

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

Independent Auditor's Reports and Financial Statements

June 30, 2022 and 2021

Missouri Southern State University
(A Component Unit of the State of Missouri)
June 30, 2022 and 2021

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Independent Auditor's Report

Board of Governors
Missouri Southern State University
Joplin, Missouri

Report on the Audit of the Financial Statements

Opinions

We have audited 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 years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audits and the report of other auditors, the accompanying 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, 2022 and 2021, 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.

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 has been furnished to us, and our opinion, insofar as it relates to the amounts included for Missouri Southern Foundation, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the University, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of Missouri Southern Foundation, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

Emphasis of Matter

As discussed in *Note 1* to the financial statements in 2022, the University adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension, and other postemployment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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 audits 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2022, 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.

FORVIS, LLP

Springfield, Missouri
November 7, 2022

Missouri Southern State University
(A Component Unit of the State of Missouri)
Management's Discussion and Analysis
Years Ended June 30, 2022 and 2021

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 three colleges: College of Arts & Sciences, College of Business, Communication, & Technology, and College of Health, Life Sciences, & Education. 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, 2022 and 2021. 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.

In 2022, the University adopted GASB Statement No. 87, *Leases*, which revises accounting and financial reporting standards for leases. As a result of the implementation, financial statement line items for fiscal year 2021 were restated. *Note 1* to the financial statements provides additional information about the University's change in accounting principle. Information for the year ended June 30, 2020, was not restated for the application of the standards because the 2020 financial statements are not included in the University's basic financial statements.

Financial Highlights

2022

At June 30, 2022, the University's net position was \$51.6 million. Operating revenues were \$25.7 million, which include tuition and fees of \$13.6 million, grants of \$4.9 million, auxiliary revenues of \$6.4 million, and other revenues of \$0.8 million. Operating expenses amounted to \$77.1 million resulting in an operating loss of \$51.4 million before state appropriations and other nonoperating revenues and expenses. The 2022 operating loss, net nonoperating revenue of \$50.1 million, and capital gifts and grants of \$2.0 million resulted in an increase in net position of \$0.7 million and included depreciation and amortization expense of \$6.4 million.

2021

At June 30, 2021, the University's net position was \$50.9 million. Operating revenues were \$28.8 million, which include tuition and fees of \$15.7 million, grants of \$5.3 million, auxiliary revenues of \$7.1 million, and other revenues of \$0.7 million. Operating expenses amounted to \$75.9 million resulting in an operating loss of \$47.1 million before state appropriations and other nonoperating revenues and expenses. The 2021 operating loss, net nonoperating revenue of \$48.2 million, and capital gifts and grants of \$0.3 million resulted in an increase in net position of \$1.4 million and included depreciation and amortization expense of \$6.2 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, 2022, 2021, and 2020.

	Net Position, End of Year (In Millions)		
	2022	2021 (Restated)	2020
Current Assets	\$ 26.9	\$ 24.5	\$ 17.4
Capital Assets – Net	148.8	144.6	128.6
Lease Assets – Net	1.8	1.8	-
Other Noncurrent Assets	<u>3.0</u>	<u>8.4</u>	<u>20.9</u>
Total assets	<u>\$ 180.5</u>	<u>\$ 179.3</u>	<u>\$ 166.9</u>
Deferred Outflows of Resources	<u>\$ 9.1</u>	<u>\$ 10.1</u>	<u>\$ 12.7</u>
Current Liabilities	\$ 9.6	\$ 9.2	\$ 9.3
Noncurrent Liabilities	<u>113.5</u>	<u>127.6</u>	<u>119.0</u>
Total liabilities	<u>\$ 123.1</u>	<u>\$ 136.8</u>	<u>\$ 128.3</u>
Deferred Inflows of Resources	<u>\$ 14.9</u>	<u>\$ 1.7</u>	<u>\$ 2.3</u>
Net Position			
Net investment in capital assets	\$ 86.2	\$ 86.0	\$ 89.4
Restricted	1.6	2.2	2.6
Unrestricted	<u>(36.2)</u>	<u>(37.3)</u>	<u>(42.5)</u>
Total net position	<u>\$ 51.6</u>	<u>\$ 50.9</u>	<u>\$ 49.5</u>

Of the \$1.6 million in restricted net position in 2022, \$1.2 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 \$2.2 million in restricted net position in 2021, \$1.7 million of capital contributions in the federal student loan program is classified as nonexpendable. The expendable portion, \$0.5 million, is held for scholarships and capital projects.

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 \$48.9 million, \$62.8 million, and \$60.5 million at June 30, 2022, 2021, and 2020, 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, 2022, 2021, and 2020, totaled \$1.8 million, \$2.3 million, and \$2.4 million, respectively.

The following table summarizes the University's revenues, expenses, and changes in net position for the years ending June 30, 2022, 2021, and 2020:

Change in Net Position (In Millions)

	2022	2021 (Restated)	2020
Operating Revenues			
Tuition and fees	\$ 13.6	\$ 15.7	\$ 15.4
Grants and contracts	4.9	5.3	5.4
Interest on loans to students	0.0	0.1	0.1
Auxiliary enterprises	6.4	7.1	7.3
Other	<u>0.8</u>	<u>0.6</u>	<u>0.8</u>
Total operating revenues	25.7	28.8	29.0
Operating Expenses	<u>77.1</u>	<u>75.9</u>	<u>80.0</u>
Operating Loss	<u>(51.4)</u>	<u>(47.1)</u>	<u>(51.0)</u>
Nonoperating Revenue (Expense)			
State appropriations	26.3	23.3	22.2
Federal grants and contracts	7.7	9.9	11.1
Federal CARES Act grant	14.9	13.7	3.1
Contributions	3.1	3.2	3.2
Investment income	0.1	0.0	0.3
Interest on capital asset – related debt	(2.3)	(1.9)	(2.2)
Other nonoperating revenues	<u>0.3</u>	<u>0.0</u>	<u>0.0</u>
Net nonoperating revenues	<u>50.1</u>	<u>48.2</u>	<u>37.7</u>
Income (Loss) Before Other Revenues	<u>(1.3)</u>	<u>1.1</u>	<u>(13.3)</u>
Capital appropriations – state	1.7	0.0	0.0
Capital gifts and grants	<u>0.3</u>	<u>0.3</u>	<u>0.5</u>
Total other revenues, expenses, gains, or losses	<u>2.0</u>	<u>0.3</u>	<u>0.5</u>
Increase (Decrease) in Net Position	<u>0.7</u>	<u>1.4</u>	<u>(12.8)</u>
Net Position, Beginning of Year, as Previously Reported	<u>50.9</u>	<u>49.5</u>	<u>62.3</u>
Cumulative Effect of Adopting GASB 87	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Net Position, End of Year	<u>\$ 51.6</u>	<u>\$ 50.9</u>	<u>\$ 49.5</u>

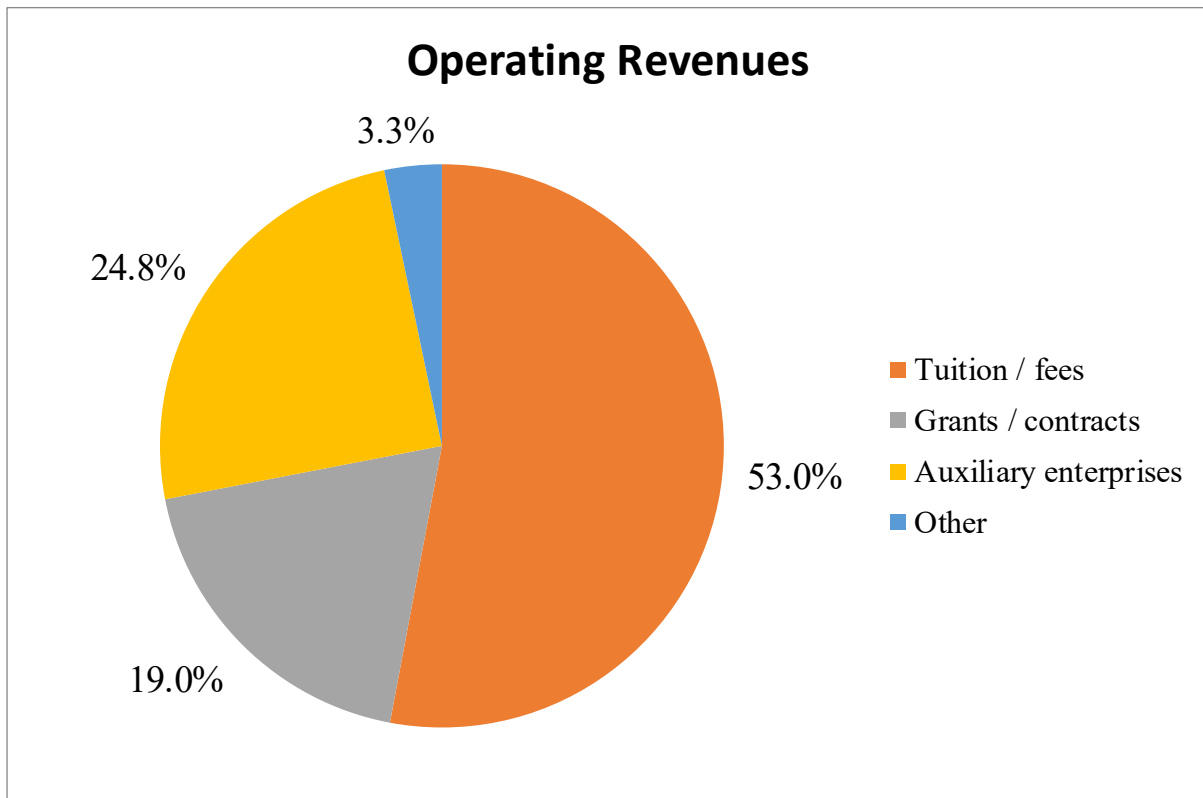
2022

Total operating revenues are \$25.7 million reflecting various decreases in grants, auxiliary, and other revenues. Although the campus was open for face-to-face instruction, there was still a need for increased online offerings. The University continues to feel the impact of the COVID-19 pandemic on enrollment.

2021

Total operating revenues are \$28.8 million reflecting various decreases in grants, auxiliary, and other revenues. Although the campus was open for face-to-face instruction, there was still a need for increased online offerings. The University continues to feel the impact of the COVID-19 pandemic on enrollment.

