



STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Financial Statements

June 30, 2014 and 2013

(With Independent Auditors' Reports Thereon)

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STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Table of Contents

| | Page |
|---|-------------|
| Independent Auditors' Report | 1 |
| Management's Discussion and Analysis (Unaudited) | 4 |
| Basic Financial Statements: | |
| Statements of Net Position – State of Mississippi Institutions of Higher Learning | 17 |
| Statements of Financial Position – Discretely Presented Component Unit – Mississippi State University Foundation, Inc. | 18 |
| Statements of Financial Position – Discretely Presented Component Unit – The University of Mississippi Foundation | 19 |
| Statements of Financial Position – Discretely Presented Component Unit – The University of Southern Mississippi Foundation | 20 |
| Statements of Revenues, Expenses and Changes in Net Position – State of Mississippi Institutions of Higher Learning | 21 |
| Statements of Activities – Discretely Presented Component Unit – Mississippi State University Foundation, Inc. | 22 |
| Statements of Activities – Discretely Presented Component Unit – The University of Mississippi Foundation | 24 |
| Statements of Activities – Discretely Presented Component Unit – The University of Southern Mississippi Foundation | 26 |
| Statements of Cash Flows – State of Mississippi Institutions of Higher Learning | 28 |
| Notes to Financial Statements | 30 |
| Combining Supplemental Information: | |
| Combining Statement of Net Position | 118 |
| Combining Statement of Revenues, Expenses and Changes in Net Position | 120 |
| Combining Statement of Cash Flows | 122 |
| Report on Internal Control and Compliance: | |
| Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 125 |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Table of Contents

| | Page |
|--|-------------|
| Component Unit Additional Information for Inclusion in the State of Mississippi Comprehensive Annual Financial Report: | |
| Component Unit – Combining Schedule of Net Position | 127 |
| Component Unit – Combining Schedule of Activities | 129 |
| Component Unit – Schedule of Accounts Receivable Disclosure | 130 |
| Component Unit – Schedule of Notes and Pledges Receivable Disclosure | 131 |
| Component Unit – Schedule of Assets under Capital Lease Disclosure | 132 |
| Component Unit – Schedule of Capital Assets Disclosure | 133 |
| Component Unit – Schedule of Construction Commitments and Financing Disclosure | 134 |
| Component Unit – Schedule of Long-Term Liabilities Disclosure (Rollforward) | 135 |
| Component Unit – Schedule of Debt Service Disclosure (IHL System Only, by Institution) | 136 |
| Component Unit – Schedule of Debt Service Disclosure (Combined) | 138 |
| Component Unit – Schedule of Bonds and Notes Payable Disclosure | 139 |
| Component Unit – Schedule of Functional Expenses Disclosure | 141 |

FINANCIAL AUDIT REPORT

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Independent Auditors' Report

The Board of Trustees
State of Mississippi Institutions of Higher Learning:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the State of Mississippi Institutions of Higher Learning (the IHL System), a component unit of the State of Mississippi, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the IHL System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the University of Mississippi Medical Center Educational Building Corporation, the University of Mississippi Educational Building Corporation, the University of Mississippi Medical Center Tort Claims Fund, the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund, and the State Institutions of Higher Learning Tort Liability Fund. Those financial statements, which reflect approximately 9.0% and 1.7%, and 9.8% and 1.4% of the assets and revenues, respectively, of the IHL System's business-type activities as of and for the years ended June 30, 2014 and 2013, were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above mentioned entities/funds, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Mississippi State University Foundation, Inc., the University of Mississippi Foundation, the University of Southern Mississippi Foundation, the University of Mississippi Medical Center Educational Building Corporation, the University of Mississippi Educational Building Corporation, the University of Mississippi Medical Center Tort Claims Fund, the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund, and the State Institutions of Higher Learning Tort Liability Fund were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, and the aggregate discretely presented component units of the IHL System as of June 30, 2014 and 2013, and the changes in financial position, and where applicable, cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis on pages 4 through 16 be presented to supplement the basic financial statements. Such information, 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements. The 2014 combining supplemental information on pages 118 through 124 and the accompanying component unit additional information for inclusion in the State of Mississippi Comprehensive Annual Financial Report section on pages 127 through 141 are presented for purposes of additional analysis and are 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.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014, on our consideration of the IHL System'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 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 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 IHL System's internal control over financial reporting and compliance.

KPMG LLP

Jackson, Mississippi
December 10, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013



Introduction

The Board of Trustees of Mississippi's Institutions of Higher Learning (IHL System) governs the State's public four year institutions. The Constitutional Governing Board was created in 1943 for the purpose of overseeing and directing Mississippi's eight public universities including the University of Mississippi Medical Center, various off-campus centers and multiple research institutes located throughout Mississippi.

The institutions serve approximately 80,000 students with an employee base of 26,400 individuals. Faculty makes up approximately 5,700 of the total employee count. The system offers over 850 degree programs and awarded approximately 16,700 degrees in Academic Year 2014.

In addition to regular operations, each university has established its own educational building corporation (EBC) in accordance with Section 37-101-61 of the Mississippi Code Annotated of 1972. The purpose of these corporations is to provide a means to acquire land or buildings, construct or renovate facilities, and/or equip facilities. Governmental Accounting Standards Board (GASB) Statements 14, 39 and 61 deem EBCs to be component units of the IHL System; therefore, they are included as blended component units in the basic financial statements. In addition to EBCs, the IHL System has three additional component units considered significant to the financial statements. The three units were Mississippi State University Foundation, Inc., the University of Mississippi Foundation and the University of Southern Mississippi Foundation. These audited financial statements are discretely presented following the IHL System's financial statements.

These reports were prepared in accordance with GASB Statements 34 and 35, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and present financial data for two fiscal periods – June 30, 2014 and 2013. The IHL System reports as a special purpose government, engaged solely in business-type activities. The section should be read in conjunction with the financial statements and the notes that follow.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

The following is a list of abbreviations used throughout this financial report for the member universities of the IHL System:

| | |
|----------------------|---|
| ASU | Alcorn State University |
| DSU | Delta State University |
| JSU | Jackson State University |
| MSU | Mississippi State University |
| MUW | Mississippi University for Women |
| MVSU | Mississippi Valley State University |
| UM | University of Mississippi |
| USM | University of Southern Mississippi |
| UMMC | University of Mississippi Medical Center |
| IHL Executive Office | Institutions of Higher Learning – Executive Office |
| MCVS | Mississippi Commission for Volunteer Services – Off-campus entity |
| IHL System | (Summary of all of the above) |

Overview of the Financial Statements

The IHL System's financial report consists of Management's Discussion and Analysis, financial statements including notes, and financial statements of the discrete component units. The statements of IHL System's financial statements are the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows; and the Statements of Financial Position and Statements of Activities for the discretely presented component units.

Financial Statements

The financial statements present information for the IHL System as a whole. The Statements of Net Position presents the financial position of the IHL System at the end of the 2014 and 2013 fiscal years and includes all assets and liabilities for all institutions within the IHL System. The difference between total assets and total liabilities – net position – is one measure of the IHL System's financial health or position. The change in net position is a useful indicator of financial health of the IHL System. Over time, increases or decreases in the IHL System's net position provide a useful trend in assessing whether its financial health is improving. Other nonfinancial factors such as enrollment trends and the condition of the physical plant are also useful in evaluating the overall financial health of the IHL System.

The Statements of Revenues, Expenses and Changes in Net Position presents the operating results of the IHL System, as well as nonoperating revenues and expenses for the years ended June 30, 2014 and 2013. Operating revenues are received for providing goods and services to various customers and constituencies of the IHL System. Operating expenses are incurred to acquire or produce the goods and services provided in return for the operating revenues. Nonoperating revenues are received for which goods and services are not provided as an exchange transaction. State appropriations, which represent 21.8% of total IHL System revenues, are classified as nonoperating revenue because these revenues are appropriated at the state level rather than at the institutional level. This accounting treatment for this revenue classification typically results in the IHL System showing an operating loss. Other typical nonoperating revenue sources include gifts, grants, and appropriations restricted for capital purposes.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management’s Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

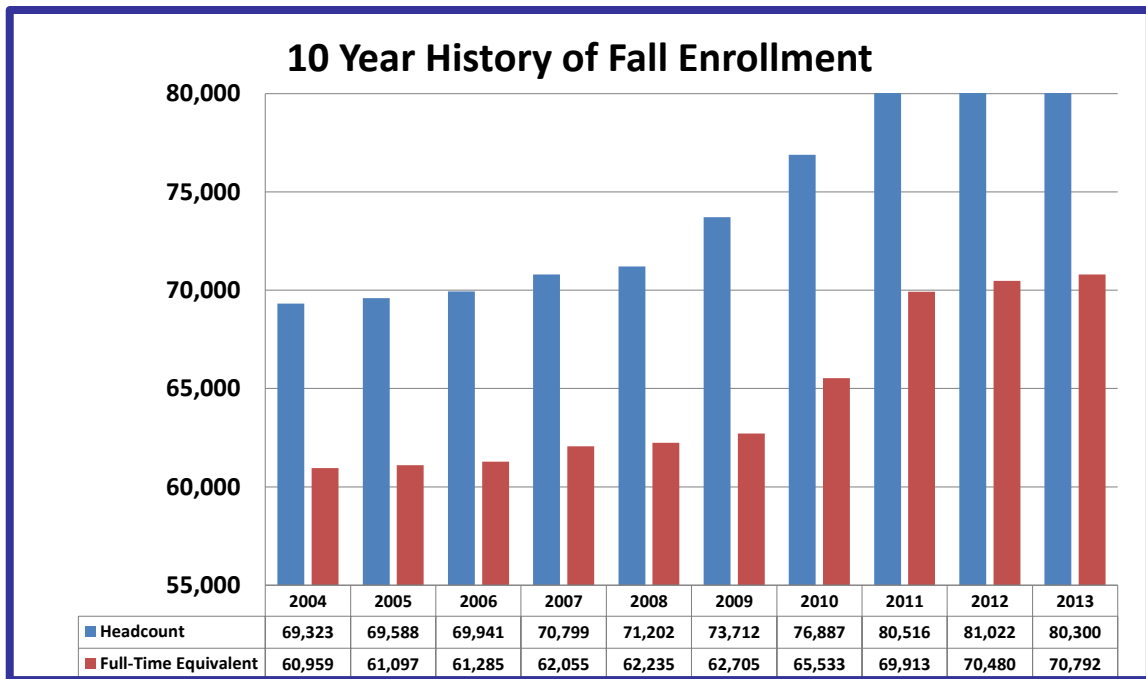
The Statements of Cash Flows provide information about the cash sources and uses of the IHL System. Additional information for these statements is provided later in this report.

Financial Highlights

The net position of the IHL System has increased by 6.2%, or \$213.4 million, (assets minus liabilities) from June 30, 2013 to June 30, 2014. The main source for this improvement was in the area of capital assets, where the IHL System experienced a 4.6%, or \$105.4 million, increase in its capital assets, net of related debt. Most of the institutions have recently undergone, or are in the process of major building projects, especially for student housing. Additional details for these increases are presented later in this report. Unrestricted net position increased 8.6%, or \$66.1 million, from June 30, 2013 to June 30, 2014. Restricted net position increased 11.2%, or \$41.9 million, from June 30, 2013 to June 30, 2014.

Net position increased by 4.1%, or \$135.5 million, from June 30, 2012 to June 30, 2013. The main source for the improvement was in the area of capital assets, where the IHL System experienced a 4.4%, or \$97.0 million, increase in capital assets, net of related debt. Unrestricted net position increased 3.9%, or \$29.1 million, from June 30, 2012 to June 30, 2013. Restricted net position increased 2.6%, or \$9.4 million from June 30, 2012 to June 30, 2013.

Despite tuition rate increases, enrollment has continued to increase for the IHL System. Full time student enrollment for the fall 2014 academic term stood at an all time high (see chart below). IHL System’s management believes this increase is indicative of the demand for a quality educational product at a reasonable price.



While the IHL System’s state appropriated revenues have stagnated the last several years, other revenue sources such as student tuition, auxiliary revenues and patient fees have increased steadily. The IHL System’s efforts to create self-generated funds, control costs, and eliminate expenses on noncore essential activities allowed the institutions to generate sufficient resources to meet and sometimes even exceed budgeted goals.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

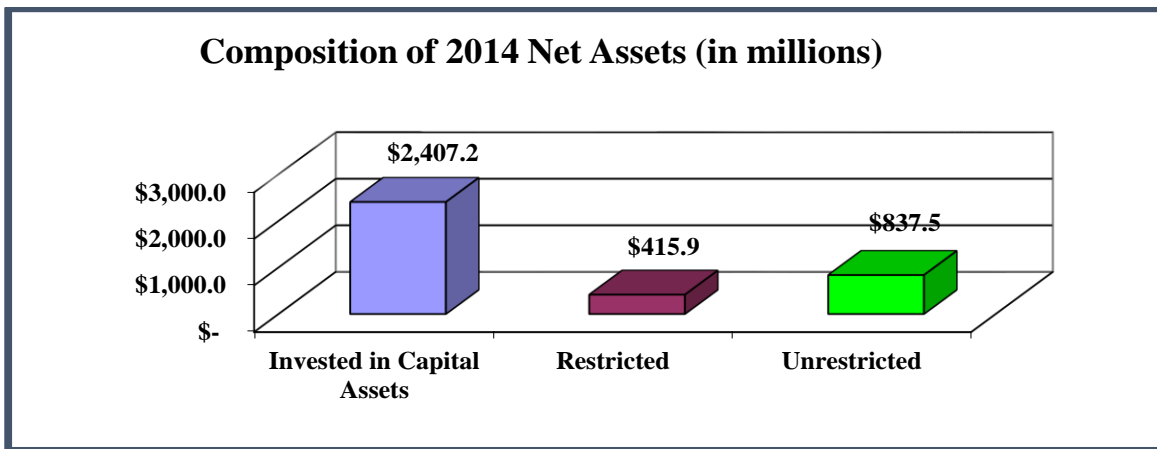
June 30, 2014 and 2013

GASB guidance requires that state appropriation revenues be classified as nonoperating on the Statement of Revenues, Expenses and Changes in Net Position (SRECNP). Because of this accounting treatment, the IHL System expects to always show a net operating loss at year-end on the SRECNP. This net operating loss approximated \$828.4 million and \$817.6 million for the years ended June 30, 2014 and 2013, respectively. Total operating revenues increased 6.9% in 2014 and 4.9% in 2013, while operating expenses for 2014 and 2013 increased 5.3% and 2.2%, respectively. Overall, the IHL System's net position increased by \$213.4 million for fiscal year 2014 compared to \$135.5 million for fiscal year 2013.

