

Missouri Southern State University
(A Component Unit of the State of Missouri)

Independent Auditor's Reports and Financial Statements

June 30, 2020 and 2019

Missouri Southern State University
(A Component Unit of the State of Missouri)
June 30, 2020 and 2019

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Independent Auditor's Report

Board of Governors
Missouri Southern State University
Joplin, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Missouri Southern State University (the "University"), collectively a component unit of the state of Missouri, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of Missouri Southern Foundation, the discretely presented component unit of the University. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the discretely presented component unit, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Missouri Southern Foundation, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Missouri Southern State University as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2021, on our consideration of Missouri Southern State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

BKD, LLP

Springfield, Missouri
January 13, 2021

Missouri Southern State University
(A Component Unit of the State of Missouri)
Management's Discussion and Analysis
Years Ended June 30, 2020 and 2019

Overview

Missouri Southern State University (MSSU) has a long and rich history of excellence in academics, student services and community service. Located in Southwest Missouri on a beautiful 373-acre campus, MSSU is a public institution with a liberal arts foundation that fulfills its mission by educating students of all ages and socioeconomic backgrounds.

Missouri Southern State University offers more than 100 majors and degree options, six graduate programs and additional graduate programs through cooperative partnerships. Our extensive distance-learning program allows flexibility to our students.

Faculty and staff at MSSU work diligently to provide their students with a successful academic experience. A diverse student body adds to the fine higher education offered at MSSU where quality academic programs, modern state-of-the-art facilities, small classes and excellent, accessible professors complete the unique community.

The curriculum at Missouri Southern State University focuses on professional orientation and is committed to preparing students for a successful career in a rapidly changing global economy. Programs begin with general education requirements for all students leading to bachelor's degrees and providing a strong foundation for lifelong study.

Academic Programs

The academic programs at the University are organized under four colleges: Plaster College of Business, College of Arts and Sciences, College of Education and College of Health Sciences. Each college has varied degree programs that offer extensive opportunities. MSSU also has strong programs in Honors and International Studies.

Management Discussion and Analysis

The following discussion and analysis provides an overview of the financial position and activities of Missouri Southern State University for the years ended June 30, 2020 and 2019. These statements provide both long-term and short-term financial information on the Missouri Southern State University campus as a whole. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis.

Basic Financial Statements

The University's financial report includes three financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These statements focus on the University as a whole, with resources classified for accounting and reporting purposes into four net position categories. Net position is one way to measure the University's financial position. Over time, increases or decreases in the University's net position are indicators of whether its financial position is improving. Nonfinancial factors are also important to consider including trends in student enrollment, condition and upgrades to facilities and competency and excellence of the work force.

Financial Highlights

2020

At June 30, 2020, the University's net position was \$49.0 million. Operating revenues were \$28.8 million, which include tuition and fees of \$15.4 million, grants of \$5.4 million, auxiliary revenues of \$7.3 million and other revenues of \$0.6 million. Operating expenses amounted to \$79.9 million resulting in an operating loss of \$51.1 million before state appropriations and other nonoperating revenues and expenses. The 2020 operating loss, net nonoperating revenue of \$37.7 million and capital gifts and grants of \$0.5 million resulted in a decrease in net position of \$12.9 million and included depreciation and amortization expense of \$6.1 million.

2019

At June 30, 2019, the University's net position was \$61.9 million. Operating revenues were \$33.5 million, which include tuition and fees of \$18.0 million, grants of \$5.6 million, auxiliary revenues of \$8.8 million and other revenues of \$1.1 million. Operating expenses amounted to \$78.1 million resulting in an operating loss of \$44.6 million before state appropriations and other nonoperating revenues and expenses. The 2019 operating loss, net nonoperating revenue of \$37.9 million and capital gifts and grants of \$2.6 million resulted in a decrease in net position of \$4.1 million and included depreciation and amortization expense of \$6.1 million.

Analysis of Changes in Net Position

The following table summarizes the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2020, 2019 and 2018.

Net Position, End of Year (In Millions)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current Assets	\$ 17.4	\$ 20.2	\$ 19.5
Capital Assets – Net	128.6	127.3	126.2
Other Noncurrent Assets	<u>20.9</u>	<u>3.4</u>	<u>6.4</u>
Total assets	<u>\$ 166.9</u>	<u>\$ 150.9</u>	<u>\$ 152.1</u>
Deferred Outflows of Resources	<u>\$ 12.7</u>	<u>\$ 15.6</u>	<u>\$ 18.2</u>
Current Liabilities	\$ 9.3	\$ 8.3	\$ 8.8
Noncurrent Liabilities	<u>119.0</u>	<u>92.5</u>	<u>92.6</u>
Total liabilities	<u>\$ 128.3</u>	<u>\$ 100.8</u>	<u>\$ 101.4</u>
Deferred Inflows of Resources	<u>\$ 2.3</u>	<u>\$ 3.8</u>	<u>\$ 2.9</u>
Net Position			
Net investment in capital assets	\$ 89.4	\$ 91.3	\$ 91.3
Restricted	2.6	3.9	4.7
Unrestricted	<u>(43.0)</u>	<u>(33.3)</u>	<u>(30.0)</u>
Total net position	<u>\$ 49.0</u>	<u>\$ 61.9</u>	<u>\$ 66.0</u>

Of the \$2.6 million in restricted net position in 2020, \$2.2 million of capital contributions in the federal student loan program is classified as nonexpendable. The expendable portion, \$0.4 million, is held for scholarships and capital projects. Of the \$3.9 million in restricted net position in 2019, \$3.1 million of capital contributions in the federal student loan program is classified as nonexpendable. The expendable portion, \$775 thousand, is held for scholarships, capital projects and debt payments.

Unrestricted net position has a negative balance that began in fiscal year 2015. This resulted from the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These statements established standards for the measurement, recognition and presentation of net pension liability and other postemployment benefits in the University's financial statements. Net pension liabilities recorded on the statement of net position in accordance with GASB Statement No. 68 totaled \$60.5 million, \$55.2 million and \$54.3 million at June 30, 2020, 2019, and 2018, respectively.

Additional impact to unrestricted net position resulted from implementation of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* that began in 2018. Other postemployment benefit liability as of June 30, 2020 and 2019, totaled \$2.4 million and \$2.1 million, respectively.

The following table summarizes the University's revenues, expenses and changes in net position for the years ending June 30, 2020, 2019 and 2018:

Change in Net Position (In Millions)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenues			
Tuition and fees	\$ 15.4	\$ 18.0	\$ 17.2
Grants and contracts	5.4	5.6	5.7
Interest on loans to students	0.1	0.1	0.1
Auxiliary enterprises	7.3	8.8	9.4
Other	<u>0.6</u>	<u>1.0</u>	<u>1.1</u>
Total operating revenues	28.8	33.5	33.5
Operating Expenses	<u>79.9</u>	<u>78.1</u>	<u>76.3</u>
Operating Loss	<u>(51.1)</u>	<u>(44.6)</u>	<u>(42.8)</u>
Nonoperating Revenue (Expense)			
State appropriations	22.2	23.3	22.3
Federal grants and contracts	11.1	11.9	12.7
Federal CARES Act grant	3.1	0.0	0.0
Contributions	3.2	3.1	2.8
Investment income	0.3	0.5	0.3
Interest on capital asset – related debt	(2.2)	(1.3)	(1.3)
Loss on disposal of capital assets and construction in progress	0.0	(0.4)	0.0
Other nonoperating revenues	<u>0.0</u>	<u>0.8</u>	<u>0.6</u>
Net nonoperating revenues	<u>37.7</u>	<u>37.9</u>	<u>37.4</u>
Loss Before Other Revenues	<u>(13.4)</u>	<u>(6.7)</u>	<u>(5.4)</u>
Capital appropriations – state	0.0	1.8	3.7
Capital gifts and grants	<u>0.5</u>	<u>0.8</u>	<u>0.5</u>
Total other revenues, expenses, gains or losses	<u>0.5</u>	<u>2.6</u>	<u>4.2</u>
Decrease in Net Position	(12.9)	(4.1)	(1.2)
Net Position, Beginning of Year, as Previously Reported	<u>61.9</u>	<u>66.0</u>	<u>67.2</u>
Net Position, End of Year	<u>\$ 49.0</u>	<u>\$ 61.9</u>	<u>\$ 66.0</u>

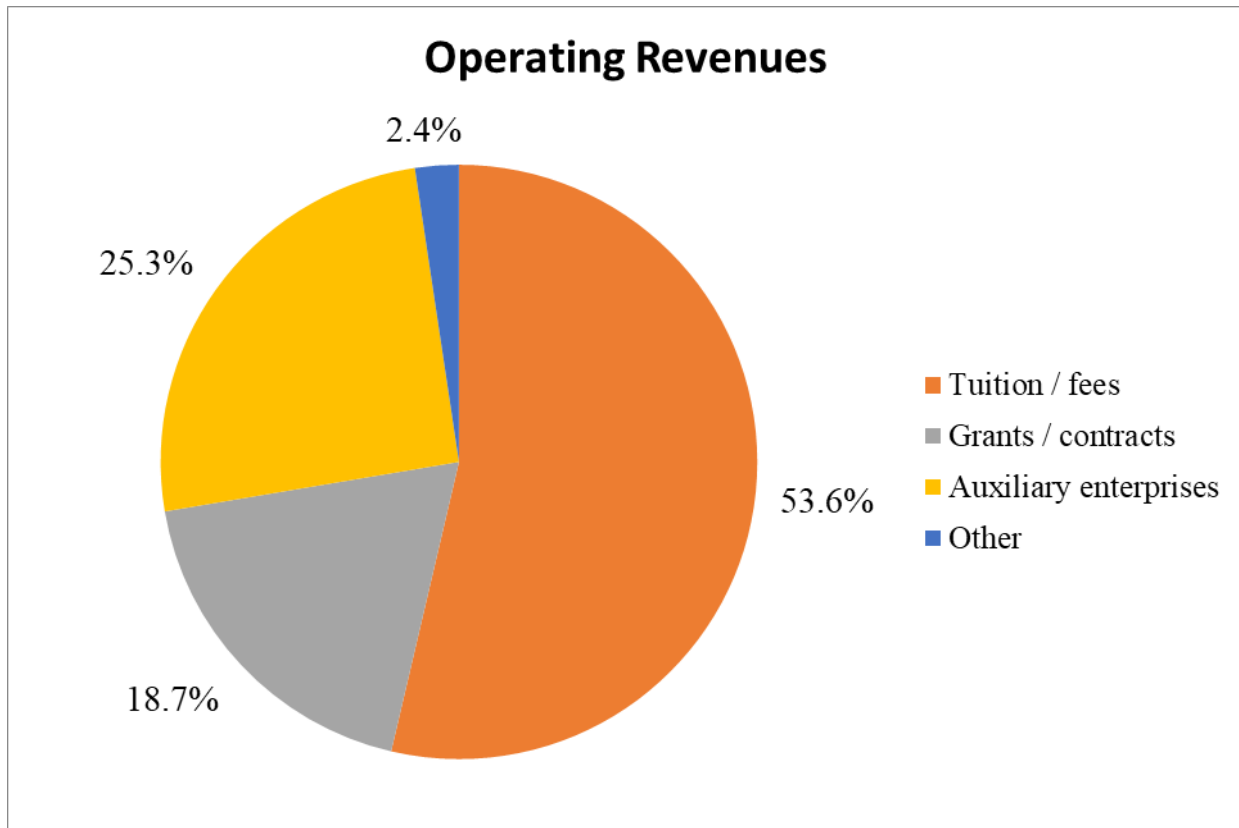
2020

Total operating revenues are \$28.8 million reflecting decreases in tuition, federal grants and auxiliary. The University was impacted by the 2020 COVID-19 pandemic. The University incurred some losses beginning in March as the institution transitioned to 100 percent on-line instruction and the close of campus for seven weeks.

2019

Total operating revenues remained consistent at \$33.5 million during fiscal year ended June 30, 2019 reflecting increases in tuition and federal grants offset with some decrease in other operating revenue and auxiliary.