The following graph summarizes the University’s operating revenues for the year ended June 30, 2022:



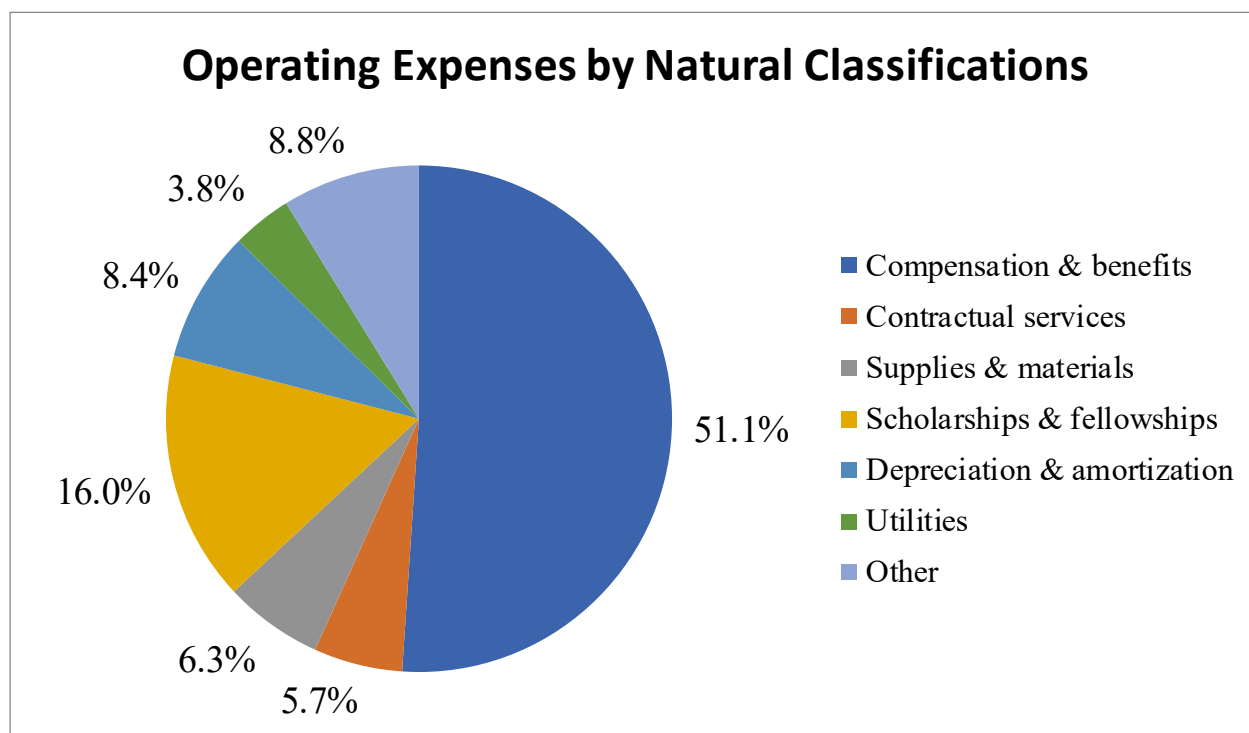
Operating expenses increased by \$1.2 million. Scholarships increased from HEERF funding offset by a decrease in compensation and benefits due to a decrease from the GASB 68 entry for MOSERS.

The following table summarizes the University's operating expenses by natural classifications for the years ended June 30, 2022, 2021, and 2020:

Operating Expenses (In Millions)

	2022	2021 (Restated)	2020
Compensation and benefits	\$ 39.4	\$ 44.6	\$ 50.4
Contractual services	4.3	3.7	3.5
Supplies and materials	4.9	4.4	5.2
Scholarships	12.3	8.8	6.4
Depreciation and amortization	6.4	6.2	6.1
Utilities	3.0	2.9	2.8
Other	<u>6.8</u>	<u>5.3</u>	<u>5.6</u>
 Total operating expenses	 <u>\$ 77.1</u>	 <u>\$ 75.9</u>	 <u>\$ 80.0</u>

The following graph summarizes the University's operating expenses by natural classifications for the year ended June 30, 2022:

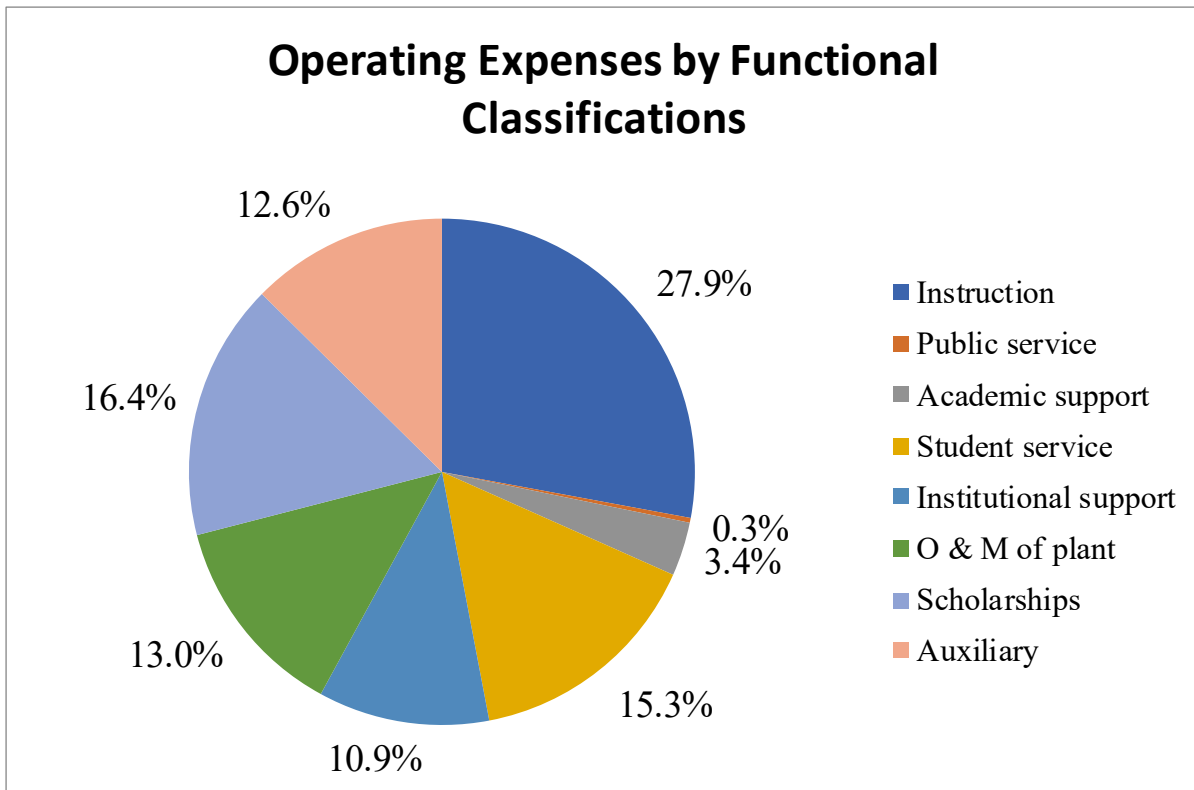


The following table summarizes the University's operating expenses by functional classifications for the years ended June 30, 2022, 2021, and 2020:

Operating Expenses by Functional Classifications (In Millions)

	2022	2021 (Restated)	2020
Instruction	\$ 21.5	\$ 22.7	\$ 26.2
Public service	0.2	0.3	0.3
Academic support	2.7	2.6	3.8
Student service	11.8	12.2	13.4
Institutional support	8.5	9.9	10.4
Operations and maintenance of plant	10.0	10.2	10.2
Scholarships	12.7	9.1	6.6
Auxiliary	<u>9.7</u>	<u>8.9</u>	<u>9.1</u>
 Total operating expenses	 <u>\$ 77.1</u>	 <u>\$ 75.9</u>	 <u>\$ 80.0</u>

The following graph summarizes the University's operating expenses by functional classifications for the year ended June 30, 2022:



2022

Functional expenses for fiscal year 2022 reflect an increase in scholarships due to additional HEERF funding offset by decreased compensation and benefits due to a decrease from the GASB 68 entry for MOSERS.

2021

Functional expenses for fiscal year 2021 reflect compensation and benefits decreases due to employee furloughs offset by a voluntary retirement program and increase from the GASB 68 entry for MOSERS as well as reduced expenses for travel and supplies.

The following table summarizes the University's nonoperating revenues and expenses for the years ended June 30, 2022, 2021, and 2020:

Nonoperating Revenues and Expenses (In Millions)

	2022	2021 (Restated)	2020
State appropriations	\$ 26.3	\$ 23.3	\$ 22.2
Federal grants and contracts	7.7	9.9	11.1
Federal CARES Act grant	14.9	13.7	3.1
Contributions	3.1	3.2	3.2
Investment income	0.1	0.0	0.3
Interest on capital asset – related debt	(2.3)	(1.9)	(2.2)
Other nonoperating expenses	<u>0.3</u>	<u>0.0</u>	<u>0.0</u>
Net nonoperating revenues	<u>\$ 50.1</u>	<u>\$ 48.2</u>	<u>\$ 37.7</u>

The following table summarizes the University's cash flows for the years ended June 30, 2022, 2021, and 2020:

Cash Flows (In Millions)

	2022	2021 (Restated)	2020
Cash Provided By (Used In)			
Operating activities	\$ (43.9)	\$ (36.5)	\$ (38.0)
Noncapital financing activities	52.6	50.2	39.6
Capital and related financing activities	(11.4)	(18.8)	13.6
Investing activities	<u>0.1</u>	<u>0.0</u>	<u>0.3</u>
Net Change in Cash and Cash Equivalents	(2.6)	(5.1)	15.5
Cash and Cash Equivalents, Beginning of Year	<u>28.4</u>	<u>33.5</u>	<u>18.0</u>
Cash and Cash Equivalents, End of Year	<u>\$ 25.8</u>	<u>\$ 28.4</u>	<u>\$ 33.5</u>

2022

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 \$43.9 million. Cash provided by noncapital financing activities of \$52.6 million includes state appropriations, federal grants, HEERF (CARES) Act funding, gifts, and grants for other than capital purposes and other. Cash used by capital and related financing activities of \$11.4 million consists primarily of the Series 2021 bond refunding, purchases of capital assets, gifts, and grants for capital projects and principal and interest paid on capital debt and leases. Cash and cash equivalents at June 30, 2022, were \$25.8 million, which decreased \$2.6 million from June 30, 2021.

2021

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 \$36.5 million. Cash provided by noncapital financing activities of \$50.2 million includes state appropriations, federal grants, HEERF (CARES) Act funding, gifts, and grants for other than capital purposes and other. Cash used by capital and related financing activities of \$18.8 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 and cash equivalents at June 30, 2021, were \$28.4 million, which decreased \$5.1 million from June 30, 2020.

Capital and Lease Assets

2022

At June 30, 2022, the University had \$150.6 million (net of accumulated depreciation and amortization), compared to \$146.4 million at June 30, 2021, invested in a broad range of capital and lease 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 and lease assets can be found in *Note 4* to the financial statements.

2021

At June 30, 2021, the University had \$146.4 million (net of accumulated depreciation and amortization), compared to \$128.6 million at June 30, 2020, invested in a broad range of capital and lease 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 and lease assets can be found in *Note 4* to the financial statements.

Long-Term Obligations

2022

At June 30, 2022, the University had \$65.4 million in bonds and other long-term debt payable, of which \$2.8 million (\$302,000 attributable to the energy savings contract) is payable during the upcoming fiscal year and \$1.9 million in lease liabilities. The University issued \$20.775 million to refund 2014A series and 2014B series. The year-end balances included a partial debt allocation of \$2.7 million in debt from the energy savings contract. *Note 5* to the financial statements provides additional information about the University's long-term debt and other long-term obligations.

