Other liabilities	<u>(1,701,284)</u>	<u>2,133,887</u>
Net cash provided by operating activities	<u>5,534,880</u>	<u>10,328,972</u>
Cash flows from investing activities:		
Purchases of property and equipment	(120,389)	(119,683)
Purchase of investments	(106,820,091)	(152,076,139)
Proceeds from sales and maturities of investments	98,729,569	134,329,340
Net cash used in investing activities	<u>(8,210,911)</u>	<u>(17,866,482)</u>
Cash flows from financing activities:		
Contributions restricted for long-term purposes and split-interest agreements	8,447,817	11,461,225
Payments to beneficiaries under remainder trusts	<u>(269,186)</u>	<u>(317,800)</u>
Net cash provided by financing activities	<u>8,178,631</u>	<u>11,143,425</u>
Net increase in cash and cash equivalents	5,502,600	3,605,915
Cash and cash equivalents:		
Beginning of year	<u>7,472,205</u>	<u>3,866,290</u>
End of year	<u>\$ 12,974,805</u>	<u>\$ 7,472,205</u>

*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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (14,390,700)	\$ (4,454,340)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,726,572	1,766,006
Amortization of debt issuance costs	6,454	1,614
Bad debt expense	1,370,681	847,830
Provision for uncollectible pledges restricted for long-term purposes	(1,124)	(284,825)
Amortization of discount on pledges restricted for long-term purposes	(105,792)	(33,208)
Contributions restricted for long-term purposes	(7,813,599)	(5,737,264)
Unrealized and realized gain/loss on sale of investments	(88,605)	(285,414)
Cash surrender value of life insurance	(18,535)	(39,446)
(Increase) decrease in:		
UM/UMF receivable	555,751	(558,173)
Pledges receivable	2,172,560	271,979
CGA pledges receivable	(9,666)	(8,861)
Annual fund pledges receivable	549,962	(39,270)
Prepaid and other assets	45,713	717,795
Increase (decrease) in:		
Accounts payable	(5,527)	(1,471,262)
Other current liabilities	47,800	(44,941)
Deferred liabilities	4,695,213	(445,000)
Deferred revenues	(577,577)	-
UM payable	(5,073,379)	8,203,291
Net cash used in operating activities	<u>(16,913,798)</u>	<u>(1,593,489)</u>
Cash flows from investing activities		
Proceeds from sale of investments	6,345,828	617,179
Purchases of property and equipment and construction in progress	(6,453)	(11,041)
Purchase of investments	(544,551)	(246,472)
Net cash provided by (used in) investing activities	<u>5,794,824</u>	<u>359,666</u>

**UNIVERSITY OF MISSISSIPPI**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**OLE MISS ATHLETICS FOUNDATION**  
**Statements of Cash Flows Continued**

Years ended June 30, 2020 and 2019

Cash flows from financing activities		
Contributions restricted for long-term purposes	6,567,310	7,720,451
Proceeds from long-term debt	5,000,000	-
Payments on long-term debt	<u>(1,593,661)</u>	<u>(2,545,791)</u>
Net cash provided by financing activities	<u>9,973,649</u>	<u>5,174,660</u>
Net change in cash and cash equivalents	(1,145,325)	3,940,837
Cash and cash equivalents at beginning of year	<u>9,874,333</u>	<u>5,933,496</u>
Cash and cash equivalents at end of year	<u>\$ 8,729,008</u>	<u>\$ 9,874,333</u>
Cash and cash equivalents at end of year		
Cash without donor restrictions	\$ 3,596,090	\$ 4,949,641
Cash with donor restrictions	<u>5,132,918</u>	<u>4,924,692</u>
	<u>\$ 8,729,008</u>	<u>\$ 9,874,333</u>
Supplemental disclosures of cash flow information		
Cash paid for interest, including capitalized interest; 2020, \$ 25,911; 2019, \$ 0	<u>\$ 1,077,392</u>	<u>\$ 772,022</u>
Non-cash financing activity		
Note paid off by refinancing with another bank	\$ -	\$ 16,483,181
Debt issuance costs	-	<u>45,180</u>
Principal amount of new note	<u>\$ -</u>	<u>\$ 16,528,361</u>
Note receivable issued	\$ (3,555,916)	-
Less payments received from payroll withholding	<u>880,095</u>	-
Note receivable, net	<u>\$ (2,675,821)</u>	<u>\$ -</u>

*See accompanying notes to financial statements.*



A scenic autumn landscape featuring a path winding through trees with vibrant yellow and orange foliage. A dark wooden bench is visible in the lower right foreground. The scene is bathed in warm sunlight, creating a peaceful and inviting atmosphere.

# NOTES TO FINANCIAL STATEMENTS



## 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, 2020 and 2019, the Foundation distributed \$41.1 million and \$39.9 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, 2020 and 2019, the Athletics Department requested such annual support from the Foundation totaling \$5.3 million and \$8.7 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, 2020 and 2019, accumulated appreciation of \$13,936,996 and \$23,511,449, 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. There was no capitalized interest for fiscal years 2020 or 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 \$8.6 and \$9.2 million as of June 30, 2020 and 2019, 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.

#### **(ab) 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.

#### **(ac) 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.

#### **(ad) 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 \$24,558,547 and \$15,123,158 at June 30, 2020 and 2019, respectively, which reflects



increases of \$9,435,389 and \$22,818,894 in fiscal years 2020 and 2019. 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 \$317,516,921 and \$304,407,591 for 2020 and 2019, 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 \$20,301,425 and \$19,655,091 for 2020 and 2019, respectively. Excluding the net effect of the GASB implementations, the unrestricted net position at June 30, 2020 includes \$58,368,501 reserved for auxiliary operations, renewals and replacements; \$52,587,218 reserved for departmental working capital; \$23,611,713 reserved for capital projects; \$29,763,715 reserved for quasi-endowments; \$4,237,375 reserved for debt service; \$171,189,419 reserved for designated projects; and \$22,618,952 reserved for other purposes. 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.

**(ae) New Accounting Standards**

During fiscal year 2020, the University of Mississippi adopted GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic.

This Statement extends the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The requirements of this Statement apply to the financial statements of all state and local governments. The following recently issued accounting standards were affected by this postponement.

**(af) Recently Issued Accounting Standards**

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This standard establishes criteria to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The original effective date of this Statement was for reporting periods beginning after December 15, 2018. This Statement is now effective for reporting periods beginning after December 15, 2019.

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. The original effective date for this Statement was for fiscal years beginning after December 15, 2019. This Statement is now effective for fiscal years beginning after June 15, 2021.



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. The original effective date for this Statement was for fiscal years beginning after December 15, 2019. This Statement is now effective for fiscal years beginning after December 15, 2020.

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. The original effective date of this Statement was for fiscal years beginning after December 15, 2018. This Statement is now effective for fiscal years beginning after December 15, 2019.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are 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. The original effective date of this Statement was for fiscal years beginning after December 15, 2020. This Statement is now effective for fiscal years beginning after December 15, 2021.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*.

As a result of global reference rate reform, the London Interbank Offered Rate (LIBOR) is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates. The removal of LIBOR as an appropriate benchmark interest rate was effective for reporting periods ending after December 31, 2021 with all other requirements of this Statement effective for reporting periods after June 15, 2020. This statement is now effective for reporting periods beginning after June 15, 2021.

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 \$58,129,895 and \$6,260,529, respectively, in money market mutual funds with underlying portfolios with credit ratings of AAA as of June 30, 2020 and June 30, 2019.

### **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:

	<u>2020</u>	<u>2019</u>
Cash	\$ 76,447,443	\$ 51,506,639
Restricted cash and cash equivalents	49,058,388	9,249,788
U.S. Treasury securities	257,504,924	251,474,805
U.S. government agency securities	72,510,005	70,497,739
Global equity securities	7,109,174	10,664,202
Fixed income mutual funds	-	-
International equity mutual funds	-	-
Domestic equity mutual funds	1,570,612	1,687,581
Equity long/short hedge funds	40,243,218	43,511,535
Private capital	23,742,100	27,462,009
Other fixed income securities	7,567,338	6,913,346
Miscellaneous	10,796,788	14,868,086
Total Cash and Investments	<u>\$ 546,549,990</u>	<u>\$ 487,835,730</u>





## 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, 2020 and 2019:

*As of June 30, 2020*

	2020			
	Level 1	Level 2	Level 3	Total
Investment strategy:				
Fixed income:				
U.S. government securities	\$ -	\$ 72,510,005	\$ -	\$ 72,510,005
U.S. Treasury securities	257,504,924	-	-	257,504,924
Other fixed income securities	-	7,567,338	-	7,567,338
Total fixed income investments	257,504,924	80,077,343	-	337,582,267
Equities:				
Domestic equity securities	1,570,612	-	-	1,570,612
Global equity securities	4,630,490	2,478,684	-	7,109,174
Total equity securities	\$ 6,201,102	\$ 2,478,684	\$ -	\$ 8,679,786
Investments measured at NAV as a practical expedient:				
Equity long/short hedge funds				40,243,218
Private capital				23,742,100
Timber fund				3,103,172
Other miscellaneous investments				7,693,616
Total investments measured at NAV				74,782,106
Total investments measured at fair value				\$ 421,044,159



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	251,474,805	77,411,085	-	328,885,890
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	\$ 8,064,135	\$ 4,287,648	\$ -	\$ 12,351,783
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				11,553,082
Total investments measured at NAV				85,841,630
Total investments measured at fair value				\$ 427,079,303

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

*As of June 30, 2020*

<u>Investment</u>	<u>Fair Value 6/30/2020</u>	<u>Unfunded Commitments</u>	<u>Redemption frequency (if eligible)</u>	<u>Redemption notice period</u>
Equity long/short hedge funds (1)	\$ 40,243,218	\$ -	Quarterly	45 - 120 days for eligible investments
Timber fund	3,103,172	-	No redemption feature	None
Private capital (2)	23,742,100	11,355,641	Certain partnerships ineligible for redemption; Other investments available monthly	5 - 90 days for eligible investments
Other miscellaneous investments (3)	7,693,616	166,600	Certain investments ineligible for redemption	90 days for eligible investments
Total investments measured at NAV	<u>\$ 74,782,106</u>			

*As of June 30, 2019*

<u>Investment</u>	<u>Fair Value 6/30/2019</u>	<u>Unfunded Commitments</u>	<u>Redemption frequency (if eligible)</u>	<u>Redemption notice period</u>
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.

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, 2020 and 2019, 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, 2020 and 2019, the University had the following investments subject to interest rate risk:

*As of June 30, 2020*

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. government agency obligations	\$ 72,510,005	\$ 10,047,086	\$ 27,140,935	\$ 35,321,984	\$ -
U.S. Treasury obligations	257,504,924	111,077,033	146,427,891	-	-
Fixed income mutual funds	7,567,338	-	7,567,338	-	-
Total	<u>\$ 337,582,267</u>	<u>\$ 121,124,119</u>	<u>\$ 181,136,164</u>	<u>\$ 35,321,984</u>	<u>\$ -</u>

*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	<u>\$ 328,885,890</u>	<u>\$ 151,791,897</u>	<u>\$ 177,093,993</u>	<u>\$ -</u>	<u>\$ -</u>

## Credit Risk

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

Average Credit Rating	2020	2019
AA+	\$ 72,510,005	\$ 70,497,739
Not Rated	7,567,338	6,913,346
Total	<u>\$ 80,077,343</u>	<u>\$ 77,411,085</u>

Bond mutual funds in the amount of \$7,567,338 and \$6,913,346 are included in the securities not rated at June 30, 2020 and 2019, respectively, and are invested in funds with underlying portfolios with average credit ratings as follows:

<u>Average Credit Rating</u>	<u>2020</u>	<u>2019</u>
AAA	\$ 3,382,600	\$ 3,005,232
AA	734,032	235,054
A	1,294,015	1,068,112
BBB	892,946	1,128,258
BB	302,694	506,748
B	741,599	396,826
CCC or lower	-	184,586
Not Rated	<u>219,452</u>	<u>388,530</u>
Total	<u>\$ 7,567,338</u>	<u>\$ 6,913,346</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:

<b>Issuer</b>	<b>Fair Value 2020</b>	<b>% of Total Investments</b>	<b>Fair Value 2019</b>	<b>% of Total Investments</b>
Federal Home Loan Bank	\$ 24,278,900	5.77%	\$ 35,602,771	8.34%
Federal Farm Credit Bank	38,155,812	9.06%	19,922,583	4.66%
U.S. Treasury Obligations	257,504,924	61.16%	251,474,805	58.88%

### 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 \$11.9 million and \$21.2 million at June 30, 2020 and 2019, respectively.