Net position is divided into three major categories:

- Net investment in capital assets – represents the IHL System's net equity in property, plant, and equipment, which it owns.
- Restricted net position – represent those assets that are not available for spending as a result of legislative requirements, donor agreements, or grant requirements.
- Unrestricted net position – represent those assets that are available to the IHL System for any lawful purpose.

Net position, which represent the residual interest in the IHL System's assets after liabilities are deducted, increased by \$213.4 million (6.2%) from the prior fiscal year to \$3.7 billion in 2014. Net position increased by \$135.5 million (4.1%) in 2013. Shown below is a chart illustrating the composition of the IHL System's net position as of June 30, 2014.



STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

Unrestricted net position as of June 30, 2014 and 2013 equaled \$837.5 million and \$771.4 million, respectively. Over 88.1% of this total (\$733.9 million) was attributed to four IHL institutions: the University of Mississippi Medical Center, Mississippi State University, the University of Mississippi and the University of Southern Mississippi.

Summary of Net Position (Condensed)

| | June 30, 2012 | June 30, 2013 | June 30, 2014 | Changes between years | |
|--|-------------------------|----------------------|----------------------|-----------------------|--------------|
| | | | | 2012 to 2013 | 2013 to 2014 |
| Assets: | | | | | |
| Current assets | \$ 845,660,586 | 910,269,555 | 974,057,443 | 7.6% | 7.0% |
| Capital assets, net | 3,034,987,815 | 3,160,941,862 | 3,365,143,782 | 4.2 | 6.5 |
| Other assets | 878,671,541 | 903,149,676 | 933,839,731 | 2.8 | 3.4 |
| Deferred outflows | 5,226,080 | 4,990,320 | 7,376,186 | (4.5) | 47.8 |
| Total assets and deferred outflows of resources | \$ 4,764,546,022 | 4,979,351,413 | 5,280,417,142 | 4.5% | 6.0% |
| Liabilities: | | | | | |
| Current liabilities | \$ 338,337,493 | 348,250,310 | 377,176,409 | 2.9% | 8.3% |
| Noncurrent liabilities | 1,114,550,984 | 1,183,910,147 | 1,242,602,630 | 6.2 | 5.0 |
| Total liabilities | \$ 1,452,888,477 | 1,532,160,457 | 1,619,779,039 | 5.5% | 5.7% |
| Net assets: | | | | | |
| Invested in capital assets, net of debt | \$ 2,204,805,645 | 2,301,843,074 | 2,407,243,458 | 4.4% | 4.6% |
| Restricted – nonexpendable | 132,893,611 | 140,401,802 | 148,234,932 | 5.6 | 5.6 |
| Restricted – expendable | 231,716,866 | 233,563,969 | 267,633,090 | 0.8 | 14.6 |
| Unrestricted | 742,241,423 | 771,382,111 | 837,526,623 | 3.9 | 8.6 |
| Total net position | \$ 3,311,657,545 | 3,447,190,956 | 3,660,638,103 | 4.1% | 6.2% |

From the data presented, readers of the Statement of Net Position are able to determine the following:

- the assets available to continue the operations of the IHL System
- the liabilities of the IHL System which include amounts owed to vendors and lending institutions
- the net position that are available for future expense by the IHL System

At June 30, 2014 and 2013 current assets totaled \$974.1 million and \$910.3 million, respectively, and consisted primarily of cash and cash equivalents, short-term investments and net receivables. Current assets increased 7.0% (\$63.8 million) and 7.6% (\$64.6 million) from June 30, 2013 to 2014 and June 30, 2012 to 2013, respectively. Cash, cash equivalents, and short-term investments constituted approximately 59.5% and 56.4% of current assets as of June 30, 2014 and 2013, respectively, while accounts receivables constituted approximately 33.2% and 37.3% of current assets respectively. Approximately 37.1% and 37.6% of these net receivable are amounts due from gifts, contracts and grants and the State of Mississippi for appropriations as of June 30, 2014 and 2013, respectively, while 34.1% (2014) and 35.0% (2013) were related to patient care receivables from UMMC. The remaining receivables were primarily owed from students for tuition, room and board charges. Student owed receivables approximated \$89.4 million and \$77.5 million at June 30, 2014 and 2013, respectively.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

At June 30, 2014, current liabilities equaled \$377.2 million and consisted primarily of accounts payable and accrued liabilities, and unearned revenues. Unearned revenues include advance receipts for athletic ticket sales, summer tuition, fees, and student housing. Current liabilities increased 8.3% (\$28.9 million) from June 30, 2013 to 2014, and 2.9% (\$9.9 million) from June 30, 2012 to 2013. In more detail, significant increases were incurred in the areas of unearned revenues (\$14.9 million) and other current liabilities (\$8.2 million).

At June 30, 2014 and 2013, noncurrent assets totaled \$4.3 billion and \$4.1 billion, respectively, and included capital assets of \$3.4 billion (2014) and \$3.2 billion (2013). Noncurrent cash and investments that are restricted externally by endowment arrangements or specific grant and contract arrangements approximated \$821.6 million at June 30, 2014 and \$791.8 million at June 30, 2013. One other significant noncurrent asset of the IHL System was student notes receivable which equaled \$97.0 million at June 30, 2014 and \$96.1 million at June 30, 2013. In total, noncurrent assets increased 5.8% (\$234.9 million) during the past twelve months. The majority of this increase has been seen in the accumulation of capital assets of \$204.2 million since 2013 (6.5%). Specifically, the IHL System's inventory of buildings has increased in pre-depreciation value by a total of \$106.7 million since June 30, 2013. Additional details about the IHL System's most recent capital asset growth can be seen in the Capital Asset and Debt Administration section of this report.

Noncurrent liabilities are those liabilities due and payable more than twelve months from year-end (June 30). Noncurrent liabilities equaled \$1.2 billion at June 30, 2014 and \$1.2 billion at June 30, 2013. These liabilities have increased 5.0% (or \$58.7 million) since June 30, 2013. The principal reason for this large increase was the incurrence of new bonded debt issues at many of the institutions. In recent years, the IHL System has experienced unparalleled levels of new construction and renovation to its existing facilities. Additional details about the IHL System's most recent capital debt can be seen in the Capital Asset and Debt Administration section of this report. Other noncurrent liabilities of significance include accrued compensated leave liabilities that will not be paid within the next fiscal year (\$104.9 million at June 30, 2014 and \$101.8 million at June 30, 2013), and noncurrent portions of unpaid claim liabilities relative to its self-insured programs, and government advance refundable obligations relative to the federal government's Perkins loan program in the event of termination. These other noncurrent liabilities have remained relatively stable during the past several years.

Restricted nonexpendable net position equaled \$148.2 million and \$140.4 million at June 30, 2014 and 2013 respectively, and consisted of endowment and similar type funds, which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained intact and invested for the purpose of producing income that may either be expended or added to principal. The values of these net position have increased 5.6%, or \$7.8 million, from June 30, 2013 to 2014, and 5.6%, or \$7.5 million, from June 30, 2012 to 2013.

Restricted expendable net position equaled \$267.6 million and \$233.6 million at June 30, 2014 and 2013, respectively, and consisted of resources that the IHL System is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net position equaled \$837.5 million and \$771.4 million at June 30, 2014 and 2013, respectively, and represents those assets that are available to the IHL System for any lawful purpose. The values of unrestricted net position have increased 8.6%, or \$66.1 million, from June 30, 2013 to 2014, and 3.9%, or \$29.1 million, from June 30, 2012 to 2013.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position (SRECNP) displays information on how the IHL System's assets changed as a result of current year operations. This statement presents the IHL System's revenues received and expenses incurred, as well as any other gains or losses for the fiscal year. Operating revenues and expenses have been revised to give effect for certain eliminations relating to inter-campus transactions among the IHL System institutions.

The IHL System's consolidated SRECNP for the year ended June 30, 2014 indicates a net operating loss of \$828.4 million and compares to a net operating loss of \$817.6 million in 2013. The change from 2013 to 2014 represents a 1.3%, or \$10.8 million, overall increase in the annual net operating loss. The increase is a change from the 4.1%, or \$35.2 million, decrease from 2012 to 2013. The net operating loss does not include the effects of nonoperating items such as state appropriated revenues, certain gift or grant revenues, or net investment earnings. A summary of the IHL System's SRECNP for the last three fiscal years is shown below.

Summary of Revenues, Expenses and Changes in Net Position (Condensed)

| | Year ended | | | Changes between years | |
|---|------------------|---------------|---------------|-----------------------|--------------|
| | June 30, 2012 | June 30, 2013 | June 30, 2014 | 2012 to 2013 | 2013 to 2014 |
| Operating revenues | \$ 1,957,042,710 | 2,053,286,397 | 2,195,909,024 | 4.9% | 6.9% |
| Operating expenses | 2,809,839,477 | 2,870,920,674 | 3,024,325,919 | 2.2 | 5.3 |
| Operating loss | (852,796,767) | (817,634,277) | (828,416,895) | (4.1) | 1.3 |
| Nonoperating revenues | 878,932,127 | 844,439,195 | 892,915,789 | (3.9) | 5.7 |
| Income before other revenues, expenses, gains or losses | 26,135,360 | 26,804,918 | 64,498,894 | 2.6 | 140.6 |
| Other revenues, expenses, gains or losses | 101,222,669 | 108,728,493 | 148,948,253 | 7.4 | 37.0 |
| Change in net position | 127,358,029 | 135,533,411 | 213,447,147 | 6.4 | 57.5 |
| Net position at beginning of year | 3,184,299,516 | 3,311,657,545 | 3,447,190,956 | 4.0 | 4.1 |
| Net position at the end of year | \$ 3,311,657,545 | 3,447,190,956 | 3,660,638,103 | 4.1% | 6.2% |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

Operating Revenues

Operating revenues for the IHL System equaled \$2.2 billion for fiscal year 2014 compared to \$2.1 billion for fiscal year 2013. Operating revenues increased 6.9% (or \$142.6 million) during 2014, and an additional 4.9% (or \$96.2 million) during 2013. Major components of operating revenues are the UMMC patient care revenues (41.5% in 2014 and 39.6% in 2013), grants and contracts revenues (17.9% in 2014 and 19.9% in 2013), net tuition and fees (23.8% and 23.7% in 2014 and 2013, respectively), and sales and service revenues from auxiliary activities (10.2% in 2014 and 2013). The following table summarizes the IHL System's operating revenues for the past three fiscal years.

| | Operating Revenues | | | | | |
|---|---------------------------|----------------------|----------------------|------------------------------|---------------------|--|
| | Years ended | | | Changes between years | | |
| | June 30, 2012 | June 30, 2013 | June 30, 2014 | 2012 to 2013 | 2013 to 2014 | |
| Tuition and fees, net | \$ 457,817,684 | 486,082,817 | 522,260,357 | 6.2% | 7.4% | |
| Grants and contracts | 460,073,470 | 408,137,531 | 392,168,251 | (11.3) | (3.9) | |
| Federal appropriations | 11,023,528 | 14,202,889 | 14,844,867 | 28.8 | 4.5 | |
| Sales and services of educational departments | 54,560,556 | 52,945,429 | 56,431,090 | (3.0) | 6.6 | |
| Auxiliary enterprises, net | 195,614,679 | 209,027,084 | 223,802,128 | 6.9 | 7.1 | |
| Patient care revenues | 704,269,102 | 813,261,628 | 911,051,960 | 15.5 | 12.0 | |
| Other | 73,683,691 | 69,629,019 | 75,350,371 | (5.5) | 8.2 | |
| Total operating revenues | \$ 1,957,042,710 | 2,053,286,397 | 2,195,909,024 | 4.9% | 6.9% | |

Net tuition and fee revenues increased 7.4% (\$36.2 million) during fiscal year 2014 compared to 6.2% (\$28.3 million) during fiscal year 2013. All IHL institutions raised their in-state tuition rates during 2014 (average increase of 6.0%). Non-Mississippi residents also paid a higher tuition rate during 2014 (average increase of 7.4%). These rate increases, coupled with the positive enrollment growth across the IHL System, resulted in an increase in tuition and fees, net.

Grants and contracts revenue has decreased 3.9% (\$16.0 million) during fiscal year 2014 along with a decrease of 11.3% (\$51.9 million) during fiscal year 2013.