2021

At June 30, 2021, the University had \$65.1 million in bonds and other long-term debt payable, of which \$3.1 million (\$378,000 attributable to the energy savings contract) is payable during 2022 and \$1.9 million in lease liabilities. The year-end balances included a partial debt allocation of \$8 million in debt from the energy savings contract. *Note 5* to the financial statements provides additional information about the University's long-term debt and other long-term obligations.

Economic Outlook

Today's universities and colleges face many challenges including enrollment and budget declines, concerns about student debt, and changing student expectations.

To address student interest and employer demand, we have launched new undergraduate degree programs including biomedical science, entrepreneurship, and sports and recreation management, as well as a Master of Arts in teaching, a Master of Science in justice studies, and a Master's in health care administration.

Our relationship with Kansas City University continues to expand to include collaboration between our two universities on the new KCU Dental school that will open fall 2023. The Missouri Southern State University Kansas City University Early Acceptance Program (MKEAP) will serve our students intending to pursue a career in osteopathic or dental medicine. MKEAP will provide unique and new opportunities for future Missouri Southern students. Students accepted to the program will embark on an accelerated three-year undergraduate program with guaranteed acceptance to KCU.

Enrollment and retention continue to be our focus. Fall 2022 saw increased new student enrollment with significant increases in first-time freshmen, graduate, and international students. The growth in new students is an important foundation on which to build future overall enrollment.

The MOSO CAPS program engages high school students. CAPS began this fall enrolling local high school juniors and seniors. Thanks to our partners in school districts, businesses and industry, students are engaged in developing professional skills and profession-based learning while also earning college credit at MSSU. The CAPS Network boasts 92 affiliates, more than 160 school districts, 23 states, and four countries. Within the CAPS Network, Missouri Southern is the first college or university to serve as the hub for a CAPS program.

The University also understands that there is a need to assist our adult learners to complete their degree. Our new Adult Degree Completion program will provide convenient and customized pathways for individuals to complete tailored degrees and certifications. It also offers them college credit for life and work experience.

The University continues to upgrade facilities utilizing multiple resources. State appropriations provided much needed funding for repairs to the Taylor Performing Arts Center. The Center is anticipated to open late fall/early spring and will again serve as a venue for the University's performing-arts programs and as a community resource for the region.

The state of Missouri has approved funding, with a match component, for the construction of a \$30 million Health Science Innovation Center. The Center will provide new hands-on, immersive learning opportunities, support expansion of our health and life science offerings, and further strengthen partnerships with healthcare and health science entities in Joplin and the region.

The University saw increased state support to our FY22 base appropriations as well as a 5.4 percent base increase for FY23. Additional state appropriations, new for FY23, were provided for the percent difference in the MOSERS retirement increase to help offset this increased expense.

Missouri Southern is launching a comprehensive fundraising campaign entitled *Lions Forward: The Campaign for Missouri Southern*. The priorities include Enhancing the student experience; Fostering academic excellence; and Building the campus of the future. The Lions Forward campaign will advance and transform MSSU through charitable gifts to the Missouri Southern Foundation.

As always, the university is student focused and all efforts are geared towards our mission to educate and graduate knowledgeable, responsible, successful global citizens.

Missouri Southern State University
(A Component Unit of the State of Missouri)
Statements of Net Position
June 30, 2022 and 2021

Assets and Deferred Outflows of Resources

	2022	2021 (Restated - Note 1)
Current Assets		
Cash	\$ 18,657,031	\$ 16,389,539
Reserved cash	5,037,208	4,301,172
Accounts receivable, net	1,497,876	1,535,691
Inventories	433,473	469,891
Loans to students, net	-	503,102
Deposits and prepaid expenses	1,240,665	1,330,808
Total current assets	26,866,253	24,530,203
 Noncurrent Assets		
Restricted cash	2,078,542	7,769,255
Restricted investments	57,612	57,612
Loans to students, net	489,321	575,374
Leases receivable, net	406,462	-
Capital assets, net	148,815,774	144,615,502
Lease assets, net	1,796,597	1,812,498
Total noncurrent assets	153,644,308	154,830,241
Total assets	180,510,561	179,360,444
 Deferred Outflows of Resources		
Loss on refunding of bonds	244,835	232,012
Deferred outflows of resources related to pensions	8,361,257	9,248,162
Deferred outflows of resources related to other postemployment benefits	521,611	573,078
Total deferred outflows of resources	9,127,703	10,053,252

See Notes to Financial Statements

**Liabilities, Deferred Inflows of Resources,
and Net Position**

	2022	2021 (Restated - Note 1)
Current Liabilities		
Accounts payable and accrued liabilities	\$ 4,754,316	\$ 3,659,329
Accrued compensated absences	805,229	974,765
Unearned revenue	1,005,918	1,216,832
Unearned revenue – vending	7,500	7,500
Other postemployment benefit liability – current portion	184,004	223,727
Long-term debt – current portion	2,764,627	3,065,652
Current portion of lease liabilities	99,550	71,797
	<hr/>	<hr/>
Total current liabilities	9,621,144	9,219,602
Noncurrent Liabilities		
Accrued compensated absences	466,359	692,776
Unearned revenue – vending	38,125	45,625
Other postemployment benefit liability	1,632,932	2,122,606
Long-term debt	60,701,109	60,112,434
Lease liabilities	1,838,618	1,805,903
Net pension liability	48,841,953	62,828,458
	<hr/>	<hr/>
Total noncurrent liabilities	113,519,096	127,607,802
	<hr/>	<hr/>
Total liabilities	123,140,240	136,827,404
Deferred Inflows of Resources		
Pension related	13,769,420	1,380,928
Other postemployment benefit related	765,697	329,364
Leases	394,124	-
	<hr/>	<hr/>
Total deferred inflows of resources	14,929,241	1,710,292
Net Position		
Net investment in capital assets	86,157,303	86,026,983
Restricted for		
Nonexpendable		
Loans	1,203,624	1,721,847
Expendable		
Scholarships and fellowships	350,846	353,118
Capital projects	21,930	89,429
Unrestricted (deficit)	(36,164,920)	(37,315,377)
	<hr/>	<hr/>
Total net position	\$ 51,568,783	\$ 50,876,000
	<hr/> <hr/>	<hr/> <hr/>

Missouri Southern State University
(A Component Unit of the State of Missouri)
Missouri Southern Foundation
Statements of Financial Position
June 30, 2022 and 2021

Assets

	2022	2021
Current Assets		
Cash	\$ 800,628	\$ 950,654
Contributions receivable – current portion	265,615	214,637
Security deposit	-	9,000
Other receivables	154,028	154,105
Total current assets	1,220,271	1,328,396
Investments	25,837,550	30,538,114
Other Assets		
Contributions receivable – long-term portion	3,388,188	3,528,696
Real property (downtown library)	-	720,000
Beneficial interests in trusts held by others	12,905,155	16,297,823
Total other assets	16,293,343	20,546,519
Total assets	\$ 43,351,164	\$ 52,413,029

Liabilities

Current Liabilities		
Accounts payable	\$ 17,699	\$ 34,652
Annuity obligations	204,130	103,251
Total current liabilities	221,829	137,903

Net Assets

Without donor restriction	2,368,495	4,137,660
With donor restriction	40,760,840	48,137,466
Total net assets	43,129,335	52,275,126
Total liabilities and net assets	\$ 43,351,164	\$ 52,413,029

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, 2022 and 2021

	2022	2021 (Restated - Note 1)
Operating Revenues		
Tuition and fees, net of scholarship allowances and bad debt expense	\$ 13,631,456	\$ 15,657,195
Federal grants and contracts	2,557,714	2,494,504
State grants and contracts	2,335,108	2,842,974
Interest on loans to students	55,166	67,237
Auxiliary enterprises		
Housing, net of scholarship allowances and bad debt expense	2,715,507	2,837,019
Student recreation and health center	1,256,735	1,477,424
Bookstore and other	2,399,772	2,789,751
Other operating revenues	790,912	585,492
Total operating revenues	<u>25,742,370</u>	<u>28,751,596</u>
Operating Expenses		
Compensation and benefits	39,372,866	44,572,533
Contractual services	4,377,852	3,689,332
Supplies and materials	4,869,473	4,392,425
Scholarships and fellowships	12,319,412	8,852,465
Depreciation and amortization	6,449,662	6,175,619
Utilities	2,946,975	2,916,388
Other	6,782,294	5,297,200
Total operating expenses	<u>77,118,534</u>	<u>75,895,962</u>
Operating Loss	<u>(51,376,164)</u>	<u>(47,144,366)</u>
Nonoperating Revenues (Expenses)		
State appropriations	26,344,731	23,375,104
Federal grants and contracts	7,745,901	9,894,143
Federal CARES Act grant	14,905,573	13,661,778
Contributions	3,066,893	3,155,546
Investment income	103,386	37,442
Interest on capital asset-related debt	(2,380,559)	(1,978,493)
Other nonoperating revenues	310,289	37,065
Net nonoperating revenues	<u>50,096,214</u>	<u>48,182,585</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	<u>(1,279,950)</u>	<u>1,038,219</u>
Other Revenues, Expenses, Gains, or Losses		
Capital grants and gifts	277,238	351,538
State capital appropriations	1,695,495	-
Total other revenues, expenses, gains, or losses	<u>1,972,733</u>	<u>351,538</u>
Increase in Net Position	<u>692,783</u>	<u>1,389,757</u>
Net Position, Beginning of Year, as Previously Reported	50,876,000	49,493,646
Cumulative Effect of Adopting GASB 87	-	(7,403)
Net Position, Beginning of Year, as Restated	<u>50,876,000</u>	<u>49,486,243</u>
Net Position, End of Year	<u>\$ 51,568,783</u>	<u>\$ 50,876,000</u>

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

Missouri Southern Foundation

Statement of Activities
Year Ended June 30, 2022

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Contributions	\$ 173,348	\$ 2,170,239	\$ 2,343,587
Investment income	116,295	1,253,388	1,369,683
Endowment management fees	349,851	-	349,851
Net realized gain on investments	275,097	1,508,054	1,783,151
Net unrealized loss on investments	(1,051,546)	(5,920,075)	(6,971,621)
Decrease in beneficial interest in trusts	(234,018)	(3,158,650)	(3,392,668)
Net assets released from restrictions	3,229,582	(3,229,582)	-
	<u>2,858,609</u>	<u>(7,376,626)</u>	<u>(4,518,017)</u>
Expenses			
Scholarships	1,097,849	-	1,097,849
Faculty and department support	862,656	-	862,656
Facilities improvement	825,068	-	825,068
General university support	673,278	-	673,278
Endowment management fees	450	-	450
Administrative	1,055,606	-	1,055,606
Fundraising	112,867	-	112,867
	<u>4,627,774</u>	<u>-</u>	<u>4,627,774</u>
Change in Net Assets	(1,769,165)	(7,376,626)	(9,145,791)
Net Assets at Beginning of Year	<u>4,137,660</u>	<u>48,137,466</u>	<u>52,275,126</u>
Net Assets at End of Year	<u>\$ 2,368,495</u>	<u>\$ 40,760,840</u>	<u>\$ 43,129,335</u>