The following graph summarizes the University's operating revenues for the year ended June 30, 2020:



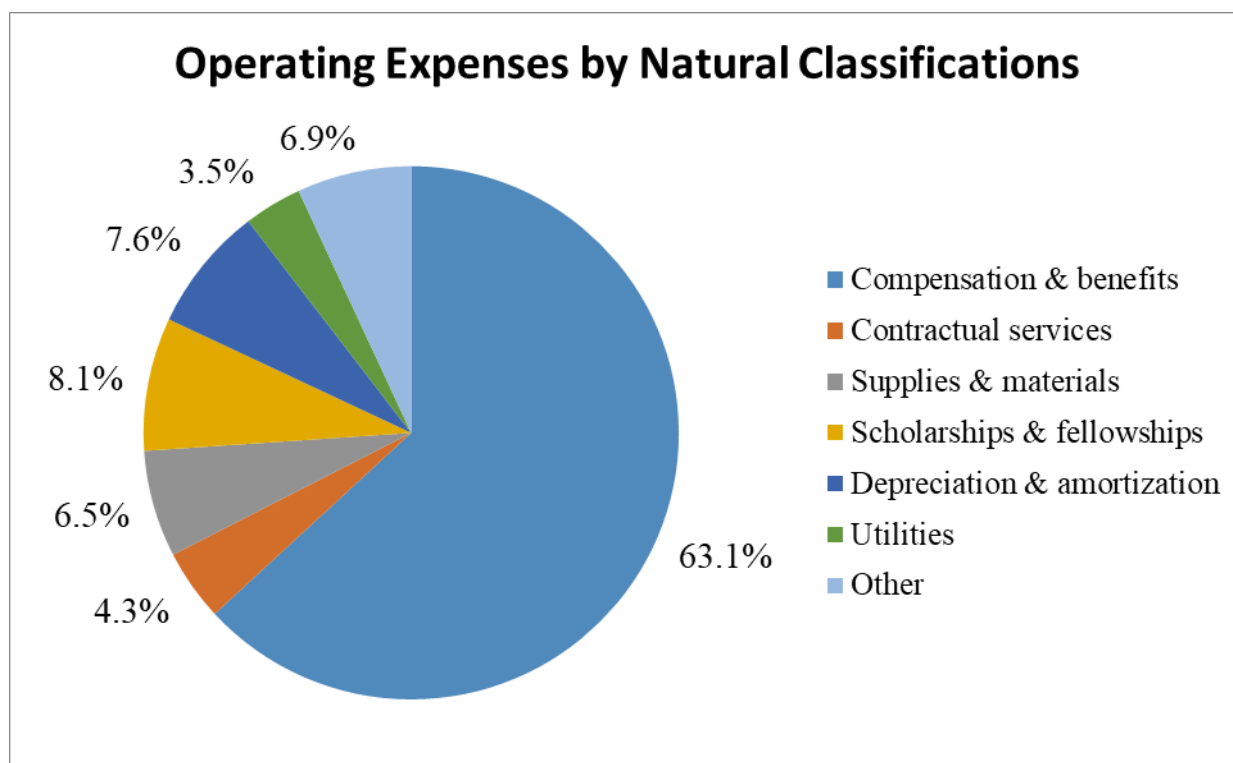
Operating expenses increased by \$1.8 million. Primary increase from GASB 68 entry for MOSERS that was offset by decreases in contract services, supplies, utilities and other operating expenses.

The following table summarizes the University's operating expenses by natural classifications for the years ended June 30, 2020, 2019 and 2018:

Operating Expenses (In Millions)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Compensation and benefits	\$ 50.4	\$ 47.0	\$ 45.6
Contractual services	3.5	3.8	3.6
Supplies and materials	5.2	4.4	4.2
Scholarships	6.4	7.1	8.3
Depreciation and amortization	6.1	6.1	5.9
Utilities	2.8	3.0	3.0
Other	<u>5.5</u>	<u>6.7</u>	<u>5.7</u>
 Total operating expenses	 \$ <u>79.9</u>	 \$ <u>78.1</u>	 \$ <u>76.3</u>

The following graph summarizes the University's operating expenses by natural classifications for the year ended June 30, 2020:

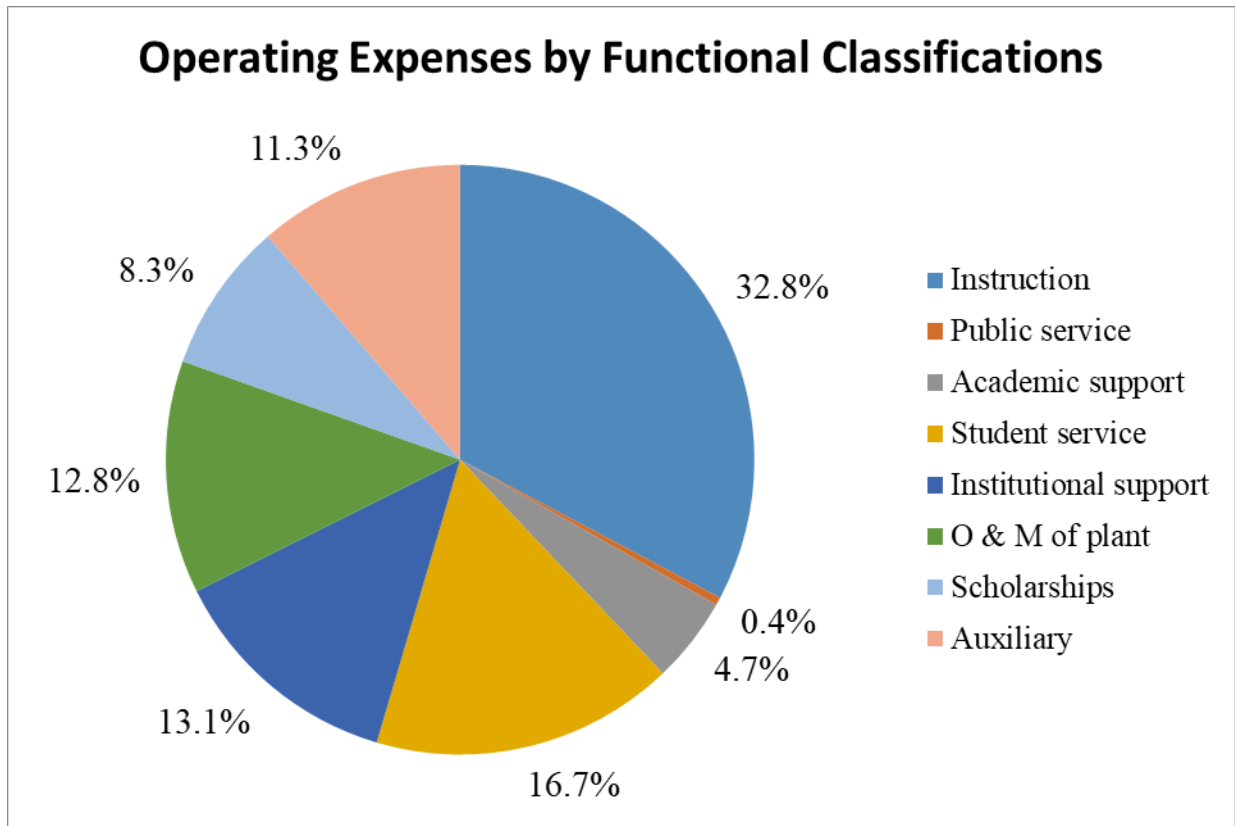


The following table summarizes the University’s operating expenses by functional classifications for the years ended June 30, 2020, 2019 and 2018:

Operating Expenses by Functional Classifications (In Millions)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Instruction	\$ 26.2	\$ 25.1	\$ 25.0
Public service	0.3	0.3	0.3
Academic support	3.8	4.0	3.4
Student service	13.3	12.1	11.2
Institutional support	10.4	10.2	9.1
Operations and maintenance of plant	10.2	9.9	10.0
Scholarships	6.6	7.4	8.3
Auxiliary	<u>9.1</u>	<u>9.1</u>	<u>9.0</u>
 Total operating expenses	 \$ <u>79.9</u>	 \$ <u>78.1</u>	 \$ <u>76.3</u>

The following graph summarizes the University’s operating expenses by functional classifications for the year ended June 30, 2020:



2020

Functional expenses for fiscal year 2020 primarily reflect an increase from the GASB 68 MOSERS allocation with an offset with decrease in scholarships due to scholarship allowance.

2019

Functional expenses for fiscal year 2019 primarily reflected an increase from compensation due to across the board raise and additional filled positions offset with decrease in scholarships due to scholarship allowance.

The following table summarizes the University's nonoperating revenues and expenses for the years ended June 30, 2020, 2019 and 2018:

Nonoperating Revenues and Expenses (In Millions)

	2020	2019	2018
State appropriations	\$ 22.2	\$ 23.3	\$ 22.3
Federal grants and contracts	11.1	11.9	12.7
Federal CARES Act grant	3.1	0.0	0.0
Contributions	3.2	3.1	2.8
Investment income	0.3	0.5	0.3
Interest on capital asset-related debt	(2.2)	(1.3)	(1.3)
Loss on disposal of capital assets and construction in progress	0.0	(0.4)	0.0
Other nonoperating expenses	<u>0.0</u>	<u>0.8</u>	<u>0.6</u>
Net nonoperating revenues	<u>\$ 37.7</u>	<u>\$ 37.9</u>	<u>\$ 37.4</u>

The following table summarizes the University's cash flows for the years ended June 30, 2020, 2019 and 2018:

Cash Flows (In Millions)

	2020	2019	2018
Cash Provided By (Used In)			
Operating activities	\$ (38.0)	\$ (32.8)	\$ (32.9)
Noncapital financing activities	39.6	39.2	38.3
Capital and related financing activities	13.6	(7.6)	(3.3)
Investing activities	<u>0.3</u>	<u>0.4</u>	<u>0.3</u>
Net Change in Cash and Cash Equivalents	15.5	(0.8)	2.4
Cash and Cash Equivalents, Beginning of Year	<u>18.0</u>	<u>18.8</u>	<u>16.4</u>
Cash and Cash Equivalents, End of Year	<u>\$ 33.5</u>	<u>\$ 18.0</u>	<u>\$ 18.8</u>

2020

Cash provided by operating activities resulted from receipts from tuition and fees, grants and contracts, auxiliary enterprises, student loans and cash used resulted from payments to suppliers, utilities, employees and others resulting in net cash used in operating activities of \$38.0 million. Cash provided by noncapital financing activities of \$39.6 million includes state appropriations, federal grants, CARES Act funding, gifts and grants for other than capital purposes and other. Cash provided by capital and related financing activities of \$13.6 million consists primarily of the Series 2019A bond issuance, purchases of capital assets, gifts and grants for capital projects and principal and interest paid on capital debt and leases. Cash provided by investing activities resulted from interest earned from bank cash balances. Cash and cash equivalents at June 30, 2020, were \$33.5 million, which increased \$15.5 million from June 30, 2019.

2019

Cash provided by operating activities resulted from receipts from tuition and fees, grants and contracts, auxiliary enterprises, student loans and cash used resulted from payments to suppliers, utilities, employees and others resulting in net cash used in operating activities of \$32.8 million. Cash provided by noncapital financing activities of \$39.2 million includes state appropriations, gifts and grants for other than capital purposes and other. Cash used in capital and related financing activities of \$7.6 million consists primarily of purchases of capital assets, gifts and grants for capital projects and principal and interest paid on capital debt and leases. Cash provided by investing activities resulted from interest earned from bank cash balances. Cash and cash equivalents at June 30, 2020, were \$18.0 million, which decreased \$0.8 million from June 30, 2019.

Capital Assets

2020

At June 30, 2020, the University had \$128.6 million (net of accumulated depreciation), compared to \$127.2 million at June 30, 2019, invested in a broad range of capital assets, including land, land improvements, buildings and improvements, infrastructure, furniture, fixtures and equipment, vehicles, works of art, library materials and construction in progress. Additional information of the University's capital assets can be found in *Note 3* to the financial statements.

2019

At June 30, 2019, the University had \$127.2 million (net of accumulated depreciation), compared to \$126.2 million at June 30, 2018, invested in a broad range of capital assets, including land, land improvements, buildings and improvements, infrastructure, furniture, fixtures and equipment, vehicles, works of art, library materials and construction in progress. Additional information of the University's capital assets can be found in *Note 3* to the financial statements.

Long-Term Debt

2020

At June 30, 2020, the University had \$57.8 million in bonds and other long-term debt payable, of which \$2.6 million is payable during the upcoming fiscal year. The University issued \$22.5 million in bonds to provide funding for a new residence hall. The increase was offset by \$2.4 million which represents principal payments made during the most recent fiscal year. *Note 4* to the financial statements provides additional information about the University's long-term debt.

2019

At June 30, 2019, the University had \$36.5 million in bonds and other long-term debt payable, of which \$2.3 million is payable during the upcoming fiscal year. The total balance payable includes notes payable of \$1.2 million for new videoboard offset by a decrease of \$2.2 million from 2018, which represents principal payments made during the most recent fiscal year. *Note 4* to the financial statements provides additional information about the University's long-term debt.

Economic Outlook

Missouri Southern State University along with all industries are navigating the challenges of the COVID-19 pandemic. Higher education specifically has had to pivot to find creative ways to serve our students. The priority was to keep students, faculty and staff safe while still offering opportunities to our students. In spring 2020, the university immediately moved all classes on-line over the March 2020 spring break to allow students to finish the semester and for some to complete their degree and graduate.

As we moved towards summer 2020, classes remained online. Faculty and staff worked tirelessly in order to re-open campus with face-to-face classes for fall 2020. Some courses were also taught using a high-flex model to allow students to select from multiple modes of instruction. In addition, significant new protocols were put in place to allow for the health and safety of the entire campus community.