Patient care revenues at the UMMC reached \$911.1 million in 2014, an increase of \$97.8 million, or 12.0%. This increase was primarily due to reimbursement increases from commercial and governmental payers and increases in patient volume.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

Operating Expenses

Operating expenses for the IHL System totaled \$3.0 billion for fiscal year 2014 compared to \$2.9 billion in 2013. Operating expenses increased 5.3% (\$153.4 million) during 2014, and an additional 2.2% (\$61.1 million) during 2013. Personnel costs (including fringe benefits) were the largest expense component for the IHL System, representing 61.4% of the total in 2014 and 61.6% in 2013. Other major components include contractual services (13.7% in 2014 and 14.2% in 2013), commodities (10.6% during 2014 and 9.8% during 2013), and scholarships and fellowships (5.5% during 2014 and 5.6% during 2013). The following table summarizes the IHL System's operating expenses (by major object category) for the past three fiscal years.

| | Operating Expenses | | | | |
|------------------------------|---------------------------|----------------------|----------------------|------------------------------|---------------------|
| | Year ended | | | Changes between years | |
| | June 30, 2012 | June 30, 2013 | June 30, 2014 | 2012 to 2013 | 2013 to 2014 |
| By major object category: | | | | | |
| Salaries and wages | \$ 1,282,002,735 | 1,371,864,872 | 1,429,959,275 | 7.0% | 4.2% |
| Fringe benefits | 358,526,493 | 395,768,409 | 425,618,510 | 10.4 | 7.5 |
| Travel | 48,034,153 | 49,084,406 | 51,640,068 | 2.2 | 5.2 |
| Contractual services | 449,115,656 | 407,477,447 | 415,099,771 | (9.3) | 1.9 |
| Utilities | 59,832,377 | 59,891,790 | 68,502,720 | 0.1 | 14.4 |
| Scholarships and fellowships | 177,267,881 | 161,960,652 | 165,892,482 | (8.6) | 2.4 |
| Commodities | 291,720,535 | 281,901,623 | 320,243,536 | (3.4) | 13.6 |
| Depreciation | 131,390,795 | 138,425,882 | 142,683,785 | 5.4 | 3.1 |
| Other | 11,948,852 | 4,545,593 | 4,685,772 | (62.0) | 3.1 |
| | <u>2,809,839,477</u> | <u>2,870,920,674</u> | <u>3,024,325,919</u> | <u>2.2%</u> | <u>5.3%</u> |
| Total operating expenses | \$ <u>2,809,839,477</u> | <u>2,870,920,674</u> | <u>3,024,325,919</u> | <u>2.2%</u> | <u>5.3%</u> |

IHL personnel costs (salaries, wages and fringe benefits) increased 5.0% (\$87.9 million) during 2014. Several of the System's IHL institutions incorporated general market adjustments or benchmark raises for their faculty and staff during 2014, while most authorized pay increases for promotion-in-rank or additional position responsibilities. The range of these pay raises varied from institution to institution. UMMC (\$61.8 million), UM (\$13.6 million) and MSU (\$9.3 million) had the largest expense increase in this category, while the other institutions had smaller increases. The IHL System also experienced similar increases in personnel costs from 2012 to 2013, with these costs increasing 7.7% or \$127.1 million in total. Contractual services increased 1.9% (\$7.6 million) during 2014 along with the cost for commodities (13.6% or \$38.3 million). Scholarships and fellowships expenses, after a decline in 2013, increased in 2014. These costs that take the form of student financial aid awards increased 2.4% (\$3.9 million).

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

As an alternative presentation model, the IHL System's last three fiscal years of operating expenses are shown on the next page by major functional classification. Functional classifications are the traditional categories that universities have used in past financial presentations (Pre-GASB 34). These functions represent the types of programs and services that the universities generally provide. For example, funds utilized to compensate a classroom professor or provide classroom materials would be classified as instruction.

| | Operating Expenses | | | | |
|-------------------------------------|---------------------------|----------------------|----------------------|-----------------------------|---------------------|
| | Year ended | | | Change between years | |
| | June 30, 2012 | June 30, 2013 | June 30, 2014 | 2012 to 2013 | 2013 to 2014 |
| By function: | | | | | |
| Instruction | \$ 593,792,096 | 621,874,277 | 631,249,609 | 4.7% | 1.5% |
| Research | 315,027,966 | 282,705,332 | 278,903,582 | (10.3) | (1.3) |
| Public service | 151,039,122 | 148,166,094 | 146,573,492 | (1.9) | (1.1) |
| Academic support | 142,379,174 | 147,010,574 | 160,146,653 | 3.3 | 8.9 |
| Student services | 70,831,039 | 73,447,309 | 78,690,497 | 3.7 | 7.1 |
| Institutional support | 278,565,905 | 268,144,697 | 295,997,825 | (3.7) | 10.4 |
| Operations and maintenance of plant | 152,437,410 | 169,873,852 | 174,947,260 | 11.4 | 3.0 |
| Student aid | 183,063,888 | 164,332,927 | 171,370,216 | (10.2) | 4.3 |
| Auxiliary enterprises | 190,486,406 | 214,675,205 | 227,218,770 | 12.7 | 5.8 |
| Depreciation | 122,157,044 | 129,670,236 | 134,232,885 | 6.2 | 3.5 |
| Hospital | 676,796,305 | 718,825,048 | 794,691,055 | 6.2 | 10.6 |
| Other | 1,510,706 | 812,617 | 1,132,401 | (46.2) | 39.4 |
| Eliminations | <u>(68,247,584)</u> | <u>(68,617,494)</u> | <u>(70,828,326)</u> | <u>0.5</u> | <u>3.2</u> |
| Total operating expenses | \$ <u>2,809,839,477</u> | <u>2,870,920,674</u> | <u>3,024,325,919</u> | <u>2.2%</u> | <u>5.3%</u> |

Funding for the Instruction function continues to be one of the IHL System's highest priorities. Approximately 20.9% and 21.7% of the IHL System's expense pie was devoted to the Instruction function in 2014 and 2013, respectively. Institutional research (internal and external) and public service costs continue to command one of the IHL System's primary cost missions. While declining from 2012 to 2013 and 2013 to 2014, these costs represent approximately 14.1% and 15.0% of the IHL System's total focus during 2013 and 2014, respectively. Research sector expenses decreased approximately 1.3% (\$3.8 million) during 2014, while Public Service sector expenses decreased 1.1% (\$1.6 million) during this same period. Institutional support costs typically present the functions of the executive management department, general administration, logistical support services, computing, public relations and development. These costs increased 10.4% (\$27.9 million) in 2014. Auxiliary enterprise costs include all expenses associated with departments that primarily exist to furnish goods or services to students, faculty, or staff and that charge a fee directly related to, although not necessarily equal to, the cost of the goods and services. Auxiliary departments are required to be essentially self-supporting activities. Examples are (1) Student housing, (2) Food Services, (3) Bookstores, and (4) Intercollegiate Athletics. Auxiliary expenses increased 5.8% (\$12.5 million) in fiscal year 2014. Student Aid expenses increased in 2014 by 4.3% (\$7.0 million). Finally, Hospital expenses increased during the past 12 months. These costs were incurred by the UMMC during the course of its treatment of patients. Hospital costs increased 10.6% in 2014 (or \$75.9 million).

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

From fiscal year 2012 through 2014, the IHL System identified millions of dollars in inter-campus transactions that required elimination for financial statement presentation purposes. Examples of such transactions would be student financial aid funds administered by the IHL Executive Office that were directed to the campuses, as well as grant agreements between one or more IHL System institutions in which one campus served as a primary recipient and the other campus acted as a sub-recipient. The eliminations were mostly channeled through the scholarships and fellowships line item as presented by major object code category.

Capital Asset and Debt Administration

At June 30, 2014, the IHL System had over \$3.3 billion invested in a broad range of capital assets. These assets comprise land, buildings and improvements (infrastructure), equipment and library books. They are stated net of accumulated depreciation. The following table summarizes the IHL System's Capital Assets for the most recent three year-end reporting dates.

| Capital Asset Summary | | | | | |
|--------------------------------------|-------------------------|------------------------|------------------------|-----------------------------|---------------------|
| | Year ended | | | Change between years | |
| | June 30, 2012 | June 30, 2013 | June 30, 2014 | 2012 to 2013 | 2013 to 2014 |
| Capital assets not being depreciated | \$ 408,464,638 | 424,435,035 | 583,819,747 | 3.9% | 37.6% |
| Depreciable capital assets: | | | | | |
| Improvements other than buildings | 288,121,327 | 298,081,463 | 312,650,876 | 3.5 | 4.9 |
| Buildings | 2,837,330,303 | 2,966,164,125 | 3,072,899,167 | 4.5 | 3.6 |
| Equipment | 667,086,451 | 739,276,411 | 764,548,649 | 10.8 | 3.4 |
| Library books | 352,708,483 | 364,487,418 | 377,501,528 | 3.3 | 3.6 |
| Total depreciable capital assets | <u>4,145,246,564</u> | <u>4,368,009,417</u> | <u>4,527,600,220</u> | <u>5.4</u> | <u>3.7</u> |
| Total cost of capital assets | 4,553,711,202 | 4,792,444,452 | 5,111,419,967 | 5.2 | 6.7 |
| Less accumulated depreciation | <u>(1,518,723,387)</u> | <u>(1,631,502,590)</u> | <u>(1,746,276,185)</u> | <u>7.4</u> | <u>7.0</u> |
| Capital assets, net | <u>\$ 3,034,987,815</u> | <u>3,160,941,862</u> | <u>3,365,143,782</u> | <u>4.2%</u> | <u>6.5%</u> |

Nondepreciable capital assets equaled \$583.8 million at June 30, 2014 and \$424.4 million at June 30, 2013. These assets principally consisted of land and construction in progress. The \$159.4 million increase from June 30, 2013 to June 30, 2014 was due to capitalized facility projects that were "in progress" at June 30, 2014, but will be finished in subsequent reporting periods and reclassified to the depreciable Buildings category.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

At June 30, 2014, the IHL System had \$1.1 billion in bonded debt, notes payable and capital lease obligations. This represented a 9.8% or \$93.6 million increase over the prior year-end. The following table summarizes the IHL System's long-term debt for the most recent three year-end reporting dates.

| | Long-term Debt Summary | | | | |
|---------------------------|-------------------------------|----------------------|----------------------|-----------------------------|---------------------|
| | Year ended | | | Change between years | |
| | June 30, 2012 | June 30, 2013 | June 30, 2014 | 2012 to 2013 | 2013 to 2014 |
| Bonds payable | \$ 890,473,217 | 922,578,579 | 1,002,490,180 | 3.6% | 8.7% |
| Notes payable | 19,813,989 | 18,115,037 | 17,154,730 | (8.6) | (5.3) |
| Capital lease obligations | 20,747,813 | 18,760,450 | 33,441,079 | (9.6) | 78.3 |
| Total long-term debt | \$ <u>931,035,019</u> | <u>959,454,066</u> | <u>1,053,085,989</u> | <u>3.1%</u> | <u>9.8%</u> |

Bonded debt increased during 2014 by 8.7% or \$79.9 million. MSU issued approximately \$102.5 million in new bond funding during 2014 for the construction of a new academic classroom facility, a new dining facility, and a major renovation/upgrade to its football stadium. In addition, UM entered into a new long term lease obligation for the use of an athletic parking facility. This lease obligation was valued at \$13.4 million at June 30, 2014.

Designated Revenues

Bond indentures previously issued, and those that may be issued in the future by the institution's Educational Building Corporations (EBC) are payable from Designated Revenues. The IHL Board covenants under terms of its various bond agreements that if Designated Revenues are insufficient to satisfy the IHL Board's obligations, the IHL Board will provide amounts from any other legally available source and will then allocate the same to cure the insufficiency. The following table provides a history of all audited Designated Revenues available to the IHL Board from fiscal years 2010 through 2014.

| | Designated Revenues¹ and Unrestricted Net Assets (excludes UMMC, Board Office, and MCVS) | | | | |
|---|--|----------------------|----------------------|----------------------|----------------------|
| | Year ended | | | | |
| | June 30, 2010 | June 30, 2011 | June 30, 2012 | June 30, 2013 | June 30, 2014 |
| Tuition, net ² | \$ 356,365,364 | 393,276,621 | 439,336,345 | 464,921,581 | 497,711,625 |
| Sales and services | 48,713,270 | 49,899,136 | 52,522,768 | 51,337,588 | 54,768,559 |
| Auxiliary enterprises, net ² | 173,984,615 | 181,027,132 | 189,955,384 | 203,844,601 | 217,788,943 |
| Other ³ | 24,556,398 | 36,270,971 | 37,940,875 | 44,073,191 | 48,967,419 |
| Sub-total | 603,619,647 | 660,473,860 | 719,755,372 | 764,176,961 | 819,236,546 |
| State appropriations | 471,956,321 | 457,747,102 | 455,130,385 | 450,229,385 | 469,870,373 |
| Unrestricted net assets | 373,462,268 | 472,051,397 | 492,533,738 | 499,501,535 | 542,761,292 |
| Total | \$ <u>1,449,038,236</u> | <u>1,590,272,359</u> | <u>1,667,419,495</u> | <u>1,713,907,881</u> | <u>1,831,868,211</u> |

¹ Designated Revenues represent all unrestricted revenues of the IHL System (excluding the member Universities indicated above) which include without limitation, net tuition and auxiliary fees, sales and services, other operating revenue, state appropriations and unrestricted net asset balances.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

- ² Tuition and auxiliary enterprise revenues are net of scholarship allowances in the form of reduced tuition, room and board.
- ³ Other designated revenues includes federal appropriations, other operating revenues, and interest earned on loans to students.

Economic Outlook

The IHL System began the 2014 fiscal year with an anticipated system wide operating budget increase of \$364.5 million. This increase was funded primarily by a mixture of tuition revenues, auxiliary revenues, external restricted gifts and grants, but also in large part by newly anticipated hospital revenues to be generated from daily census improvements and more robust patient fee and charge processes. The actual net surplus for 2014 was \$213.4 million (see the SRECNP summary table on page 10 of the MD&A). In reality, while the anticipated tuition and auxiliary revenue gains did actually materialize, external funding fell short of budgeted expectations. For fiscal year 2015, general education funding from the State of Mississippi will increase 3.37% (\$24.4 million). Approximately \$5.0 million of that new funding was earmarked by legislature for capital projects, mainly renovations. The remainder will be used primarily for classroom instruction. Once again, the IHL System will continue to rely upon increases in tuition and auxiliary revenues to provide the necessary funds for sustained excellence in its academic programs and student services. The IHL System anticipates receiving an additional \$51.0 million in new tuition revenue during 2015 due to a mixture of enrollment growth and general rate increases. In 2015 state appropriated revenues will once again comprised approximately 35% of the total E&G budget, while self-generated tuition revenues equaled 60% of the total revenue pie. In comparison, in fiscal year 2000, state appropriations represented 56% of the revenue pie, while tuition revenue equaled 32% of the total.