## NOTE 3

### ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30:

	<b>2020</b>	<b>2019</b>
Student Tuition	\$ 15,821,993	\$ 17,097,155
Auxiliary Enterprises and Other Operating Activities	12,580,354	11,174,949
Contributions and Gifts	5,585,659	11,582,780
Federal, State and Private Grants and Contracts	26,306,625	18,423,436
State Appropriations	2,058,432	1,728,862
Accrued Interest	1,497,898	1,354,376
Other	10,101,818	1,760,388
Total Accounts Receivable	73,952,779	63,121,946
Less Allowance for Doubtful Accounts	(12,311,792)	(12,632,294)
Accounts Receivable - Net	61,640,987	50,489,652
Non-current Portion	6,783,669	-
Accounts Receivable - Net Current Portion	\$ 54,857,318	\$ 50,489,652

In November 2017, the University entered into an agreement with the University of Mississippi Medical Center (UMMC) to provide up to \$40 million of intermediate debt to fund project construction for the Children's of Mississippi expansion. The University has a separate agreement with UMMC to provide project funding for multiple miscellaneous campus projects. For the year ended June 30, 2020, the University provided funding of \$8,336,907 to UMMC of which \$6,783,669 is reflected in non-current assets.

## 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, 2020 and 2019:





*As of June 30, 2020*

	<b>Interest Rates</b>	<b>June 30, 2020</b>	<b>Current Portion</b>	<b>Non-Current Portion</b>
Perkins Student Loans	3% to 5%	\$ 6,123,104	\$ 1,581,661	\$ 4,541,443
Other Federal Loans	3% to 5%	2,691,443	186,771	2,504,672
Institutional Loans	1% to 5%	<u>25,074,601</u>	<u>7,500,034</u>	<u>17,574,567</u>
Total Notes Receivable		33,889,148	9,268,466	24,620,682
Less Allowance for Doubtful Accounts		<u>(1,558,315)</u>	<u>(1,002,315)</u>	<u>(556,000)</u>
Net Notes Receivable		<u>\$ 32,330,833</u>	<u>\$ 8,266,151</u>	<u>\$ 24,064,682</u>

*As of June 30, 2019*

	<b>Interest Rates</b>	<b>June 30, 2019</b>	<b>Current Portion</b>	<b>Non-Current Portion</b>
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%	<u>23,385,749</u>	<u>7,324,484</u>	<u>16,061,265</u>
Total Notes Receivable		32,927,883	9,283,470	23,644,413
Less Allowance for Doubtful Accounts		<u>(1,531,865)</u>	<u>(992,865)</u>	<u>(539,000)</u>
Net Notes Receivable		<u>\$ 31,396,018</u>	<u>\$ 8,290,605</u>	<u>\$ 23,105,413</u>

## NOTE 5 CAPITAL ASSETS

Summaries of changes in capital assets for the years ended June 30, 2020 and 2019 are presented as follows:

	July 1, 2019	Additions	Deletions	June 30, 2020
Capital Assets, Non-depreciable:				
Land	\$ 49,741,858	\$ 500,000	\$ 1,443	\$ 50,240,415
Construction in Progress	124,355,365	9,785,944	91,580,308	42,561,001
Total Capital Assets, Non-depreciable	174,097,223	10,285,944	91,581,751	92,801,416
Capital Assets, Depreciable:				
Improvements Other Than Buildings	156,632,972	3,255,351	-	159,888,323
Buildings	1,079,544,288	88,269,661	-	1,167,813,949
Equipment	126,366,941	6,351,924	2,204,483	130,514,382
Library Books	131,011,255	294,869	23,876	131,282,248
Total Capital Assets, Depreciable	1,493,555,456	98,171,805	2,228,359	1,589,498,902
Less Accumulated Depreciation:				
Improvements Other Than Buildings	51,906,052	5,783,844	-	57,689,896
Buildings	228,037,404	22,321,013	-	250,358,417
Equipment	97,000,024	6,960,051	1,710,280	102,249,795
Library Books	111,302,113	4,204,742	23,876	115,482,979
Total Accumulated Depreciation	488,245,593	39,269,650	1,734,156	525,781,087
Capital Assets, Net of Depreciation	\$ 1,179,407,086	\$ 69,188,099	\$ 92,075,954	\$ 1,156,519,231

	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

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:

	<u>2020</u>	<u>2019</u>
Vendors and Contractors	\$ 14,435,315	\$ 15,503,750
Accrued Salaries, Wages and Employee Withholdings	7,443,333	7,113,979
Other	-	53,623
Total	<u>\$ 21,878,648</u>	<u>\$ 22,671,352</u>

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:

	<u>2020</u>	<u>2019</u>
Tuition and Fees	\$ 11,435,159	\$ 11,797,573
Contracts and Grants	61,705,683	21,707,835
Auxiliary and Other Activities	<u>15,003,630</u>	<u>15,602,341</u>
Total	<u>\$ 88,144,472</u>	<u>\$ 49,107,749</u>

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)	2020				Due Within One Year
				July 1, 2019	Additions	Deletions	June 30, 2020	
Bonded Debt								
Educational Building Corporation Bonds								
Series 2009A	19,870,000	3.50 - 3.75%	2030	\$ 935,000	\$ -	\$ 935,000	\$ -	\$ -
Series 2009B	24,165,000	3.623 - 5.00%	2021	5,050,000	-	2,450,000	2,600,000	2,600,000
Series 2009C	14,770,000	3.25 - 3.75%	2035	490,000	-	490,000	-	-
Series 2011	27,995,000	4.00 - 5.00%	2032	3,510,000	-	1,050,000	2,460,000	1,165,000
Series 2013C	62,900,000	3.22%	2034	62,900,000	-	62,900,000	-	-
Series 2013D	12,100,000	3.10%	2021	3,854,674	-	2,523,377	1,331,297	1,331,297
Series 2015	12,600,000	Variable	2026	9,450,000	-	9,450,000	-	-
Series 2015A	15,660,000	2.00 - 4.00%	2040	14,975,000	-	230,000	14,745,000	265,000
Series 2015B	10,125,000	1.375 - 3.750%	2030	7,795,000	-	615,000	7,180,000	625,000
Series 2015C	31,630,000	2.00 - 5.00%	2047	29,795,000	-	635,000	29,160,000	655,000
Series 2015D	17,660,000	0.993 - 4.452%	2037	15,585,000	-	710,000	14,875,000	725,000
Series 2016A	33,245,000	2.00 - 5.00%	2035	28,930,000	-	1,940,000	26,990,000	1,970,000
Series 2017	38,995,000	2.00 - 5.00%	2035	38,400,000	-	-	38,400,000	1,510,000
Series 2019A	73,350,000	3.00 - 5.00%	2037	-	73,350,000	-	73,350,000	1,425,000
Series 2019B	3,365,000	1.94 - 2.05%	2034	-	3,365,000	-	3,365,000	885,000
Total Bonded Debt				221,669,674	76,715,000	83,928,377	214,456,297	13,156,297
Unamortized Premiums				8,331,904	13,033,330	1,237,017	20,128,217	1,617,136
Total Bonded Debt - Net				230,001,578	89,748,330	85,165,394	234,584,514	14,773,433
Notes Payable								
Hancock Bank			2026	6,905,779	-	911,643	5,994,136	935,538
Renasant Bank			2028	7,179,261	-	724,545	6,454,716	745,527
Trustmark Bank			2033	16,930,479	-	16,930,479	-	-
Total Notes Payable				31,015,519	-	18,566,667	12,448,852	1,681,065
Other Long-Term Liabilities								
Accrued Leave Liabilities				16,504,919	845,316	-	17,350,235	2,078,000
Net Pension Liability				325,309,886	13,934,953	-	339,244,839	-
Net OPEB Liability *				20,248,697	2,100,448	-	22,349,145	-
Deposits Refundable				108,814	17,302	-	126,116	-
Other				9,236,200	-	588,300	8,647,900	-
Total Other Long-Term Liabilities				371,408,516	16,898,019	588,300	387,718,235	2,078,000
Total				\$ 632,425,613	\$ 106,646,349	\$ 104,320,361	634,751,601	\$ 18,532,498
Due Within One Year							18,532,498	
Total Long-Term Liabilities							\$ 616,219,103	

Description and Purpose	Original Issue	Annual Interest Rates	Maturity (Fiscal Year)	2019			June 30, 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	935,000
Series 2009B	24,165,000	3.623 - 5.00%	2021	7,395,000	-	2,345,000	5,050,000	2,450,000
Series 2009C	14,770,000	3.25 - 3.75%	2035	960,000	-	470,000	490,000	490,000
Series 2011	27,995,000	4.00 - 5.00%	2032	4,455,000	-	945,000	3,510,000	1,050,000
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	2,524,952
Series 2015	12,600,000	Variable	2026	10,350,000	-	900,000	9,450,000	900,000
Series 2015A	15,660,000	2.00 - 4.00%	2040	15,190,000	-	215,000	14,975,000	230,000
Series 2015B	10,125,000	1.375 - 3.750%	2030	8,395,000	-	600,000	7,795,000	615,000
Series 2015C	31,630,000	2.00 - 5.00%	2047	30,420,000	-	625,000	29,795,000	635,000
Series 2015D	17,660,000	0.993 - 4.452%	2037	16,285,000	-	700,000	15,585,000	710,000
Series 2016A	33,245,000	2.00 - 5.00%	2035	30,820,000	-	1,890,000	28,930,000	1,940,000
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	12,479,952
Unamortized Premiums				9,056,280	-	724,376	8,331,904	704,850
Total Bonded Debt - Net				243,730,660	-	13,729,082	230,001,578	13,184,802
Notes Payable								
Hancock Bank			2026	7,794,139	-	888,360	6,905,779	911,643
Renasant Bank			2028	7,884,452	-	705,191	7,179,261	724,588
Trustmark Bank			2033	17,783,300	-	852,821	16,930,479	939,114
Total Notes Payable				33,461,891	-	2,446,372	31,015,519	2,575,345
Other Long-Term Liabilities								
Accrued Leave Liabilities				15,269,749	1,235,170	-	16,504,919	1,904,000
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	1,904,000
Total				\$ 639,962,671	\$ 8,638,396	\$ 16,175,454	632,425,613	\$ 17,664,147
Due Within One Year							17,664,147	
Total Long-Term Liabilities							\$ 614,761,466	

\*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 2009C Revenue Bonds were fully redeemed in fiscal year 2020.

**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.

**Series 2019A:** The Series 2019A Refunding Revenue Bonds were issued on October 30, 2019, totaling \$73,350,000, to refund and advance refund for interest rate savings all or a portion of the Series 2013C Bonds, issued in the original principal amount of \$62,900,000, Series 2015, issued in the original principal amount of \$12,600,000, and refunding

of the note for renovations and improvements for the Oxford-University Stadium at Swayze Field originally issued from Trustmark Bank in September 2017 totaling \$17,783,300. The Series 2019A Bonds require varying principal payments through October 2035, and outstanding coupons bear interest rates ranging from 3.00% to 5.00%, with interest payable semiannually on April 1 and October 1 of each year.

**Series 2019B:** The Series 2019B Taxable Refunding Revenue Bonds were issued on October 30, 2019, totaling \$3,365,000 to provide proceeds for the refunding for the Oxford-University Stadium at Swayze Field from the originally issued note from Trustmark Bank from September 2017. The Series 2019B Taxable Bonds require varying principal payments through October 2023, and outstanding coupons bear interest rates ranging from 1.94% to 2.05%, with interest payable semiannually on April 1 and October 1 of each year.

### **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. This note was fully refunded with the Series 2019A and 2019B Revenue Bonds during fiscal year 2020.