Before the pandemic, the university saw success in many areas across campus. In fall 2019, the university issued auxiliary revenue bonds for construction of our newest residence hall, the Lion Village. It is a four-story hybrid building with 304 beds. The interior corridor features traditional rooms that house two people and at both ends of the building there will be semi-suites with individual bedrooms. The anticipated date for students to occupy the new building is fall 2021.

In collaboration with the City of Joplin, the university worked on the Trail Project. The trail leads to the local mall, movie theatre and many eating establishments. This attractive feature links the university directly to the community.

Subsequent to year-end, Missouri Southern has entered in to an energy savings contract with Johnson Controls, Inc. (JCI). The contract provides for numerous upgrades to our aging infrastructure that are more efficient and cost effective. The university will utilize the energy savings to make payments that will result in a net zero budgetary impact. Thereafter, the university will benefit entirely from the reduced savings.

Our academic programs expanded to offer a Healthcare Administration degree. This program is essentially a business degree with a healthcare focus that will provide students with the knowledge to improve the patient's hospital experience. This offers one more facet to the growing healthcare industry.

President Dr. Alan Marble announced his June 2020 retirement in fall 2019. The university embarked on a search for a new leader. Dr. Dean Van Galen was selected as the university's president. Prior to coming to MSSU, he served as chancellor of the University of Wisconsin-River Falls for 11 years. Dr. Van Galen brought with him knowledge of higher education in navigating the pandemic and understood it created challenges as well as opportunities. Dr. Van Galen implemented town hall meetings to keep the campus informed of our strategies to persevere during extraordinary times. He brings significant leadership experience, particularly in fundraising and governmental relations, as well as a philosophy that student learning and success must be at the heart of the university's mission.

As mentioned earlier, all industries have been impacted by the pandemic. The State of Missouri's revenue decreased and resulted in budget cuts to appropriations. Missouri Southern's appropriation in the final quarter of fiscal year 2020 was reduced by \$3 million. Fiscal year 2021 began with reductions but has seen some release of withholdings.

The Coronavirus Aid, Relief and Economic Security Act (CARES Act) funding provided directly from the federal government as well as funding passed through via the Governor's office was a critical funding source. This funding was essential to providing resources that allowed us to implement significant changes to the on-line delivery of instruction. This funding also allowed for purchases to ensure and maintain the safety of the campus community. And a significant portion of funding was allocated to provide emergency aid as direct payments to students to offset costs for food, course materials, technology and other necessities.

Moving forward the university continues to enhance our enrollment strategies that include restructure of our scholarships, pursuing additional degree programs and increasing retention initiatives. Missouri Southern will work with our legislators to obtain appropriation funding for both our base and capital needs as well as continued discussion on tuition rates that are capped at a low consumer price index (CPI).

Missouri Southern State University
(A Component Unit of the State of Missouri)
Statements of Net Position
June 30, 2020 and 2019

Assets and Deferred Outflows of Resources

	2020	2019
Current Assets		
Cash	\$ 9,476,567	\$ 11,806,090
Reserved cash	4,325,472	4,408,833
Accounts receivable, net	1,609,160	1,825,239
Inventories	557,749	696,709
Loans to students, net	408,193	475,204
Deposits and prepaid expenses	966,002	957,186
Total current assets	17,343,143	20,169,261
Noncurrent Assets		
Restricted cash	19,716,190	1,830,411
Restricted investments	57,612	57,612
Other receivables, net	12,690	1,291
Loans to students, net	1,137,171	1,553,860
Capital assets, net	128,593,665	127,261,724
Total noncurrent assets	149,517,328	130,704,898
Total assets	166,860,471	150,874,159
Deferred Outflows of Resources		
Loss on refunding of bonds	251,252	270,492
Deferred outflows of resources related to pensions	11,821,478	15,303,843
Deferred outflows of resources related to other postemployment benefits	616,809	66,898
Total deferred outflows of resources	12,689,539	15,641,233

See Notes to Financial Statements

Liabilities, Deferred Inflows of Resources, and Net Position

	2020	2019
Current Liabilities		
Accounts payable and accrued liabilities	\$ 4,085,080	\$ 2,979,576
Accrued compensated absences	1,018,216	1,011,458
Unearned revenue	1,350,734	1,927,519
Unearned revenue – vending	7,500	7,500
Other postemployment benefit liability – current portion	199,514	106,336
Long-term debt – current portion	2,602,702	2,259,614
	<hr/>	<hr/>
Total current liabilities	9,263,746	8,292,003
	<hr/>	<hr/>
Noncurrent Liabilities		
Accrued compensated absences	634,098	489,250
Unearned revenue – vending	53,125	60,625
Other postemployment benefit liability	2,199,355	2,014,419
Long-term debt	55,171,118	34,241,761
Deposits held in custody for others	491,861	433,323
Net pension liability	60,464,168	55,206,922
	<hr/>	<hr/>
Total noncurrent liabilities	119,013,725	92,446,300
	<hr/>	<hr/>
Total liabilities	128,277,471	100,738,303
	<hr/>	<hr/>
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	1,909,468	3,730,627
Deferred inflows of resources related to other postemployment benefits	361,286	108,299
	<hr/>	<hr/>
Total deferred inflows of resources	2,270,754	3,838,926
	<hr/>	<hr/>
Net Position		
Net investment in capital assets	89,420,214	91,327,039
Restricted for		
Nonexpendable		
Loans	2,194,978	3,142,295
Expendable		
Scholarships and fellowships	360,824	406,276
Capital projects	54,035	368,768
Unrestricted (deficit)	(43,028,266)	(33,306,215)
	<hr/>	<hr/>
Total net position	\$ 49,001,785	\$ 61,938,163
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Missouri Southern State University
(A Component Unit of the State of Missouri)
Missouri Southern Foundation
Statements of Financial Position
June 30, 2020 and 2019

Assets

	2020	2019
Current Assets		
Cash	\$ 1,021,324	\$ 830,303
Contributions receivable – current portion	320,836	252,008
Notes receivable, less provision for uncollectable notes of \$107,951 in 2020; \$121,458 in 2019	-	20,728
Security deposit	9,000	17,000
Other receivables	158,837	151,523
Total current assets	1,509,997	1,271,562
Investments	21,892,499	21,206,810
Other Assets		
Contributions receivable – long-term portion	3,886,641	5,004,235
Real property (downtown library)	720,000	720,000
Beneficial interests in trusts held by others	13,039,168	12,150,627
Total other assets	17,645,809	17,874,862
Total assets	\$ 41,048,305	\$ 40,353,234

Liabilities

Current Liabilities		
Accounts payable	\$ 88,140	\$ 55,132
Annuity obligations	33,666	39,452
Total current liabilities	121,806	94,584
Note Payable Long Term	-	1,040,000

Net Assets

Without donor restriction	2,553,693	1,230,367
With donor restriction	38,372,806	37,988,283
Total net assets	40,926,499	39,218,650
Total liabilities and net assets	\$ 41,048,305	\$ 40,353,234

Missouri Southern State University
(A Component Unit of the State of Missouri)
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Tuition and fees, net of scholarship allowances and bad debt expense	\$ 15,439,518	\$ 18,028,879
Federal grants and contracts	2,393,670	2,480,044
State grants and contracts	2,983,118	3,125,537
Interest on loans to students	94,461	109,244
Auxiliary enterprises		
Housing, net of scholarship allowances and bad debt expense	2,726,622	3,645,691
Student recreation and health center	1,764,432	1,668,969
Bookstore and other	2,791,757	3,470,539
Other operating revenues	585,468	1,028,700
Total operating revenues	<u>28,779,046</u>	<u>33,557,603</u>
Operating Expenses		
Compensation and benefits	50,397,674	46,973,517
Contractual services	3,456,324	3,839,238
Supplies and materials	5,170,376	4,430,244
Scholarships and fellowships	6,445,890	7,119,785
Depreciation and amortization	6,069,480	6,085,247
Utilities	2,796,198	2,998,789
Other	5,512,862	6,694,666
Total operating expenses	<u>79,848,804</u>	<u>78,141,486</u>
Operating Loss	<u>(51,069,758)</u>	<u>(44,583,883)</u>
Nonoperating Revenues (Expenses)		
State appropriations	22,198,081	23,310,305
Federal grants and contracts	11,120,143	11,884,575
Federal CARES Act grant	3,086,417	-
Contributions	3,187,845	3,121,940
Loss on disposal of capital assets and construction in progress	(89,356)	(379,349)
Investment income	321,118	497,994
Interest on capital asset-related debt	(2,199,813)	(1,287,035)
Other nonoperating revenues	36,486	752,644
Net nonoperating revenues	<u>37,660,921</u>	<u>37,901,074</u>
Loss Before Other Revenues, Expenses, Gains or Losses	<u>(13,408,837)</u>	<u>(6,682,809)</u>
Other Revenues, Expenses, Gains or Losses		
Capital grants and gifts	472,459	776,154
State capital appropriations	-	1,834,901
Total other revenues, expenses, gains or losses	<u>472,459</u>	<u>2,611,055</u>
Decrease in Net Position	(12,936,378)	(4,071,754)
Net Position, Beginning of Year	<u>61,938,163</u>	<u>66,009,917</u>
Net Position, End of Year	<u>\$ 49,001,785</u>	<u>\$ 61,938,163</u>

Missouri Southern State University
(A Component Unit of the State of Missouri)
Missouri Southern Foundation
Statement of Activities
Year Ended June 30, 2020

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Contributions	\$ 181,457	\$ 3,575,861	\$ 3,757,318
Investment income	638,165	828,325	1,466,490
Endowment management fees	292,429	-	292,429
Net realized loss on investments	(572,334)	(36,788)	(609,122)
Net unrealized gain (loss) on investments	1,620,698	(1,276,877)	343,821
Decrease in beneficial interest in trusts	-	(133,364)	(133,364)
Net assets released from restrictions	2,572,634	(2,572,634)	-
	<u>4,733,049</u>	<u>384,523</u>	<u>5,117,572</u>
Expenses			
Scholarships	1,112,403	-	1,112,403
Faculty and department support	723,443	-	723,443
Facilities improvement	286,893	-	286,893
General university support	250,505	-	250,505
Cultural activities	12,035	-	12,035
Administrative	829,161	-	829,161
Fundraising	195,283	-	195,283
	<u>3,409,723</u>	<u>-</u>	<u>3,409,723</u>
Change in Net Assets	1,323,326	384,523	1,707,849
Net Assets at Beginning of Year	<u>1,230,367</u>	<u>37,988,283</u>	<u>39,218,650</u>
Net Assets at End of Year	<u>\$ 2,553,693</u>	<u>\$ 38,372,806</u>	<u>\$ 40,926,499</u>

Missouri Southern State University
(A Component Unit of the State of Missouri)
Missouri Southern Foundation
Statement of Activities
Year Ended June 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Contributions	\$ 123,625	\$ 2,875,785	\$ 2,999,410
Investment income	95,427	956,013	1,051,440
Endowment management fees	255,797	-	255,797
Net realized gain on investments	180,433	52,935	233,368
Net unrealized gain on investments	118,766	331,474	450,240
Increase in beneficial interest in trusts	-	48,963	48,963
Net assets released from restrictions	3,901,165	(3,901,165)	-
	<u>4,675,213</u>	<u>364,005</u>	<u>5,039,218</u>
Expenses			
Scholarships	1,089,735	-	1,089,735
Faculty and department support	841,734	-	841,734
Facilities improvement	732,975	-	732,975
General university support	1,382,207	-	1,382,207
Cultural activities	977	-	977
Administrative	685,213	-	685,213
Fundraising	219,501	-	219,501
	<u>4,952,342</u>	<u>-</u>	<u>4,952,342</u>
Change in Net Assets	(277,129)	364,005	86,876
Net Assets at Beginning of Year	<u>1,507,496</u>	<u>37,624,278</u>	<u>39,131,774</u>
Net Assets at End of Year	<u>\$ 1,230,367</u>	<u>\$ 37,988,283</u>	<u>\$ 39,218,650</u>

Missouri Southern State University
(A Component Unit of the State of Missouri)
Missouri Southern Foundation
Statements of Functional Expenses

Year Ended June 30, 2020

	Program Services	Support Services	Functional Expenses
Scholarships	\$ 1,112,403	\$ -	\$ 1,112,403
Faculty and department support	723,443	-	723,443
Facilities improvement	286,893	-	286,893
General university support	250,505	-	250,505
Cultural activities	12,035	-	12,035
Administrative	-	829,161	829,161
Fundraising	-	195,283	195,283
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 2,385,279</u>	<u>\$ 1,024,444</u>	<u>\$ 3,409,723</u>

Year Ended June 30, 2019

	Program Services	Support Services	Functional Expenses
Scholarships	\$ 1,089,735	\$ -	\$ 1,089,735
Faculty and department support	841,734	-	841,734
Facilities improvement	732,975	-	732,975
General university support	1,382,207	-	1,382,207
Cultural activities	977	-	977
Administrative	-	685,213	685,213
Fundraising	-	219,501	219,501
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 4,047,628</u>	<u>\$ 904,714</u>	<u>\$ 4,952,342</u>