The IHL System maintains high credit ratings from Moody's (Aa2), Fitch (AA) and Standard & Poor's (AA-). Achieving and maintaining these high credit ratings provide the IHL System higher degree of flexibility in securing capital funds on the most competitive terms. This flexibility, along with ongoing efforts toward revenue diversification and cost containment, will enable the IHL System to provide the necessary resources to support a level of excellence in service to students, patients, the research community, the State of Mississippi and the nation as a whole.

As a labor-intensive organization, the IHL System faces competitive pressures related to attracting and retaining faculty and staff. Moreover, consistent with the national landscape, the cost of the IHL System's health benefits for its employees continues to increase. The IHL System has in the past and will continue to take proactive steps to respond to these challenges of rising costs. An example of continued steps includes the preparation of three year business plans by the institutions.

While it is not possible at this time to predict the ultimate results, management at each institution has a proven track record of successfully adapting to this present economic environment while continuing to search for new opportunities to complement state support. The IHL System's financial goal, as always, is to deliver quality services to its customers and constituents while maintaining financial integrity.

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BASIC FINANCIAL STATEMENTS

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STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Statements of Net Position

June 30, 2014 and 2013

| Assets | 2014 | 2013 |
|---|-------------------------|----------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 393,444,704 | 383,109,460 |
| Short-term investments | 186,347,265 | 130,632,150 |
| Accounts receivable, net | 323,807,573 | 339,838,712 |
| Student notes receivable, net | 16,202,778 | 15,601,189 |
| Inventories | 28,801,521 | 27,221,019 |
| Prepaid expenses | 24,113,950 | 13,352,025 |
| Other current assets | <u>1,339,652</u> | <u>515,000</u> |
| Total current assets | <u>974,057,443</u> | <u>910,269,555</u> |
| Noncurrent assets: | | |
| Restricted cash and cash equivalents | 190,295,142 | 207,794,986 |
| Restricted short-term investments | 57,031 | 1,066,880 |
| Endowment investments | 270,305,651 | 234,701,244 |
| Other long-term investments | 360,946,225 | 348,274,569 |
| Student notes receivable, net | 96,968,961 | 96,070,780 |
| Capital assets, net | 3,365,143,782 | 3,160,941,862 |
| Other noncurrent assets | <u>15,266,721</u> | <u>15,241,217</u> |
| Total noncurrent assets | <u>4,298,983,513</u> | <u>4,064,091,538</u> |
| Total assets | 5,273,040,956 | 4,974,361,093 |
| Deferred outflows of resources: | | |
| Accumulated deferred amount of debt refundings | <u>7,376,186</u> | <u>4,990,320</u> |
| Total assets and deferred outflows of resources | <u>\$ 5,280,417,142</u> | <u>4,979,351,413</u> |
| Liabilities and Net Position | | |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 190,638,208 | 187,668,879 |
| Unearned revenues | 96,239,332 | 81,293,241 |
| Accrued leave liabilities-current portion | 10,901,290 | 10,754,156 |
| Long-term liabilities-current portion | 46,957,931 | 44,255,550 |
| Other current liabilities | <u>32,439,648</u> | <u>24,278,484</u> |
| Total current liabilities | <u>377,176,409</u> | <u>348,250,310</u> |
| Noncurrent liabilities: | | |
| Deposits refundable | 945,538 | 1,091,797 |
| Accrued leave liabilities | 104,866,952 | 101,776,536 |
| Long-term liabilities | 1,048,821,058 | 990,097,716 |
| Other long-term liabilities | <u>87,969,082</u> | <u>90,944,098</u> |
| Total noncurrent liabilities | <u>1,242,602,630</u> | <u>1,183,910,147</u> |
| Total liabilities | <u>\$ 1,619,779,039</u> | <u>1,532,160,457</u> |
| Net position: | | |
| Net investment in capital assets | \$ 2,407,243,458 | 2,301,843,074 |
| Restricted for: | | |
| Nonexpendable: | | |
| Scholarships and fellowships | 20,751,239 | 19,544,685 |
| Research | 5,451,581 | 4,788,248 |
| Other purposes | 122,032,112 | 116,068,869 |
| Expendable: | | |
| Scholarships and fellowships | 59,801,500 | 54,865,059 |
| Research | 54,890,637 | 45,810,189 |
| Capital projects | 14,465,883 | 20,315,123 |
| Debt service | 9,895,592 | 7,288,862 |
| Loans | 33,180,047 | 33,419,928 |
| Other purposes | 95,399,431 | 71,864,808 |
| Unrestricted | <u>837,526,623</u> | <u>771,382,111</u> |
| Total net position | <u>\$ 3,660,638,103</u> | <u>3,447,190,956</u> |

See accompanying notes to financial statements.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
DISCRETELY PRESENTED COMPONENT UNIT –
MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.**

Statements of Financial Position

June 30, 2014 and 2013

| Assets | 2014 | 2013 |
|---|----------------|-------------|
| | | |
| Cash | \$ 2,079,027 | 1,942,202 |
| Restricted cash | 5,044,019 | 4,697,221 |
| Accrued interest, other receivables and prepaid assets | 177,921 | 2,448,333 |
| Receivable from MSU Alumni Foundation | 11,411 | 31,616 |
| Receivable from MSU Alumni Association | 261,573 | 76,020 |
| Notes receivable | 32,269 | 94,035 |
| Pledges receivable, net | 29,985,477 | 20,515,278 |
| Investments | 431,095,474 | 366,926,041 |
| Present value of amounts due from externally managed trusts | 41,317,126 | 38,487,513 |
| Land, buildings, and equipment, net | 9,809,390 | 10,329,525 |
| Total assets | \$ 519,813,687 | 445,547,784 |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 1,674,568 | 1,222,631 |
| Agency payable | 5,044,019 | 4,697,221 |
| Obligation under capital leases | — | 28,750 |
| Liabilities under split interest agreements | 4,144,163 | 4,433,883 |
| Payable to Mississippi State University | 175,379 | 95,189 |
| Total liabilities | \$ 11,038,129 | 10,477,674 |
| Net assets: | | |
| Unrestricted | | |
| Net assets controlled by Foundation | \$ 42,659,191 | 39,273,797 |
| Net assets related to noncontrolling interests | 57,104,998 | 45,953,315 |
| Total unrestricted net assets | 99,764,189 | 85,227,112 |
| Temporarily restricted | 100,573,717 | 63,070,573 |
| Permanently restricted | 308,437,652 | 286,772,425 |
| Total net assets | \$ 508,775,558 | 435,070,110 |

See accompanying notes to financial statements.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
DISCRETELY PRESENTED COMPONENT UNIT –
THE UNIVERSITY OF MISSISSIPPI FOUNDATION**

Statements of Financial Position

June 30, 2014 and 2013

| Assets | 2014 | 2013 |
|--|-----------------------|--------------------|
| Cash and cash equivalents | \$ 5,906,694 | 4,496,639 |
| Pledges receivable, net | 20,309,684 | 11,105,873 |
| Investments | 393,596,528 | 343,967,107 |
| Beneficial interest in remainder trust | 1,075,049 | 975,748 |
| Property and equipment, net | 2,905,275 | 3,088,339 |
| Other assets | <u>1,491,817</u> | <u>3,691,172</u> |
| Total assets | <u>\$ 425,285,047</u> | <u>367,324,878</u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Funds held for others | \$ 24,213,270 | 21,485,622 |
| Liabilities under remainder trusts | 7,657,837 | 7,425,349 |
| Other liabilities | <u>4,146,659</u> | <u>4,243,198</u> |
| Total liabilities | <u>\$ 36,017,766</u> | <u>33,154,169</u> |
| Net assets: | | |
| Unrestricted | \$ 18,670,882 | 20,210,496 |
| Temporarily restricted | 177,908,495 | 134,997,987 |
| Permanently restricted | <u>192,687,904</u> | <u>178,962,226</u> |
| Total net assets | <u>\$ 389,267,281</u> | <u>334,170,709</u> |

See accompanying notes to financial statements.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
DISCRETELY PRESENTED COMPONENT UNIT –
THE UNIVERSITY OF SOUTHERN MISSISSIPPI FOUNDATION**

Statements of Financial Position

June 30, 2014 and 2013

| Assets | 2014 | 2013 |
|---|----------------|-------------|
| Cash and cash equivalents | \$ 8,260,263 | 3,443,807 |
| Accrued interest | 108,915 | 128,945 |
| Prepaid assets and other receivables | 1,447,102 | 191,436 |
| Pledges receivable, net | 17,255,245 | 14,068,836 |
| Investments | 87,964,720 | 83,246,601 |
| Present value of amounts due from externally managed trusts | 856,903 | 744,271 |
| Net investment in direct financing lease | 798,668 | 955,285 |
| Property and equipment, net | 144,874 | 234,801 |
| Total assets | \$ 116,836,690 | 103,013,982 |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable | \$ 562,123 | 669,070 |
| Line of credit | — | 782,113 |
| Gift annuities payable | 343,582 | 353,685 |
| Total liabilities | \$ 905,705 | 1,804,868 |
| Net assets: | | |
| Unrestricted | \$ 5,128,785 | 4,735,798 |
| Temporarily restricted | 51,563,139 | 41,477,728 |
| Permanently restricted | 59,239,061 | 54,995,588 |
| Total net assets | \$ 115,930,985 | 101,209,114 |

See accompanying notes to financial statements.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|--|-------------------------|----------------------|
| Operating revenues: | | |
| Tuition and fees: | \$ 735,949,327 | 679,251,107 |
| Less scholarship allowances | (210,870,532) | (188,324,215) |
| Less bad debt expense | (2,818,438) | (4,844,075) |
| Net tuition and fees | <u>522,260,357</u> | <u>486,082,817</u> |
| Federal appropriations | 14,844,867 | 14,202,889 |
| Federal grants and contracts | 261,417,360 | 284,867,768 |
| State grants and contracts | 55,462,494 | 39,476,693 |
| Nongovernmental grants and contracts | 75,288,397 | 83,793,070 |
| Sales and services of educational departments | 56,431,090 | 52,945,429 |
| Auxiliary enterprises: | | |
| Student housing | 92,348,439 | 87,595,469 |
| Food services | 29,374,621 | 24,224,809 |
| Bookstore | 6,778,299 | 5,854,986 |
| Athletics | 93,612,410 | 87,203,036 |
| Other auxiliary revenues | 35,972,494 | 34,666,592 |
| Less auxiliary enterprise scholarship allowances | (34,284,135) | (30,517,808) |
| Interest earned on loans to students | 915,825 | 851,540 |
| Patient care revenues, net | 911,051,960 | 813,261,628 |
| Other operating revenues, net | <u>74,434,546</u> | <u>68,777,479</u> |
| Total operating revenues | <u>2,195,909,024</u> | <u>2,053,286,397</u> |
| Operating expenses: | | |
| Salaries and wages | 1,429,959,275 | 1,371,864,872 |
| Fringe benefits | 425,618,510 | 395,768,409 |
| Travel | 51,640,068 | 49,084,406 |
| Contractual services | 415,099,771 | 407,477,447 |
| Utilities | 68,502,720 | 59,891,790 |
| Scholarships and fellowships | 165,892,482 | 161,960,652 |
| Commodities | 320,243,536 | 281,901,623 |
| Depreciation | 142,683,785 | 138,425,882 |
| Other operating expenses | <u>4,685,772</u> | <u>4,545,593</u> |
| Total operating expenses | <u>3,024,325,919</u> | <u>2,870,920,674</u> |
| Operating loss | <u>(828,416,895)</u> | <u>(817,634,277)</u> |
| Nonoperating revenues (expenses): | | |
| State appropriations | 705,481,660 | 668,628,980 |
| Gifts and grants | 184,524,191 | 188,632,884 |
| Investment income | 35,485,683 | 20,482,115 |
| Interest expense on capital asset-related debt | (40,352,775) | (41,238,163) |
| Other nonoperating revenues | 14,845,490 | 14,774,953 |
| Other nonoperating expenses | <u>(7,068,460)</u> | <u>(6,841,574)</u> |
| Total nonoperating revenues, net | <u>892,915,789</u> | <u>844,439,195</u> |
| Income before other revenues, expenses, gains and losses | 64,498,894 | 26,804,918 |
| Other revenues, expenses, gains and losses: | | |
| Capital grants and gifts | 65,654,330 | 21,350,830 |
| State appropriations restricted for capital purposes | 80,426,182 | 82,846,951 |
| Additions to permanent endowments | 1,962,170 | 3,968,256 |
| Other additions | 6,132,352 | 6,340,954 |
| Other deletions | <u>(5,226,781)</u> | <u>(5,778,498)</u> |
| Change in net position | 213,447,147 | 135,533,411 |
| Net position – beginning of year | <u>3,447,190,956</u> | <u>3,311,657,545</u> |
| Net position – end of year | <u>\$ 3,660,638,103</u> | <u>3,447,190,956</u> |

See accompanying notes to financial statements.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
DISCRETELY PRESENTED COMPONENT UNIT –
MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.**