The annual debt service requirements for the outstanding debt as of June 30, 2020 are as follows:

Fiscal Year(s)	Bonded Debt	Notes Payable	Interest	Total
2021	\$ 14,773,433	\$ 1,681,065	\$ 9,163,727	\$ 25,618,225
2022	12,837,878	1,726,600	8,692,206	23,256,684
2023	13,056,458	1,773,371	8,219,993	23,049,822
2024	13,611,458	1,821,133	7,678,856	23,111,447
2025	14,256,458	1,870,745	7,054,825	23,182,028
2026-2030	78,083,499	3,575,938	25,024,771	106,684,208
2031-2035	59,031,398	-	10,223,205	69,254,603
2036-2040	18,959,793	-	3,661,696	22,621,489
2041-2045	8,146,066	-	1,455,156	9,601,222
2046	1,828,073	-	45,125	1,873,198
Totals	<u>\$ 234,584,514</u>	<u>\$ 12,448,852</u>	<u>\$ 81,219,560</u>	<u>\$ 328,252,926</u>

## 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
2021	\$ 1,289,455
2022	939,371
2023	171,816
2024	45,040
Total minimum payments required	<u>\$ 2,445,682</u>

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, 2020 and 2019 approximated \$1.18 million and \$1.16 million, 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, 2020 and 2019:

*Year Ended June 30, 2020*

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual				Depreciation	Other	Total
				Services	Utilities	Scholarships	Commodities			
Instruction	\$ 121,173,948	\$ 39,187,595	\$ 2,771,990	\$ 12,532,158	\$ 64,361	\$ -	\$ 5,031,248	\$ -	\$ -	\$ 180,761,300
Research	26,053,804	7,796,681	1,362,427	8,966,309	40,675	-	4,677,757	-	-	48,897,653
Public Service	2,351,439	811,958	117,412	1,090,537	8,285	-	133,548	-	-	4,513,179
Academic Support	22,134,388	8,065,095	514,484	6,251,545	1,867	-	7,608,411	-	-	44,575,790
Student Services	9,836,055	3,673,111	251,176	4,759,438	11,944	-	1,555,541	-	-	20,087,265
Institutional Support	19,043,679	9,296,817	352,161	10,881,382	40,803	-	1,234,047	-	-	40,848,889
Operation of Plant	13,147,217	5,955,048	36,066	8,250,917	6,386,096	-	3,795,816	-	-	37,571,160
Student Aid	53,265	33,114	48,259	(165,440)	-	60,744,711	2,324	-	-	60,716,233
Auxiliary Enterprises	30,798,954	9,852,411	5,204,447	26,176,567	4,523,802	11,640,219	5,045,565	-	-	93,241,965
Depreciation	-	-	-	-	-	-	-	39,269,650	-	39,269,650
Loan Fund Expenses	-	-	-	-	-	-	-	-	707,415	707,415
Total Operating Expenses	\$ 244,592,749	\$ 84,671,830	\$ 10,658,422	\$ 78,743,413	\$ 11,077,833	\$ 72,384,930	\$ 29,084,257	\$ 39,269,650	\$ 707,415	\$ 571,190,499

*Year Ended June 30, 2019*

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual				Depreciation	Other	Total
				Services	Utilities	Scholarships	Commodities			
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	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	\$ 558,053,197

## NOTE 11

### CONSTRUCTION COMMITMENTS AND FINANCING

The University has contracted or made commitments for various construction projects as of June 30, 2020. 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
<b>Buildings</b>					
<b>Classrooms</b>					
Jim and Thomas Duff Center for Science and Technology Innovation	\$ 146,300,000	\$ -	\$ 40,000,000	\$ 54,800,000	\$ 51,500,000
<b>Other</b>					
Data Center	20,050,000	-	18,850,000	1,200,000	-
Brevard Hall Biomedical	1,300,000	-	-	1,300,000	-
Thad Cochran Research Center repairs	583,000	-	-	583,000	-
Coulter Hall repairs	566,000	-	-	566,000	-
	<u>\$ 168,799,000</u>	<u>\$ -</u>	<u>\$ 58,850,000</u>	<u>\$ 58,449,000</u>	<u>\$ 51,500,000</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, 2019 for fiscal year 2020 and June 30, 2018 for fiscal year 2019.

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](http://www.pers.ms.gov).

### Disclosures under GASB Statement No. 68

The pension disclosures that follow for fiscal years 2020 and 2019 include all disclosures for GASB Statement No. 68 using the latest valuation reports available (June 30, 2019). For fiscal year 2020, the measurement date for the PERS defined benefit plan is June 30, 2019. For fiscal year 2019, the measurement date for the PERS defined benefit plan is June 30, 2018. The University is presenting net pension liability as of June 30, 2019 and 2018 for the fiscal years 2020 and 2019 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, 2020 and 2019 was 17.40% and 15.75%, respectively, 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, 2020 and 2019 were \$22,167,806 and \$19,780,775, 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:

<u>Plan</u>	<u>Proportionate share of contributions</u>	<u>Allocation percentage of proportionate share of collective pension amount</u>	<u>Change in proportionate share of collective pension amount</u>
PERS Defined Benefit:			
2020	\$ 19,780,775	1.928407%	-0.027406%
2019	19,671,339	1.955813%	0.036064%

### Net Pension Liability

The University of Mississippi's proportion of the net pension liability at June 30, 2020 and 2019 is as follows:

<u>Plan</u>	<u>Proportion of net pension liability</u>	<u>Proportionate share of net pension liability</u>
PERS Defined Benefit:		
2020	1.928407%	\$ 339,244,897
2019	1.955813%	325,309,886

### 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:

2020									
Deferred Outflows					Deferred Inflows				
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	Net difference between projected and actual investment earnings on pension plan investments	Changes of assumptions	Differences between expected and actual experience	
		and	subsequent to the measurement date					between expected and actual experience	Total deferred inflows of resources
\$ 200,689	\$ 3,325,982	\$ 348,291	\$ 21,929,628	\$ 25,804,590	\$ 3,711,509	\$ -	\$ 365,163	\$ 4,076,672	

Contributions subsequent to the measurement date of \$21.9 million reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

2019									
Deferred Outflows					Deferred Inflows				
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	Net difference between projected and actual investment earnings on pension plan investments	Changes of assumptions	Differences between expected and actual experience	
		and	subsequent to the measurement date					between expected and actual experience	Total deferred inflows of resources
\$ 1,426,140	\$ 191,924	\$ 7,760,332	\$ 19,541,619	\$ 28,920,015	\$ 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.





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

<b>Deferred Outflow of Resources Year Ended June 30</b>				
<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>Total</b>
\$ 2,504,177	\$ 1,408,502	\$ (37,716)	\$ -	\$ 3,874,963

<b>Deferred Inflow of Resources Year Ended June 30</b>				
<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>Total</b>
\$ (353,917)	\$ 6,085,806	\$ (106,387)	\$ (1,548,829)	\$ 4,076,673

### **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 four-year period ending to June 30, 2018.

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Valuation date	June 30, 2019	June 30, 2018
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Inflation rate	2.75%	3.00%
Salary increases	3.00	3.25
Investment rate of return	7.75	7.75

### Mortality

Mortality rates were based on the PubS. H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

### Discount Rate

For the years ended June 30, 2020 and 2019, 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 (17.40% and 15.75%, respectively) for the years ended June 30, 2020 and 2019. 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, 2020 and 2019 are summarized in the following table:

<u>Asset class</u>	<u>Year Ended June 30, 2020</u>		<u>Year Ended June 30, 2019</u>	
	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
U.S. broad	27.00 %	4.90 %	27.00 %	4.60 %
International equity	22.00	4.75	18.00	4.50
Emerging markets equity	-	-	4.00	4.75
Global	12.00	5.00	12.00	4.75
Fixed income	20.00	1.50	18.00	0.75
Real assets	10.00	4.00	10.00	3.50
Private equity	8.00	6.25	8.00	5.10
Emerging debt	-	-	2.00	2.25
Cash	1.00	0.25	1.00	-
	<u>100.00 %</u>		<u>100.00 %</u>	

### 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 2020 and 2019, 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:

	<u>1% Decrease</u> <u>(6.75%)</u>	<u>Current Discount</u> <u>Rate (7.75%)</u>	<u>1% Increase</u> <u>(8.75%)</u>
University's proportionate share of net pension liability:			
2020	\$ 445,949,171	\$ 339,244,897	\$ 251,170,099
2019	428,339,772	325,309,886	239,678,446

#### (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, 2020 and 2019 were \$16,035,607 and \$13,772,216, 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](http://knowyourbenefits.dfa.ms.gov).

At June 30, 2019 and 2018, the Plan provided health coverage to 321 and 327 employer units, respectively.

### **Disclosures under GASB Statement No. 75**

The disclosures that follow for fiscal years 2020 and 2019 include all disclosures for GASB Statement No. 75 using the latest valuation report available (June 30, 2019). For fiscal year 2020, the measurement date for the State and School Employees' Life and Health Insurance Plan is June 30, 2019. For fiscal year 2019, the measurement date for the State and School Employees' Life and Health Insurance Plan is June 30, 2018. The University is presenting net OPEB liability as of June 30, 2019 and 2018 for the fiscal years 2020 and 2019 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, 2020 and 2019, the University of Mississippi reported a liability of \$22.3 million and \$20.2 million, respectively, for its proportionate share of the net OPEB liability (NOL). For fiscal year ending June 30, 2020, the NOL was measured as of June 30, 2019, 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, 2020 and 2019, the University's proportion was 2.63% and 2.62%, respectively.

For the years ended June 30, 2020 and 2019, the University recognized OPEB expense of \$1,239,165 and \$968,027, respectively.

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

<b>2020</b>					
<b>Deferred Outflows</b>					
<b>Differences between expected and actual experience</b>	<b>Net difference between projected and actual investment earnings on OPEB Plan investment</b>	<b>Change of assumptions</b>	<b>Changes in proportion and differences between employer OPEB benefits payments and proportionate share of OPEB benefit payments</b>	<b>Implicit Rate Subsidy</b>	<b>Total deferred outflows of resources</b>
\$ 33,792	\$ 421	\$ 1,666,189	\$ 996,369	\$ 829,766	\$ 3,526,537

<b>2020</b>				
<b>Deferred Inflows</b>				
<b>Change of assumptions</b>	<b>Differences between expected and actual experience</b>	<b>Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments</b>	<b>Total deferred inflows of resources</b>	
\$ 1,158,912	\$ 319,905	\$ -	\$ 1,478,817	

\$829,726 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, 2021.

<b>2019</b>								
<b>Deferred outflows</b>				<b>Deferred inflows</b>				
<b>Differences between expected and actual experience</b>	<b>Changes in proportion and differences between employer OPEB benefits payments and proportionate share of OPEB benefit payments</b>	<b>Implicit Rate Subsidy</b>	<b>Total deferred outflows of resources</b>	<b>Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments</b>	<b>Changes of assumptions</b>	<b>proportionate share of OPEB benefit payments</b>	<b>Total deferred inflows of resources</b>	
\$ 41,228	\$ 1,099,316	\$ 895,823	\$ 2,036,367	\$ 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 was recognized as a reduction of the NOL in the year ended June 30, 2020.

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, 2019 and 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						
2021	2022	2023	2024	2025	Thereafter	Total
\$ 81,075	\$ 81,075	\$ 81,075	\$ 136,464	\$ 297,124	\$ 541,141	\$ 1,217,954

### 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, 2020 and 2019:

	2020	2019
Valuation date	June 30, 2019	June 30, 2018
Measurement date	June 30, 2019	June 30, 2018
Experience study	April 2, 2019	April 18, 2017
Actuarial assumptions:		
Cost method	Entry age normal	Entry age normal
Inflation rate	2.75%	3.00%
Long-term expected rate of return	3.50%	4.50%
Discount rate	3.50%	3.89%
Projected cash flows	N/A	N/A
Projected salary increases	3.00% - 18.25%	3.25% - 18.50%
Healthcare cost trend rates	7.00% decreasing to 4.75% by 2028	7.25% decreasing to 4.75% by 2028

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

Mortality rates were based on the PubS. H-2010(b) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.





### Discount Rate

For the years ended June 30, 2020 and 2019, the discount rate used to measure the total OPEB liability was 3.50% and 3.89%, respectively. The discount rate is based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rate (formerly published monthly by the Board of Governors of the Federal Reserve System).

### Long-term Expected Rate of Return

At June 30, 2020 and 2019, the long-term expected rate of return, net of OPEB plan investment expense, including inflation was 3.50% and 4.50%, respectively.

### Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following tables presents the University's proportionate share of the NOL for 2020 and 2019, calculated using the discount rate of 3.50% 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:

	Discount Rate Sensitivity		
	Current		
	1% Decrease (2.50%)	discount rate (3.50%)	1% Increase (4.50%)
University of Mississippi proportionate share of net OPEB liability			
2020	\$ 24,826,001	\$ 22,349,145	\$ 20,229,964

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

### 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:

	Health Care Cost Trend Rates Sensitivity		
	Current		
	1% Decrease	discount rate	1% Increase
University of Mississippi proportionate share of net OPEB liability			
2020	\$ 20,709,927	\$ 22,349,145	\$ 24,206,102
2019	18,756,987	20,248,697	21,942,855

## Non-cash Impact on Fringe Benefits Expense

For the years ended June 30, 2020 and 2019, the non-cash impact of GASB Statement No. 68 on fringe benefits expense was \$13.1 and \$15.8 million, respectively. For the years ended June 30, 2020 and 2019, the non-cash impact of GASB Statement No. 75 on fringe benefits expense was \$646,334 and \$230,793, respectively.

	<u>Total fringe benefits expense</u>	<u>Non-cash change in net pension liability and related deferred inflows and outflows due to GASB 68</u>	<u>Non-cash change in net OPEB liability and related deferred inflows and outflows due to GASB 75</u>	<u>Fringe benefits expense excluding non-cash impact of GASB 68 and 75</u>
2020	\$ 84,671,830	\$ (13,109,330)	\$ (646,334)	\$ 70,916,166
2019	\$ 81,461,858	\$ (15,808,334)	\$ (230,793)	\$ 65,422,731

## NOTE 14

### DONOR-RESTRICTED ENDOWMENTS

The net appreciation on investments of donor-restricted endowments available for expenditure authorization was \$13,936,996 and \$23,511,449 at June 30, 2020 and 2019, respectively. These amounts are included in the Statements of Net Position as follows:

	<u>2020</u>	<u>2019</u>
Net Position - Expendable for Scholarships and Fellowships	\$ 5,398,058	\$ 7,082,544
Net Position - Expendable for Other Purposes	<u>8,538,938</u>	<u>16,428,905</u>
	<u>\$ 13,936,996</u>	<u>\$ 23,511,449</u>

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 \$95,971,950 and \$103,469,327 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019 were \$933,536 and \$1,027,761, 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, 2020 and 2019 were \$66,240 and \$84,845, 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, 2020 and 2019 were \$733,097 and \$622,875, respectively. The University's payments for the fleet automobile policy and a blanket public official bond for the fiscal years 2020 and 2019 were as follows:

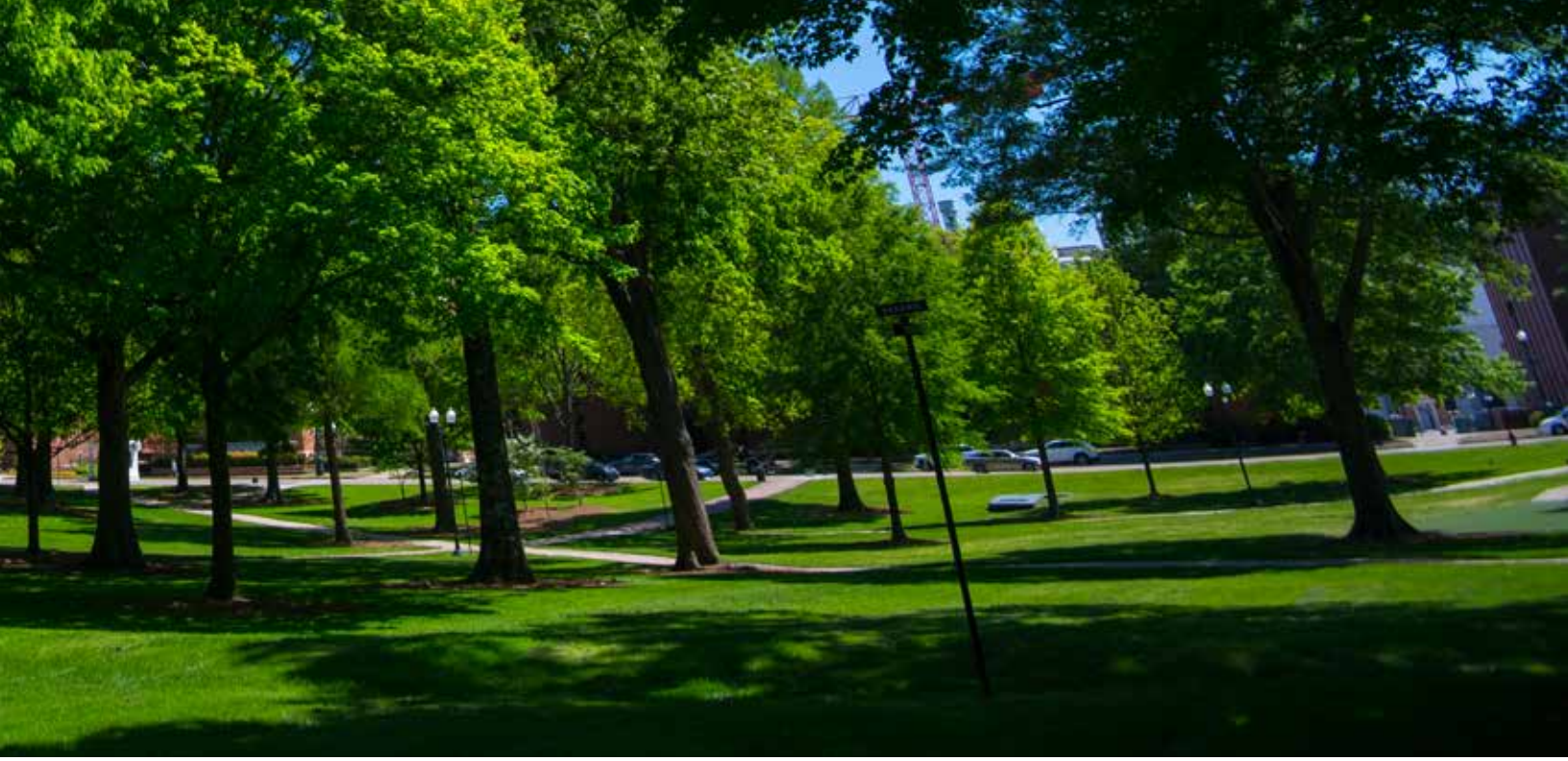
	<u>2020</u>	<u>2019</u>
Fleet Automobile Policy	\$ 154,834	\$ 150,758
Blanket Public Official Bond	4,200	4,200

## **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, 2020 and 2019 is listed in the following schedule:

**University of Mississippi  
Educational Building Corporation**

	<u>2020</u>	<u>2019</u>
Total Current Assets	\$ 19,717,835	\$ 19,192,264
Total Non-current Assets	<u>234,833,037</u>	<u>248,383,514</u>
Total Assets	254,550,872	267,575,778
Total Current Liabilities	19,333,546	17,295,612
Total Non-current Liabilities	<u>230,578,868</u>	<u>245,256,950</u>
Total Liabilities	249,912,414	262,552,562
Deferred Amount of Refundings	<u>4,638,458</u>	<u>5,023,216</u>
Total Deferred Inflows of Resources	4,638,458	5,023,216
Total Net Position	<u>-</u>	<u>-</u>
Total Operating Revenues	-	-
Total Operating Expenses	<u>-</u>	<u>-</u>
Operating Income (Loss)	-	-
Total Non-operating Revenues	9,500,908	8,566,167
Total Non-operating Expenses	<u>(9,500,908)</u>	<u>(8,566,167)</u>
Change in Net Position	<u>\$ -</u>	<u>\$ -</u>

## NOTE 18

### CONTINGENT LIABILITIES

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

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

## NOTE 19

### SUBSEQUENT EVENTS

The University of Mississippi has no subsequent events to report.

## NOTE 20

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

#### (1) Nature of Organization

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

#### (2) Summary of Significant Accounting Policies

##### (a) Use of Estimates

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

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

##### (b) Donor-Imposed Restrictions

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 as of June 30, 2020 and 2019, 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 fundraising activity. A provision (or reversal) for uncollectible pledges of \$591,000 and \$(344,000) is included in the contributions, gifts and bequests caption within the statements of activities for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, such fees totaled approximately \$3,270,000 and \$3,135,000, respectively.

**(d) Cash and Cash Equivalents and Liquidity**

The Foundation recognizes all demand deposit accounts as cash and cash equivalents. It is the policy of the Foundation to consider money market accounts with brokers as other short-term investments. The Foundation received marketable securities by gift, which were immediately converted to cash and are not reflected in cash flows from investing activities. For the fiscal years ended June 30, 2020 and 2019, such gifts totaled approximately \$6,993,000 and \$5,160,000, respectively.

As part of the Foundation's liquidity management, it invests cash in excess of daily requirements in short-term investments. There is an established board-designated fund where the governing board has the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of the typical life cycle of converting financial assets to cash or settling financial liabilities.

Cash and cash equivalents and other financial assets available within one year at June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 12,974,805	7,472,205
Pledges receivable, net	80,841,525	66,606,002
Investments	496,354,507	524,068,630
Other assets	<u>1,322,329</u>	<u>1,575,992</u>
Total financial assets at year end	591,493,166	599,722,829
Less those unavailable for general expenditures within one year due to:		
Restricted by donor with purpose restrictions	(185,140,950)	(150,586,675)
Subject to appropriation and satisfaction of donor restrictions	<u>(392,383,757)</u>	<u>(434,528,623)</u>
Total financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>13,968,459</u></u>	<u><u>14,607,531</u></u>

**(e) 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, 2020 and 2019, 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.

**(f) Tax Status**

The Foundation is recognized as an organization exempt from federal income tax under Section 501(a) as an entity described in Section 501(c)(3) of the U.S. Internal Revenue Code, except for taxes on income from activities unrelated to its exempt purpose.

Open tax years are those that are open for exam by taxing authorities. Major jurisdictions for the Foundation include Federal and the State of Mississippi. As of June 30, 2020, open Federal and Mississippi tax years for the Foundation include tax years ended June 30, 2016, 2017, and 2018. The Foundation has no examinations in progress. As of June 30, 2020 and 2019, there were no material uncertain tax positions.

**(g) Fair Value of Financial Instruments**

The carrying amounts at June 30, 2020 and 2019 for cash and cash equivalents, pledges receivable, beneficial interest in trusts, funds held for others, liabilities under remainder trusts and other liabilities approximate their fair values. See note 4 for investments.

**(h) Split-Interest Agreements**

The Foundation accepts gifts subject to split-interest agreements. These gifts are generally in the form of charitable remainder unitrusts (CRUTs) and charitable remainder annuity trusts (CRATs). At the time of receipt, a gift is recorded based upon the fair value of the assets donated less the present value of any applicable liabilities for projected distributions to third parties. The discount rate used to value the beneficiary liability is fixed at the gift date. CRUTs are revalued annually and the projected beneficiary payments adjusted accordingly. Gifts subject to split-interest agreements are classified as net assets with donor restrictions.

**(i) Recent Accounting Pronouncements**

In 2020, the Foundation adopted Accounting Standards Update (ASU) No. 201808 – Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, which clarifies how to (1) evaluate whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance such as ASU No. 201409, Revenue from Contracts with Customers (Topic 606), and (2) determining whether a contribution is conditional, evidenced by a donor-imposed stipulation as a barrier that must be overcome before the recipient is entitled to the assets transferred or promised, and that gives the donor a right of return of the assets if the barrier is not overcome. There were no material changes to the financial statements as a result of implementing this standard.

**(j) Emphasis of a Matter**

The COVID19 pandemic that was declared by the World Health Organization on March 11, 2020 significantly impacted the operations of the University of Mississippi as on-campus housing was closed and in-person





classes were cancelled and moved online. The full impact of the COVID19 outbreak continues and it is unknown what the complete financial effect will be on the Foundation.

**(k) Subsequent Events**

In connection with the preparation of the financial statements and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 855, Subsequent Events, the Foundation evaluated all events or transactions that occurred after June 30, 2020, through October 23, 2020, the date the financial statements were available to be issued.

**(l) Accounting Standards Issued but Not Currently Effective**

After year end, the FASB issued ASU No. 202007 – Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which requires contributed nonfinancial assets to be included as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Additionally, the disclosures are enhanced to disaggregate the amount of contributed nonfinancial assets into categories by type. Within each category, disclosures should include qualitative information about whether the assets were either monetized or utilized during the report period; the Not-for-Profit’s policy for monetizing versus utilizing; a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; a description of the valuation techniques and inputs used to arrive at a fair value measure; and the principal market used to arrive at a fair value measure. The Foundation intends to adopt the new ASU guidance using the retrospective method as of July 1, 2021. The qualitative effects on the Foundation’s future financial statements of these changes and related retrospective adjustments have not yet been determined.