Missouri Southern State University
(A Component Unit of the State of Missouri)
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Operating Activities		
Tuition and fees	\$ 14,964,252	\$ 17,927,043
Grants and contracts	5,615,397	6,599,701
Payments for scholarships	(6,445,890)	(7,119,785)
Payments to suppliers	(17,192,336)	(18,363,113)
Payments to employees	(43,297,891)	(42,296,528)
Collection of loans to students and employees	581,161	803,588
Sales and services of auxiliary enterprises	7,155,123	8,636,872
Other receipts	585,468	1,028,701
	(38,034,716)	(32,783,521)
Noncapital Financing Activities		
State appropriations	22,198,081	23,310,305
Federal grants and contracts	11,120,143	11,884,575
Federal CARES Act grant	3,086,417	-
Gifts and grants for other than capital purposes	3,187,845	3,121,940
Other receipts	18,226	839,126
	39,610,712	39,155,946
Capital and Related Financing Activities		
State appropriations for construction of assets	-	1,834,901
Capital grants and gifts received	472,459	776,154
Purchase of capital assets	(6,219,007)	(6,738,682)
Proceeds from sale of capital assets	30,147	3,950
Proceeds from issuance of capital debt	23,661,333	-
Principal paid on capital debt and leases	(2,388,888)	(2,236,473)
Interest paid on capital debt and leases	(1,980,263)	(1,278,345)
	13,575,781	(7,638,495)

Missouri Southern State University
(A Component Unit of the State of Missouri)
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Investing Activities		
Investment income received	\$ 321,118	\$ 497,994
Net cash provided by investing activities	321,118	497,994
Increase (Decrease) in Cash	15,472,895	(768,076)
Cash, Beginning of Year	18,045,334	18,813,410
Cash, End of Year	\$ 33,518,229	\$ 18,045,334
Reconciliation of Cash to the Statements of Net Position		
Cash	\$ 9,476,567	\$ 11,806,090
Reserved cash	4,325,472	4,408,833
Restricted cash	19,716,190	1,830,411
Total cash	\$ 33,518,229	\$ 18,045,334
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (51,069,758)	\$ (44,583,883)
Depreciation expense	5,953,304	5,895,621
Amortization expense	116,176	189,624
Changes in operating assets and liabilities		
Receivables, net	702,779	1,660,630
Inventories	22,784	(56,140)
Prepaid expenses	(8,816)	(314,821)
Accounts payable and accrued liabilities	(128,941)	74,627
Total other postemployment benefits	278,114	130,072
Deferred revenue	(580,424)	(222,329)
Deposits held in custody for others	58,538	28,543
Net pension liability	5,257,246	915,943
Deferred inflows of resources	(1,568,172)	978,239
Deferred outflows of resources	2,932,454	2,520,351
Net cash used in operating activities	\$ (38,034,716)	\$ (32,783,523)
Noncash Investing, Capital and Financing Activities		
Accounts payable incurred for purchase of capital assets	\$ 1,309,935	\$ 121,194
Long-term debt incurred for purchase of capital asset from the Foundation	\$ -	\$ 1,337,314

Missouri Southern State University
(A Component Unit of the State of Missouri)
Notes to Financial Statements
June 30, 2020 and 2019

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

Nature of Operations

Missouri Southern State University (the “University”), A Component Unit of the State of Missouri, is a state educational institution operating under the jurisdiction of the state of Missouri. The University campus, located in Joplin, Missouri, offers a variety of programs and services.

Major federally funded student financial assistance programs in which the University participates include the Federal Pell Grant, Federal Work-Study, Federal Direct Student Loan, Federal Perkins Loan, Federal Supplemental Educational Opportunity Grant and Federal Teacher Education Assistance for College and Higher Education Grant. The University extends unsecured credit to students.

Basis of Accounting and Presentation

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

Use of Estimates

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

Missouri Southern State University
(A Component Unit of the State of Missouri)
Notes to Financial Statements
June 30, 2020 and 2019

Reserved Cash

The University has certain cash balances internally designated as reserved that are being held for specified future uses.

Investments and Investment Income

Investments in equity and debt securities are carried at fair value, except for equity securities whose sale is restricted by donors. Fair value is determined using quoted market prices. Investments in nonnegotiable certificates of deposit and equity securities whose sale is restricted by donors are carried at cost.

Investment income consists of interest and dividend income and the net change for the year in the fair value of investments carried at fair value.

Accounts Receivable

Approximately 10 percent and 25 percent of accounts receivable at June 30, 2020 and 2019, respectively, is due from governmental and other entities for reimbursements under grants and other programs. The remaining 90 percent and 75 percent of accounts receivable at June 30, 2020 and 2019, respectively, consist of tuition and fee charges to students and charges for auxiliary enterprise services provided to students, faculty and staff.

Student accounts receivable are stated at the amount billed to the students less applied scholarships and loan proceeds and an allowance for doubtful accounts of \$6,600,000 and \$5,800,000 at June 30, 2020 and 2019, respectively. The University provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Tuition is due at the beginning of the semester unless the student has signed a payment plan. Charges that are past due without payments, have had no response to the due diligence process and are assigned to third-party collection agencies are considered delinquent.

Inventories

Inventories consist of bookstore merchandise and consumable supplies. Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method. Inventories of textbooks rented to students are amortized using the straight-line method over three years. Total amortization for the years ended June 30, 2020 and 2019, was \$116,177 and \$189,626, respectively.

Missouri Southern State University
(A Component Unit of the State of Missouri)
Notes to Financial Statements
June 30, 2020 and 2019

Loans to Students

The University makes loans to students under various federal and other loan programs. Such loan receivables are recorded net of estimated uncollectible amounts. The allowance for uncollectible amounts netted against loans to students was \$1,044,991 and \$969,484 at June 30, 2020 and 2019, respectively. Interest income is charged on loans to students as established under the loan programs. Interest income for the years ended June 30, 2020 and 2019, was \$94,461 and \$109,244, respectively.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Works of art collections are capitalized and depreciated. The following estimated useful lives are being used by the University:

Land improvements	10 – 40 years
Buildings and improvements	10 – 50 years
Infrastructure	10 – 40 years
Furniture, fixtures and equipment	3 – 25 years
Library materials	7 years
Collections	15 years

Capital Asset Impairment

The University evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss.

No asset impairment was recognized during the years ended June 30, 2020 and 2019.

Deferred Outflows of Resources

The University reports the consumption of net position that relates to future reporting periods as deferred outflows of resources in a separate section of its statements of net position.

Missouri Southern State University
(A Component Unit of the State of Missouri)
Notes to Financial Statements
June 30, 2020 and 2019

Loss on Refunding of Bonds

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

Compensated Absences

The University policies permit most employees to accumulate vacation benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities for vacation benefits are computed using the regular pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. The estimated compensated absence liability expected to be paid more than one year after the statements of net position date is included in long-term liabilities.

It is the University's policy to permit employees to accumulate earned but unused sick pay benefits. Accumulated sick pay benefits are forfeited by the employee upon death, permanent disability, termination or retirement. Therefore, sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability has been reported for the accumulated sick pay benefits. Although benefits are forfeited at retirement, unused accumulated sick pay benefits are credited to years of service for calculating retirement benefits.

Unearned Revenue

Current unearned revenue represents unearned student fees and advances on grants and contract awards for which the University has not met all of the applicable eligibility requirements. Current and noncurrent unearned vending revenues represent unearned sponsorships on vending machine commitments.

Defined Benefit Pension Plan

As a component unit of the state of Missouri, the University participates in the Missouri State Employees' Plan (MSEP), a single-employer defined benefit pension plan as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). MSEP is administered by the Missouri State Employees' Retirement System (MOSERS), also a component unit of the state of Missouri. In accordance with the provisions of GASB 68, the University accounts for and reports its participation in the single-employer plan as if it was a cost-sharing employer. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of MOSERS and additions to/deductions from MOSERS' fiduciary net position has been determined on the same basis as they are reported by MOSERS. 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.

Missouri Southern State University
(A Component Unit of the State of Missouri)
Notes to Financial Statements
June 30, 2020 and 2019

Defined Benefit Other Postemployment Benefit Plan

The University has a single-employer defined benefit other postemployment benefit (OPEB) plan, providing health insurance to retirees (the “OPEB Plan”). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Inflows of Resources

The University reports the acquisition of net position that relates to future reporting periods as deferred inflows of resources in a separate section of its statements of net position.

Net Position

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

Classification of Revenues

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

Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises and (3) interest on student loans.

Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, such as state appropriations and investment income.

Missouri Southern State University
(A Component Unit of the State of Missouri)
Notes to Financial Statements
June 30, 2020 and 2019

Tuition and Fee Revenue

Tuition and fee revenue are recognized in the terms to which it relates. The summer term is allocated by number of days falling within each fiscal year.

Scholarship Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statements of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, are recorded as nonoperating revenues and other governmental grants are recorded as operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance. The scholarship allowances on tuition and fees and housing for the year ended June 30, 2020, were \$17,593,271 and \$1,854,049, respectively, and for the year ended June 30, 2019, were \$15,755,491 and \$2,190,153, respectively.

Income Taxes

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

Revision

An immaterial revision was made to the 2019 financial statements for the classification of the current portion of the University's other postemployment benefit liability. The revision did not have a significant impact of the financial statement line items impacted nor reflect a change in the University's total assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position or change in net position.

Foundation

Missouri Southern Foundation (Foundation) is a legally separate, tax-exempt discretely presented component unit of Missouri Southern State University. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The Foundation's Board of Directors is self-perpetuating and consists of graduates and friends of the University.

Missouri Southern State University
(A Component Unit of the State of Missouri)
Notes to Financial Statements
June 30, 2020 and 2019

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

During the year ended June 30, 2020, the Foundation provided funding for scholarships and general university support of \$1,120,927 and \$1,255,115, respectively. During the year ended June 30, 2019, the Foundation provided funding for scholarships and general university support of \$1,093,053 and \$1,038,441, respectively. Complete financial statements for the Foundation can be obtained from the Foundation Office at 3950 E. Newman Road, Joplin, Missouri 64801.

The Foundation is a nonprofit organization that reports under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial report for these differences.

Note 2: Deposits, Investments and Investment Income

Deposits

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

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Missouri; bonds of any city having a population of not less than two thousand, county, school district or special road district of the state of Missouri; bonds of any state; a surety bond having an aggregate value at least equal to the amount of the deposits; tax anticipation notes issued by any first class county; irrevocable standby letter of credit issued by a Federal Home Loan Bank; or out-of-state municipal bonds rated in the highest category by a nationally recognized statistical rating agency.

At June 30, 2020 and 2019, respectively, the University's bank balances were \$34,026,337 and \$19,046,356. None of these deposits were exposed to custodial credit risk at June 30, 2020 or 2019.

Investments

The University may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities; repurchase agreements; banker's acceptances and commercial paper.

Missouri Southern State University
(A Component Unit of the State of Missouri)
Notes to Financial Statements
June 30, 2020 and 2019

The University also holds equity securities which are restricted by donors as to investment holdings and are therefore not subject to the University's investment policies.

At June 30, 2020 and 2019, the University held \$21,851 of equity securities restricted by a donor.

Summary of Carrying Values

The carrying values of deposits and investments discussed above are:

	2020	2019
Carrying value		
Cash on hand	\$ 3,900	\$ 6,900
Deposits	33,550,090	18,074,195
Other investments	<u>21,851</u>	<u>21,851</u>
	<u>\$ 33,575,841</u>	<u>\$ 18,102,946</u>

The deposits and investments are included in the following statements of net assets captions:

	2020	2019
Cash	\$ 9,476,567	\$ 11,806,090
Reserved cash	4,325,472	4,408,833
Restricted cash	19,716,190	1,830,411
Restricted investments	<u>57,612</u>	<u>57,612</u>
	<u>\$ 33,575,841</u>	<u>\$ 18,102,946</u>

Investment Income

Investment income for the years ended June 30, 2020 and 2019, consisted of interest and dividend income of \$321,118 and \$497,994, respectively.