Statement of Activities

Year ended June 30, 2014

| | Unrestricted | Temporarily restricted | Permanently restricted | Total |
|--|----------------------|-----------------------------------|-----------------------------------|--------------------|
| Revenues and support: | | | | |
| Contributions | \$ 5,665,561 | 15,910,707 | 16,869,629 | 38,445,897 |
| Net investment income | 18,541,977 | 45,281,426 | 347,882 | 64,171,285 |
| Change in value of split interest agreements | — | 167,466 | 4,447,716 | 4,615,182 |
| Other | 4,600,496 | 243,546 | — | 4,844,042 |
| Change in restrictions by donor | — | — | — | — |
| Net assets released from restrictions | 24,100,001 | (24,100,001) | — | — |
| Total revenues and support | <u>52,908,035</u> | <u>37,503,144</u> | <u>21,665,227</u> | <u>112,076,406</u> |
| Expenditures: | | | | |
| Program services: | | | | |
| Contributions and support for Mississippi State University | 23,343,857 | — | — | 23,343,857 |
| Contributions and support for Bulldog Club | 3,980,737 | — | — | 3,980,737 |
| Contributions and support for Bulldog Foundation | — | — | — | — |
| Contributions and support for MSU Alumni Association | 505,069 | — | — | 505,069 |
| Total program services | <u>27,829,663</u> | <u>—</u> | <u>—</u> | <u>27,829,663</u> |
| Supporting services: | | | | |
| General and administrative | 3,524,125 | — | — | 3,524,125 |
| Fund raising | 3,571,797 | — | — | 3,571,797 |
| Total supporting services | <u>7,095,922</u> | <u>—</u> | <u>—</u> | <u>7,095,922</u> |
| Total expenditures | <u>34,925,585</u> | <u>—</u> | <u>—</u> | <u>34,925,585</u> |
| Change in net assets | 17,982,450 | 37,503,144 | 21,665,227 | 77,150,821 |
| Payments to noncontrolling interests | (3,445,373) | — | — | (3,445,373) |
| Total change in net assets | 14,537,077 | 37,503,144 | 21,665,227 | 73,705,448 |
| Net assets, beginning of year | 85,227,112 | 63,070,573 | 286,772,425 | 435,070,110 |
| Net assets, end of year | <u>\$ 99,764,189</u> | <u>100,573,717</u> | <u>308,437,652</u> | <u>508,775,558</u> |

See accompanying notes to financial statements.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
DISCRETELY PRESENTED COMPONENT UNIT –
MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.**

Statement of Activities

Year ended June 30, 2013

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|--|----------------------|-----------------------------------|-----------------------------------|--------------------|
| Revenues and support: | | | | |
| Contributions | \$ 18,582,454 | 10,776,211 | 17,754,210 | 47,112,875 |
| Net investment income | 8,910,418 | 25,550,365 | (306,109) | 34,154,674 |
| Change in value of split interest agreements | — | 252,050 | 2,821,084 | 3,073,134 |
| Other | 4,858,749 | 88,450 | — | 4,947,199 |
| Change in restrictions by donor | — | (12,497) | 12,497 | — |
| Net assets released from restrictions | 19,525,272 | (19,525,272) | — | — |
| Total revenues and support | <u>51,876,893</u> | <u>17,129,307</u> | <u>20,281,682</u> | <u>89,287,882</u> |
| Expenditures: | | | | |
| Program services: | | | | |
| Contributions and support for Mississippi State University | 22,879,764 | — | — | 22,879,764 |
| Contributions and support for Bulldog Club | 767,803 | — | — | 767,803 |
| Contributions and support for Bulldog Foundation | — | — | — | — |
| Contributions and support for MSU Alumni Association | 561,094 | — | — | 561,094 |
| Total program services | <u>24,208,661</u> | <u>—</u> | <u>—</u> | <u>24,208,661</u> |
| Supporting services: | | | | |
| General and administrative | 3,487,020 | — | — | 3,487,020 |
| Fund raising | 3,294,249 | — | — | 3,294,249 |
| Total supporting services | <u>6,781,269</u> | <u>—</u> | <u>—</u> | <u>6,781,269</u> |
| Total expenditures | <u>30,989,930</u> | <u>—</u> | <u>—</u> | <u>30,989,930</u> |
| Change in net assets | 20,886,963 | 17,129,307 | 20,281,682 | 58,297,952 |
| Payments to noncontrolling interests | (1,678,262) | — | — | (1,678,262) |
| Total change in net assets | 19,208,701 | 17,129,307 | 20,281,682 | 56,619,690 |
| Net assets, beginning of year | 66,018,411 | 45,941,266 | 266,490,743 | 378,450,420 |
| Net assets, end of year | <u>\$ 85,227,112</u> | <u>63,070,573</u> | <u>286,772,425</u> | <u>435,070,110</u> |

See accompanying notes to financial statements.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
DISCRETELY PRESENTED COMPONENT UNIT –
THE UNIVERSITY OF MISSISSIPPI FOUNDATION**

Statement of Activities
Year ended June 30, 2014

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|---|----------------------|-----------------------------------|-----------------------------------|--------------------|
| Revenues, gains, and other support: | | | | |
| Contributions, gifts, and bequests | \$ — | 33,480,768 | 10,942,344 | 44,423,112 |
| Dividend and interest income | 1,496,122 | 5,063,817 | — | 6,559,939 |
| Net unrealized and realized gains on investments | 1,382,842 | 39,521,915 | 99,301 | 41,004,058 |
| Change in value of split-interest agreements | — | — | (9,197) | (9,197) |
| Other income | 706,442 | 2,295,756 | 90,496 | 3,092,694 |
| Total revenues, gains, and other support | <u>3,585,406</u> | <u>80,362,256</u> | <u>11,122,944</u> | <u>95,070,606</u> |
| Net assets released from restrictions/ redesignated by donor | 29,062,014 | (31,664,748) | 2,602,734 | — |
| Expenses: | | | | |
| Support for University activities | 30,204,491 | 5,787,000 | — | 35,991,491 |
| General and administrative expenses | 2,601,524 | — | — | 2,601,524 |
| Fund-raising expenses | 1,381,019 | — | — | 1,381,019 |
| Total expenses | <u>34,187,034</u> | <u>5,787,000</u> | <u>—</u> | <u>39,974,034</u> |
| Change in net assets | (1,539,614) | 42,910,508 | 13,725,678 | 55,096,572 |
| Net assets, beginning of year | <u>20,210,496</u> | <u>134,997,987</u> | <u>178,962,226</u> | <u>334,170,709</u> |
| Net assets, end of year | <u>\$ 18,670,882</u> | <u>177,908,495</u> | <u>192,687,904</u> | <u>389,267,281</u> |

See accompanying notes to financial statements.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
DISCRETELY PRESENTED COMPONENT UNIT –
THE UNIVERSITY OF MISSISSIPPI FOUNDATION**

Statement of Activities
Year ended June 30, 2013

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|---|----------------------|-----------------------------------|-----------------------------------|--------------------|
| Revenues, gains, and other support: | | | | |
| Contributions, gifts, and bequests | \$ 220,490 | 20,600,662 | 6,560,592 | 27,381,744 |
| Dividend and interest income | 1,495,430 | 5,025,480 | — | 6,520,910 |
| Net unrealized and realized gains on investments | 307,968 | 24,304,299 | — | 24,612,267 |
| Change in value of split-interest agreements | — | 3,286,929 | (333,890) | 2,953,039 |
| Other income | 582,515 | 1,664,416 | 3,409 | 2,250,340 |
| Total revenues, gains, and other support | <u>2,606,403</u> | <u>54,881,786</u> | <u>6,230,111</u> | <u>63,718,300</u> |
| Net assets released from restrictions/ redesignated by donor | 40,875,061 | (43,261,055) | 2,385,994 | — |
| Expenses: | | | | |
| Support for University activities | 31,103,241 | — | — | 31,103,241 |
| General and administrative expenses | 2,293,562 | — | — | 2,293,562 |
| Fund-raising expenses | 1,169,764 | — | — | 1,169,764 |
| Total expenses | <u>34,566,567</u> | <u>—</u> | <u>—</u> | <u>34,566,567</u> |
| Change in net assets | 8,914,897 | 11,620,731 | 8,616,105 | 29,151,733 |
| Net assets, beginning of year | <u>11,295,599</u> | <u>123,377,256</u> | <u>170,346,121</u> | <u>305,018,976</u> |
| Net assets, end of year | <u>\$ 20,210,496</u> | <u>134,997,987</u> | <u>178,962,226</u> | <u>334,170,709</u> |

See accompanying notes to financial statements.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
DISCRETELY PRESENTED COMPONENT UNIT –
THE UNIVERSITY OF SOUTHERN MISSISSIPPI FOUNDATION**

Statement of Activities
Year ended June 30, 2014

| | Unrestricted | Temporarily restricted | Permanently restricted | Total |
|--|---------------------|-----------------------------------|-----------------------------------|--------------------|
| Revenues, gains and other support: | | | | |
| Contributions | \$ 1,774,415 | 12,935,419 | 3,619,804 | 18,329,638 |
| Net investment gain | 1,524,510 | 8,883,008 | 168,123 | 10,575,641 |
| Change in value of split interest agreements | — | 2,101 | 54,744 | 56,845 |
| Other | 44,973 | 29,943 | 111 | 75,027 |
| Change in restriction by donor | (93,935) | (306,756) | 400,691 | — |
| Net assets released from restrictions | 11,458,304 | (11,458,304) | — | — |
| Total revenues, gains and other support | <u>14,708,267</u> | <u>10,085,411</u> | <u>4,243,473</u> | <u>29,037,151</u> |
| Expenses: | | | | |
| Program services: | | | | |
| Contributions and support for The University of Southern Mississippi | 11,732,008 | — | — | 11,732,008 |
| Total program services | <u>11,732,008</u> | <u>—</u> | <u>—</u> | <u>11,732,008</u> |
| Supporting services: | | | | |
| General and administrative | 1,596,007 | — | — | 1,596,007 |
| Fund raising | 987,265 | — | — | 987,265 |
| Total supporting services | <u>2,583,272</u> | <u>—</u> | <u>—</u> | <u>2,583,272</u> |
| Total expenses | <u>14,315,280</u> | <u>—</u> | <u>—</u> | <u>14,315,280</u> |
| Change in net assets | 392,987 | 10,085,411 | 4,243,473 | 14,721,871 |
| Net assets at beginning of year | <u>4,735,798</u> | <u>41,477,728</u> | <u>54,995,588</u> | <u>101,209,114</u> |
| Net assets at end of year | <u>\$ 5,128,785</u> | <u>51,563,139</u> | <u>59,239,061</u> | <u>115,930,985</u> |

See accompanying notes to financial statements.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
DISCRETELY PRESENTED COMPONENT UNIT –
THE UNIVERSITY OF SOUTHERN MISSISSIPPI FOUNDATION**

Statement of Activities

Year ended June 30, 2013

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|--------------------|
| Revenues, gains and other support: | | | | |
| Contributions | \$ 1,895,849 | 5,544,433 | 2,397,304 | 9,837,586 |
| Net investment gain | 1,105,691 | 4,845,499 | 77,516 | 6,028,706 |
| Change in value of split interest agreements | — | (836) | 82,385 | 81,549 |
| Other | 73,117 | 39,644 | 70,662 | 183,423 |
| Change in restriction by donor | 1,831 | (124,124) | 122,293 | — |
| Net assets released from restrictions | 8,497,903 | (8,497,903) | — | — |
| Total revenues, gains and other support | <u>11,574,391</u> | <u>1,806,713</u> | <u>2,750,160</u> | <u>16,131,264</u> |
| Expenses: | | | | |
| Program services: | | | | |
| Contributions and support for The University of Southern Mississippi | 8,987,404 | — | — | 8,987,404 |
| Total program services | <u>8,987,404</u> | <u>—</u> | <u>—</u> | <u>8,987,404</u> |
| Supporting services: | | | | |
| General and administrative | 1,612,000 | — | — | 1,612,000 |
| Fund raising | 1,078,338 | — | — | 1,078,338 |
| Total supporting services | <u>2,690,338</u> | <u>—</u> | <u>—</u> | <u>2,690,338</u> |
| Total expenses | <u>11,677,742</u> | <u>—</u> | <u>—</u> | <u>11,677,742</u> |
| Change in net assets | (103,351) | 1,806,713 | 2,750,160 | 4,453,522 |
| Net assets at beginning of year | <u>4,839,149</u> | <u>39,671,015</u> | <u>52,245,428</u> | <u>96,755,592</u> |
| Net assets at end of year | <u>\$ 4,735,798</u> | <u>41,477,728</u> | <u>54,995,588</u> | <u>101,209,114</u> |

See accompanying notes to financial statements.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Statements of Cash Flows