**(3) Pledges Receivable**

The Foundation obtains pledges through fundraising 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, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Unconditional promises expected to be collected in:		
One year	\$ 16,221,488	14,187,360
Two to five years	38,510,914	38,607,939
More than five years	<u>41,795,150</u>	<u>28,179,628</u>
	96,527,552	80,974,927
Allowances for uncollectible pledges	(2,681,798)	(2,481,848)
Present value discounts (rates ranging from 0.73% to 4.9%)	<u>(13,004,229)</u>	<u>(11,887,077)</u>
	<u>\$ 80,841,525</u>	<u>66,606,002</u>



#### (4) Investments

The Foundation's investments, aggregated by investment strategy, consist of the following at June 30, 2020 and 2019:

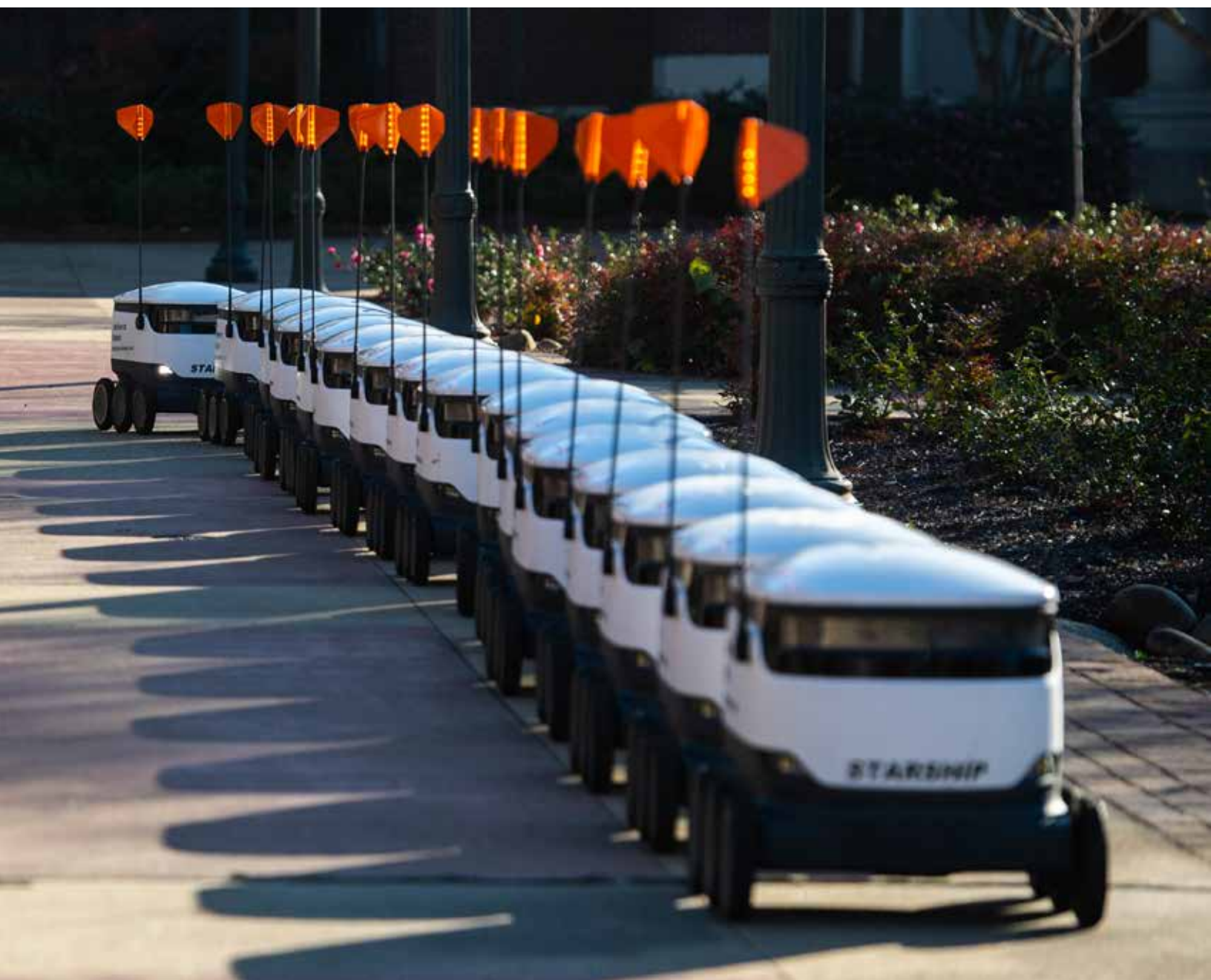
	<u>2020</u>	<u>2019</u>
Investment strategy:		
Fixed income:		
U.S. government securities	\$ 3,446,113	3,698,434
Corporate bonds	25,136,691	20,824,579
Certificates of deposit	533,464	522,625
Other fixed income securities	<u>28,451,332</u>	<u>30,707,071</u>
Total fixed income	<u>57,567,600</u>	<u>55,752,709</u>
Equities:		
Common stocks	28,407,477	28,626,727
International common stock funds	537,216	660,892
Mutual funds	<u>3,421,496</u>	<u>3,515,956</u>
Total equities	<u>32,366,189</u>	<u>32,803,575</u>
Real estate owned	<u>3,539,381</u>	<u>4,079,468</u>
Other short-term investments	<u>64,144,129</u>	<u>22,555,664</u>
Pooled investment funds, at NAV:		
Diversifying strategies	12,652,723	14,679,611
Energy MLP	9,626,887	17,429,790
Event driven	13,311,272	15,271,477
Fixed income	23,356,789	27,426,730
Global equity	43,027,594	64,584,861
Global equity-long only	46,693,043	43,921,891
High income	604,880	13,057,247
Long/short equity fund	23,197,127	21,039,917
Natural resource private fund	7,104,325	7,956,131
Private credit	7,085,959	14,294,096
Relative value	14,834,839	15,014,109
Timber fund	10,078,244	10,888,182
Other	42,326	56,083
Venture capital and private equity	<u>127,121,200</u>	<u>143,257,089</u>
Total pooled investment funds, at NAV	<u>338,737,208</u>	<u>408,877,214</u>
Total investments	<u>\$ 496,354,507</u>	<u>524,068,630</u>



**(5) Beneficial Interest in Trusts**

In fiscal 2013, the Foundation was notified that it had been named as the beneficiary of a perpetual trust created in that year upon the death of the donor. The interest is shared with an unrelated charitable organization, and the Foundation's interest equated to \$910,000 based on the fair value of the assets placed in the trust. During fiscal 2017, the Foundation received an additional interest for this trust as a result of the death of the primary beneficiary. The Foundation's interest equated to \$2,001,000 based on the fair value of the assets. Income is paid quarterly from the trust to the Foundation, which, in turn, distributes such funds to an account for the benefit of the University's School of Accountancy. The Foundation's interest in this trust totaled approximately \$3,229,000 and \$3,299,000 at June 30, 2020 and 2019, respectively.

In fiscal 2016, the Foundation was notified that it had been named as the beneficiary of an externally managed remainder trust with assets of \$11,000,000. This trust is recorded at the present value of the estimated future cash receipts from the assets of the trust. Upon the date of the gift, the Foundation recognized contribution revenue of \$6,300,000. The discount rate utilized for the present value calculation was 3.6%. The Foundation's interest in this trust approximated \$7,000,000 and \$6,974,000 at June 30, 2020 and 2019, respectively.





## (6) 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 82010, 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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment strategy:				
Fixed income:				
U.S. government securities	\$ —	3,446,113	—	3,446,113
Corporate bonds	—	25,136,691	—	25,136,691
Certificates of deposit	—	533,464	—	533,464
Other fixed income securities	23,936,722	4,514,610	—	28,451,332
Total fixed income	<u>23,936,722</u>	<u>33,630,878</u>	<u>—</u>	<u>57,567,600</u>
Equities:				
Common stocks	28,407,477	—	—	28,407,477
International common stock funds	537,216	—	—	537,216
Mutual funds	3,421,496	—	—	3,421,496
Total equities	<u>32,366,189</u>	<u>—</u>	<u>—</u>	<u>32,366,189</u>
Real estate owned	—	—	3,539,381	3,539,381
Other short-term investments	64,144,129	—	—	64,144,129
	<u>\$ 120,447,040</u>	<u>33,630,878</u>	<u>3,539,381</u>	157,617,299
Pooled investment funds, at NAV				<u>338,737,208</u>
Total investments				<u>\$ 496,354,507</u>
Beneficial interest in trusts	<u>\$ 3,936,261</u>	<u>6,293,165</u>	<u>—</u>	<u>\$ 10,229,426</u>

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
International common stock funds	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>	115,191,416
Pooled investment funds, at NAV				<u>408,877,214</u>
Total investments				<u>\$ 524,068,630</u>
Beneficial interest in trusts	<u>\$ 3,441,055</u>	<u>6,832,146</u>	<u>—</u>	<u>\$ 10,273,201</u>

See note 2(e), Investments, for information regarding the methods used to determine the fair value of the Foundation's investments. These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table includes a roll forward of the amounts for the years ended June 30, 2020 and 2019 for investments classified within Level 3:

	<u>Real estate owned</u>
Balance as of June 30, 2018	\$ 3,919,468
Net realized and unrealized loss	—
Acquisitions	160,000
Dispositions	<u>—</u>
Balance as of June 30, 2019	4,079,468
Net realized and unrealized loss	(540,087)
Acquisitions	—
Dispositions	<u>—</u>
Balance as of June 30, 2020	<u>\$ 3,539,381</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, 2020:

<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	\$ 12,652,723	—	Semiannually	60 days	Indefinite
Energy MLP	9,626,887	—	Quarterly	60 days	Indefinite
Event driven	13,311,272	—	Quarterly	60 days	Indefinite
Fixed income	23,356,789	—	Daily	5 days	Indefinite
Global equity	43,027,594	—	No redemption feature	None	Indefinite
Global equity-long only	46,693,043	—	Quarterly	90 days	Indefinite
High income	604,880	—	Quarterly	120 days	Indefinite
Long/short equity fund	23,197,127	—	Quarterly	60 days	Indefinite
Natural resource private fund	7,104,325	13,801	No redemption feature	None	10 years
Private credit	7,085,959	—	No redemption feature	None	Indefinite
Relative value	14,834,839	—	Quarterly	65 days	Indefinite
Timber Fund	10,078,244	—	No redemption feature	None	12 years
Other	42,327	—	No redemption feature	None	Indefinite
Venture capital and private equity	127,121,199	52,433,203	No redemption feature	None	7 years to indefinite
	<u>\$ 338,737,208</u>				
Real estate:					
Real estate owned	<u>\$ 3,539,381</u>		No redemption feature	None	Indefinite

## (7) Endowment Funds

The Foundation's endowment consists of approximately 1,500 donor-restricted funds established for a variety of purposes to benefit the University community. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors that function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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 and amounts required to be retained by donor separate from the portion subject to appropriation.

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

Income available for spending is determined by a total return system and is approved by the Board of Directors of the Foundation. The amount to be spent for the endowed purpose is calculated based on a percentage of a longterm monthly moving average of the endowment's market value. The objective is to provide relatively stable spending allocations. However, no portion of the original gift value of the endowed assets will be allocated for spending.

Endowment net asset composition by type of fund for the years ended June 30, 2020 and 2019 were as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment funds:			
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be retained by donor	\$ —	271,827,529	271,827,529
Portion subject to appropriation	—	83,592,937	83,592,937
Board-designated quasi endowment	<u>14,294,049</u>	<u>—</u>	<u>14,294,049</u>
Total endowment funds, June 30, 2020	<u>\$ 14,294,049</u>	<u>355,420,466</u>	<u>369,714,515</u>

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
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	<u>14,271,593</u>	<u>—</u>	<u>14,271,593</u>
Total endowment funds, June 30, 2019	<u>\$ 14,271,593</u>	<u>387,084,504</u>	<u>401,356,097</u>

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
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)	<u>(247,335)</u>	<u>1,574,851</u>	<u>1,327,516</u>
Endowment net assets, June 30, 2019	14,271,593	387,084,504	401,356,097
Contributions and transfers to endowment	—	10,357,996	10,357,996
Appropriation of expenditures	(226,945)	(12,017,214)	(12,244,159)
Investment return:			
Investment income	745,955	13,037,864	13,783,819
Net depreciation	<u>(496,554)</u>	<u>(43,042,684)</u>	<u>(43,539,238)</u>
Endowment net assets, June 30, 2020	<u>\$ 14,294,049</u>	<u>355,420,466</u>	<u>369,714,515</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. As of June 30, 2020, endowments with a fair value below the amount of the gifts made to the endowment total \$24,030,000. The donor gifts to these endowments total \$25,260,000 for an underwater amount of \$1,230,000. There were no deficiencies at June 30, 2019.