Missouri Southern State University
(A Component Unit of the State of Missouri)
Notes to Financial Statements
June 30, 2020 and 2019

Note 3: Capital Assets

Capital assets activity for the years ended June 30, 2020 and 2019, were:

	Beginning Balance	2020			Ending Balance
		Additions	Disposals	Transfers	
Nondepreciable capital assets					
Land	\$ 953,355	\$ 10,450	\$ -	\$ -	\$ 963,805
Construction in progress	8,495,110	6,808,191	(105,551)	(8,366,796)	6,830,954
Total nondepreciable capital assets	9,448,465	6,818,641	(105,551)	(8,366,796)	7,794,759
Depreciable capital assets					
Land improvements	5,160,462	-	-	-	5,160,462
Buildings, improvements and leasehold improvements	172,508,344	-	-	7,829,817	180,338,161
Infrastructure	947,424	-	-	214,694	1,162,118
Furniture, fixtures and equipment	20,741,573	538,908	(493,454)	322,285	21,109,312
Vehicles	658,088	40,100	(5,000)	-	693,188
Works of art	478,247	-	-	-	478,247
Software	1,593,296	-	-	-	1,593,296
Library materials	6,371,946	9,785	(31,939)	-	6,349,792
Total depreciable capital assets	208,459,380	588,793	(530,393)	8,366,796	216,884,576
Less accumulated depreciation					
Land improvements	3,897,678	182,414	-	-	4,080,092
Buildings, improvements and leasehold improvements	61,354,024	4,752,945	-	-	66,106,969
Infrastructure	456,744	28,644	-	-	485,388
Furniture, fixtures and equipment	16,045,203	929,860	(476,816)	-	16,498,247
Vehicles	593,496	24,257	(5,000)	-	612,753
Works of art	413,955	7,383	-	-	421,338
Software	1,593,297	-	-	-	1,593,297
Library materials	6,291,724	27,801	(31,939)	-	6,287,586
Total accumulated depreciation	90,646,121	5,953,304	(513,755)	-	96,085,670
Total depreciable capital assets, net	117,813,259	(5,364,511)	(16,638)	8,366,796	120,798,906
Net capital assets	\$ 127,261,724	\$ 1,454,130	\$ (122,189)	\$ -	\$ 128,593,665

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	2019				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Nondepreciable capital assets					
Land	\$ 953,355	\$ -	\$ -	\$ -	\$ 953,355
Construction in progress	3,847,056	5,537,812	(190,186)	(699,572)	8,495,110
Total nondepreciable capital assets	<u>4,800,411</u>	<u>5,537,812</u>	<u>(190,186)</u>	<u>(699,572)</u>	<u>9,448,465</u>
Depreciable capital assets					
Land improvements	5,160,462	-	-	-	5,160,462
Buildings, improvements and leasehold improvements	172,491,086	-	(652,878)	670,136	172,508,344
Infrastructure	947,424	-	-	-	947,424
Furniture, fixtures and equipment	19,573,641	1,742,965	(604,469)	29,436	20,741,573
Vehicles	652,849	37,090	(31,851)	-	658,088
Works of art	478,247	-	-	-	478,247
Software	1,593,296	-	-	-	1,593,296
Library materials	6,377,272	21,245	(26,571)	-	6,371,946
Total depreciable capital assets	<u>207,274,277</u>	<u>1,801,300</u>	<u>(1,315,769)</u>	<u>699,572</u>	<u>208,459,380</u>
Less accumulated depreciation					
Land improvements	3,702,327	195,351	-	-	3,897,678
Buildings, improvements and leasehold improvements	57,118,309	4,699,224	(463,509)	-	61,354,024
Infrastructure	434,362	22,382	-	-	456,744
Furniture, fixtures and equipment	15,732,195	913,733	(600,725)	-	16,045,203
Vehicles	599,331	26,016	(31,851)	-	593,496
Works of art	406,572	7,383	-	-	413,955
Software	1,593,297	-	-	-	1,593,297
Library materials	6,286,763	31,532	(26,571)	-	6,291,724
Total accumulated depreciation	<u>85,873,156</u>	<u>5,895,621</u>	<u>(1,122,656)</u>	<u>-</u>	<u>90,646,121</u>
Total depreciable capital assets, net	<u>121,401,121</u>	<u>(4,094,321)</u>	<u>(193,113)</u>	<u>699,572</u>	<u>117,813,259</u>
Net capital assets	<u>\$ 126,201,532</u>	<u>\$ 1,443,491</u>	<u>\$ (383,299)</u>	<u>\$ -</u>	<u>\$ 127,261,724</u>

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Note 4: Noncurrent Liabilities

The following is a summary of noncurrent obligation transactions for the University for the years ended June 30, 2020 and 2019:

	Beginning Balance		2020		Ending Balance	Current Portion
		Additions	Deductions			
Auxiliary Enterprise System						
Revenue Bonds						
Series 2014A	\$ 10,720,000	\$ -	\$ 1,100,000	\$ 9,620,000	\$ 1,145,000	
Series 2014B	14,320,000	-	-	14,320,000	220,000	
Series 2015	5,985,000	-	565,000	5,420,000	585,000	
Series 2019A	-	22,490,000	-	22,490,000	-	
Bond premium – 2015 Issue	72,499	-	17,856	54,643	17,856	
Bond premium – 2019A Issue	-	1,135,162	19,025	1,116,137	38,050	
Direct Placement Bonds Education						
Series 2017 Educational						
Facilities Revenue Bonds	4,205,000	-	420,000	3,785,000	435,000	
Note payable to the Foundation	1,187,314	-	254,025	933,289	150,000	
Capital lease obligations	11,562	36,171	12,982	34,751	11,796	
	<u>36,501,375</u>	<u>23,661,333</u>	<u>2,388,888</u>	<u>57,773,820</u>	<u>2,602,702</u>	
Total bonds and capital leases						
Other noncurrent liabilities						
Accrued compensated absences	1,500,708	1,018,216	866,610	1,652,314	1,018,216	
Deferred revenue – vending	68,125	-	7,500	60,625	7,500	
Other postemployment benefit liability	2,120,755	278,114	-	2,398,869	199,514	
Deposits held in custody for others	433,323	252,558	194,020	491,861	-	
Net pension liability	55,206,922	5,257,246	-	60,464,168	-	
	<u>59,329,833</u>	<u>6,806,134</u>	<u>1,068,130</u>	<u>65,067,837</u>	<u>1,225,230</u>	
Total other noncurrent liabilities						
Total noncurrent liabilities	<u>\$ 95,831,208</u>	<u>\$ 30,467,467</u>	<u>\$ 3,457,018</u>	<u>\$ 122,841,657</u>	<u>\$ 3,827,932</u>	

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	Beginning Balance	2019		Ending Balance	Current Portion
		Additions	Deductions		
Auxiliary Enterprise System					
Revenue Bonds					
Series 2014A	\$ 11,805,000	\$ -	\$ 1,085,000	\$ 10,720,000	\$ 1,100,000
Series 2014B	14,320,000	-	-	14,320,000	-
Series 2015	6,545,000	-	560,000	5,985,000	565,000
Bond premium – 2015 Issue	90,355	-	17,856	72,499	17,856
Direct Placement Bonds Education					
Series 2017 Educational Facilities Revenue Bonds	4,615,000	-	410,000	4,205,000	420,000
Note payable to the Foundation	-	1,337,314	150,000	1,187,314	150,000
Capital lease obligations	25,179	-	13,617	11,562	6,758
Total bonds and capital leases	<u>37,400,534</u>	<u>1,337,314</u>	<u>2,236,473</u>	<u>36,501,375</u>	<u>2,259,614</u>
Other noncurrent liabilities					
Accrued compensated absences	1,445,826	1,011,458	956,576	1,500,708	1,011,458
Deferred revenue – vending	2,500	75,000	9,375	68,125	7,500
Other postemployment benefit liability	1,990,683	130,072	-	2,120,755	106,336
Deposits held in custody for others	404,780	306,880	278,337	433,323	-
Accrued net pension liability	54,290,979	915,943	-	55,206,922	-
Total other noncurrent liabilities	<u>58,134,768</u>	<u>2,439,353</u>	<u>1,244,288</u>	<u>59,329,833</u>	<u>1,125,294</u>
Total noncurrent liabilities	<u>\$ 95,535,302</u>	<u>\$ 3,776,667</u>	<u>\$ 3,480,761</u>	<u>\$ 95,831,208</u>	<u>\$ 3,384,908</u>

Auxiliary Enterprise System Revenue Bonds

Series 2014A

On April 30, 2014, the University issued \$15,030,000 of bonds. The proceeds from the issuance of these bonds were used to refund the outstanding portion of the 2000 bond issue and defease a portion of the 2008 bond issue. The bonds bear interest, payable semiannually, at rates of 0.35 percent to 3.95 percent, which began October 1, 2014. Principal maturities begin October 1, 2014, and continue annually until 2034. Bonds maturing October 1, 2021, and thereafter, are callable for redemption and payment, at the University's option, on or after October 1, 2020, at 100 percent of principal plus accrued interest to the redemption date. The bonds are secured by the net revenues and assets pledged of the Auxiliary Enterprise System (see *Note 10*).

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Series 2014B

On April 30, 2014, the University issued \$14,320,000 of bonds, consisting of \$9,475,000 of serial bonds and \$4,845,000 of term bonds. The proceeds from the issuance of these bonds were used to construct, improve, furnish and equip a new residence hall. The serial and term bonds bear interest, payable semiannually, at rates of 2.05 percent to 4.25 percent, which began October 1, 2014. Principal maturities for serial bonds begin October 1, 2020, and continue annually until 2039. The term bonds are subject to mandatory sinking fund redemption and payment in the years 2040 – 2044 at a redemption price equal to 100 percent of the scheduled principal amount plus accrued interest to the redemption date. The bonds are secured by the net revenues and assets pledged of the Auxiliary Enterprise System (see *Note 10*).

Series 2015

On July 7, 2015, the University issued Auxiliary Enterprise System Refunding Revenue bonds in the principal amount of \$7,615,000. The serial and term bonds bear interest, payable semiannually, at rates ranging from 2 percent to 4 percent, which began April 1, 2016. Principal maturities for the serial bonds began October 1, 2016, and continue annually until 2029. The term bonds are subject to mandatory sinking fund redemption and payment in the years 2030 – 2038 at a redemption price equal to 100 percent of the scheduled principal amount plus accrued interest to the redemption date. The bonds are secured by the net revenues and assets pledged of the Auxiliary Enterprise System (see *Note 10*).

Series 2019A

On December 30, 2019, the University issued \$22,490,000 of bonds, consisting of \$11,205,000 of serial bonds and \$11,285,000 of term bonds. The serial and term bonds bear interest, payable semiannually, at rates ranging from 3.125 percent to 5 percent, which began April 1, 2020. Principal maturities for serial bonds begin October 1, 2024, and continue annually until 2039. The term bonds are subject to mandatory sinking fund redemption and payment in the years 2044 – 2049 at a redemption price equal to 100 percent of the scheduled principal amount plus accrued interest to the redemption date. The bonds are secured by the net revenues and assets pledged of the Auxiliary Enterprise System (see *Note 10*).

Direct Placement Bonds

Series 2017 Educational Facilities Revenue Bonds

On April 1, 2017, the University issued Educational Facilities Revenue bonds through the Missouri Health and Educational Facilities Authority (MOHEFA) in principal amount of \$5,000,000. The serial and term bonds bear interest, payable semiannually, at a rate of 2.49 percent, beginning on October 1, 2017. Principal maturities for serial bonds begin October 1, 2017, and continue annually until 2027. The term bonds are subject to mandatory sinking fund redemption and payment in the years 2017 – 2027 at a redemption price equal to 100 percent of the scheduled principal amount plus accrued interest to the redemption date. The bonds are secured by all rights, title and interest of MOHEFA including all loan payments to be paid by the University. The MOHEFA bonds were issued to fund the renovation of Reynolds Hall and other capital improvements to academic facilities.

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The University's outstanding bonds from direct placements of \$4,205,000 contain a provision that in an event of default, outstanding amounts become immediately due if the University is unable to make payment.

The University's outstanding bonds from direct borrowings of \$4,205,000 are secured with collateral of all rights, title and interest of MOHEFA including all loan payments to be paid by the University. This outstanding bond contains (1) a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if Bond Trustee provides written notice to the Authority and the University and (2) a provision that if the University is unable to make payment, outstanding amounts are due immediately.

Note Payable to Foundation

Note payable to Foundation for acquisition of a capital asset in the original amount of \$1,337,314 due June 30, 2027, with principal payments of \$150,000 due annually and interest of 5.5 percent payable monthly. The note is unsecured.