Missouri Southern State University
(A Component Unit of the State of Missouri)
Missouri Southern Foundation
Statement of Activities
Year Ended June 30, 2021

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Contributions	\$ 139,032	\$ 3,388,501	\$ 3,527,533
Investment income	211,105	1,076,990	1,288,095
Endowment management fees	355,481	-	355,481
Net realized loss on investments	1,028,645	2,675,122	3,703,767
Net unrealized gain on investments	650,473	1,826,087	2,476,560
Increase in beneficial interest in trusts	-	3,258,655	3,258,655
Net assets released from restrictions	2,460,695	(2,460,695)	-
	<u>4,845,431</u>	<u>9,764,660</u>	<u>14,610,091</u>
Expenses			
Scholarships	1,177,385	-	1,177,385
Faculty and department support	647,725	-	647,725
Facilities improvement	207,069	-	207,069
General university support	210,589	-	210,589
Administrative	903,369	-	903,369
Fundraising	115,327	-	115,327
	<u>3,261,464</u>	<u>-</u>	<u>3,261,464</u>
Change in Net Assets	1,583,967	9,764,660	11,348,627
Net Assets at Beginning of Year	<u>2,553,693</u>	<u>38,372,806</u>	<u>40,926,499</u>
Net Assets at End of Year	<u>\$ 4,137,660</u>	<u>\$ 48,137,466</u>	<u>\$ 52,275,126</u>

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

Year Ended June 30, 2022

	Program Services	Support Services	Functional Expenses
Scholarships	\$ 1,097,849	\$ -	\$ 1,097,849
Faculty and department support	862,656	-	862,656
Facilities improvement	825,068	-	825,068
General university support	673,278	-	673,278
Cultural activities	450	-	450
Administrative	-	1,055,606	1,055,606
Fundraising	-	112,867	112,867
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 3,459,301</u>	<u>\$ 1,168,473</u>	<u>\$ 4,627,774</u>

Year Ended June 30, 2021

	Program Services	Support Services	Functional Expenses
Scholarships	\$ 1,177,385	\$ -	\$ 1,177,385
Faculty and department support	647,725	-	647,725
Facilities improvement	207,069	-	207,069
General university support	210,589	-	210,589
Administrative	-	903,369	903,369
Fundraising	-	115,327	115,327
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 2,242,768</u>	<u>\$ 1,018,696</u>	<u>\$ 3,261,464</u>

Missouri Southern State University
(A Component Unit of the State of Missouri)
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021 (Restated - Note 1)
Operating Activities		
Tuition and fees	\$ 13,575,326	\$ 16,088,884
Grants and contracts	4,917,353	5,160,194
Payments for scholarships	(12,319,412)	(8,852,465)
Payments to suppliers	(17,957,365)	(16,489,677)
Payments to employees	(39,833,276)	(40,290,234)
Collection of loans to students and employees	644,321	546,815
Sales and services of auxiliary enterprises	6,230,575	6,807,971
Other receipts	790,912	585,492
	(43,951,566)	(36,443,020)
Noncapital Financing Activities		
State appropriations	26,344,731	23,375,104
Federal grants and contracts	7,745,901	9,894,143
Federal CARES Act grant	14,905,573	13,661,778
Gifts and grants for other than capital purposes	3,066,893	3,155,546
Other receipts	553,642	77,774
	52,616,740	50,164,345
Capital and Related Financing Activities		
Capital appropriations-state	1,695,495	-
Capital grants and gifts received	277,238	351,538
Purchase of capital assets	(8,547,076)	(14,518,050)
Proceeds from sale of capital assets	21,331	12,950
Proceeds from issuance of capital debt	21,887,058	-
Principal paid on capital debt	(24,281,431)	(2,603,597)
Interest paid on capital debt	(2,365,352)	(1,915,456)
Principal paid on leases payable	(115,920)	(90,342)
Interest paid on leases payable	(42,088)	(54,073)
Interest paid on lease receivable	15,000	-
	(11,455,745)	(18,817,030)

Missouri Southern State University
(A Component Unit of the State of Missouri)
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021 (Restated - Note 1)
Investing Activities		
Investment income received	\$ 103,386	\$ 37,442
Net cash provided by investing activities	103,386	37,442
Decrease in Cash	(2,687,185)	(5,058,263)
Cash, Beginning of Year	28,459,966	33,518,229
Cash, End of Year	\$ 25,772,781	\$ 28,459,966
Reconciliation of Cash to the Statements of Net Position		
Cash	\$ 18,657,031	\$ 16,389,539
Reserved cash	5,037,208	4,301,172
Restricted cash	2,078,542	7,769,255
Total cash	\$ 25,772,781	\$ 28,459,966
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (51,376,164)	\$ (47,144,366)
Depreciation expense	6,246,865	5,977,786
Amortization expense	202,797	197,833
Changes in operating assets and liabilities		
Receivables, net	626,970	553,047
Inventories	25,910	45,569
Prepaid expenses	90,143	(364,806)
Accounts payable and accrued liabilities	1,195,471	38,865
Total other postemployment benefits	(529,397)	(52,536)
Deferred revenue	(210,853)	(115,287)
Net pension liability	(13,986,505)	2,364,290
Deferred inflows of resources	12,824,825	(560,462)
Deferred outflows of resources	938,372	2,617,047
Net cash used in operating activities	\$ (43,951,566)	\$ (36,443,020)
Noncash Investing, Capital, and Financing Activities		
Accounts payable incurred for purchase of capital assets	\$ 352,271	\$ 870,822
Long-term debt incurred for purchase of capital assets	\$ 2,682,023	\$ 8,030,000
Lease assets acquired with lease liabilities	\$ 176,387	\$ 58,862
Lease receivables issued	\$ 404,230	\$ -
Accretion of lease receivables	\$ 2,232	\$ -

Missouri Southern State University
(A Component Unit of the State of Missouri)
Notes to Financial Statements
June 30, 2022 and 2021

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, 2022 and 2021

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 35 percent and 25 percent of accounts receivable at June 30, 2022 and 2021, respectively, is due from governmental and other entities for reimbursements under grants and other programs. The remaining 65 percent and 75 percent of accounts receivable at June 30, 2022 and 2021, respectively, consists 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 \$5,800,000 and \$5,400,000 at June 30, 2022 and 2021, 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, 2022 and 2021, was \$10,508 and \$42,289, respectively.

Missouri Southern State University
(A Component Unit of the State of Missouri)
Notes to Financial Statements
June 30, 2022 and 2021

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 \$145,128 and \$1,008,777 at June 30, 2022 and 2021, respectively. Interest income is charged on loans to students as established under the loan programs. Interest income for the years ended June 30, 2022 and 2021, was \$55,166 and \$67,237, respectively.

In 2022 the University began the process of liquidating the Perkins Loan program which includes returning all uncollected loans to the Department of Education. The impact of loans returned to the Department of Education will be recognized on the statement of revenues, expenses, and changes in net position in future periods.

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

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Missouri Southern State University
(A Component Unit of the State of Missouri)
Notes to Financial Statements
June 30, 2022 and 2021

Capital and Lease Asset Impairment

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

No asset impairment was recognized during the years ended June 30, 2022 and 2021.

Deferred Outflows of Resources

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

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.

Missouri Southern State University
(A Component Unit of the State of Missouri)
Notes to Financial Statements
June 30, 2022 and 2021

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.

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 an acquisition of net position that is applicable to a future reporting period 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 and lease assets net of accumulated depreciation and amortization 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.

Missouri Southern State University
(A Component Unit of the State of Missouri)
Notes to Financial Statements
June 30, 2022 and 2021

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.

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, 2022, were \$12,762,041 and \$1,850,592, respectively, and for the year ended June 30, 2021, were \$14,234,726 and \$1,738,012, respectively.

Missouri Southern State University
(A Component Unit of the State of Missouri)
Notes to Financial Statements
June 30, 2022 and 2021

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.

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.

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, 2022, the Foundation provided funding for scholarships and general university support of \$1,052,364 and \$1,225,806, respectively. During the year ended June 30, 2021, the Foundation provided funding for scholarships and general university support of \$1,183,123 and \$1,069,129, 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.

Change in Accounting Principle

In 2022, the University adopted GASB Statement No. 87, *Leases*. Under the standard, lessees will now be required to recognize substantially all long-term leases on the statement of net position as both a right-to-use asset and a lease liability. In addition, lessors will be required to recognize a lease receivable and a deferred inflow of resources. The new standard also requires leases to be evaluated for the identification of lease and nonlease components in a contract. As a result of the implementation, the following financial statement line items for fiscal year 2021 were restated:

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	As Restated	As Previously Reported	Effect of Change
Statement of Net Position			
Noncurrent Assets			
Capital assets, net	\$ 144,615,502	\$ 144,637,807	\$ (22,305)
Lease assets, net	1,812,498	-	1,812,498
Current Liabilities			
Accounts payable and accrued liabilities	\$ 3,659,329	\$ 3,654,051	\$ 5,278
Noncurrent Liabilities			
Long-term debt	\$ 60,112,434	\$ 60,135,391	\$ (22,957)
Lease liabilities	1,805,903	-	1,805,903
Net Position			
Unrestricted (deficit)	(37,315,377)	(37,245,549)	(69,828)
Statement of Revenues, Expenses, and Changes in Net Position			
Operating Expenses			
Depreciation and amortization	6,175,619	6,027,309	148,310
Other	5,297,200	5,442,436	(145,236)
Nonoperating Expenses			
Interest on capital asset-related debt	(1,978,493)	(1,919,142)	(59,351)
Net Position			
Beginning of year	49,486,243	49,493,646	(7,403)
Statement of Cash Flows			
Operating Activities			
Payments to suppliers	\$ (16,489,677)	\$ (16,598,741)	\$ 109,064
Capital and Related Financing Activities			
Purchase of capital assets	(14,518,050)	(14,554,221)	36,171
Principal paid on capital debt and leases	(2,603,597)	(2,602,777)	(820)
Principal paid on leases payable	(90,342)	-	(90,342)
Interest paid on leases payable	(54,073)	-	(54,073)
Reconciliation of Operating Loss to Net Cash Used in Operating Activities			
Operating loss	(47,144,366)	(47,141,292)	(3,074)
Depreciation expense	5,977,786	5,985,020	(7,234)
Amortization expense	197,833	42,289	155,544
Accounts payable and accrued liabilities	38,865	75,037	(36,172)
Noncash Investing, Capital, and Financing Activities			
Accounts payable incurred for purchase of capital assets	870,822	834,650	36,172
Lease assets acquired with lease liabilities	58,862	-	58,862

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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, 2022 and 2021, respectively, the University's bank balances were \$26,496,149 and \$30,318,785. None of these deposits were exposed to custodial credit risk at June 30, 2022 or 2021.