**(8) Life Insurance Policies**

The Foundation has been gifted life insurance policies for which it has been named owner and beneficiary. The face amounts of life insurance policies in excess of cash surrender values held by the Foundation are deferred and recognized as revenue only when collected. The cash surrender value amounts of such policies as of June 30, 2020 and 2019 were \$1,183,000 and \$1,211,000, respectively, which are reflected within other assets in the accompanying statements of financial position.

**(9) Charitable Trusts and Gift Annuities**

The Foundation administers charitable remainder trusts with investments of \$3,939,228 and \$5,634,975 as of June 30, 2020 and 2019, respectively, which are reported as investments on the statements of financial position. Additionally, the cash contributed to purchase gift annuities is reported within investments on the statements of financial position. Pursuant to the trust agreements, specified amounts of income from the trust’s assets must be distributed to the income beneficiaries each year. Liabilities under these trusts and gift annuities totaled \$3,223,775 and \$4,413,780 as of June 30, 2020 and 2019, respectively. The discount rates used in these measurements range from 4.20% to 6.20%. The remainder of the income and the assets will become the property of the Foundation at a time designated in the trust agreements, usually upon the death of the income beneficiary.

**(10) Property and Equipment**

Property and equipment consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 300,000	300,000
Building and equipment	3,424,970	3,350,676
Furniture and fixtures	<u>938,547</u>	<u>1,164,546</u>
Total	4,663,517	4,815,222
Accumulated depreciation	<u>(2,571,794)</u>	<u>(2,517,490)</u>
Property and equipment, net	<u>\$ 2,091,723</u>	<u>2,297,732</u>

Depreciation expense has been computed utilizing the straight-line method over the estimated useful life of the building – 30 years, the equipment – 7 to 10 years and the furniture and fixtures – 10 to 30 years.

### (11) Gifts in Kind

In previous years, a donor gifted the Foundation with oriental rugs having a total appraised value of approximately \$7,036,000 of which \$6,153,000 of the rugs the Foundation has transferred to the University for use on campus with the remaining rugs held by the Foundation. During the current year, the Foundation transferred \$226,000 of rugs with accumulated depreciation of \$60,000 previously shown in property and equipment to the University. As of June 30, 2020 and 2019, property and equipment included approximately \$657,000 and \$883,000, respectively of rugs placed in service within Foundation properties.

### (12) Net Assets with donor restrictions

Net assets with donor restrictions at June 30, 2020 and 2019 were restricted for the following purposes:

	<u>2020</u>	<u>2019</u>
Spendable:		
Academic and program support	\$ 198,110,337	178,032,801
Scholarship support	56,335,571	75,759,328
Faculty support	25,893,939	39,100,045
Library support	<u>6,628,894</u>	<u>8,771,050</u>
Total	<u>286,968,741</u>	<u>301,663,224</u>
Endowment:		
Academic and program support	59,528,388	54,083,486
Scholarship support	122,075,173	118,100,910
Faculty support	76,217,594	75,311,037
Library support	<u>14,006,374</u>	<u>13,947,847</u>
Total	<u>271,827,529</u>	<u>261,443,280</u>
Total net assets with donor restrictions	<u>\$ 558,796,270</u>	<u>563,106,504</u>

### (13) Funds Held for Others

The Foundation administered funds for others of \$23,079,151 and \$24,120,347 at June 30, 2020 and 2019, respectively. These funds are commingled with the Foundation's investments and are accounted for at the fair value of the underlying investments. Earnings and losses from these investments, as well as funds received and distributed, are not included in the statements of activities of the Foundation.

The Foundation assists with fundraising activities of the University and processes the receipts for many University-affiliated organizations. During fiscal years 2020 and 2019, the Foundation received approximately \$347,000 and \$340,000, respectively, for the University of Mississippi Alumni Association and \$1,372,000 and \$1,242,000, respectively, for the Ole Miss Athletics Foundation. Distributions to these organizations, all of which were made at the direction of the affiliated organization, for fiscal years 2020 and 2019 included approximately \$604,000 and \$584,000, respectively, to the University of Mississippi Alumni Association and \$1,409,000 and \$1,234,000, respectively, to the Ole Miss Athletics Foundation. In addition to these affiliated organizations, the Foundation maintains funds for certain other third-party organizations. During fiscal year 2020, the Foundation received approximately \$2,000,000 from these organizations and during fiscal years 2020 and 2019, the Foundation distributions to these organizations, at the organizations' direction, of approximately \$794,000 and \$1,180,000. No amounts were received by the Foundation during fiscal year 2019 from these organizations.



**(14) Mississippi Common Fund Trust**

Included in other liabilities are \$1,096,000 and \$1,708,000 at June 30, 2020 and 2019, respectively, related to the Mississippi Common Fund Trust. This donor-directed trust was established by the Foundation to allow donors to receive a charitable deduction for gifts to the trust. The Foundation manages the trust’s assets, with earnings distributed to charitable organizations, at the donor’s direction, on an annual basis. If the donor does not make an annual designation of funds to a charitable organization, then such designation may be made by the Foundation. Remaining corpus must be disbursed to one or more qualifying charitable organizations within one year after the death of the donor’s surviving spouse as directed through the donor’s will or other instruction or it will revert to the Foundation.

**(15) Net Assets Released from Donor Restrictions**

Net assets utilized in accordance with donor restrictions during the years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Spendable:		
Academic and program support	\$ 27,329,632	23,234,287
Scholarship support	7,837,327	7,136,038
Faculty support	2,179,930	2,480,611
Library support	<u>366,269</u>	<u>627,556</u>
Total net assets released from restrictions	<u>\$ 37,713,158</u>	<u>33,478,492</u>



## (16) Functional Expenses

Expenses by function and natural classification for the years ended June 30, 2020 and 2019 are as follows:

	Programmatic activities				Supporting activities		Total expenses
	Academic	Scholarship	Programmatic	UMMC	General and administrative	Fundraising	
June 30, 2020:							
Faculty support	\$ 3,735,552	—	—	—	—	—	3,735,552
Student aid support	—	9,336,811	—	1,084,709	—	—	10,421,520
Facilities	—	—	220,157	507,799	355,650	—	1,083,606
University support	1,448,005	—	7,959,197	1,134,111	—	92,939	10,634,252
Salaries	—	—	1,515,286	304,119	2,022,770	1,549,197	5,391,372
Library support	—	—	752,675	—	—	—	752,675
Donor relations	—	—	377,555	1,391,003	74,822	535,418	2,378,798
Accounting, legal and IT	—	—	—	—	290,889	—	290,889
Office expense and other	—	—	8,261,354	576,428	170,579	5,884	9,014,245
	<u>\$ 5,183,557</u>	<u>9,336,811</u>	<u>19,086,224</u>	<u>4,998,169</u>	<u>2,914,710</u>	<u>2,183,438</u>	<u>43,702,909</u>

	Programmatic activities				Supporting activities		Total expenses
	Academic	Scholarship	Programmatic	UMMC	General and administrative	Fundraising	
June 30, 2019:							
Faculty support	\$ 3,506,658	—	—	—	—	—	3,506,658
Student aid support	—	8,095,031	—	1,136,014	—	—	9,231,045
Facilities	—	—	629,225	382,711	353,642	—	1,365,578
University support	1,344,607	—	9,951,040	—	—	205,994	11,501,641
Salaries	—	—	964,699	407,993	2,975,738	982,811	5,331,241
Library support	—	—	694,804	—	—	—	694,804
Donor relations	—	—	474,995	1,526,605	73,910	599,504	2,675,014
Accounting, legal and IT	—	—	—	—	282,844	—	282,844
Office expense and other	—	—	5,238,432	477,662	191,287	3,491	5,910,872
	<u>\$ 4,851,265</u>	<u>8,095,031</u>	<u>17,953,195</u>	<u>3,930,985</u>	<u>3,877,421</u>	<u>1,791,800</u>	<u>40,499,697</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 is set to expire on December 31, 2023. 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 Practices

##### (a) Adoption of Accounting Pronouncements

During the year ended June 30, 2020, the Foundation adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASC Topic 605). This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Foundation has implemented the provisions of ASU 2018-08 applicable to contributions received in the financial statements for priority seating under a modified prospective basis to all agreements with contributors that either were not completed as of July 1, 2019, or were entered into after that date. There is no material effect on net assets in connection with the implementation of ASU 2018-08. See Revenue Recognition section for more details.

During the year ended June 30, 2019, the Foundation adopted the provisions of ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which changed certain financial statement requirements for not-for-profit (NFP) entities within the scope of Accounting Standards Codification Topic 958. Under the new requirements, NFPs are no longer required to distinguish between resources with temporary and permanent restrictions on the face of their financial statements, rather they present two classes of net assets – those without donor restrictions and those with donor restrictions. Additionally, all NFPs are now required to present expenses by their natural and functional classification and required to present investment returns net of external and direct internal investment expenses. NFPs are now also required to provide more information about their available resources and liquidity. Finally, under the provisions of the ASU, the option to release restrictions on donated long-lived assets or cash donated to purchase or construct long-lived assets over the estimated useful life of long-lived assets has been eliminated, thus requiring all NFPs to use the placed-in-service method of recognizing the expiration of such restrictions. The impact of the adoption of this new standard on the Foundation's financial statements is disclosed through the footnotes to the financial statements as the affected areas are discussed.



**(b) 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.

Net assets with donor restrictions as of June 30, 2020 and 2019, are available for the following purposes:

	<b>2020</b>	<b>2019</b>
Forward Together Campaign	\$ 8,920,370	\$ 9,951,637
Team Programs	532,995	439,753
Total Time and Purpose Restrictions	<u>9,453,365</u>	<u>10,391,390</u>
Investments in Perpetuity		
The Income From Which is Expendable to Support:		
Football, Basketball, Women’s Athletics	70,018	78,210
Scholarships	1,328,172	1,315,863
Total Perpetual Restrictions	<u>1,398,190</u>	<u>1,394,073</u>
Total Net Assets With Donor Restrictions	<u>\$ 10,851,555</u>	<u>\$ 11,785,463</u>

**(c) Estimates**

The preparation of financial statements in conformity with 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.

**(d) Fixed Assets**

The Foundation records equipment, furniture and fixtures, buildings, improvements and land at cost if purchased or at fair market value if donated. The Foundation capitalizes all fixed asset acquisitions over \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

**(e) Cash and Cash Equivalents**

In general, for purposes of the statement of cash flows, the Foundation considers all highly-liquid investments available for current use with maturities of three months or less to be cash equivalents.

**(f) Income Tax Status**

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except for taxes on income from activities unrelated to its exempt purpose.

Accordingly, no provision for income taxes has been made in the accompanying financial statements.

GAAP outlines the accounting for uncertainty in income taxes in an entity’s financial statements and prescribes a recognition threshold and measurement attribute for tax positions taken or expected to be taken on a tax return including the entity’s status as a tax-exempt entity. Additionally, GAAP provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure. The Foundation had no significant uncertain tax positions at June 30, 2020 and 2019, respectively. If interest and penalties are incurred related to uncertain tax positions, such amounts are recognized as income tax expense in the statement of activities. As of June 30, 2020, periods for tax years 2019, 2018, and 2017 remain open to examination by the federal and state taxing jurisdictions to which the Foundation is subject.

**(g) 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, 2020, the Foundation had no plans or intentions to sell investments at amounts different from NAV.

**(h) 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.

**(i) Revenue Recognition**

Priority seats in the football stadium, basketball arena and baseball stadium require annual donations separate from the cost of the tickets. The donation amounts are set by the Foundation. Capital gift agreements may be signed to secure priority seats for football and basketball seasons. This unconditional revenue is restricted for the Forward Together capital campaign. These donations fall under ASC Topic 605 because they include an exchange transaction in addition to a contribution. (See Adoption of Accounting Pronouncements). A portion of the seating annual donation and capital gift agreement revenue is recognized in the period the pledge is made and the remainder is recognized when the exchange transaction is completed. The exchange transaction is completed when the donor is able to purchase the tickets corresponding to the priority seating. For annual donation revenue, the amount recognized when received often corresponds with the year in which the sport season occurs. Unconditional contributions not tied to seating are recognized in full when the pledge is made. Other unpledged revenue is recognized in the period received.