Long-Term Debt

The debt service requirements on long-term debt other than capital lease obligations as of June 30, 2020, are as follows:

Year Ending June 30,	Auxiliary Enterprise System Revenue Bonds		Direct Placement Bonds		Note Payable to Foundation		Total to be Paid
	Principal	Interest	Principal	Interest	Principal	Interest	
2021	\$ 1,950,000	\$ 1,881,571	\$ 435,000	\$ 88,831	\$ 150,000	\$ 51,331	\$ 4,556,733
2022	2,030,000	1,826,600	445,000	77,875	150,000	43,081	4,572,556
2023	2,085,000	1,770,180	455,000	66,670	150,000	34,831	4,561,681
2024	730,000	1,732,496	465,000	55,216	150,000	26,581	3,159,293
2025	1,245,000	1,698,550	480,000	43,451	150,000	18,331	3,635,332
2026 – 2030	7,235,000	7,688,449	1,505,000	56,834	183,289	11,912	16,680,484
2031 – 2035	9,280,000	5,990,213	-	-	-	-	15,270,213
2036 – 2040	11,165,000	3,864,643	-	-	-	-	15,029,643
2041 – 2045	10,055,000	1,887,575	-	-	-	-	11,942,575
2046 – 2050	6,075,000	486,484	-	-	-	-	6,561,484
	<u>\$ 51,850,000</u>	<u>\$ 28,826,761</u>	<u>\$ 3,785,000</u>	<u>\$ 388,877</u>	<u>\$ 933,289</u>	<u>\$ 186,067</u>	<u>\$ 85,969,994</u>

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Note 5: Pension Plan

MOSERS

Plan Description

The Missouri State Employees' Plan (MSEP) is a multiple-employer, defined benefit public employee retirement plan with two benefit structures known as the MSEP (closed plan) and MSEP 2000, which are administered by the Missouri State Employees' Retirement System (MOSERS or the "System") in accordance with Sections 104.010 and 104.312 to 104.1215 of the Revised Statutes of Missouri (RSMo). As established under Section 104.320, RSMo, MOSERS is a body corporate and an instrumentality of the state. In the System are vested the powers and duties specified in Sections 104.010 and 104.312 to 104.1215, RSMo and such other powers as may be necessary or proper to enable it, its officers, employees and agents to carry out fully and effectively all the purposes of Sections 104.010 and 104.312 to 104.1215, RSMo. Responsibility for the operation and administration of the System is vested in the 11-member MOSERS Board of Trustees as defined by state law. Due to the nature of MOSERS' reliance on funding from the state of Missouri and other state government agencies and the overall control of the plan document by the legislative and executive branches of state government, the MSEP is considered a component unit of the state of Missouri financial reporting entity and is included in the state's financial reports as a pension trust fund.

Generally, all full-time state employees hired before July 2000, who were not covered under another state-sponsored retirement plan, are eligible for membership in the MSEP (closed plan). Full-time state employees hired after July 2000, and before January 2011, are eligible for membership in the MSEP 2000. Employees hired for the first time on or after January 2011 are eligible for membership in the MSEP 2011 tier of the MSEP 2000. MOSERS participates as an employer in the MSEP and MSEP 2000. The MSEP provides retirement, survivor and disability benefits. MOSERS issues an annual Comprehensive Annual Financial Report (CAFR), a publicly available financial report that can be obtained at www.mosers.org.

Benefits Provided

MOSERS provides retirement, disability and life insurance benefits to eligible employees. The base retirement benefits are calculated by multiplying the employee's final average pay by a specific factor multiplied by the years of credited service. The factor is based on the specific funding structure in which the employee participates, which is based on the employee's hire date. Information on the three funding structures administered by MOSERS (MSEP, MSEP 2000 and MSEP 2011) and how eligibility and the benefit amount is determined for each funding structure may be found in the Notes to the Financial Statements of MOSERS' CAFR starting on page 30.

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Contributions

Per Chapter 104.436 of the Revised Statutes of Missouri, contribution requirements of the active employees and the participating employers are established and may be amended by the MOSERS' Board. No employee contribution is required for the MSEP and MSEP 2000 plans. Employees in the MSEP 2011 plan are required to contribute 4.00 percent of their annual pay. The University's required contribution rate for all plans for the year ended June 30, 2020, was 21.77 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The contribution rate for the MOSERS' plan years ended June 30, 2019 and 2018, was 20.21 percent and 19.45 percent, respectively, which was the years of measurement for the net pension liability. Contributions to the pension plan from the University were \$4,305,559 and \$3,927,261 for the years ended June 30, 2020 and 2019, respectively.

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

At June 30, 2020 and 2019, the University reported a liability of \$60,464,168 and \$55,206,922, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

The University's proportion of the net pension liability was based on the University's actual share of contributions to the pension plan relative to the actual contributions of all participating employers for MOSERS' plan years ended June 30, 2019 and 2018. At June 30, 2019, the University's proportion was 1.0009 percent, which was an increase of 0.0112 percent from its proportion measured as of June 30, 2018. At June 30, 2018, the University's proportion was 0.9897 percent, which was a decrease of 0.0530 percent from its proportion measured as of June 30, 2017.

Senate Bill 62 (SB 62), which contained changes to the benefit structure for MSEP 2011, was passed by the 2017 legislature. The provisions of the bill decreased vesting from ten to five years of service, but also included provisions that essentially offset the cost of the vesting change. As a result, SB 62 had no impact on the employer contribution rate and created a decrease to the UAAL of \$1.6 million.

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For the years ended June 30, 2020 and 2019, the University recognized pension expense of \$11,224,011 and \$8,419,314, respectively. At June 30, 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 51,551	\$ 702,865
Changes of assumptions	2,415,974	-
Net difference between projected and actual earnings on pension plan investments	4,694,448	-
Changes in proportion and differences between the University's contributions and the University's proportionate share of contributions	353,946	1,206,603
University's contributions subsequent to the measurement date	<u>4,305,559</u>	<u>-</u>
 Total	 <u>\$ 11,821,478</u>	 <u>\$ 1,909,468</u>
	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 125,642	\$ 1,307,031
Changes of assumptions	4,757,912	-
Net difference between projected and actual earning on pension plan investments	6,493,028	-
Changes in proportion and differences between the University's contributions and the University's proportionate share of contributions	-	2,423,596
University's contributions subsequent to the measurement date	<u>3,927,261</u>	<u>-</u>
 Total	 <u>\$ 15,303,843</u>	 <u>\$ 3,730,627</u>

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At June 30, 2020 and 2019, the University reported \$4,305,589 and \$3,927,261 as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2020 and 2019, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2020, related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2021	\$ 2,860,908
2022	1,620,093
2023	618,038
2024	<u>507,382</u>
	<u>\$ 5,606,421</u>

Summary of Pension Changes

Below is a summary of pension changes due to the implementation of GASB 68 as of June 30, 2020 and 2019.

	2020	2019	Change
Statement of Net Position – deferred outflows of resources	\$ 11,821,478	\$ 15,303,843	\$ (3,482,365)
Statement of Net Position – accrued net pension liability	(60,464,168)	(55,206,922)	(5,257,246)
Statement of Net Position – deferred inflows of resources	(1,909,468)	(3,730,627)	<u>1,821,159</u>
			<u>\$ (6,918,452)</u>

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The impact on the Statement of Revenues, Expenses and Changes in Net Position is the difference between the University's proportionate share of pension expense and the actuarial required contribution. The effect for the years ending June 30, 2020 and 2019, respectively, are shown below:

	2020	2019
Actuarial required contribution	\$ 4,305,559	\$ 3,927,261
Pension expense	(11,224,011)	(8,419,314)
	\$ (6,918,452)	\$ (4,492,053)

Actuarial Assumptions

The total pension liability in the June 30, 2019 and 2018, actuarial valuations which are also the measurement dates for GASB 68 purposes, was determined using the following actuarial assumptions:

June 30, 2019

Inflation	2.35%	
Salary increases	2.85% to 8.35%	
Wage inflation	2.35%	
Investment rate of return	7.10% per year, compounded annually, net after investment expenses and including inflation	

June 30, 2018

Inflation	2.50%	
Salary increases	3.0% to 8.5%	
Wage inflation	2.75%	
Investment rate of return	7.25% per year, compounded annually, net after investment expenses and including inflation	

Mortality rates for post-retirement mortality are based on the RP-2014 Healthy Annuitant Mortality table projected to 2026 MP-2015 and scheduled by 120 percent. The preretirement mortality table used was the RP-2014 Employee Mortality table projected to 2026 with Scale MP-2015 and scaled by 95 percent for males and 90 percent for females.

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The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2010, to June 30, 2015. As a result of this actuarial experience study, the MOSERS' Board made various demographic assumption changes to more closely reflect actual experience. The most significant changes included lowering the assumed annual investment rate of return from 7.25 percent to 7.10 percent and changes in the payroll and wage growth assumptions. The changes in assumptions recorded as deferred inflows and outflows of resources were due to these changes from the actuarial experience study.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2010, to June 30, 2015. As a result of this actuarial experience study, the MOSERS' Board made various demographic assumption changes to more closely reflect actual experience. The most significant changes included lowering the assumed annual investment rate of return from 7.50 percent to 7.25 percent and changes in the payroll and wage growth assumptions. The changes in assumptions recorded as deferred inflows and outflows of resources were due to these changes from the actuarial experience study.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate rates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in MOSERS' target asset allocation as of June 30, 2019, are summarized in the following tables:

Long-Term Expected Rate of Return – Old Portfolio

Asset Class	Policy Allocation	Long-Term Expected Real Rate of Return *	Weighted Average Long-Term Expected Real Rate of Return
Opportunistic global equities	38.00%	8.30%	3.10%
Nominal bonds	44.00%	3.30%	1.50%
Commodities	20.00%	7.80%	1.60%
Inflation-protected bonds	39.00%	2.40%	0.90%
Alternative beta	31.00%	6.60%	2.00%
Cash and cash equivalents**	(72.0%)	-	(0.7%)
	<u>100.00%</u>		<u>8.40%</u>
Correlation/volatility adjustment			<u>(0.7%)</u>
Long-term expected net nominal return			<u>7.70%</u>
Long-term expected geometric net real return			<u>5.20%</u>

*Represent best estimates of geometric rates of return for each major asset class included.

**Cash and cash equivalents policy allocation amounts are negative due to use of leverage.

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Long-Term Expected Rate of Return – New Portfolio

Asset Class	Policy Allocation	Long-Term Expected Real Rate of Return *	Weighted Average Long-Term Expected Real Rate of Return
Global public equities	30.00%	7.70%	2.30%
Global private equities	15.00%	9.30%	1.40%
Long treasuries	25.00%	3.50%	0.90%
Core bonds	10.00%	3.10%	0.30%
Commodities	5.00%	5.50%	0.30%
TIPS	25.00%	2.70%	0.70%
Private real assets	5.00%	7.10%	0.30%
Public real assets	5.00%	7.70%	0.40%
Hedge funds	5.00%	4.80%	0.20%
Alternative beta	10.00%	5.30%	0.50%
Private credit	5.00%	9.50%	0.50%
Cash and cash equivalents**	(40.0%)	-	-
	<u>100.0%</u>		<u>7.80%</u>
Correlation/volatility adjustment			<u>(0.6%)</u>
Long-term expected net nominal return			<u>7.20%</u>

*Represent best estimates of geometric rates of return for each major asset class included.

**Cash and cash equivalents policy allocation amounts are negative due to use of leverage.

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent and 7.25 percent at June 30, 2019 and 2018, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at required rates, actuarially determined. 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 active and inactive employees. 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.

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Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.10 percent) or 1 percentage point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	2020 Current Discount Rate (7.10%)	1% Increase (8.10%)
University's proportionate share of the net pension liability	\$ 76,278,438	\$ 60,464,168	\$ 47,168,214
	1% Decrease (6.25%)	2019 Current Discount Rate (7.25%)	1% Increase (8.25%)
University's proportionate share of the net pension liability	\$ 70,522,403	\$ 55,206,922	\$ 42,328,369

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MOSERS' financial report.

Payable to the Pension Plan

At June 30, 2020 and 2019, the University reported a payable of \$34,127 and \$23,198, respectively, for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2020 and 2019, respectively.

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CURP

Beginning July 1, 2002, in accordance with Section 104.1200 through 104.1215 of the Revised Statutes of Missouri, employees hired who meet the criteria of an “education employee” participate in the College and University Retirement Plan (CURP). It is a noncontributory 401(a) defined contribution plan for education employees at regional colleges/universities in Missouri. The MOSERS has been given the responsibility by law to implement and oversee the administration of the plan. The TIAA-CREF group of companies is the third-party administrator for the CURP and manages the investment options under the plan. Contributions made by the University are self-directed by participants into their selected individual accounts. By law, the CURP contribution rate is equal to 1 percent less than the normal cost contribution rate of the Missouri State Employees’ Plan 200 (MSEP 200). After participating in CURP for at least six years, a faculty member may elect to become a member of MOSERS.

The University is required to contribute to CURP at an actuarially determined rate; the rate was 6.00 percent of annual covered payroll for 2020 and 2019, respectively. The University’s contributions to CURP for the years ended June 30, 2020 and 2019, were \$485,408 and \$442,390 respectively, which equaled the required contributions for the years.

Note 6: Other Postemployment Benefit Healthcare Plan

Plan Description

The University contributes to the self-insured healthcare plan (the “OPEB Plan”), a single-employer defined benefit other postemployment benefit (OPEB) plan covering substantially all employees. The OPEB Plan is administered through a commercial insurance carrier. Benefit provisions are contained in the plan document and were established and can be amended by action of the University’s governing body. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The OPEB Plan provides medical and prescription drug benefits to eligible retirees and their dependents. Benefits are provided through a third-party insurer, and retirees contribute premiums ranging between \$480 to \$680 monthly for a single person or \$1,200 to \$1,690 for retiree and family. For employees who retire before reaching age 65, their insurance will be continued until the earlier of the date the plan is canceled or until their 65th birthday.