Years ended June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|---|-----------------------|----------------------|
| Operating activities: | | |
| Tuition and fees | \$ 525,793,911 | 501,152,401 |
| Grants and contracts | 396,522,413 | 410,646,318 |
| Sales and services of educational departments | 55,997,655 | 52,724,783 |
| Payments to suppliers | (783,462,615) | (725,674,204) |
| Payments to employees for salaries and benefits | (1,850,049,874) | (1,753,429,360) |
| Payments for utilities | (68,106,992) | (58,719,041) |
| Payment for scholarships and fellowships | (166,615,806) | (179,719,300) |
| Loans issued to students and employees | (22,915,694) | (18,952,808) |
| Collections of loans to students and employees | 12,692,509 | 11,531,275 |
| Auxiliary enterprise charges: | | |
| Student housing | 83,414,779 | 78,954,276 |
| Food services | 27,974,855 | 23,496,627 |
| Bookstore | 6,826,685 | 5,810,167 |
| Athletics | 89,125,995 | 81,217,862 |
| Other auxiliary enterprises | 31,190,462 | 30,813,869 |
| Patient care services | 924,562,658 | 773,208,742 |
| Interest earned on loans to students | 1,258,975 | 1,161,321 |
| Other receipts | 93,525,588 | 84,025,249 |
| Other payments | <u>(15,079,013)</u> | <u>(13,174,780)</u> |
| Net cash used in operating activities | <u>(657,343,509)</u> | <u>(694,926,603)</u> |
| Noncapital financing activities: | | |
| State appropriations | 705,783,077 | 668,774,255 |
| Gifts and grants for other than capital purposes | 174,734,924 | 166,937,815 |
| Private gifts for endowment purposes | 1,890,490 | 3,893,916 |
| Federal loan program receipts | 501,245,739 | 497,415,713 |
| Federal loan program disbursements | (501,807,920) | (497,588,965) |
| Other sources | 4,892,661 | 3,924,548 |
| Other uses | <u>(6,466,616)</u> | <u>1,118,011</u> |
| Net cash provided by noncapital financing activities | <u>880,272,355</u> | <u>844,475,293</u> |
| Capital and related financing activities: | | |
| Proceeds from capital debt | 176,194,754 | 136,344,262 |
| Cash paid for capital assets | (254,145,069) | (180,081,766) |
| Capital appropriations received | 12,220,698 | 11,489 |
| Capital grants and contracts received | 45,197,095 | 30,292,732 |
| Proceeds from sales of capital assets | 990,787 | 402,319 |
| Principal paid on capital debt and leases | (130,137,402) | (78,610,014) |
| Interest paid on capital debt and leases | (39,860,254) | (40,591,060) |
| Other sources | 29,678,317 | 18,571,569 |
| Other uses | <u>(6,020,970)</u> | <u>(9,291,724)</u> |
| Net cash used in capital and related financing activities | <u>(165,882,044)</u> | <u>(122,952,193)</u> |
| Investing activities: | | |
| Proceeds from sales and maturities of investments | 254,424,986 | 338,152,777 |
| Interest received on investments | 12,257,797 | 16,950,054 |
| Purchases of investments | <u>(330,894,185)</u> | <u>(371,986,422)</u> |
| Net cash used in investing activities | <u>(64,211,402)</u> | <u>(16,883,591)</u> |
| Net change in cash and cash equivalents | (7,164,600) | 9,712,906 |
| Cash and cash equivalents – beginning of year | <u>590,904,446</u> | <u>581,191,540</u> |
| Cash and cash equivalents – end of the year | <u>\$ 583,739,846</u> | <u>590,904,446</u> |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Statements of Cash Flows

Years ended June 30, 2014 and 2013

| | 2014 | 2013 |
|---|------------------|---------------|
| Reconciliation of operating loss to net cash used in operating activities: | | |
| Operating loss | \$ (828,416,895) | (817,634,277) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation expense | 142,683,785 | 139,853,977 |
| Self-insured claims expense | 15,116,612 | 22,416,750 |
| Provision for uncollectible patient accounts receivable | 165,971,069 | 146,689,919 |
| Other | 11,394,772 | (13,656,679) |
| Changes in assets and liabilities: | | |
| (Increase) decrease in assets: | | |
| Receivables, net | (145,036,257) | (180,543,348) |
| Inventories | (1,580,502) | (1,260,125) |
| Prepaid expenses | (10,761,925) | (2,615,549) |
| Other assets | (20,432,099) | 95,713 |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued liabilities | 2,969,329 | 18,172,627 |
| Unearned revenue | 14,946,091 | (568,235) |
| Deposits refundable | (146,259) | (126,757) |
| Accrued leave liability | 1,677,690 | 3,622,577 |
| Loans to students and employees | (2,278,222) | (377,840) |
| Other liabilities | (3,450,698) | (8,995,356) |
| Total adjustments | 171,073,386 | 122,707,674 |
| Net cash used in operating activities | \$ (657,343,509) | (694,926,603) |
| Reconciliation of cash and cash equivalents: | | |
| Current assets – cash and cash equivalents | \$ 393,444,704 | 383,109,460 |
| Noncurrent assets – restricted cash and cash equivalents | 190,295,142 | 207,794,986 |
| Cash and cash equivalents – end of year | \$ 583,739,846 | 590,904,446 |
| Noncash capital related financing and investing activities: | | |
| Capital assets acquired through donations and capital leases | \$ 47,239,839 | 1,043,058 |
| Capital assets appropriated by the State of Mississippi | 80,426,182 | 84,683,200 |

See accompanying notes to financial statements.

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STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

(a) *Nature of Operations*

Through its member universities, the State of Mississippi Institutions of Higher Learning (IHL System) serves the state, national and international communities by providing its students with academic instruction, by conducting research and other activities that advance fundamental knowledge and by disseminating knowledge to the people of Mississippi and throughout the world.

(b) *Reporting Entity*

The Mississippi Constitution was amended in 1943 to create a separate legal entity and establish a Board of Trustees of State Institutions of Higher Learning (Board). This constitutional Board provides management and control of Mississippi's system of universities. The Board meets monthly and oversees the eight public universities, the University of Mississippi Medical Center and various off-campus centers and locations throughout the state. Each of these member universities is a member of the IHL System. The IHL System is considered a component unit of the State of Mississippi reporting entity.

The current twelve Board members of the IHL System were appointed by the Governor and approved by the Senate for twelve year terms as follows: one from each of the seven congressional districts, one from each of the three Supreme Court Districts, and two appointed from the state-at-large. The Mississippi Constitution was amended in 2003 to change the length of terms and appointment districts for Board members. New appointments will occur from the three current Supreme Court districts for terms of nine years. The amendment provides for these new appointments and tenures to be gradually implemented. Full implementation occurred in 2012.

Each of the eight universities and the University of Mississippi Medical Center has established its own educational building corporation (a nonprofit corporation incorporated in the State of Mississippi) in accordance with Section 37-101-61 of the Mississippi Code Annotated of 1972. The purpose of these corporations is for the acquisition, construction and equipping of facilities and land for the various universities. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*, the educational building corporations are deemed to be material component units of the IHL System but are presented on a blended basis in the accompanying financial statements due to the significance of their activities to respective member university's operations. These blended component units provide services entirely, or almost entirely, to their respective universities. See note 9 for detailed educational building corporation activities.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

The following is a list of abbreviations used throughout the report for the member universities of the State of Mississippi Institutions of Higher Learning (collectively the IHL System):

| | |
|------------------|---|
| ASU | Alcorn State University |
| DSU | Delta State University |
| JSU | Jackson State University |
| MSU | Mississippi State University |
| MUW | Mississippi University for Women |
| MVSU | Mississippi Valley State University |
| UM | University of Mississippi |
| USM | University of Southern Mississippi |
| UMMC | University of Mississippi Medical Center |
| IHL Board Office | Institutions of Higher Learning – System Office |
| MCVS | Mississippi Commission for Volunteer Services (Off-campus entity) |

The IHL System reports the following discretely presented component units, which also have separate stand-alone audits performed, which can be obtained by requesting a copy from the finance department of each respective university below:

Mississippi State University Foundation, Inc.

The Mississippi State University Foundation, Inc. is a legally separate, tax-exempt not for profit entity established to solicit and manage funds for the benefit of Mississippi State University.

University of Mississippi Foundation

The University of Mississippi Foundation is a legally separate, tax-exempt not for profit nonstock corporation formed for the benefit of the University of Mississippi.

University of Southern Mississippi Foundation

The University of Southern Mississippi Foundation is a not for profit entity formed to provide support to the University of Southern Mississippi and its students.

These foundations are private nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Statements of Non-for-Profit Organizations*. 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 foundations' financial information in the IHL System's financial reporting entity for these differences.

These foundations act primarily as fund-raising organizations to supplement the resources that are available to the respective universities in support of their programs. The governing body of each foundation is self-perpetuating and consists of graduates and friends of the respective universities. Although the respective universities do not control the timing or amount of receipts from the foundations, the majority of resources, or income thereon, that the foundations hold and invest are restricted to the activities of the respective universities by the donors. Because these restricted

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

resources held by the foundations can only be used by, or for the benefit of, the respective universities, these foundations are considered discretely presented component units of the IHL System.

The Mississippi State University Foundation, Inc., the University of Mississippi Foundation, and the University of Southern Mississippi Foundation each make distributions to their respective Universities for support. During the years ended June 30, 2014 and 2013, support distributions were as follows:

| | <u>2014</u> | <u>2013</u> |
|---|---------------|-------------|
| Mississippi State University Foundation, Inc. | \$ 23,343,857 | 22,879,764 |
| University of Mississippi Foundation | 35,991,491 | 31,103,241 |
| University of Southern Mississippi Foundation | 11,732,008 | 8,987,404 |

(c) Basis of Presentation

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles as prescribed by the GASB. The IHL System’s financial statements follow the “business-type activities” reporting which provides a comprehensive one-look at the IHL System’s financial activities.

(d) Basis of Accounting

The financial statements of the IHL System have been prepared on the accrual basis whereby all revenues are recorded when earned and expenses are recorded when an obligation has been incurred. All significant transactions among departments, campuses, and auxiliary units of the IHL System have been eliminated.

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

(e) Use of Estimates

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

Significant estimates include the determination of the allowances for uncollectible accounts and contractual adjustments and estimated third-party payor settlements, included as other current assets and as other current liabilities, relating to the IHL System’s patient services. In addition, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates associated with these programs could change by a material amount in the near term.

Included in other noncurrent liabilities are unpaid claim liabilities relating to the IHL System’s self-insured workers’ compensation, unemployment compensation, and tort claims. The liabilities for

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

these unpaid claims and loss adjustment expenses are determined using both evaluations of each claim and statistical analyses and represent the estimated ultimate net cost of all claims and expenses incurred through the end of the reporting period. The determinations of claims payable include estimates that are particularly susceptible to change in the near term. Management believes that liabilities established for these unpaid claims at June 30, 2014 and 2013 are adequate to cover the ultimate net cost of claims and contractual adjustments, but these liabilities are necessarily based upon estimates, and accordingly, the amount ultimately paid will be more or less than such estimates. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed, and any adjustments are reflected in operations currently.

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

In connection with the preparation of the financial statements of the IHL System, management evaluated subsequent events through December 10, 2014 which was the date the financial statements were available to be issued.

(f) Cash Equivalents

The IHL System considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

(g) Short-Term Investments

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

(h) Accounts Receivable, Net

Accounts receivable consist of tuition and fee charges to students and patient accounts receivable at UMMC. Accounts receivable also include amounts due from federal and state governments, and nongovernmental sources, in connection with reimbursement of allowable expenses made pursuant to the IHL System's grants and contracts. Accounts receivable are recorded net of an allowance for doubtful accounts.

(i) Student Notes Receivable, Net

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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

(j) Inventories

Inventories consist of bookstore, physical plant, agriculture, printing, central supply, food service supply, and various hospital inventories. These inventories are generally valued at the lower of cost or market, on the first-in, first-out (FIFO) basis.

(k) Prepaid Expenses

Recorded items consist of expenditures that are related to projects, programs, activities, or revenues of future fiscal periods.

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

Cash, cash equivalents, and short-term investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets are classified as noncurrent assets in the statements of net position.

(m) Endowment Investments

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

(n) Investments

Investments are reported at fair value. Unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position. Investments in partnerships for which there are no quoted market prices are valued at net asset value.

(o) Capital Assets

Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair value at the date of donation. For movable property, the IHL System's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See note 5 for additional details concerning useful lives and salvage values. The IHL System uses the composite method for library book depreciation if the books are considered to have a useful life of greater than one year. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose if material.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

(p) *Deferred Outflows*

Deferred outflows of resources are consumption of net assets that are applicable to a future reporting period and include the unamortized amounts for losses on the refunding of bond debt. Total accumulated deferred amount of debt refunding for June 30, 2014 was \$7.4 million, compared to \$5.0 million for June 30, 2013.

(q) *Accounts Payable and Accrued Liabilities*

Recorded items consist of amounts owed to vendors, contractors, or accrued amounts such as interest, wages, and salaries.

(r) *Compensated Absences/Accrued Leave*

Twelve-month employees earn annual personal leave at a rate of 12 hours per month for zero to three years of service; 14 hours per month for three to eight years of service; 16 hours per month for eight to fifteen years of service; and 18 hours per month for fifteen years of service and above.

Nine-month employees earn major medical leave at a rate of 13 1/3 hours per month for one month to three years of service; 14 1/5 hours per month for three to eight years of service; 15 2/5 hours per month for eight to fifteen years of service; and 16 hours per month for fifteen years of service and above.

There is no requirement that annual leave be taken, and there is no maximum accumulation. At termination, employees are paid up to 240 hours of accumulated leave. At retirement, employees are paid up to 240 hours of accumulated major medical leave.

(s) *Unearned Revenues*

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

(t) *Deposits Refundable*

Deposits refundable represent good faith deposits from students to reserve housing assignments, key deposits and post breakage deposits in the residence halls of the member universities of the IHL System.

(u) *Noncurrent Liabilities*

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable and capital lease obligations; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

(v) *Government Advances Refundable*

The IHL System participates in the Federal Perkins Loan and Nursing Loan Programs, which are funded through a combination of Federal and institutional resources. The portion of these programs

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

that has been funded with Federal funds is ultimately refundable to the U.S. government upon the termination of IHL System's participation in the programs. The portion that would be refundable if the programs were terminated has been presented as other long-term liabilities and approximated \$60.0 million and \$59.8 million as of June 30, 2014 and 2013, respectively.

(w) Income Taxes

As an integral part of the State of Mississippi, a governmental entity, the IHL System is generally not subject to federal income tax, however, income generated from activities unrelated to the IHL System's exempt purpose is subject to income taxes under Internal Revenue Code Section 511(a)(2)(B).