The Tax Cuts and Jobs Acts amended Internal Revenue Code Section 170(l) that previously allowed for up to an 80% charitable deduction for donations to or for the benefit of an institution of higher learning that resulted, directly or indirectly, in the right to purchase tickets for seating in an athletic venue of such institution, to no longer allow such a deduction. This amendment was signed into law in December 2017 and went into effect January 1, 2018. The Foundation implemented the change as of January 1, 2018, and began receipting the total amount of donations of this type as non-charitable.

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 applicable to the years in which the promises are scheduled to be received. Accretion of the discounts is included in contribution revenues. The Foundation uses the allowance method to determine uncollectible pledges receivable. The allowance is based on management's judgment, including such factors as prior collection history, the nature of the fund-raising activity, and the type of contributions made.

**(j) Donated Property and Services**

Donations of real property received are recorded as gift-in-kind contributions at their estimated fair values at the date of donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. All real property donations to the Foundation are held by the UM Foundation until such properties are sold. Proceeds are subsequently transferred to the Foundation. The Foundation did not receive donated real property during the years ended June 30, 2020 and 2019.

Donations of personal property received, such as automobiles, equipment and apparel are recorded as gift-in-kind contributions at estimated fair value at the date of donation. For the years ended June 30, 2020 and 2019, \$130,726 and \$657,759, respectively, were recognized as contributions from donated personal property.

Donated services received are recognized as contributions if the services either (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people or entities with those skills, and would otherwise be purchased by the Foundation. For the years ended June 30, 2020 and 2019, \$192,113 and \$320,890, respectively, were recognized as donated services.



**(k) 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 net asset with donor restrictions, perpetual in nature, per the terms of the trust agreement. Assets of the trust are reported at fair market value in the statements of financial position at \$1,328,172 and \$1,315,863, as of June 30, 2020 and 2019, respectively.

**(l) Advertising**

Advertising costs are expensed as incurred and include annual priority seating information, promotional items for members, listings in gameday programs, and other marketing material related to Foundation memberships and donations. Advertising expenses for 2020 and 2019, were \$26,129 and \$55,049, respectively.

**(m) Debt Issuance Costs**

The Foundation incurred debt issuance costs pursuant to a financial agreement in 2019. Such costs will be amortized based on the straight-line method which is not materially different from the effective interest method over the seven-year life of the debt. The total cost was \$45,180. Amortization expense included in interest expense for the years ended June 30, 2020 and 2019, was \$6,454 and \$1,614, respectively.

Future amortization expense is noted to be:

Year Ending June 30,	
2021	\$ 6,454
2022	6,454
2023	6,454
2024	6,454
2025	6,454
Thereafter	4,842
	<u>\$ 37,112</u>

**(n) Functional Allocation of Expenses**

The financial statements present expenses by functional classification in accordance with the overall mission and activities of the Foundation. Each functional classification displays all expenses related to the underlying operations by natural classification. Accordingly, certain costs have been allocated among program, fundraising and management and general services.

**(o) Subsequent Events**

Management has evaluated subsequent events through October 8, 2020, the date the financial statements were available to be issued.

**(p) Reclassifications**

Certain prior year amounts have been reclassified to conform with the current year presentation.



### (3) Accounts Receivable

#### UM and UM Foundation Receivable

Cash contributions are received directly by the Foundation with the UM Foundation maintaining donor records for tax receipt purposes. Contributions to the Foundation in the form of securities are received directly by the UM Foundation. Funds associated with contributions in the form of securities are transferred to the Foundation immediately after being processed and recorded. Receivable balances from the University and the UM Foundation of \$16,740 and \$572,491 at June 30, 2020 and 2019, respectively, represent amounts to be received in the beginning of fiscal years 2020 and 2019, respectively.

The remaining receivable balance of \$504,870 at June 30, 2020 and 2019, from the UM Foundation, represents land and other interests contributed to the Foundation to be sold.

### (4) Pledges Receivable

The Foundation obtains pledges through fundraising programs in support of various activities. At June 30, 2020, pledges for the Vaught Society are scheduled to mature at various dates through 2027. The Capital Gift Agreements receipts are due primarily in the next year.



A summary of the pledges receivable as of June 30, 2020 and 2019, is as follows:

	<b>2020</b>	<b>2019</b>
Receivable in One Year	\$ 6,839,810	\$ 6,790,713
Receivable in Two to Five Years	9,940,391	12,064,836
Receivable in More Than Five Years	790,500	1,286,937
	<u>\$ 17,570,701</u>	<u>\$ 20,142,486</u>
Pledges Receivable Without Donor Restrictions	\$ 50,000	\$ 115,000
Pledges Receivable With Donor Restrictions	17,520,701	20,027,486
	17,520,701	20,142,486
Less: Allowance for Doubtful Pledges Receivable	(1,371,168)	(1,561,327)
	16,199,533	18,581,159
Less: Unamortized Discount (0.43% and 2.00% at June 30, 2020 and 2019, respectively)	(327,701)	(528,956)
Net Pledges Receivable	<u>\$ 15,871,832</u>	<u>\$ 18,052,203</u>
Pledges Receivable, Current Portion	\$ 6,808,709	\$ 6,648,273
CGA Pledges Receivable, Net	31,101	142,440
Long-Term Pledges Receivable, Net of Current Portion	9,032,022	11,261,490
	<u>\$ 15,871,832</u>	<u>\$ 18,052,203</u>

#### (5) Investments and Charitable Trust

The following table presents the financial assets carried at fair value within the valuation hierarchy as of June 30, 2020 and 2019:

<b>2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity and Futures	\$ 365,952	\$ -	\$ -	\$ 365,952
Fixed Income	4,529,576	-	-	4,529,576
Other Investments	36,286	-	-	36,286
Total Investments	4,931,814	-	-	4,931,814
Pooled Investments - UM Foundation	70,018	-	-	70,018
Charitable Trust	1,328,172	-	-	1,328,172
	<u>\$ 6,330,004</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,330,004</u>
<b>2019</b>				
Equity and Futures	\$ 376,681	\$ -	\$ -	\$ 376,681
Fixed Income	10,194,693	-	-	10,194,693
Other Investments	77,228	-	-	77,228
Total Investments	10,648,602	-	-	10,648,602
Pooled Investments - UM Foundation	78,210	-	-	78,210
Charitable Trust	1,315,863	-	-	1,315,863
	<u>\$ 12,042,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,042,675</u>



Investment return is summarized as follows for each year:

<b>June 30, 2020</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>
Interest and Dividend Income From Marketable Securities, Cash and Cash Equivalents	\$ 174,239	\$ 101,124
Investment Expenses	(18,690)	(72,374)
Net Realized and Unrealized Gains	110,965	(22,360)
Total Investment Income, Net	<u>\$ 266,514</u>	<u>\$ 6,390</u>
<b>June 30, 2019</b>		
Interest and Dividend Income From Marketable Securities, Cash and Cash Equivalents	\$ 246,085	\$ 13,674
Investment Expenses	(16,352)	(166,735)
Net Realized and Unrealized Gains	228,646	56,768
Total Investment Income, Net	<u>\$ 458,379</u>	<u>\$ (96,293)</u>

#### (6) **Property and Equipment**

A summary of property and equipment at June 30, 2020 and 2019 is as follows:

	<b>2020</b>	<b>2019</b>
Office Equipment and Furniture	\$ 64,072	\$ 57,619
Automobiles	164,141	180,180
Manning Center	30,778,778	30,778,778
Video Boards and Audio	10,925,403	10,925,403
Condominium	160,881	160,881
Total Property and Equipment Cost	<u>42,093,275</u>	<u>42,102,861</u>
Less Accumulated Depreciation	<u>(18,330,985)</u>	<u>(16,620,452)</u>
Property and Equipment, Net	<u>\$ 23,762,290</u>	<u>\$ 25,482,409</u>

Depreciation expense for the years 2020 and 2019 totaled \$1,726,572 and \$1,766,006, respectively. The Manning Center, video boards, and audio systems are currently pledged as collateral on indebtedness.

#### (7) **UM Athletics Department Payable**

In addition to support throughout the year for Athletics Department activities and team programs, the Foundation is committed to providing a year-end supplement for scholarships and other operating needs of the Athletics Department. For the fiscal years ended June 30, 2020 and June 30, 2019, the year-end support amounts paid were \$2,357,662 and \$4,289,176, respectively.

As a supplement for facilities improvements, the Foundation had an additional payable of \$5,626,845 and \$8,768,710 at June 30, 2020 and 2019, respectively, to the Athletics Department.

## (8) Long-Term Debt

	<u>2020</u>	<u>2019</u>
On March 25, 2019, the Foundation refinanced a loan for capital facilities in the amount of \$16,528,361. The original loan amount was \$30,000,000 and was obtained on October 30, 2012, with interest amortized over thirteen years and a maturity date of March 30, 2019. The refinanced loan bears interest of 4.80% and is payable in quarterly installments of \$324,512 of principal and interest. Interest is amortized over a period of twenty years, and the loan has a maturity date of March 25, 2026. The loan is collateralized by a deed of trust on the Manning Center.	\$ 15,899,826	\$ 16,404,393
On November 15, 2015, the Foundation obtained a loan to finance improvements to various athletics facilities including Vaught-Hemingway Stadium in the amount of \$11,500,000. The first twelve months of the loan term were a non-revolving line of credit phase. The line of credit became a permanent loan on November 5, 2016, with a maturity date of November 5, 2025, and with an interest rate equal to 30 day Libor plus 100 basis points floating. The interest rate was 1.16% at June 30, 2020. Collateral for the loan includes all equipment and property purchased with loan processed and a pledge of revenues.	7,096,238	8,185,332
On August 5, 2019, the Foundation entered into a loan agreement for a revolving line of credit not to exceed \$5,000,000 with a variable interest rate equal to LIBOR plus 174 basis points and a maturity date of December 31, 2022. The purpose of the line of credit is to assist with operating needs. The loan agreement was amended on September 18, 2020 to increase the credit amount to \$12,500,000.	<u>5,000,000</u>	<u>-</u>
Gross Notes Payable	27,996,064	24,589,725
Debt Issuance Costs, Net	<u>(37,112)</u>	<u>(43,566)</u>
	27,958,952	24,546,159
Current Installments of Long-Term Debt	<u>(1,296,314)</u>	<u>(1,499,043)</u>
Net Long Term Debt Excluding Current Installments	<u>\$ 26,662,638</u>	<u>\$ 23,047,116</u>

A summary of the debt maturities is as follows:

<u>Year Ending June 30,</u>	
2021	\$ 1,296,314
2022	1,619,222
2023	6,681,861
2024	1,745,147
2025	1,814,726
Thereafter	<u>13,505,368</u>
	<u>\$ 26,662,638</u>

There are debt covenants that include a requirement to issue financials, audited by a certified public accountant, no later than 120 days after the end of the fiscal year and to maintain a debt to asset ratio less than 1.0, which is required to be tested annually. As of June 30, 2020, the Foundation has complied with these covenants.

**(9) 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 \$3,825,849 and \$4,213,789 at June 30, 2020 and 2019, respectively, are managed by the UM Foundation and are not included in these financial statements. Funds that amounted to \$70,018 and \$78,210 at June 30, 2020 and 2019, respectively, are managed by the UM Foundation and are included in investments. These endowments were created for the benefit of the Foundation.

**(10) Life Insurance Policies**

The Foundation has been gifted life insurance policies for which it has been named owner and beneficiary. The face amounts of life insurance policies in excess of cash surrender values held by the Foundation are recognized as revenue only when collected. The cash surrender values of such policies at June 30, 2020 and 2019 were \$473,865 and \$455,330, respectively.

**(11) Concentrations of Credit Risk**

The total cash held by the Foundation at June 30, 2020 and 2019 included \$7,699,188 and \$8,844,512, respectively in monies that were not covered by insurance provided by the Federal Deposit Insurance Corporation. The risk is minimized by the fact that cash is held in high quality financial institutions.

**(12) Leases**

The Foundation leases office space from the University at no cost, in accordance with the affiliation agreement. The Foundation

leases from the University the land upon which the Manning Center is located, and the Foundation subleases the Manning Center back to the University for operations at a net cost of zero.

In August 2019, the Foundation entered into two thirty-six-month automobile leases for the benefit of the Athletics Department. These leases contain options to purchase at the end of the lease and require the Foundation to pay all executory costs such as taxes, maintenance, and insurance.