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The employees covered by the benefit terms at June 30, 2020 and 2019, are:

	2020	2019
Inactive employees or beneficiaries currently receiving benefit payments	40	14
Active employees	555	528
	595	542

Total OPEB Liability

The University's total OPEB liability of \$2,398,869 and \$2,120,755 was measured as of June 30, 2020 and 2019, respectively, for the years then ended, and was determined by an actuarial valuation as of June 30, 2020.

The total OPEB liability in the June 30, 2020 and 2019, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2020	2019
Inflation	3.00%	2.50%
Discount rate	2.21% (prior year 3.50%)	3.50% (prior year 3.87%)
Salary increases	3.00% per year	1.50% per year
Health care cost trend rates	6.0% for 2020, decreasing 0.5% per year to an ultimate rate of 4.5% for 2023 and later years	6.5% for 2019, decreasing 0.5% per year to an ultimate rate of 4.5% for 2023 and later years

The discount rate used for the plan was the 20-year, tax-exempt municipal bond rate as there are no assets in the plan.

Mortality rates in 2020 were based on the Pub-2010 generational scale MP-2019 to reflect the Society of Actuaries' recent mortality study.

Mortality rates in 2019 were based on the RP-2014 trended back eight years using scale MP-2014 and projected generationally using scale MP-2017, applied on a gender specific basis.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study from 2013.

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Changes in Total OPEB Liability

Changes in total OPEB liability are:

	2020	2019
Balance, beginning of year	\$ 2,120,755	\$ 1,990,683
Service cost	87,923	85,254
Interest	73,812	78,281
Differences between expected and actual experience	(284,908)	-
Changes in assumptions or other inputs	600,801	72,873
Benefit payments	(199,514)	(106,336)
Net changes	278,114	130,072
Balance, end of year	\$ 2,398,869	\$ 2,120,755

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates

The total OPEB liability of the University has been calculated using a discount rate of 2.21 percent. The following presents the total OPEB liability using a discount rate 1 percent higher and 1 percent lower than the current discount rate.

	1% Decrease (1.21%)	2020 Current Discount Rate (2.21%)	1% Increase (3.21%)
University's total OPEB liability	\$ 2,579,000	\$ 2,398,869	\$ 2,215,000

	1% Decrease (2.50%)	2019 Current Discount Rate (3.50%)	1% Increase (4.50%)
University's total OPEB liability	\$ 2,417,000	\$ 2,120,755	\$ 1,881,000

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The total OPEB liability of the University has been calculated using health care cost trend rates of 6.0 percent. The following presents the total OPEB liability using health care cost trend rates 1 percent higher and 1 percent lower than the current health care cost trend rates.

	1% Decrease	2020 Current Health Care Cost Trend Rates	1% Increase
University's total OPEB liability	\$ 2,167,000	\$ 2,398,000	\$ 2,644,000

	1% Decrease	2019 Current Health Care Cost Trend Rates	1% Increase
University's total OPEB liability	\$ 1,892,000	\$ 2,120,755	\$ 2,397,000

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

For the years ended June 30, 2020 and 2019, the University recognized OPEB expense of \$180,704 and \$158,888, respectively. At June 30, 2020 and 2019, the University reported deferred inflows and outflows of resources related to OPEB from the following sources.

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 263,609
Changes of assumptions	616,809	97,677
Total	\$ 616,809	\$ 361,286

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	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 66,898	\$ 108,299
Total	\$ 66,898	\$ 108,299

Deferred inflows of resources at June 30, 2020, related to OPEB will be recognized as a reduction in OPEB expense as follows:

2021	\$ 18,969
2022	18,969
2023	18,969
2024	18,969
2025	18,969
Thereafter	160,678
	\$ 255,523

Note 7: Commitments and Contingencies

Government Grants

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

Claims and Litigation

The University is currently involved in various claims and pending legal actions related to matters arising from the ordinary conduct of business. The University administration believes the ultimate disposition of the actions will not have a material effect on the financial statements of the University.

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Pension and Other Postretirement Benefit Obligations

The University has a defined benefit pension and postretirement health care plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the projected unit credit cost method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

Note 8: Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; natural disasters; workers' compensation; employee injuries and illnesses; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to workers' compensation, employee dishonesty, automobile liability and employee health as of January 1, 2017. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Workers' Compensation, Employee Dishonesty, Automotive

The state of Missouri self-insures workers' compensation benefits and automobile liability for all state employees, including University employees. The state of Missouri self-insures, through the legal expense fund, claims relating to employee dishonesty. Claims are administered by the Missouri Office of Administration, Risk Management Section.

Note 9: Employee Health Claims

Substantially all of the University's employees and their dependents are eligible to participate in the University's employee health insurance plan. The University is self-insured for health claims of participating employees and dependents on individual claims up to \$125,000 per claim. Commercial stop-loss insurance coverage is purchased for claims in excess of the individual claim limit.

A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the University's estimate will change by a material amount in the near term.

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Activity in the University's accrued employee health claims liability during 2020 and 2019 is summarized as follows:

	2020	2019
Balance, beginning of year	\$ 450,000	\$ 450,000
Current year claims incurred and changes in estimates for claims incurred in prior years	4,095,845	3,973,655
Claims and expenses paid	4,095,845	3,973,655
	<u>\$ 450,000</u>	<u>\$ 450,000</u>

Note 10: Segment Information

A segment, an identifiable activity for which one or more revenue bonds are outstanding, has a specific identifiable revenue stream pledged in support of the revenue bonds and has related expenses, gains and losses, assets and liabilities that are required by an external party to be accounted for separately. The University has one segment that meets these reporting requirements, the Auxiliary Enterprise System for residence halls, student recreation center, health center, bookstore and ticket management.

The outstanding debt of the Auxiliary Enterprise System Revenue Bonds (*Note 4*) is payable from the gross income and revenues derived from the related auxiliary enterprise activities. Condensed financial information for the Auxiliary Enterprise System as of and for the years ended June 30, 2020 and 2019, is as follows:

Auxiliary Enterprise System
Revenue Bonds Series 2014A, 2014B, 2015 and 2019
As of/Years Ended June 30, 2020 and 2019

	2020	2019
Condensed Statements of Net Position		
Assets		
Current assets	\$ 4,712,509	\$ 4,513,787
Restricted Cash	18,624,622	-
Capital assets, net	50,510,972	46,457,396
Total assets	<u>73,848,103</u>	<u>50,971,183</u>
Deferred Outflows of Resources	<u>739,803</u>	<u>887,127</u>
Liabilities		
Current liabilities	4,189,374	2,555,821
Long-term liabilities	53,569,142	31,717,544
Total liabilities	<u>57,758,516</u>	<u>34,273,365</u>
Deferred Inflows of Resources	<u>80,090</u>	<u>148,884</u>
Net Position		
Net investment in capital assets	<u>\$ 16,749,300</u>	<u>\$ 17,436,061</u>

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	2020	2019
Condensed Statements of Revenues, Expenses and Changes in Net Position		
Operating Revenues	\$ 7,310,926	\$ 8,845,794
Depreciation Expense	(1,775,710)	(1,881,715)
Other Operating Expenses	(5,624,008)	(5,341,636)
Total operating expenses	7,399,718	7,223,351
Operating income (loss)	(88,792)	1,622,443
Nonoperating Revenues (Expenses)		
Federal CARES Act grant	823,443	-
Interest expense	(2,101,356)	(1,104,950)
Other nonoperating revenues	670,744	-
Total nonoperating expenses	(607,169)	(1,104,950)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(695,961)	517,493
Capital Grants and Gifts	9,200	-
Change in net position	(686,761)	517,493
Beginning Net Position	17,436,061	16,918,568
Ending Net Position	\$ 16,749,300	\$ 17,436,061
Condensed Statements of Cash Flows		
Net Cash Provided By (Used In)		
Operating activities	\$ 3,108,694	\$ 3,511,360
Noncapital financing activities	1,494,187	-
Capital and related financing activities	14,337,505	(2,875,937)
Net Increase in Cash and Cash Equivalents	18,940,386	635,423
Beginning Cash and Cash Equivalents	1,471,255	835,832
Ending Cash and Cash Equivalents	\$ 20,411,641	\$ 1,471,255

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Note 11: Current Economic Conditions

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations, and cash flows of the University. The duration of these uncertainties and the ultimate financial impacts cannot be reasonably estimated at this time.

Note 12: Subsequent Events

Effective [DATE], the University entered into an energy savings contract with a third party for \$11.1 million of capital improvements to be paid for through 2035 from energy savings obtained through the capital improvements with payments estimated to total \$200,000-\$300,000 quarterly, beginning in March 2022.

Note 13: Missouri Southern Foundation

Investments

Investments at June 30, 2020 and 2019, respectively, consisted of the following:

	2020	2019
Equity securities	\$ 17,195,689	\$ 13,904,126
U.S. Treasury and federal agency obligations	760,965	1,188,543
Corporate debt	3,709,922	5,029,332
Money market funds and other	225,923	1,084,809
	\$ 21,892,499	\$ 21,206,810

Beneficial Interests in Trusts Held by Others

The Foundation is the beneficiary of various perpetual trusts administered by financial institutions. The beneficial interests in these perpetual trusts are included in donor restricted net assets. The Foundation is to receive portions of the earnings from each of these trusts at least annually as provided for in each trust instrument. Earnings totaling \$591,116 and \$518,540 were received by the Foundation from these trusts during the years ended June 30, 2020 and 2019, respectively, for all restricted purposes.

The Foundation is also a beneficiary of various charitable beneficial trusts administered by a financial institution. The Foundation is to receive remainder interests in each of these trusts after donors or other beneficiaries have received benefits for specified periods of time. Once benefits

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have been distributed to the other beneficiaries, the Foundation is to receive stated percentages from each trust according to terms of the various trust instruments. The beneficial interests in these charitable remainder trusts are included in with donor restriction net assets. The Foundation received distributions of \$0 from these charitable remainder trusts during the years ended June 30, 2020 and 2019, respectively.

Contributions Receivable

Contributions receivable consists of unconditional gifts to be received in future periods and have been discounted, at rates ranging from 3.0 percent to 5.2 percent, to the present value of estimated future cash flows. Estimated annual collections of contributions receivable at June 30, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 348,189	\$ 278,332
One to five years	4,365,607	5,453,329
More than five years	335,907	526,915
Gross contributions receivable	<u>5,049,703</u>	<u>6,258,576</u>
Less discount for present value	<u>842,226</u>	<u>1,002,333</u>
Net contributions receivable	<u>\$ 4,207,477</u>	<u>\$ 5,256,243</u>

Endowment

Endowment net assets at June 30, 2020 and 2019, by type of fund consisted of the following:

	Without Donor Restrictions	2020 With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 38,372,806	\$ 38,372,806
Board-designated endowment funds	<u>381,722</u>	<u>-</u>	<u>381,722</u>
	<u>\$ 381,722</u>	<u>\$ 38,372,806</u>	<u>\$ 38,754,528</u>

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	Without Donor Restrictions	2019 With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 37,988,283	\$ 37,988,283
Board-designated endowment funds	411,487	-	411,487
	<u>\$ 411,487</u>	<u>\$ 37,988,283</u>	<u>\$ 38,399,770</u>

The Foundation also designated \$350,000 of unrestricted net assets in March 2006 as a Board-designated endowment for use by the English Department of MSSU based on a settlement received from the estate of a former English instructor. Distributions to the English Department from this endowment will be budgeted annually based on requests submitted by the English Department along with anticipated earnings from the invested funds. The balance in this endowment at June 30, 2020 and 2019, was \$381,722 and \$411,487, respectively.

Donor restricted net assets at June 30, 2020 and 2019, are categorized as directed by donors as follows:

	2020	2019
Scholarships	\$ 25,647,324	\$ 23,920,434
Faculty and departmental support	7,634,963	9,155,069
Facilities improvement	776,716	1,139,502
General university support	729,729	299,394
Cultural activities	49,162	57,433
Time	3,534,912	3,416,451
	<u>\$ 38,372,806</u>	<u>\$ 37,988,283</u>

Fair Value of Financial Instruments

FASB ASC 820 provides the framework for measuring fair value. That framework provides 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 unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs: Quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

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Level 2 Inputs: Observable inputs other than Level 1 processes, such as quoted prices for similar assets or liabilities, quoted prices for identical or similar assets in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs: Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Level 3 also includes practical expedient investments with notice periods for redemption of more than 90 days.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following are major categories of assets and liabilities measured at fair value on a recurring basis during the year ended June 30, 2020:

Money market and equity securities – Fair values have been determined using quoted market prices.

Government and agency bonds and fixed income funds – Fair values have been determined using quoted market prices of similar assets in active markets.

Beneficial interest in trusts held by others – Fair values are based on the Foundation's percentage interest in total market value for perpetual trusts and the present value of future income payments for charitable remainder trusts.