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.

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, 2022 and 2021, the University held \$21,851 of equity securities restricted by a donor.

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Summary of Carrying Values

The carrying values of deposits and investments discussed above are:

	2022	2021
Carrying value		
Cash on hand	\$ 3,900	\$ 3,892
Deposits	25,804,642	28,491,835
Other investments	21,851	21,851
	<u>\$ 25,830,393</u>	<u>\$ 28,517,578</u>

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

	2022	2021
Cash	\$ 18,657,031	\$ 16,389,539
Reserved cash	5,037,208	4,301,172
Restricted cash	2,078,542	7,769,255
Restricted investments	57,612	57,612
	<u>\$ 25,830,393</u>	<u>\$ 28,517,578</u>

Investment Income

Investment income for the years ended June 30, 2022 and 2021, consisted of interest and dividend income of \$103,386 and \$37,442, respectively.

Note 3: Lease Receivable

During the year ended June 30, 2022, the University entered into a lease for a portion of its property to a third party, the terms of which expire September 2051. Payments increase 3 percent annually. The lease was measured based upon the University's incremental borrowing rate at lease commencement.

Revenue recognized under the lease contract during the year ended June 30, 2022, was \$27,338 which includes both lease revenue and interest.

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Note 4: Capital and Lease Assets

Capital assets activity for the years ended June 30, 2022 and 2021, was:

	Beginning Balance	2022			Ending Balance
		Additions	Disposals	Transfers	
Nondepreciable capital assets					
Land	\$ 963,805	\$ -	\$ -	\$ -	\$ 963,805
Construction in progress	27,854,930	10,319,114	-	(31,244,916)	6,929,128
Total nondepreciable capital assets	28,818,735	10,319,114	-	(31,244,916)	7,892,933
Depreciable capital assets					
Land improvements	5,160,462	-	(41,814)	106,510	5,225,158
Buildings, improvements, and leasehold improvements	180,632,088	6,155	(203,686)	31,054,054	211,488,611
Infrastructure	1,162,118	-	-	-	1,162,118
Furniture, fixtures, and equipment	20,439,394	395,907	(2,763,799)	84,352	18,155,854
Vehicles	644,056	-	-	-	644,056
Works of art	478,247	-	-	-	478,247
Software	1,593,296	-	-	-	1,593,296
Library materials	6,312,660	25,544	(49,344)	-	6,288,860
Total depreciable capital assets	216,422,321	427,606	(3,058,643)	31,244,916	245,036,200
Less accumulated depreciation					
Land improvements	4,245,719	166,013	(41,814)	-	4,369,918
Buildings, improvements, and leasehold improvements	70,572,743	5,152,509	(78,791)	-	75,646,461
Infrastructure	517,767	31,641	-	-	549,408
Furniture, fixtures, and equipment	16,411,868	846,789	(2,589,112)	-	14,669,545
Vehicles	588,964	21,905	-	-	610,869
Works of art	428,721	7,302	-	-	436,023
Software	1,593,297	-	-	-	1,593,297
Library materials	6,266,475	20,707	(49,344)	-	6,237,838
Total accumulated depreciation	100,625,554	6,246,866	(2,759,061)	-	104,113,359
Total depreciable capital assets, net	115,796,767	(5,819,260)	(299,582)	31,244,916	140,922,841
Net capital assets	\$ 144,615,502	\$ 4,499,854	\$ (299,582)	\$ -	\$ 148,815,774

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	2021				Ending Balance
	Beginning Balance (As Restated)	Additions	Disposals	Transfers	
Nondepreciable capital assets					
Land	\$ 963,805	\$ -	\$ -	\$ -	\$ 963,805
Construction in progress	6,830,954	21,822,179	-	(798,203)	27,854,930
Total nondepreciable capital assets	<u>7,794,759</u>	<u>21,822,179</u>	<u>-</u>	<u>(798,203)</u>	<u>28,818,735</u>
Depreciable capital assets					
Land improvements	5,160,462	-	-	-	5,160,462
Buildings, improvements, and leasehold improvements	180,338,161	-	(454,010)	747,937	180,632,088
Infrastructure	1,162,118	-	-	-	1,162,118
Furniture, fixtures, and equipment	21,073,141	281,235	(965,248)	50,266	20,439,394
Vehicles	693,188	-	(49,132)	-	644,056
Works of art	478,247	-	-	-	478,247
Software	1,593,296	-	-	-	1,593,296
Library materials	6,349,792	5,521	(42,653)	-	6,312,660
Total depreciable capital assets	<u>216,848,405</u>	<u>286,756</u>	<u>(1,511,043)</u>	<u>798,203</u>	<u>216,422,321</u>
Less accumulated depreciation					
Land improvements	4,080,092	165,627	-	-	4,245,719
Buildings, improvements, and leasehold improvements	66,106,969	4,844,601	(378,827)	-	70,572,743
Infrastructure	485,388	32,379	-	-	517,767
Furniture, fixtures, and equipment	16,484,381	888,145	(960,658)	-	16,411,868
Vehicles	612,753	25,343	(49,132)	-	588,964
Works of art	421,338	7,383	-	-	428,721
Software	1,593,297	-	-	-	1,593,297
Library materials	6,287,586	21,542	(42,653)	-	6,266,475
Total accumulated depreciation	<u>96,071,804</u>	<u>5,985,020</u>	<u>(1,431,270)</u>	<u>-</u>	<u>100,625,554</u>
Total depreciable capital assets, net	<u>120,776,601</u>	<u>(5,698,264)</u>	<u>(79,773)</u>	<u>798,203</u>	<u>115,796,767</u>
Net capital assets	<u>\$ 128,571,360</u>	<u>\$ 16,123,915</u>	<u>\$ (79,773)</u>	<u>\$ -</u>	<u>\$ 144,615,502</u>

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Lease asset activity for the years ended June 30, 2022 and 2021, was:

	2022				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Buildings	\$ 34,542	\$ -	\$ -	\$ -	\$ 34,542
Equipment	1,933,500	176,388	-	-	2,109,888
	<u>1,968,042</u>	<u>176,388</u>	<u>-</u>	<u>-</u>	<u>2,144,430</u>
Less accumulated amortization					
Buildings	29,607	4,935	-	-	34,542
Equipment	125,937	187,354	-	-	313,291
	<u>155,544</u>	<u>192,289</u>	<u>-</u>	<u>-</u>	<u>347,833</u>
Lease assets, net	<u>\$ 1,812,498</u>	<u>\$ (15,901)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,796,597</u>
	2021				Ending Balance
	Beginning Balance (As Restated)	Additions	Disposals	Transfers	
Buildings	\$ 34,542	\$ -	\$ -	\$ -	\$ 34,542
Equipment	1,874,818	58,682	-	-	1,933,500
	<u>1,909,360</u>	<u>58,682</u>	<u>-</u>	<u>-</u>	<u>1,968,042</u>
Less accumulated amortization					
Buildings	-	29,607	-	-	29,607
Equipment	-	125,937	-	-	125,937
	<u>-</u>	<u>155,544</u>	<u>-</u>	<u>-</u>	<u>155,544</u>
Lease assets, net	<u>\$ 1,909,360</u>	<u>\$ (96,862)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,812,498</u>

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Note 5: Noncurrent Liabilities

The following is a summary of noncurrent obligation transactions for the University for the years ended June 30, 2022 and 2021:

	Beginning Balance	2022		Ending Balance	Current Portion
		Additions	Deductions		
Auxiliary Enterprise System					
Revenue Bonds					
Series 2014A	\$ 8,475,000	\$ -	\$ 8,475,000	\$ -	\$ -
Series 2014B	14,100,000	-	14,100,000	-	-
Series 2015	4,835,000	-	615,000	4,220,000	620,000
Series 2019A	22,490,000	-	-	22,490,000	-
Series 2021	-	20,775,000	-	20,775,000	1,125,000
Bond premium – 2015 Issue	36,787	-	17,856	18,931	6,493
Bond premium – 2019A Issue	1,078,087	-	38,050	1,040,037	38,050
Bond premium – 2021 Issue	-	1,112,059	62,988	1,049,071	67,763
Direct Placement Bonds Education					
Series 2017 Educational					
Facilities Revenue Bonds	3,350,000	-	445,000	2,905,000	455,000
Note payable to the Foundation	783,214	-	150,000	633,214	150,000
Note payable to bank	8,030,000	2,682,023	377,537	10,334,486	302,321
Lease liabilities	1,877,700	176,387	115,919	1,938,168	99,550
Total bonds, notes payable, and lease liabilities	<u>65,055,788</u>	<u>24,745,469</u>	<u>24,397,350</u>	<u>65,403,907</u>	<u>2,864,177</u>
Other noncurrent liabilities					
Accrued compensated absences	1,667,541	805,229	1,201,182	1,271,588	805,229
Deferred revenue – vending	53,125	-	7,500	45,625	7,500
Other postemployment benefit liability	2,346,333	-	529,397	1,816,936	184,004
Net pension liabilities	62,828,458	-	13,986,505	48,841,953	-
Total other noncurrent liabilities	<u>66,895,457</u>	<u>805,229</u>	<u>15,724,584</u>	<u>51,976,102</u>	<u>996,733</u>
Total noncurrent liabilities	<u>\$ 131,951,245</u>	<u>\$ 25,550,698</u>	<u>\$ 40,121,934</u>	<u>\$ 117,380,009</u>	<u>\$ 3,860,910</u>

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	Beginning Balance (As Restated)	2021			Ending Balance
		Additions	Disposals	Transfers	
Auxiliary Enterprise System					
Revenue Bonds					
Series 2014A	\$ 9,620,000	\$ -	\$ 1,145,000	\$ 8,475,000	\$ 1,175,000
Series 2014B	14,320,000	-	220,000	14,100,000	240,000
Series 2015	5,420,000	-	585,000	4,835,000	615,000
Series 2019A	22,490,000	-	-	22,490,000	-
Bond premium – 2015 Issue	54,643	-	17,856	36,787	17,856
Bond premium – 2019A Issue	1,116,137	-	38,050	1,078,087	38,050
Direct Placement Bonds Education					
Series 2017 Educational					
Facilities Revenue Bonds	3,785,000	-	435,000	3,350,000	445,000
Note payable to the Foundation	933,289	-	150,075	783,214	150,000
Note payable to bank	-	8,030,000	-	8,030,000	377,537
Lease liabilities	1,909,360	58,682	90,342	1,877,700	71,797
Total bonds, notes payable, and lease liabilities	<u>59,648,429</u>	<u>8,088,682</u>	<u>2,681,323</u>	<u>65,055,788</u>	<u>3,130,240</u>
Other noncurrent liabilities					
Accrued compensated absences	1,652,314	974,765	959,538	1,667,541	974,765
Deferred revenue – vending	60,625	-	7,500	53,125	7,500
Other postemployment benefit liability	2,398,869	-	52,536	2,346,333	223,727
Accrued net pension liability	60,464,168	2,364,290	-	62,828,458	-
Total other noncurrent liabilities	<u>64,575,976</u>	<u>3,339,055</u>	<u>1,019,574</u>	<u>66,895,457</u>	<u>1,205,992</u>
Total noncurrent liabilities	<u>\$ 124,224,405</u>	<u>\$ 11,427,737</u>	<u>\$ 3,700,897</u>	<u>\$ 131,951,245</u>	<u>\$ 4,336,232</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 were called and paid in full in 2022 in conjunction with the Series 2021 issuance.