(x) Classification of Revenues and Expenses

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

Operating Revenues and Expenses

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition, net of scholarship discounts and allowances and bad debt expense, (2) sales and services education services and auxiliary enterprises (net of scholarship discounts and allowances), (3) Federal, state and local grants and contracts (non-Title IV financial aid) and Federal appropriations, if any, (4) interest on institutional student loans and other revenues, and (5) patient care revenues. Examples of operating expenses include (1) employee compensation, benefits, and related expense; (2) scholarships and fellowships, net of scholarship discounts and allowances; (3) utilities, commodities (supplies) and contractual services; (4) professional fees; and (5) depreciation expenses related to certain capital assets.

Nonoperating Revenues and Expenses

Nonoperating revenues have the characteristics of nonexchange transactions. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, including state appropriation for operations and capital uses, federal grants for financial aid, gifts, investment income, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, and GASB No. 34. Examples of nonoperating expenses include interest on capital asset related debt and bond expenses.

(y) Auxiliary Enterprise Activities

Auxiliary enterprises typically exist to furnish goods or services to students, faculty, or staff, and charge a fee directly related to, although not necessarily equal to, the cost of the goods or services. One distinguishing characteristic of auxiliary enterprises is that they are managed as essentially self-supporting activities.

Auxiliary enterprises include residence halls, athletics, food services, bookstore, convenience store, laundry and faculty and staff housing. The general public may be served incidentally by auxiliary enterprises.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

(z) ***Patient Care Revenues***

UMMC's hospital and clinical service revenues are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including contractual allowances and estimated retroactive adjustments under reimbursement programs with third-party payors, less an allowance for doubtful accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient skilled nursing services are paid at prospectively determined per diem rates that are based upon patients' acuity. Certain inpatient nonacute services and defined medical education costs are paid based on a cost reimbursement methodology. UMMC is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports and audits thereof by the Medicare intermediary.

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology for certain services and at prospectively determined rates for all other services. UMMC is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by UMMC and audits thereof by Medicaid fiscal intermediary.

Revenue from the Medicare and Medicaid programs accounted for approximately 27.1% and 31.9%, respectively, of UMMC's net patient service revenues for the year ended June 30, 2014 and approximately 27.7% and 33.1%, respectively, for the year ended June 30, 2013.

UMMC also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to UMMC under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

The Centers for Medicare & Medicaid Services (CMS) have implemented provisions of the American Recovery and Reinvestment Act of 2009 that provide incentive payments for the meaningful use of certified electronic health record (EHR) technology. CMS has defined meaningful use as meeting certain objectives and clinical quality measures based on current and updated technology capabilities over predetermined reporting periods as established by CMS. The Medicare EHR incentive program provided annual incentive payments to eligible professionals, eligible hospitals, and critical access hospitals, as defined, that are meaningful users of certified EHR technology. The Medicaid EHR incentive program provides annual incentive payments to eligible professionals and hospitals for efforts to adopt, implement, and meaningfully use certified EHR technology. The Medical Center utilizes a grant accounting model to recognize EHR incentive revenues. The Medical Center records EHR incentive revenue ratably throughout the incentive reporting period when it is reasonably assured that it will meet the meaningful use objectives for the required reporting period and that the grants will be received. The EHR reporting period is based on the federal fiscal year, which runs from October 1 through September 30. The Medicaid for EHR incentive revenue the Medical Center received and

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

recorded approximated \$5.8 million and \$5.9 million for fiscal years ended June 30, 2014 and 2013, respectively. These amounts have been included in other operating revenues.

(aa) Hospital Reimbursement

The University Hospitals and Health System (UHHS) Medicare cost reports have been audited and settled by the fiscal intermediary through the cost reports filed for the year ended June 30, 2010.

During FY 2009, UHHS received notification that Medicare had designated the Recovery Audit Contractor (RAC) for the region that includes the State of Mississippi. The RAC program is intended to identify and recover improper Medicare payments made to health care providers as far back as three years from the current date. While UHHS believe all claims submitted to Medicare are supported by the services provided, the RAC could make adjustments based on differing interpretation of the regulations. Audits of Medicare claims began in FY 2010 and are expected to continue in the future. Based on recent audit experiences and reviews of planned audit activities, the reserve balance at the end of fiscal year 2014, which is recorded in other current liabilities, was approximately \$9.0 million.

Over five years ago, the Division of Medicaid (DOM) notified all providers in the State of Mississippi of a change in the methodology used to reimburse outpatient services. DOM had adopted a payment methodology for outpatient services at a fixed cost to charge ratio that was increased each year by an inflationary index. At that time, DOM issued letters to all providers of an updated reimbursement percentage based on more current cost data. At June 30, 2014, UHHS maintains a reserve of approximately \$6.3 million, in other current liabilities, for Medicaid rate recalculations and other adjustments for prior fiscal years.

(bb) Scholarship Discounts and Allowances

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans, funds provided to students as awarded by third parties and Federal Direct Lending, is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as scholarship allowances, which reduce operating revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash.

Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

(cc) Net Position

The IHL System adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* in fiscal year 2013, and, as a result, began reporting equity balances (previously referred to as Net Assets) as "Net Position." Net position represents the difference between assets and liabilities in a statement of net position and is displayed in three components – net investment in capital assets; restricted (distinguishing between major categories of restrictions); and unrestricted.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

Net investment in capital assets reflect the IHL System's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such debt is excluded from the calculation of net investment in capital assets.

Restricted, nonexpendable net position consist of endowment and similar type funds which donors or other outside sources have stipulated, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted, expendable net position includes resources that the IHL System is legally or contractually obligated to spend in accordance with restrictions imposed by external parties. When both restricted and unrestricted resources are available for use, it is generally the University's policy to utilize restricted resources first, and then unrestricted resources as needed.

Unrestricted net position represent resources derived from student tuition and fees, state appropriations, net patient service revenue, sales and services of educational activities and auxiliary enterprises. Auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty, and staff. While unrestricted net position may be designated for specific purposes by action of management or the Board, they are available for use at the discretion of the governing board, to meet current expenses for any purpose. Substantially all of unrestricted net position is designed for academic and research programs and initiatives, and capital programs.

(dd) *New Accounting Standards*

During fiscal year 2014, the IHL System adopted GASB Statement No. 66, *Technical Corrections-2012*. The objective of this Statement is to improve accounting and financial reporting for governments by resolving conflicting guidance that resulted from the issuance of Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

During fiscal year 2013, the IHL System adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Statement established accounting and financial reporting standards that, among other things, recognized as outflows or inflows of resources, certain items that were previously recorded as assets and liabilities.

(ee) *Recently Issued Accounting Standard*

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve accounting and financial reporting of government pensions. Also, it improves information provided by government employers about financial support for pensions that is provided by other entities. Requirements of this Statement are effective for financial statements whose fiscal year begins after June 15, 2014 (fiscal year 2015 for the IHL System).

The impact of this pronouncement on the IHL System's financial statements is currently being evaluated and has not yet been fully determined.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

(2) Cash and Investments

(a) Policies

Cash, Cash Equivalents and Short-Term Investments

Investment policies as set forth by the IHL System Board of Trustees policy and state statute authorize the University to invest in demand deposits and interest-bearing time deposits such as savings accounts, certificates of deposit, money market funds, U.S. Treasury bills and notes, and repurchase agreements. Investment policy at the System is governed by State statute (Section 27-105-33, MS Code Ann. 1972) and the Uniform Management of Institutional Funds Act of 1998.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 of the Mississippi Code Annotated (1972). Under this program, the University's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits. In the event of the failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Investments

Investment policies as set forth by Board policy as authorized by Section 37-101-15, Mississippi Code Annotated (1972), authorize the universities to invest in equity securities, bonds and other securities. Investments are reported at fair value.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

A summary of cash and investments as of June 30, 2014 and 2013 is as follows:

| | 2014 | 2013 |
|---------------------------------------|------------------|---------------|
| Cash | \$ 393,444,704 | 383,109,460 |
| Restricted cash and cash equivalents | 190,295,142 | 207,794,986 |
| U.S. government agency obligations | 272,890,673 | 233,632,863 |
| U.S. Treasury obligations | 144,226,479 | 125,317,246 |
| Certificates of deposit | 91,184,386 | 74,087,726 |
| Corporate bonds and notes | 5,193,451 | 3,623,604 |
| Commercial mortgage backed securities | 2,594,676 | 3,099,584 |
| Collateralized mortgage obligations | 35,971,320 | 34,385,532 |
| Municipal bonds | 49,259,087 | 53,343,921 |
| Money market funds | 1,033,959 | 755,194 |
| Fixed income mutual funds | 23,337,660 | 32,156,684 |
| Asset backed securities | 4,263,374 | 2,636,421 |
| Domestic equity securities | 36,420,457 | 31,396,077 |
| International equity mutual funds | 22,691,833 | 16,031,501 |
| Domestic equity mutual funds | 56,420,457 | 41,798,727 |
| Equity hedge funds | 37,266,003 | 45,997,600 |
| Miscellaneous | 34,902,357 | 16,412,163 |
| Total | \$ 1,401,396,018 | 1,305,579,289 |

(b) Custodial Credit Risk

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered with securities held by the counterparty's trust department or agent, but not held in the government's name. The IHL System had no investments exposed to custodial credit risk at June 30, 2014 and 2013.

(c) Interest Rate Risk

Interest rate risk is defined as the risk a government may face should interest rate variances adversely affect the fair value of investments. The IHL System does not presently have a formal policy that addresses interest rate risk.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

As of June 30, 2014 and 2013, the IHL System had the following investments subject to interest rate risk:

| | | 2014 | | | | |
|---------------------------------------|-----------------------|--------------------------|--------------------|--------------------|---------------------|--|
| | | Years to maturity | | | | |
| | Fair value | Less than 1 | 1 – 5 | 6 – 10 | More than 10 | |
| U.S. government agency obligations | \$ 272,890,673 | 38,306,237 | 92,696,805 | 78,095,669 | 63,791,962 | |
| U.S. Treasury obligations | 144,226,479 | 60,412,696 | 83,682,540 | 83,212 | 48,031 | |
| Corporate bonds and notes | 5,193,451 | 733,637 | 2,070,691 | 2,233,035 | 156,088 | |
| Commercial mortgage backed securities | 2,594,676 | — | 846,538 | 37,073 | 1,711,065 | |
| Collateralized mortgage obligations | 35,971,320 | 2,140,457 | 7,787,282 | 1,168,832 | 24,874,749 | |
| Municipal bonds | 49,259,087 | 619,496 | 19,296,293 | 20,637,633 | 8,705,665 | |
| Fixed income mutual funds | 23,337,660 | 101,374 | 7,700,447 | 15,535,839 | — | |
| Asset backed securities | 4,263,374 | — | — | 4,263,374 | — | |
| Total | \$ 537,736,720 | 102,313,897 | 214,080,596 | 122,054,667 | 99,287,560 | |

| | | 2013 | | | | |
|---------------------------------------|-----------------------|--------------------------|--------------------|--------------------|---------------------|--|
| | | Years to maturity | | | | |
| | Fair value | Less than 1 | 1 – 5 | 6 – 10 | More than 10 | |
| U.S. government agency obligations | \$ 233,632,863 | 29,613,119 | 67,597,785 | 67,045,559 | 69,376,400 | |
| U.S. Treasury obligations | 125,317,246 | 57,560,362 | 67,631,730 | 92,949 | 32,205 | |
| Corporate bonds and notes | 3,623,604 | 50,774 | 3,019,931 | 510,907 | 41,992 | |
| Commercial mortgage backed securities | 3,099,584 | — | — | 200,624 | 2,898,960 | |
| Collateralized mortgage obligations | 34,385,532 | 5,547,816 | 3,882,686 | — | 24,955,030 | |
| Municipal bonds | 53,343,921 | 4,553,148 | 11,940,521 | 28,199,695 | 8,650,557 | |
| Fixed income mutual funds | 32,156,684 | 101,413 | 14,449,656 | 17,605,615 | — | |
| Asset backed securities | 2,636,421 | — | 1,692,598 | 943,823 | — | |
| Total | \$ 488,195,855 | 97,426,632 | 170,214,907 | 114,599,172 | 105,955,144 | |

(d) Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The IHL System does not have a formal investment policy that addresses credit risk.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

As of June 30, 2014 and 2013, the IHL System had the following investments subject to credit risk:

| | Fair value | |
|----------------------|-----------------------|--------------------|
| | 2014 | 2013 |
| Credit rating: | | |
| AAA | \$ 12,769,732 | 72,284,518 |
| Aaa | 86,316,171 | 62,805,157 |
| Aa1 | — | 6,789 |
| Aa2 | 21,452,858 | 23,703,353 |
| Aa3 | 131,652 | 217,753 |
| AA | 166,203,969 | 107,620,327 |
| A1 | 1,761,302 | 1,730,598 |
| A2 | 30,061 | 445,902 |
| A3 | 18,798 | 342,441 |
| A | 1,739,120 | 1,842,780 |
| B | 310,325 | 1,317,373 |
| Baa1 | 321,148 | 12,514 |
| Baa2 | 24,594 | 48,506 |
| Baa3 | 3,769 | — |
| BBB | 2,353,384 | 2,498,655 |
| BB | 3,268,874 | 3,940,603 |
| CCC | 274,815 | 429,839 |
| Rating not available | 96,529,669 | 83,631,501 |
| Total | \$ <u>393,510,241</u> | <u>362,878,609</u> |

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

(e) Concentration of Credit Risk

Concentration of credit risk is defined by GASB Statement No. 40 as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The IHL System does not presently have a formal policy that addresses concentration of credit risk.