	June 30, 2020			Carrying Amount
	Level 1	Level 2	Level 3	
Financial Assets				
Money market funds	\$ 225,923	\$ -	\$ -	\$ 225,923
Equity securities	17,195,689	-	-	17,195,689
Government and agency bonds and fixed income funds	-	4,470,887	-	4,470,887
Beneficial interest in trusts held by others	-	-	13,039,168	13,039,168
	<u>\$ 17,421,612</u>	<u>\$ 4,470,887</u>	<u>\$ 13,039,168</u>	<u>\$ 34,931,667</u>

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June 30, 2020 and 2019

	June 30, 2019			Carrying Amount
	Fair Value			
	Level 1	Level 2	Level 3	
Financial Assets				
Money market funds	\$ 1,084,809	\$ -	\$ -	\$ 1,084,809
Equity securities	13,904,126	-	-	13,904,126
Government and agency bonds and fixed income funds	-	6,217,875	-	6,217,875
Beneficial interest in trusts held by others	-	-	12,150,627	12,150,627
	<u>\$ 14,988,935</u>	<u>\$ 6,217,875</u>	<u>\$ 12,150,627</u>	<u>\$ 33,357,437</u>

The following is a reconciliation of the beginning and ending balances for recurring fair value measurements recognized in the accompanying Statement of Financial Position using significant unobservable (Level 3) inputs:

Balance, Beginning of Year	\$ 12,150,627
Total realized and unrealized gains and losses included in change in net assets	<u>888,541</u>
Balance, End of Year	<u>\$ 13,039,168</u>
Total gains or losses for the period in change in net assets attributable to the change in unrealized gains or losses related to assets and liabilities still held at the reporting date	<u>\$ (212,345)</u>

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Liquidity and Availability of Resources

The Foundation's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2020	2019
Financial assets, at year end	\$ 41,048,305	\$ 40,353,234
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Subject to appropriation and satisfaction of donor restrictions	(38,142,397)	(37,206,432)
Investments held in annuity trust	(83,661)	(89,848)
Board designations:		
Quasi-endowment fund, primarily for long-term investing	(2,109,809)	(2,014,403)
Financial assets, available to meet cash needs for general expenditures within one year	\$ 712,438	\$ 1,042,551

The Foundation's endowment funds consist of donor-restricted endowments and a quasi-endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in *Note 6*, the quasi-endowment has a spending rate of 4 percent.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments. Although the Foundation does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary. However, both the quasi-endowment and donor-restricted endowments contain investments with lock-up provisions that would reduce the total investment that could be made available.

Subsequent Events

The Foundation plans on entering into a bridge loan program with four local banks. The loans issued would represent a form of programmatic investing and be secured by pledges to give.

Required Supplementary Information

Missouri Southern State University
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Required Supplementary Information
Schedule of University Proportionate Share of the Net Pension Liability
Missouri State Employees' Retirement System
Last Six Fiscal Years

	2020	2019	2018	2017	2016	2015
University's proportion of the net pension liability	1.0009%	0.9897%	1.0427%	1.0912%	1.1190%	1.1415%
University's proportionate share of the net pension liability	\$ 60,464,168	\$ 55,206,922	\$ 54,290,979	\$ 50,654,529	\$ 35,945,504	\$ 26,913,021
University's covered-employee payroll	\$ 19,777,488	\$ 19,443,952	\$ 20,522,141	\$ 20,344,926	\$ 21,133,582	\$ 21,669,752
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	305.72%	283.93%	264.55%	249.10%	170.09%	124.20%
Plan fiduciary net position as a percentage of the total pension liability	56.72%	59.02%	60.41%	63.60%	72.62%	79.49%

* The amounts presented for each fiscal year were determined as of the end of the preceding fiscal year.

This schedule is presented to illustrate the requirements to show information for ten years. However, until a full ten-year trend is compiled, the University only presents information for those years for which information is available.

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Required Supplementary Information
Schedule of University Pension Contributions
Missouri State Employees' Retirement System
Last Seven Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 4,305,559	\$ 3,927,261	\$ 3,731,781	\$ 3,450,837	\$ 3,586,368	\$ 3,677,357	\$ 3,725,538
Contributions in relation to the contractually required contribution	4,305,559	3,927,261	3,731,781	3,450,837	3,586,368	3,677,357	3,725,538
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
University's covered-employee payroll	\$ 19,777,488	\$ 9,443,952	\$ 20,522,141	\$ 20,334,926	\$ 21,133,582	\$ 21,669,752	\$ 21,803,175
Contributions as a percentage of covered-employee payroll	21.77%	20.21%	19.45%	16.97%	16.97%	16.97%	17.09%

This schedule is presented to illustrate the requirements to show information for ten years. However, until a full ten-year trend is compiled, the University only presents information for those years for which information is available.

Notes to Schedule:

Benefit Changes

Senate Bill 62 (SB62), which contained changes to the benefit structure for MSEP 2011, was passed by the 2017 legislature. The provisions of the bill decreased vesting from ten to five years of service, but also included provisions that essentially offset the cost of the vesting change. As a result, SB62 had no impact on the employer contribution rate and created a decrease to the VAAL of \$1.6 million.

During the MOSER plan year ended June 30, 2017, the vesting requirements were changed for the MSEP 2011 plan from ten years of credit service to five years for members employed on or after January 1, 2008. There were no other changes in benefit terms during the MOSERS' plan year ended June 30, 2017, that affected the measurement of total pension liability.

There were no changes to benefit terms for MOSERS for the other years presented above.

Actuarial assumptions used in the June 30, 2016, valuation were changed as follows:

Salary increases:	3.25% to 8.75% including inflation
Wage inflation:	3.00%
Investment rate of return:	7.65%
Post-retirement mortality tables:	RP-2014 Healthy Annuitant projected to 2026 with Scale MP-2015 and scaled by 120%
Pre-retirement mortality tables:	RP-2014 Employee projected to 2026 with Scale MP-2015 and scaled by 95% for males and 90% for females

Missouri Southern State University
(A Component Unit of the State of Missouri)
Required Supplementary Information
Schedule of University Pension Contributions
Missouri State Employees' Retirement System
Last Six Fiscal Years

Changes of Assumptions

The Board reduced the investment return assumption used in the June 30, 2019, valuation to 7.10 percent and the wage inflation to 2.60 percent and the salary increases from 2.5 percent to 2.35 percent.

The Board reduced the investment return assumption used in the June 30, 2018, valuation to 7.25 percent and the wage inflation to 2.75 percent and the salary increases to 3.0 percent to 8.5 percent.

The Board reduced the investment return assumption used in the June 30, 2017, valuation to 7.50 percent.

There were no changes to actuarial assumptions used in the June 30, 2015, valuation, other than the assumption that there would be no pay increases for fiscal year ending June 30, 2016.

Missouri Southern State University
(A Component Unit of the State of Missouri)
Required Supplementary Information
Schedule of Changes in the University's Total OPEB Liability
and Related Ratios

	2020	2019
Total OPEB Liability		
Service cost	\$ 87,923	\$ 85,254
Interest	73,812	78,281
Differences between expected and actual experience	(284,908)	-
Changes in assumptions or other inputs	600,801	72,873
Benefit payments	(199,514)	(106,336)
Net Change in Total OPEB Liability	278,114	130,072
Total OPEB Liability – Beginning	2,120,755	1,990,683
Total OPEB Liability – Ending	\$ 2,398,869	\$ 2,120,755

Notes to Schedule:

Benefit Changes

There were no changes to benefit terms for the year ended June 30, 2020 and 2019, respectively.

Changes of Assumptions

The discount rate was updated from 3.5 percent to 2.21 percent and the mortality assumption was updated to Pub-2010 mortality table with generational scale MP-2019 to reflect the Society of Actuaries' recent mortality study. The trend rates were graded down from 7.0 percent to 6.0 percent (graded down 0.5 percent each year).

There were no changes to the assumptions used for the year ended June 30, 2019.

Supplementary Information

Missouri Southern State University
(A Component Unit of the State of Missouri)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Student Financial Assistance Cluster				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	\$ -	\$ 223,560
Federal Work-Study Program	84.033	N/A	-	230,982
Federal Perkins Loan Program	84.038	N/A	-	2,998,548
Federal Pell Grant Program	84.063	N/A	-	11,092,354
Federal Direct Student Loans	84.268	N/A	-	16,814,174
Federal Teacher Education Assistance for College and Higher Education Grants (TEACH)	84.379	N/A	-	62,888
Iraq and Afghanistan Service Grant	84.408	N/A	-	5,693
Total Student Financial Assistance Cluster			<u>-</u>	<u>31,428,199</u>
U.S. Department of Education				
TRIO Cluster				
TRIO – Student Support Services	84.042A	N/A	-	280,141
TRIO – Talent Search	84.044A	N/A	-	249,847
TRIO – Upward Bound	84.047A	N/A	-	267,748
Total TRIO Cluster			<u>-</u>	<u>797,736</u>
U.S. Department of Education				
HEERF Education Stabilization Fund				
	84.425E	N/A	-	2,100,150
	84.425F	N/A	-	840,904
			<u>-</u>	<u>2,941,054</u>
U.S. Department of Agriculture/Missouri				
Department of Health and Senior Services/ Child Nutrition Cluster				
Summer Food Service Program for Children (SFSPC)	10.559	ERS0462776S	-	3,726
U.S. Department of Transportation				
Highway Safety Cluster				
Highway Safety Grant	20.600	N/A	-	42,992
Total forward			-	35,213,707

Missouri Southern State University
(A Component Unit of the State of Missouri)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Total forward			\$ -	\$ 35,213,707
U.S. Department of Agriculture/Missouri Department of Health and Senior Services/Child and Adult Care Food	10.558	ERS46110060	-	26,615
Small Business Administration/ University of Missouri/Small Business Development Centers	59.037	C00063862-268049	-	209,075
U.S. Department of Education/Crowder College Consortium/Technical Education – Basic Grants to States	84.048A	V048A180025	-	40,138
U.S. Department of Health and Human Services/Foster Care Title IV-E	93.658	N/A	-	6,900
U.S. Department of Health and Human Services/Centers for Disease Control and Prevention/Injury Prevention and Control Research and State and Community Based Programs	93.136	CE002490-01	-	51,451
U.S. Department of Defense/University of Missouri/Procurement Technical Assistance Center (PTAC)	12.002	SP4800-18-2-1820	-	4,534
U.S. Department of Health and Human Services/Centers for Disease Control and Prevention/State Physical Activity and Nutrition Program	93.439	NU58DP006506-01-00	-	4
			<u>\$ -</u>	<u>\$ 35,552,424</u>

Missouri Southern State University
(A Component Unit of the State of Missouri)
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Missouri Southern State University under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Missouri Southern State University, it is not intended to and does not present the financial position, changes in net position, or cash flows of Missouri Southern State University.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Missouri Southern State University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. The federal loan program listed subsequently is administered directly by Missouri Southern State University, and balances and transactions relating to this program are included in Missouri Southern State University's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2020, consists of:

CFDA Number	Program Name	Outstanding Balance at June 30, 2020
84.038	Federal Perkins Loan Program	\$2,590,355

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Independent Auditor's Report

Board of Governors
Missouri Southern State University
Joplin, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Missouri Southern State University (the "University"), collectively a component unit of the state of Missouri, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated January 13, 2021. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit as described in our report on the University's financial statements. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the discretely presented component unit.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Governors
Missouri Southern State University

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Springfield, Missouri
January 13, 2021

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

Board of Governors
Missouri Southern State University
Joplin, Missouri

Report on Compliance for Each Federal Program

We have audited Missouri Southern State University's (the "University") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Missouri Southern State University's major federal programs for the year ended June 30, 2020. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Missouri Southern State University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, Missouri Southern State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Missouri Southern State University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Board of Governors
Missouri Southern State University

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the discretely presented component unit of Missouri Southern State University, collectively a component unit of the state of Missouri, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated January 13, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements as a whole.

BKD, LLP

Springfield, Missouri
June 7, 2021

Missouri Southern State University
(A Component Unit of the State of Missouri)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

7. The University's major programs were:

Cluster/Program	CFDA Number
Student Financial Assistance Cluster:	
Federal Supplemental Educational Opportunity Grants	84.007
Federal Work-Study Program	84.033
Federal Perkins Loan Program	84.038
Federal Pell Grant Program	84.063
Federal Direct Student Loans	84.268
Federal Teacher Education Assistance for College and Higher Education Grants (TEACH)	84.379
Iraq and Afghanistan Service Grant (IASG)	84.408
HEERF Education Stabilization Fund	84.425E and 84.425F

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The University qualified as a low-risk auditee? Yes No

Missouri Southern State University
(A Component Unit of the State of Missouri)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
	No matters are reportable.

Missouri Southern State University
(A Component Unit of the State of Missouri)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
No matters are reportable.	

MISSOURI SOUTHERN STATE UNIVERSITY™

Summary Schedule of Prior Audit Findings Year Ended June 30, 2020

Reference Number	Finding	Status
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No matters are reportable.