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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 bonds were called and paid in full in 2022 in conjunction with the Series 2021 issuance.

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 12*).

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 12*).

Series 2021

On September 29, 2021, the University issued \$20,775,000 of term bonds. The proceeds from the issuance of these bonds were used to refund the outstanding portion of the 2014A and 2014B bond issues. The bonds bear interest, payable semiannually, at rates ranging from 3 percent to 4 percent, which began April 1, 2022. The bonds are subject to mandatory sinking fund redemption and payment in the years 2023 – 2045 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 12*).

The refunding issue was used to retire \$7,300,000 of Series 2014A bonds and \$13,860,000 of Series 2014B bonds, meeting \$429,841 of interest escrow requirements and the remainder used for the cost of issuance. The refunding was undertaken to reduce total debt service payments by \$893,152 and resulted in an economic gain (present value savings) of \$853,450.

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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.

The University's outstanding bonds from direct placements of \$2,905,000 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 \$2,905,000 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.

Notes Payable

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.

Note Payable to Bank

Effective September 23, 2020, the University entered into an energy savings contract with a third party for \$10.7 million of capital improvements completed in 2022. The capital improvements are to be paid for through 2035 based on energy savings from the capital improvements and in accordance with the payment schedule in the contract with payments ranging from \$195,000 – \$440,000 quarterly, beginning in March 2022 through December 2036 with imputed interest at approximately 4.4 percent.

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Debt Service Requirements

The debt service requirements on long-term debt other than lease liabilities as of June 30, 2022, are as follows:

Year Ending June 30,	Auxiliary Enterprise System Revenue Bonds		Direct Placement Bonds		Notes Payable		Total to be Paid
	Principal	Interest	Principal	Interest	Principal	Interest	
2023	\$ 1,745,000	\$ 1,770,130	\$ 455,000	\$ 66,670	\$ 452,321	\$ 489,975	\$ 4,979,096
2024	650,000	1,736,199	465,000	55,216	503,773	467,307	3,877,495
2025	1,235,000	1,703,253	480,000	43,451	547,425	442,597	4,451,726
2026	1,295,000	1,655,575	490,000	31,374	594,003	415,897	4,481,849
2027	1,365,000	1,605,349	500,000	19,049	544,134	386,978	4,420,510
2028 – 2032	7,980,000	7,061,384	515,000	6,412	3,543,636	1,508,412	20,614,844
2033 – 2037	10,360,000	5,129,875	-	-	4,782,408	533,567	20,805,850
2038 – 2042	10,485,000	2,950,769	-	-	-	-	13,435,769
2043 – 2047	8,610,000	1,213,172	-	-	-	-	9,823,172
2048 – 2052	3,760,000	178,594	-	-	-	-	3,938,594
	<u>\$ 47,485,000</u>	<u>\$ 25,004,300</u>	<u>\$ 2,905,000</u>	<u>\$ 222,172</u>	<u>\$ 10,967,700</u>	<u>\$ 4,244,733</u>	<u>\$ 90,828,905</u>

Note 6: Lease Liabilities

The University leases equipment and building space, the terms of which expire in various years through 2045. The leases were measured based upon the interest rate implicit per the contract or the University's incremental borrowing rate at lease commencement. Variable payments based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance.

The following is a schedule by year of payments under the leases as of June 30, 2022:

Year Ending June,	Total to Be		
	Paid	Principal	Interest
2023	\$ 157,577	\$ 99,550	\$ 58,027
2024	149,407	93,187	56,220
2025	93,226	38,780	54,446
2026	87,702	35,011	52,691
2027	58,884	5,903	52,981
2028 - 2032	448,457	193,436	255,021
2033 - 2037	572,358	361,709	210,649
2038 - 2042	730,491	596,840	133,651
2043 - 2047	538,799	513,752	25,047
	<u>\$ 2,836,901</u>	<u>\$ 1,938,168</u>	<u>\$ 898,733</u>

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Note 7: 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 25.

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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, 2022, was 23.51 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, 2021 and 2020, was 22.88 percent and 21.77 percent, respectively, which was the years of measurement for the net pension liability. Contributions to the pension plan from the University were \$4,125,308 and \$4,025,969 for the years ended June 30, 2022 and 2021, respectively.

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

At June 30, 2022 and 2021, the University reported a liability of \$48,841,953 and \$62,828,458, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, 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, 2021 and 2020. At June 30, 2021, the University's proportion was 0.8736 percent, which was a decrease of 0.1162 percent from its proportion measured as of June 30, 2020. At June 30, 2020, the University's proportion was 0.9898 percent, which was a decrease of 0.0111 percent from its proportion measured as of June 30, 2019.

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, 2022 and 2021, the University recognized pension expense of \$3,414,200 and \$8,435,035, respectively. At June 30, 2022 and 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
	<hr/>	<hr/>
Differences between expected and actual experience	\$ 778,800	\$ 216,092
Changes of assumptions	3,416,018	-
Net difference between projected and actual earnings on pension plan investments	-	8,805,683
Changes in proportion and differences between the University's contributions and the University's proportionate share of contributions	41,131	4,747,645
University's contributions subsequent to the measurement date	<hr/> 4,125,308	<hr/> -
Total	<hr/> <u>\$ 8,361,257</u>	<hr/> <u>\$ 13,769,420</u>
	 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
	<hr/>	<hr/>
Differences between expected and actual experience	\$ 28,453	\$ 652,581
Changes of assumptions	1,660,617	-
Net difference between projected and actual earning on pension plan investments	3,335,599	-
Changes in proportion and differences between the University's contributions and the University's proportionate share of contributions	197,524	728,347
University's contributions subsequent to the measurement date	<hr/> 4,025,969	<hr/> -
Total	<hr/> <u>\$ 9,248,162</u>	<hr/> <u>\$ 1,380,928</u>

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At June 30, 2022 and 2021, the University reported \$4,125,308 and \$4,025,969 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 years ending June 30, 2023 and 2022, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2022, related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2023	\$ (2,255,346)
2024	(2,302,070)
2025	(2,359,245)
2026	<u>(2,616,810)</u>
	<u>\$ (9,533,471)</u>

Summary of Pension Changes

Below is a summary of pension changes due to the implementation of GASB 68 as of June 30, 2022 and 2021.

	2022	2021	Change
Statement of Net Position – deferred outflows of resources	\$ 8,361,257	\$ 9,248,162	\$ (886,905)
Statement of Net Position – accrued net pension liability	(48,841,953)	(62,828,458)	13,986,505
Statement of Net Position – deferred inflows of resources	(13,769,420)	(1,380,928)	<u>(12,388,492)</u>
			<u>\$ 711,108</u>

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, 2022 and 2021, respectively, are shown below:

	2022	2021
Actuarial required contribution	\$ 4,125,308	\$ 4,025,969
Pension expense	<u>(3,414,200)</u>	<u>(8,435,035)</u>
	<u>\$ 711,108</u>	<u>\$ (4,409,066)</u>

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Actuarial Assumptions

The total pension liability in the June 30, 2021 and 2020, actuarial valuations which are also the measurement dates for GASB 68 purposes, was determined using the following actuarial assumptions:

June 30, 2021

Inflation	2.25%
Salary increases	2.75% to 10.00%
Wage inflation	2.25%
Investment rate of return	6.95% per year, compounded annually, net after investment expenses and including inflation

June 30, 2020

Inflation	2.25%
Salary increases	2.75% to 8.25%
Wage inflation	2.25%
Investment rate of return	6.95% per year, compounded annually, net after investment expenses and including inflation

Preretirement mortality rates were based on the Pub-2010 General Members Below Median Employee mortality table, set back two years for males and set forward one year for females. Mortality was projected generationally from 2010 to 2020 using Scale MP-2020 and 75 percent of Scale MP-2020 for years after 2020.

Postretirement mortality rates for retirees were based on the Pub-2010 General Members Below Median Healthy Retiree mortality table, scaled by 104 percent, set back two years for males and set forward one year for females. Mortality projected generationally from 2010 to 2020 using Scale MP-2020 and 75 percent of Scale MP-2020 for years after 2020.

Postretirement mortality rates for beneficiaries were based on the Pub-2010 General Members Below Median Contingent Survivor mortality table, set back two years for males and set forward one year for females. Mortality was projected generationally from 2010 to 2020 using Scale MP-2020 and 75 percent of Scale MP-2020 for years after 2020.

The actuarial assumptions used in the June 30, 2021 and 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2015, to June 30, 2020. 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 in the actuarial assumptions as of June 30, 2021, included mortality assumptions now based on generational tables and changes in the payroll and wage growth assumptions. The most significant changes in the actuarial assumptions as of June 30, 2020, included lowering the assumed annual investment rate of return from 7.10 percent to 6.95 percent and changes in the payroll and wage growth assumption. The changes in assumptions recorded as deferred inflows and outflows of resources were due to these changes in actuarial assumptions.

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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 rates of return by the target asset allocation percentage and by adjusting for expected inflation, volatility, and correlations. Best estimates of the real rates of return for each major asset class included in MOSERS' target asset allocation as of June 30, 2021, are summarized in the following table:

Long-Term Expected Rate of Return

Asset Class	Policy Allocation	Long-Term Expected Nominal Return*	Long-Term Expected Real Return	Weighted Average Long-Term Expected Nominal Return
Global public equities	30.00%	7.70%	5.80%	2.30%
Global private equities	15.00%	9.30%	7.40%	1.40%
Long treasuries	25.00%	3.50%	1.60%	0.90%
Core bonds	10.00%	3.10%	1.20%	0.30%
Commodities	5.00%	5.50%	3.60%	0.30%
TIPS	25.00%	2.70%	0.80%	0.70%
Private real assets	5.00%	7.10%	5.20%	0.30%
Public real assets	5.00%	7.70%	5.80%	0.40%
Hedge funds	5.00%	4.80%	2.90%	0.20%
Alternative beta	10.00%	5.30%	3.40%	0.50%
Private credit	5.00%	9.50%	7.60%	0.50%
Cash and cash equivalents**	<u>(40.0%)</u>	-	-	-
	<u>100.0%</u>			
Correlation/volatility adjustment				<u>(0.6%)</u>
Long-term expected net nominal return				7.20%
Less: Investment inflation assumption				<u>(1.9%)</u>
Long-term expected geometric net real return				<u>5.30%</u>

*Long-term expected arithmetic returns of the asset classes at the time of the asset allocation study for each portfolio.

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

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Discount Rate

The discount rate used to measure the total pension liability was 6.95 percent at both June 30, 2021 and 2020. 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.