The Foundation leased a copier in September 2019 under a sixty-month cost per copy lease agreement. This agreement provided for a stated cost per copy over the life of the lease with an established monthly minimum payment.

In June 2014, the Foundation entered into a lease agreement for retail and office space off campus. The lease term is for eleven years and is payable monthly at \$18,682 per month.

In April 2017 and August 2019, the Foundation entered into a dry lease agreement for private airplane usage. The initial term was for one year, and thereafter went to a month-to-month basis. Lease payments are based on hourly usage, and there is no minimum requirement other than the days the aircraft is occupied by the Foundation, at which time the minimum is two hours per day.

Rental expenses for these leases amounted to \$289,356 in fiscal year 2020 and \$260,191 in fiscal year 2019.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2020 are:

<u>Year Ending June 30,</u>	
2021	\$ 246,085
2022	246,085
2023	233,844
2024	233,844
2025	224,179
	<u>\$ 1,184,037</u>

**(13) Commitments**

Pursuant to its affiliation agreement with the University, the Foundation and the Athletics Department agree on an amount of support provided by the Foundation each year. In the absence of an agreed upon amount in any given year, the Foundation will provide a minimum of \$8 million, per the terms of the affiliation agreement.

As part of annual support, the Foundation has agreed to supplement the compensation paid to several employees of the University’s Athletics Department under their state employment contracts with the University. The University and Board of Trustees of Mississippi Institutions of Higher Learning have no obligations under the terms of these supplemental compensation agreements. The amount paid for these supplemental compensation and incentive packages for the years ending June 30, 2020 and 2019, was \$12,070,647 and \$7,785,650, respectively. The amount expected to be paid in fiscal year 2021 exceeds \$8,964,078. The Foundation has also agreed to support severance and separation agreements with former Athletics Department personnel. The amount paid for these agreements for the fiscal years ended June 30, 2020 and 2019, was \$8,622,462 and \$983,727, respectively. The amount expected to be paid in fiscal year 2021 is \$3,515,130.

The Foundation has committed to provide a year-end supplement for scholarships and other operating needs of the Athletics Department in the amount of \$3,286,777 for the fiscal year ending June 30, 2021. The Foundation has also committed to provide financial support for specific projects undertaken for constructing and improving Athletics facilities.

**(14) Contingent Liability**

The University of Mississippi Educational Building Corporation (UMEBC) and Foundation were co-obligors on indebtedness on the Pavilion at Ole Miss and a parking facility, both of which are now owned by the UMEBC. Construction of these facilities and the related bond financing were arranged





and subsidized by the Foundation. In July 2016, ownership of the facilities transferred to the UMEBC. The capital leases that were in place between the Foundation and the University were terminated at the time of transfer. In October 2019, the UMEBC issued revenue refunding bonds for majority of the outstanding debt on the Pavilion at Ole Miss and the parking facility. The Foundation remains co-obligor for a portion of the debt not refunded, in the amount of \$1,331,298 at June 30, 2020. As part of the Foundation’s mission for the Athletics Department, the Foundation provides funds to the University for the debt service payments on this indebtedness. Such payments are expensed in the accompanying statements of activities as other restricted expenses.

**(15) Restricted Expenses Allocated**

Administration and fundraising costs for the capital campaign are paid from Foundation operating funds. To cover these costs and other needs in operating funds as a result of the campaign, Forward Together funds of \$2,782,436 were used in each of the years ended June 30, 2020 and 2019. A portion of annual seating donations in newly constructed areas goes toward paying for the cost of the facility construction. That amount for the year ended June 30, 2020 and 2019 was \$1,347,107 and \$2,586,239, respectively. These allocations combined with other internal transfers total the net restricted expenses allocated of \$935,269 and \$209,227 for the year ended June 30, 2020 and 2019, respectively.

**(16) Related Party**

In June 2014, the Foundation entered into a lease for commercial office space with a third-party landlord, a company in which a member of the board of governors of the Foundation has an interest. The term of the lease is for eleven years and commenced on July 1, 2014. The agreement calls for monthly payments of \$18,682. The total amounts paid to the related party for the lease and related expenses for the years ending June 30, 2020 and 2019 respectively were \$219,215 and \$229,080. The board member excused himself from all proceedings and did not participate in the decision in any way.

**(17) Net Assets Released from Restrictions**

For the years ended June 30, 2020 and 2019, net assets with donor restrictions were released from restrictions for the following purposes:

	<b>2020</b>	<b>2019</b>
Support for Team Programs and Other	\$ 532,340	\$ 710,595
Facility Improvements	4,912,687	7,827,580
Interest Expense	1,912,687	772,022
Net Restricted Expenses Allocated	(935,269)	(209,227)
Return of Restricted Revenue	-	208,400
Provision for Uncollectible Pledges	1,370,681	879,582
Principal Payments on Capital Debt	1,593,661	2,571,702
Total Net Assets Released From Restrictions	<u>\$ 8,486,402</u>	<u>\$ 12,760,654</u>

**(18) Retirement Plan**

The Foundation sponsors a SEP IRA plan for all employees. The Foundation makes a contribution to the Plan each year equal to 17.4% of each employee’s compensation up to the maximum prescribed by the Internal Revenue Service. The expense incurred by the Foundation for the years ended June 30, 2020 and 2019 was \$141,201 and \$137,483, respectively.

The Foundation also sponsors a 403b Plan for employee deferrals only.

## (19) Net Assets Without Donor Restrictions

Net assets without donor restrictions as of June 30, 2020 and 2019, are detailed as shown:

	<u>2020</u>	<u>2019</u>
Net Assets Designated by Board as a Reserve	\$ 624,067	\$ 593,448
Net Assets Without Board Designation	6,936,902	20,424,313
Total Net Assets Without Donor Restrictions	<u>\$ 7,560,969</u>	<u>\$ 21,017,761</u>

## (20) Deferred Revenue

As discussed in Note 2, the passage of the Tax Cuts and Jobs Acts eliminated the charitable deduction for contributions made for priority seating beginning January 1, 2018. The Foundation allowed members to make donations for priority seating for future years before January 1, 2018, and the payments are shown as deferred revenue at June 30, 2020 and 2019 to be recognized as revenue per the following schedule.

Year Ending June 30,	
2021	\$ 164,819
2022	73,205
2023	44,549
2024	20,600
2025	20,600
Total Deferred Revenue	<u>\$ 323,773</u>

## (21) Liquidity and Availability Resources

The table that follows presents the Foundation's financial assets at June 30, 2020 that are available to meet obligations for general expenditures that may arise within one year of the balance sheet date.

	<u>2020</u>	<u>2019</u>
Current Assets, Excluding Non-Financial Assets, at June 30, 2020	\$ 26,287,116	\$ 32,440,477
Less Those Unavailable for General Expenditures Within One Year, Due to:		
Donor-Imposed Restrictions:		
Restricted Cash and Cash Equivalents	(5,132,918)	(4,924,692)
Restricted Pledges Receivable, Current Portion	(6,839,810)	(6,790,713)
Board-Designated Restrictions	(624,067)	(593,448)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 13,690,312</u>	<u>\$ 20,131,624</u>

In addition to the assets shown above, at June 30, 2020, the Foundation had \$5,132,918 and \$4,924,692 of cash and \$6,839,810 and \$6,790,713 of pledges receivable within one year with restrictions as to their use, each respectively at June 30, 2020 and 2019. These funds may not be used to cover general expenditures of the Foundation. The Foundation also had \$624,067 and \$593,448 of short-term investments at June 30, 2020 and 2019, respectively that have been designated by the board of governors to be held in reserve for contractual purposes. These funds could be drawn upon for immediate liquidity following approval by the board.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be



available as general expenditures, liabilities, and other obligations come due. The Foundation’s cash flows vary throughout the year due to the timing of receipt of pledge receivables and contributions from donors. To assist in managing liquidity, the Foundation obtained a line of credit with a commercial bank with borrowing limits of \$12.5 million in the aggregate that can be drawn upon as needed to manage cash flow.

**(22) Deferred Revenue and Notes Receivable**

A severance agreement with a former coach was entered into by the Foundation in December 2019. The agreement provides a total of \$8,872,500 will be paid through December 31, 2023 at varying monthly amounts. A discount rate of 2% was used to determine the present value of future payments. The amounts due in future years are as follows:

Year Ending June 30,	
2021	\$ 1,981,868
2022	2,087,678
2023	2,195,629
2024	1,130,859
	<u>\$ 7,396,034</u>

A promissory note in the amount of \$3,555,916 related to income tax due on the severance contract was signed by the former coach in December 2019. The promissory note bears interest at 2% with monthly installments of \$151,270 being withheld by the Foundation from each monthly severance payment made to the coach through December 31, 2021 for principal and interest payments. The balance of the loan receivable at June 30, 2020 was \$2,675,821. The principal amounts will be received in the fiscal years ended June 30, 2021 and 2022, in the respective amounts of \$1,777,958 and \$897,863.

**(23) Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which clarifies the principles for recognizing revenue. This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Foundation will be required to adopt ASU 2014-09 as of July 1, 2020. The Foundation is currently



evaluating the impact of ASU 2014-09 on the Foundation's financial condition and results of operations.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The adoption of this standard was postponed again and is now effective on July 1, 2022, with early adoption permitted. The Foundation is in the process of evaluating the impact of this new guidance.

#### **(24) Uncertainties**

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The extent of the impact of COVID-19 on the Foundation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Foundation's customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Foundation's financial condition or results of operations are uncertain.





A photograph of a classical building with white columns and a person sitting on a ledge, with trees in the foreground and background. The building is made of red brick and has a portico with several tall, white, fluted columns. A person is sitting on a stone ledge in front of the columns. There are trees with green and orange leaves in the foreground and background. The sky is blue.

# REQUIRED SUPPLEMENTARY INFORMATION



**Schedule of Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2020**

<b>Fiscal year</b>	<b>Proportionate share of the net pension liability</b>	<b>Proportionate share of the net pension liability</b>	<b>Estimated Covered-employee payroll provided by PERS</b>	<b>Proportionate share of the net pension liability as a percentage of its covered-employee payroll</b>	<b>PERS fiduciary net position as a percentage of the total pension liability</b>
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%
2020	1.93%	339,244,839	125,592,222	270.12%	61.59%

**Schedule of Proportionate Share of Contributions  
Year Ended June 30, 2020**

<b>Fiscal year</b>	<b>Proportionate share of contributions</b>	<b>Required contributions</b>	<b>Contribution deficiency (excess)</b>	<b>Actual Covered-employee payroll</b>	<b>Contribution as a percentage of covered-employee payroll</b>
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%
2020	21,929,628	21,929,628	-	126,032,345	17.40%

**Schedule of Proportionate Share of the Net OPEB Liability  
Year Ended June 30, 2020**

<b>Fiscal year</b>	<b>Proportionate share of the net OPEB liability</b>	<b>Proportionate share of the net OPEB liability</b>	<b>Covered-employee payroll</b>	<b>Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll</b>	<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>
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%
2020	2.63%	22,349,145	120,614,392	18.53%	0.00%

**Schedule of Proportionate Share of Employer Contributions  
Year Ended June 30, 2020**

<b>Fiscal year</b>	<b>Contractually required contribution</b>	<b>Contributions in relation to the contractually required contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Covered-employee payroll</b>	<b>Contributions as a percentage of covered-employee payroll</b>
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%
2020	1,222,546	895,819	326,727	120,614,392	0.74%

## 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. 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. Trend information will be accumulated to display a ten-year presentation.



#### (c) Changes of Assumptions and Benefit Provisions (pension plan)

*Changes of assumptions:*

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
  - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119;
  - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119; and
  - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
  - For males, 137% of male rates at all ages;
  - For females, 115% of female rates at all ages; and
  - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

- The price inflation assumption was reduced from 3.00% to 2.75%;
- The wage inflation assumption was reduced from 3.25% to 3.00%;
- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience; and
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

*Changes in benefit provisions:* Amounts reported for fiscal years 2020 and 2019 reflect no changes in benefit provisions.

## **(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. 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. Trend information will be accumulated to display a ten-year presentation.

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

*Changes of assumptions:* In 2019, the SEIR was changed from 3.56% for the prior measurement date to 3.89% to the current measurement date. In 2020, the SEIR was changed from 3.89% for the prior measurement date to 3.50% to the current measurement date.

*Changes to benefit terms:* Amounts reported for fiscal years 2020 and 2019 reflect no changes to benefit terms.







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