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 6.95 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 (5.95 percent) or 1 percentage point higher (7.95 percent) than the current rate:

	1% Decrease (5.95%)	2022 Current Discount Rate (6.95%)	1% Increase (7.95%)
University's proportionate share of the net pension liability	\$ 64,376,077	\$ 48,841,953	\$ 35,872,911
	1% Decrease (5.95%)	2021 Current Discount Rate (6.95%)	1% Increase (7.95%)
University's proportionate share of the net pension liability	\$ 78,670,221	\$ 62,828,458	\$ 49,504,300

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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, 2022 and 2021, the University reported a payable of \$426,104 and \$35,979, respectively, for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2022 and 2021, respectively.

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 2022 and 2021, respectively. The University's contributions to CURP for the years ended June 30, 2022 and 2021, were \$480,107 and \$483,767, respectively, which equaled the required contributions for the years.

Note 8: Other Postemployment Benefit Health Care Plan

Plan Description

The University contributes to the self-insured health care 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.

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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 \$720 and \$1,075 monthly for a single person or \$1,830 and \$2,720 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.

The employees covered by the benefit terms at June 30, 2022 and 2021, are:

	2022	2021
Inactive employees or beneficiaries currently receiving benefit payments	33	40
Active employees	485	555
	518	595

Total OPEB Liability

The University's total OPEB liability of \$1,816,936 and \$2,346,333 was measured as of June 30, 2022 and 2021, respectively, for the years then ended, and was determined by an actuarial valuation as of June 30, 2022.

The total OPEB liability in the June 30, 2022 and 2021, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2022	2021
Inflation	3.00%	3.00%
Discount rate	3.54% (prior year 2.16%)	2.16% (prior year 2.21%)
Salary increases	3.00% per year	3.00% per year
Health care cost trend rates	7.0% for 2022, decreasing 0.25% per year to an ultimate rate of 4.0% for 2023 and later years	5.5% for 2021, 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 were based on the Pub-2010 headcount weighted based mortality table, projected generationally using Scale MP-2021, applied on a gender-specific and job class basis (teacher, safety, or general, as applicable).

The actuarial assumptions used in the June 30, 2022, 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:

	2022	2021
Balance, beginning of year	\$ 2,346,333	\$ 2,398,869
Service cost	112,799	110,468
Interest	51,130	52,984
Differences between expected and actual experience	(361,045)	-
Changes in assumptions or other inputs	(148,277)	7,739
Benefit payments	(184,004)	(223,727)
Net changes	(529,397)	(52,536)
Balance, end of year	\$ 1,816,936	\$ 2,346,333

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 3.54 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 (2.54%)	2022 Current Discount Rate (3.54%)	1% Increase (4.54%)
University's total OPEB liability	\$ 1,690,000	\$ 1,816,936	\$ 1,959,000

	1% Decrease (1.16%)	2021 Current Discount Rate (2.16%)	1% Increase (3.16%)
University's total OPEB liability	\$ 2,522,000	\$ 2,346,333	\$ 2,166,000

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The total OPEB liability of the University has been calculated using health care cost trend rates of 7 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	2022 Health Care Cost Trend Rates	1% Increase
University's total OPEB liability	\$ 1,657,000	\$ 1,816,936	\$ 2,005,000

	1% Decrease	2021 Health Care Cost Trend Rates	1% Increase
University's total OPEB liability	\$ 2,119,000	\$ 2,346,333	\$ 2,586,000

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

For the years ended June 30, 2022 and 2021, the University recognized OPEB expense of \$142,407 and \$183,000, respectively. At June 30, 2022 and 2021, the University reported deferred inflows and outflows of resources related to OPEB from the following sources.

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 552,943
Changes of assumptions	521,611	212,754
Total	\$ 521,611	\$ 765,697

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 242,309
Changes of assumptions	573,079	87,055
Total	\$ 573,079	\$ 329,364

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Deferred inflows of resources at June 30, 2022, related to OPEB will be recognized as a reduction in OPEB expense as follows:

2023		\$ (21,522)
2024		(21,522)
2025		(21,522)
2026		(21,522)
2027		(21,522)
Thereafter		<u>(136,476)</u>
		<u>\$ (244,086)</u>

Note 9: 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.

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.

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Note 10: 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 11: 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 \$150,000 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.

Activity in the University's accrued employee health claims liability during 2022 and 2021 is summarized as follows:

	2022	2021
Balance, beginning of year	\$ 450,000	\$ 450,000
Current year claims incurred and changes in estimates		
for claims incurred in prior years	4,626,387	4,530,753
Claims and expenses paid	4,626,387	4,530,753
	\$ 450,000	\$ 450,000

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Note 12: 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 5*) 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, 2022 and 2021, is as follows:

	2022	2021 (Restated - Note 1)
Auxiliary Enterprise System		
Revenue Bonds Series 2014A, 2014B, 2015, 2019, and 2021		
As of/Years Ended June 30, 2022 and 2021		
Condensed Statements of Net Position		
Assets		
Current assets	\$ 5,927,585	\$ 4,923,491
Restricted cash	1,193,601	4,843,032
Lease assets, net	98,525	23,086
Capital assets, net	63,248,395	62,077,353
Total assets	70,468,106	71,866,962
Deferred Outflows of Resources	556,664	594,476
Liabilities		
Current liabilities	3,414,731	3,741,989
Long-term liabilities	49,686,080	51,595,651
Total liabilities	53,100,811	55,337,640
Deferred Inflows of Resources	745,485	53,035
Net Position		
Net investment in capital assets	\$ 17,178,474	\$ 17,070,763

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	2022	2021 (Restated - Note 1)
Condensed Statements of Revenues, Expenses, and Changes in Net Position		
Operating Revenues	\$ 6,473,797	\$ 7,141,324
Depreciation Expense	(1,919,229)	(1,700,925)
Other Operating Expenses	(6,112,514)	(5,573,203)
Total operating expenses	8,031,743	7,274,128
Operating loss	(1,557,946)	(132,804)
Nonoperating Revenues (Expenses)		
Federal CARES Act grant	-	116,203
Interest expense	(1,998,452)	(1,832,575)
Other nonoperating revenues	3,664,109	2,170,639
Total nonoperating revenues (expenses)	1,665,657	454,267
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	107,711	321,463
Change in net position	107,711	321,463
Beginning Net Position	17,070,763	16,749,300
Ending Net Position	\$ 17,178,474	\$ 17,070,763
Condensed Statements of Cash Flows		
Net Cash Provided By (Used In)		
Operating activities	\$ (166,482)	\$ 1,035,323
Noncapital financing activities	3,658,223	2,309,538
Capital and related financing activities	(6,263,761)	(17,089,694)
Investing activities	5,886	10,208
Net Increase (Decrease) in Cash and Cash Equivalents	(2,766,134)	(13,734,625)
Beginning Cash and Cash Equivalents	6,677,016	20,411,641
Ending Cash and Cash Equivalents	\$ 3,910,882	\$ 6,677,016

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Note 13: 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 14: Missouri Southern Foundation

Investments

Investments at June 30, 2022 and 2021, respectively, consisted of the following:

	<u>2022</u>	<u>2021</u>
Equity securities	\$ 11,321,172	\$ 11,370,491
U.S. Treasury and federal agency obligations	4,246,458	4,745,850
Hedge funds	9,799,296	13,745,859
Corporate debt	262,223	293,445
Money market funds and other	208,401	382,469
	<u>\$ 25,837,550</u>	<u>\$ 30,538,114</u>

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 \$657,838 and \$590,383 were received by the Foundation from these trusts during the years ended June 30, 2022 and 2021, respectively, for all restricted purposes.

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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 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, 2022 and 2021, 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, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Less than one year	\$ 277,170	\$ 227,932
One to five years	3,913,746	4,034,303
More than five years	104,690	121,350
Gross contributions receivable	<u>4,295,606</u>	<u>4,383,585</u>
Less discount for present value	<u>641,803</u>	<u>640,252</u>
Net contributions receivable	<u><u>\$ 3,653,803</u></u>	<u><u>\$ 3,743,333</u></u>

Endowment

Endowment net assets at June 30, 2022 and 2021, by type of fund consisted of the following:

	Without Donor Restrictions	2022 With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 40,760,840	\$ 40,760,840
Board-designated endowment funds	387,272	-	387,272
	<u><u>\$ 387,272</u></u>	<u><u>\$ 40,760,840</u></u>	<u><u>\$ 41,148,112</u></u>

Missouri Southern State University
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Notes to Financial Statements
June 30, 2022 and 2021

	Without Donor Restrictions	2021 With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 48,137,466	\$ 48,137,466
Board-designated endowment funds	470,880	-	470,880
	<u>\$ 470,880</u>	<u>\$ 48,137,466</u>	<u>\$ 48,608,346</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, 2022 and 2021, was \$387,272 and \$470,880, respectively.

Donor-restricted net assets at June 30, 2022 and 2021, are categorized as directed by donors as follows:

	2022	2021
Scholarships	\$ 26,402,388	\$ 32,281,813
Faculty and departmental support	9,131,631	10,378,582
Facilities improvement	675,441	779,786
General university support	721,281	749,608
Cultural activities	49,847	61,220
Time	3,780,252	3,886,457
	<u>\$ 40,760,840</u>	<u>\$ 48,137,466</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.

Missouri Southern State University
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Notes to Financial Statements
June 30, 2022 and 2021

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, 2022:

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, 2022			Carrying Amount
	Level 1	Level 2	Level 3	
Financial Assets				
Money market funds	\$ 208,401	\$ -	\$ -	\$ 208,401
Equity securities	11,321,172	-	-	11,321,172
Government and agency bonds and fixed income funds	-	4,508,681	-	4,508,681
Hedge funds	-	-	9,799,296	9,799,296
Beneficial interest in trusts held by others	-	-	12,905,155	12,905,155
	<u>\$ 11,529,573</u>	<u>\$ 4,508,681</u>	<u>\$ 22,704,451</u>	<u>\$ 38,742,705</u>

Missouri Southern State University
(A Component Unit of the State of Missouri)
Notes to Financial Statements
June 30, 2022 and 2021

	June 30, 2021			Carrying Amount
	Fair Value			
	Level 1	Level 2	Level 3	
Financial Assets				
Money market funds	\$ 382,469	\$ -	\$ -	\$ 382,469
Equity securities	11,370,491	-	-	11,370,491
Government and agency bonds and fixed income funds	-	5,039,295	-	5,039,295
	-	-	13,745,859	13,745,859
Beneficial interest in trusts held by others	-	-	16,297,823	16,297,823
	<u>\$ 11,752,960</u>	<u>\$ 5,039,295</u>	<u>\$ 30,043,682</u>	<u>\$ 46,835,937</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	\$ 30,043,682
Total realized and unrealized gains and losses included in change in net assets	<u>(7,339,231)</u>
Balance, End of Year	<u>\$ 22,704,451</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>\$ (10,125,391)</u>

Missouri Southern State University
(A Component Unit of the State of Missouri)
Notes to Financial Statements
June 30, 2022 and 2021

Liquidity and Availability of Resources

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

	2022	2021
Financial assets, at year-end	\$ 43,351,164	\$ 52,413,029
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Subject to appropriation and satisfaction of donor restrictions	(34,906,477)	(36,549,617)
Investments held in annuity trust	(261,457)	(209,564)
Board designations:		
Quasi-endowment fund, primarily for long-term investing	(3,879,020)	(1,891,600)
Financial assets, available to meet cash needs for general expenditures within one year	\$ 4,304,210	\$ 13,762,248

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 8*, 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.

Required Supplementary Information

Missouri Southern State University
(A Component Unit of the State of Missouri)
Required Supplementary Information
Schedule of University Proportionate Share of the Net Pension Liability
Missouri State Employees' Retirement System
Last Eight Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015
University's proportion of the net pension liability	0.8736%	0.9898%	1.0009%	0.9897%	1.0427%	1.0912%	1.1190%	1.1415%
University's proportionate share of the net pension liability	\$ 48,841,953	\$ 62,828,458	\$ 60,464,168	\$ 55,206,922	\$ 54,290,979	\$ 50,654,529	\$ 35,945,504	\$ 26,913,021
University's covered-employee payroll	\$ 17,579,681	\$ 17,609,065	\$ 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	277.83%	356.80%	305.72%	283.93%	264.55%	249.10%	170.09%	124.20%
Plan fiduciary net position as a percentage of the total pension liability	63.00%	55.48%	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.

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 Nine Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 4,132,983	\$ 4,028,953	\$ 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	4,132,983	4,028,953	4,305,559	3,927,261	3,731,781	3,450,837	3,586,368	3,677,357	3,725,538
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	\$ 17,579,681	\$ 17,609,065	\$ 19,777,488	\$ 19,443,952	\$ 20,522,141	\$ 20,334,926	\$ 21,133,582	\$ 21,669,752	\$ 21,803,175
Contributions as a percentage of covered-employee payroll	23.51%	22.88%	21.77%	20.20%	18.18%	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 Nine Fiscal Years

Changes of Assumptions

There were no changes to the investment return, wage inflation, or salary decrease assumptions used in the June 30, 2021, valuation.

The Board reduced the investment return assumption used in the June 30, 2020, valuation to 6.95 percent and the wage inflation to 2.50 percent and the salary decreases from 2.35 percent to 2.25 percent.

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 decreases 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 from 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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total OPEB Liability			
Service cost	\$ 112,799	\$ 110,468	\$ 87,923
Interest	51,130	52,984	73,812
Differences between expected and actual experience	(361,045)	-	(284,908)
Changes in assumptions or other inputs	(148,277)	7,739	600,801
Benefit payments	<u>(184,004)</u>	<u>(223,727)</u>	<u>(199,514)</u>
Net Change in Total OPEB Liability	(529,397)	(52,536)	278,114
Total OPEB Liability – Beginning	<u>2,346,333</u>	<u>2,398,869</u>	<u>2,120,755</u>
Total OPEB Liability – Ending	<u><u>\$ 1,816,936</u></u>	<u><u>\$ 2,346,333</u></u>	<u><u>\$ 2,398,869</u></u>

Notes to Schedule:

Benefit Changes

There were no changes to benefit terms for the years ended June 30, 2022, 2021, or 2020, respectively.

Changes of Assumptions

The discount rate was updated from 2.21 percent to 2.16 percent to 3.54 percent in 2020, 2021, and 2022, respectively. The trend rates were reset to an initial rate of 7 percent grading down by 0.25 percent per year until reaching the ultimate rate of 4 percent.

In 2022, the mortality projection scales was updated from MP-2019 to MP-2021 to reflect the Society of Actuaries recent mortality study.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

Supplementary Information

Missouri Southern State University
(A Component Unit of the State of Missouri)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing 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	\$ -	\$ 233,468
Federal Work-Study Program	84.033	N/A	-	230,063
Federal Perkins Loan Program	84.038	N/A	-	2,087,253
Federal Pell Grant Program	84.063	N/A	-	7,745,901
Federal Direct Student Loans	84.268	N/A	-	11,334,666
Federal Teacher Education Assistance for College and Higher Education Grants (TEACH)	84.379	N/A	-	94,301
Total Student Financial Assistance Cluster			<u>-</u>	<u>21,725,652</u>
U.S. Department of Education				
TRIO Cluster				
TRIO – Student Support Services	84.042A	N/A	-	284,056
TRIO – Talent Search	84.044A	N/A	-	290,960
TRIO – Upward Bound	84.047A	N/A	-	351,154
Total TRIO Cluster			<u>-</u>	<u>926,170</u>
U.S. Department of Education				
COVID-19 - Higher Education				
Emergency Relief Fund				
Student Aid Portion	84.425E	N/A	-	7,636,633
Institutional Portion	84.425F	N/A	-	7,435,332
Total COVID-19 Higher Education Emergency Relief Fund Program			<u>-</u>	<u>15,071,965</u>
U.S. Department of Transportation				
Highway Safety Cluster				
Highway Safety Grant	20.600	N/A	-	31,103
Total forward			-	37,754,890

Missouri Southern State University
(A Component Unit of the State of Missouri)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Total forward			\$ -	\$ 37,754,890
U.S. Department of Agriculture/Missouri				
Department of Health and Senior Services				
Child and Adult Care Fund Program	10.558	ERS46110060	-	29,516
Child and Adult Care Fund Program	10.558	ERS0462776S	-	4,298
COVID-19 Child and Adult Care Fund Program	10.558	ERS46110060	-	2,827
Total Child and Adult Care Fund Program			-	36,641
Small Business Administration/ University of Missouri/				
Small Business Development Centers	59.037	C00073069-3	-	115,770
Small Business Development Centers	59.037	C00076664-3	-	62,416
Total Small Business Development Centers			-	178,186
U.S. Department of Education/Crowder College Consortium/Technical Education – Basic Grants to States				
	84.048A	V048A20025	-	61,976
U.S. Department of Health and Human Services/Foster Care Title IV-E				
	93.658	N/A	-	21,223
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	AOC19380235	-	46,131
U.S. Department of Health and Human Services/Centers for Disease Control and Prevention/State Actions to Improve Oral Health Outcomes and Partner Actions to Improve Oral Health Outcomes				
	93.366	DH220050904	-	25,643
Total forward			-	38,124,690

Missouri Southern State University
(A Component Unit of the State of Missouri)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Total forward			\$ -	\$ 38,124,690
U.S. Department of Health and Human Services/Administration for Children and Families/Northeast Oklahoma Tribal CCDF/Child Care and Development Block Grant	93.575	20RPOKCCC3	-	3,574
U.S. Department of Health and Human Services/Administration for Children and Families/Shawnee Tribe/Child Care and Development Block Grant	93.575	21RPOKCSC6	-	19,949
U.S. Department of Health and Human Services/Missouri Department of Elementary and Secondary Education/Child Care and Development Block Grant	93.575	2101MOCCC5	-	7,481
Total Child Care and Development Block Grant			-	31,004
U.S. Department of Health and Human Services/Missouri Department of Health and Senior Services/Preventive Health and Health Services Block Grant	93.991	1NB01OT009325-01	-	5,722
			\$ -	\$ 38,161,416

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, 2022

Note 1: Basis of Presentation

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, 2022. 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.

Note 2: Summary of Significant Accounting Policies

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.

Note 3: Indirect Cost Rate

Missouri Southern State University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Federal Loan Programs

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, 2022, consists of:

Assistance Listing Number	Program Name	Outstanding Balance at June 30, 2022
84.038	Federal Perkins Loan Program	\$634,449

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, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated November 7, 2022. 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 compliance and other matters associated with the discretely presented component unit.

Report on 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 consolidated 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 or significant deficiencies may exist that were not identified.

Report on 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.

FORVIS,LLP

Springfield, Missouri
November 7, 2022



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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Governors
Missouri Southern State University
Joplin, Missouri

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Missouri Southern State University's (the "University") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2022. 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.

In our opinion, Missouri Southern State University complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of Missouri Southern State University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the University's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The University is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The University's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the University’s response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The University’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The University is responsible for preparing a corrective action plan to address each audit finding included in our auditor’s report. The University’s corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

FORVIS,LLP

Springfield, Missouri
November 7, 2022

Missouri Southern State University
(A Component Unit of the State of Missouri)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified Qualified Adverse Disclaimer

2. Internal control over financial reporting:

Significant deficiency(ies) identified? Yes None reported

Material weakness(es) identified? Yes No

3. Noncompliance material to the financial statements noted? Yes No

Federal Awards

4. Internal control over major federal awards programs:

Significant deficiency(ies) identified? Yes None reported

Material weakness(es) identified? Yes No

5. Type of auditor’s report issued on compliance for major federal program(s):

Unmodified Qualified Adverse Disclaimer

6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)? Yes No

Missouri Southern State University
(A Component Unit of the State of Missouri)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

7. Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
	Federal Teacher Education Assistance for College and Higher
84.379	Education Grants (TEACH)
	COVID-19 Higher Education Emergency Relief Fund
84.425E	Student Aid Portion
84.425F	Institutional Portion

8. Dollar threshold used to distinguish between Type A and Type B programs: \$1,144,842.

9. Auditee 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, 2022

Section II – Financial Statement Findings

Reference Number	Finding
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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, 2022

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
2022-001	<p style="text-align: center;">COVID-19 Higher Education Emergency Relief Fund Program Assistance Lising Number 84.425E COVID-19 Relief Fund for Student Aid U.S. Department of Education Program Year 2021-2022</p> <p>Criteria or specific requirement – Quarterly Public Reporting for (a)(1) Student Aid Portion 2 CFR Sections 200.328 and 200.329.</p> <p>Condition – University did not disclose on their website the estimated total number of students at the institution that are eligible to receive Emergency Financial Aid Grants to Students under the ARP (a)(1) subprogram.</p> <p>Questioned costs – None</p> <p>Context – Out of the population of nine special reporting requirements for the fiscal year, a sample of three reports were selected for testing. For the Q2 public reporting for Student Aid Portion, the estimated total number of students at the institution that were eligible to receive Emergency Financial Aid Grants to Students under the ARP (a)(1) subprogram was not publicly posted to the institution's website. This sample was not a statistically valid sample.</p> <p>Effect – The public was not notified of of the estimated total number of students at the institution that were eligible to receive Emergency Financial Aid Grants to Students under the ARP (a)(1) subprogram in a timely or accurate manner.</p> <p>Cause – Personnel responsible for reporting overlooked the public posting requirement of grant information for HEERF grantees as noted in 86 FR 26213.</p> <p>Indication as a repeat finding – N/A</p> <p>Recommendation – The University should review its procedures for publicly reporting the Student Aid Portion in accordance with 86 FR 26213.</p> <p>Views of Responsible Officials and Planned Corrective Actions – The University website has been updated to include estimated total number of students at the institution that were eligible to receive Emergency Financial Aid Grants to Students under the ARP (a)(1) subprogram.</p>

MISSOURI SOUTHERN STATE UNIVERSITY™

Summary Schedule of Prior Audit Findings Year Ended June 30, 2021

Reference Number	Finding	Status
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No matters are reportable.