As of June 30, 2014 and 2013, the IHL System had the following issuers holding investments that exceeded 5% of total investments.

| Issuer | 2014 | |
|---|-------------------|-------------------|
| | Fair value | Percentage |
| Federal Home Loan Bank notes | \$ 96,996,884 | 11.86% |
| Federal National Mortgage Association notes | 60,357,889 | 7.38 |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| <u>Issuer</u> | <u>2013</u> | |
|---|-------------------|-------------------|
| | <u>Fair value</u> | <u>Percentage</u> |
| Federal Home Loan Bank notes | \$ 76,720,045 | 10.73% |
| Federal National Mortgage Association notes | 58,304,480 | 8.16 |

(f) Foreign Currency Risk

Foreign currency risk is defined as the risk that changes in exchange rates will adversely affect the fair value of an investment. The IHL System does not presently have a formal policy that addresses foreign currency risk. The IHL System's exposure to foreign currency risk is limited to investments in global or pooled non-U.S. equity mutual funds, which approximated \$23.2 million and \$18.5 million at June 30, 2014 and 2013, respectively.

(3) Accounts Receivable

Accounts receivable consisted of the following at June 30, 2014 and 2013:

| <u>Type of receivable</u> | <u>2014</u> | <u>2013</u> |
|--|-----------------|-----------------|
| Student tuition | \$ 89,390,093 | 77,547,135 |
| Auxiliary enterprises and other operating activities | 33,404,255 | 29,131,992 |
| Contributions and gifts | 9,582,779 | 11,362,206 |
| Federal, state, and private grants and contracts | 98,234,369 | 105,178,934 |
| State appropriation | 12,193,765 | 11,304,792 |
| Accrued interest | 2,804,995 | 2,659,772 |
| Patient income | 2,598,997,228 | 2,515,603,331 |
| Other | 22,410,866 | 29,939,110 |
| Total accounts receivable | 2,867,018,350 | 2,782,727,272 |
| Less bad debt provision | (2,543,210,777) | (2,442,888,560) |
| Net accounts receivable | \$ 323,807,573 | 339,838,712 |

(4) Notes Receivable from Students

Notes receivable from students are payable in installments over a period of up to ten years, commencing three to twelve months from the date of separation from one of the IHL System's institutions.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the IHL System as of June 30, 2014 and 2013:

| | Interest rates | June 30, 2014 | Current portion | Noncurrent portion |
|--------------------------------------|---------------------------|--------------------------|----------------------------|-------------------------------|
| Perkins student loans | 3% to 9% | \$ 70,704,014 | 9,520,283 | 61,183,731 |
| Institutional loans | 0% to 9% | 56,486,300 | 8,416,711 | 48,069,589 |
| Nursing student loans | 3% to 9% | 1,182,301 | 88,237 | 1,094,064 |
| Dental student loans | 3% to 9% | 398,957 | 25,522 | 373,435 |
| Medical student loans | 3% to 9% | 176,482 | 8,116 | 168,366 |
| Other federal loans | 3% to 9% | 3,844,290 | 2,205,701 | 1,638,589 |
| | | <u>132,792,344</u> | <u>20,264,570</u> | <u>112,527,774</u> |
| Total notes receivable | | | | |
| Less allowance for doubtful accounts | | <u>(19,620,605)</u> | <u>(4,061,792)</u> | <u>(15,558,813)</u> |
| Net notes receivable | | <u>\$ 113,171,739</u> | <u>16,202,778</u> | <u>96,968,961</u> |

| | Interest rates | June 30, 2013 | Current portion | Noncurrent portion |
|--------------------------------------|---------------------------|--------------------------|----------------------------|-------------------------------|
| Perkins student loans | 3% to 9% | \$ 71,524,825 | 8,897,656 | 62,627,169 |
| Institutional loans | 0% to 9% | 53,455,102 | 8,551,105 | 44,903,997 |
| Nursing student loans | 3% to 9% | 1,084,732 | 84,863 | 999,869 |
| Dental student loans | 3% to 9% | 284,077 | 23,984 | 260,093 |
| Medical student loans | 3% to 9% | 170,412 | 7,958 | 162,454 |
| Other federal loans | 3% to 9% | 3,680,116 | 2,192,596 | 1,487,520 |
| | | <u>130,199,264</u> | <u>19,758,162</u> | <u>110,441,102</u> |
| Total notes receivable | | | | |
| Less allowance for doubtful accounts | | <u>(18,527,295)</u> | <u>(4,156,973)</u> | <u>(14,370,322)</u> |
| Net notes receivable | | <u>\$ 111,671,969</u> | <u>15,601,189</u> | <u>96,070,780</u> |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

(5) Capital Assets

A summary of changes in capital assets for the years ended June 30, 2014 and 2013 is presented as follows:

| | <u>Balance June 30, 2013</u> | <u>Additions</u> | <u>Deletions/ Transfers</u> | <u>Balance June 30, 2014</u> |
|--|--------------------------------------|--------------------|---------------------------------|--------------------------------------|
| Nondepreciable capital assets: | | | | |
| Land | \$ 80,608,157 | 6,699,001 | (28,935) | 87,278,223 |
| Construction in progress | 342,097,512 | 246,693,557 | (93,967,208) | 494,823,861 |
| Livestock | <u>1,729,366</u> | <u>264,883</u> | <u>(276,586)</u> | <u>1,717,663</u> |
| Total nondepreciable capital assets | <u>424,435,035</u> | <u>253,657,441</u> | <u>(94,272,729)</u> | <u>583,819,747</u> |
| Depreciable capital assets: | | | | |
| Buildings | 2,966,164,125 | 111,865,220 | (5,130,178) | 3,072,899,167 |
| Improvements other than buildings | 298,081,463 | 14,582,545 | (13,132) | 312,650,876 |
| Equipment | 739,276,411 | 55,422,066 | (30,149,828) | 764,548,649 |
| Library books | <u>364,487,418</u> | <u>13,557,344</u> | <u>(543,234)</u> | <u>377,501,528</u> |
| Total depreciable assets | <u>4,368,009,417</u> | <u>195,427,175</u> | <u>(35,836,372)</u> | <u>4,527,600,220</u> |
| Total capital assets | <u>4,792,444,452</u> | <u>449,084,616</u> | <u>(130,109,101)</u> | <u>5,111,419,967</u> |
| Less accumulated depreciation: | | | | |
| Buildings | 737,427,522 | 59,065,838 | (1,167,922) | 795,325,438 |
| Improvements other than buildings | 107,545,107 | 11,122,867 | (133) | 118,667,841 |
| Equipment | 484,849,222 | 57,829,057 | (26,175,181) | 516,503,098 |
| Library books | <u>301,680,739</u> | <u>14,666,023</u> | <u>(566,954)</u> | <u>315,779,808</u> |
| Total accumulated depreciation | <u>1,631,502,590</u> | <u>142,683,785</u> | <u>(27,910,190)</u> | <u>1,746,276,185</u> |
| Net capital assets | \$ <u>3,160,941,862</u> | <u>306,400,831</u> | <u>(102,198,911)</u> | <u>3,365,143,782</u> |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| | Balance June 30, 2012 | Additions | Deletions/ Transfers | Balance June 30, 2013 |
|--|--------------------------------------|-----------------------------|---------------------------------|--------------------------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Nondepreciable capital assets: | | | | |
| Land | \$ 79,693,312 | 993,845 | (79,000) | 80,608,157 |
| Construction in progress | 326,970,568 | 196,178,471 | (181,051,527) | 342,097,512 |
| Livestock | <u>1,800,758</u> | <u>273,280</u> | <u>(344,672)</u> | <u>1,729,366</u> |
| Total nondepreciable capital assets | <u>408,464,638</u> | <u>197,445,596</u> | <u>(181,475,199)</u> | <u>424,435,035</u> |
| Depreciable capital assets: | | | | |
| Buildings | 2,837,330,303 | 134,665,127 | (5,831,305) | 2,966,164,125 |
| Improvements other than buildings | 288,121,327 | 13,286,580 | (3,326,444) | 298,081,463 |
| Equipment | 667,086,451 | 96,541,733 | (24,351,773) | 739,276,411 |
| Library books | <u>352,708,483</u> | <u>12,570,678</u> | <u>(791,743)</u> | <u>364,487,418</u> |
| Total depreciable assets | <u>4,145,246,564</u> | <u>257,064,118</u> | <u>(34,301,265)</u> | <u>4,368,009,417</u> |
| Total capital assets | <u>4,553,711,202</u> | <u>454,509,714</u> | <u>(215,776,464)</u> | <u>4,792,444,452</u> |
| Less accumulated depreciation: | | | | |
| Buildings | 685,838,085 | 55,549,657 | (3,960,220) | 737,427,522 |
| Improvements other than buildings | 98,119,135 | 10,850,046 | (1,424,074) | 107,545,107 |
| Equipment | 446,123,955 | 59,642,650 | (20,917,383) | 484,849,222 |
| Library books | <u>288,642,212</u> | <u>13,811,624</u> | <u>(773,097)</u> | <u>301,680,739</u> |
| Total accumulated depreciation | <u>1,518,723,387</u> | <u>139,853,977</u> | <u>(27,074,774)</u> | <u>1,631,502,590</u> |
| Net capital assets | \$ <u><u>3,034,987,815</u></u> | <u><u>314,655,737</u></u> | <u><u>(188,701,690)</u></u> | <u><u>3,160,941,862</u></u> |

As of June 30, 2014 and 2013, capital assets included assets under capital leases with an original cost basis of approximately \$34.6 million and \$21.2 million, respectively, and accumulated amortization of approximately \$3.0 million and \$2.5 million, respectively.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

Depreciation is computed on a straight-line basis with the exception of library books, for which depreciation is computed using a composite method. The following useful life, salvage values, and capitalization thresholds are used to compute depreciation.

| <u>Capital assets</u> | <u>Estimated useful life</u> | <u>Salvage value</u> | <u>Capitalization threshold</u> |
|-----------------------------------|------------------------------|----------------------|---------------------------------|
| Buildings | 40 Years | 20% | \$ 50,000 |
| Improvements other than buildings | 20 Years | 20 | 25,000 |
| Equipment | 3–15 Years | 1–10 | 5,000 |
| Library books | 10 Years | — | — |

(6) Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2014 and 2013 are as follows:

| | <u>2014</u> | <u>2013</u> |
|---|-----------------------|--------------------|
| Payable to vendors and contractors | \$ 86,587,367 | 81,475,328 |
| Accrued salaries, wages and employee withholdings | 74,105,068 | 76,425,326 |
| Accrued interest | 5,548,394 | 9,262,938 |
| Other | 24,397,379 | 20,505,287 |
| Total | <u>\$ 190,638,208</u> | <u>187,668,879</u> |

The only non-current portion relates to accrued salaries, wages, and employee holdings totals \$1,136,000. All other amounts are considered current and expected to be settled within one year.

(7) Unearned Revenues

Unearned revenues as of June 30, 2014 and 2013 are as follows:

| | <u>2014</u> | <u>2013</u> |
|--|----------------------|-------------------|
| Unearned summer school revenue | \$ 44,119,659 | 39,166,777 |
| Unearned grants and contract revenue | 19,448,285 | 20,466,849 |
| Other, principally athletic activities | 32,671,388 | 21,659,615 |
| Total | <u>\$ 96,239,332</u> | <u>81,293,241</u> |

All amounts are considered current and will be fully recognized within one year.

(8) Material Blended Component Units of the IHL System

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*, the educational building corporations are deemed to be material component units of the IHL System but are presented on a blended basis in the accompanying financial statements due to the

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

significance of their activities to respective member universities' operations. These blended component units provide services entirely, or almost entirely, to their respective universities. Condensed financial information as of June 30, 2014 and 2013 is listed in the following schedule.

| 2014 Condensed Financial Information for Educational Building Corporations | | | | | | | | |
|---|-----------------------|------------------|-------------------|--------------------|-------------------|--------------------|--------------------|--------------------|
| | <u>ASU</u> | <u>DSU</u> | <u>JSU</u> | <u>MSU</u> | <u>MVSU</u> | <u>UM</u> | <u>USM</u> | <u>UMMC</u> |
| Current assets | \$ 357,287 | — | — | — | — | 10,558,464 | 3,816,608 | 6,260,322 |
| Noncurrent assets | 41,263,443 | 3,535,000 | 98,181,646 | 280,655,000 | 17,810,000 | 122,913,379 | 183,372,310 | 256,946,209 |
| Total assets | 41,620,730 | 3,535,000 | 98,181,646 | 280,655,000 | 17,810,000 | 133,471,843 | 187,188,918 | 263,206,531 |
| Current liabilities | 400,000 | 500,000 | 3,117,295 | 9,575,000 | 290,000 | 8,528,622 | 3,816,608 | 6,746,117 |
| Noncurrent liabilities | 45,225,967 | 3,035,000 | 95,064,351 | 271,080,000 | 17,520,000 | 124,943,221 | 183,372,310 | 262,621,059 |
| Total liabilities | 45,625,967 | 3,535,000 | 98,181,646 | 280,655,000 | 17,810,000 | 133,471,843 | 187,188,918 | 269,367,176 |
| Total net position | \$ (4,005,237) | — | — | — | — | — | — | (6,160,645) |
| Operating revenues | \$ 2,692,513 | — | — | — | 1,052,488 | — | — | 12,401,896 |
| Operating expenses | 3,286,005 | — | — | — | 1,052,488 | — | — | 10,265,107 |
| Total operating income (loss) | (593,492) | — | — | — | — | — | — | 2,136,789 |
| Nonoperating revenues | 18 | — | 675,473 | 9,394,093 | — | 5,447,705 | 6,340,859 | — |
| Nonoperating expenses | — | 485,000 | 675,473 | 9,394,093 | — | 5,447,705 | 6,340,859 | 3,660,752 |
| Total nonoperating revenue (expenses) | 18 | (485,000) | — | — | — | — | — | (3,660,752) |
| Change in net position | \$ (593,474) | (485,000) | — | — | — | — | — | (1,523,963) |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| 2013 Condensed Financial Information for Educational Building Corporations | | | | | | | | |
|---|-----------------------|------------------|-------------------|--------------------|-------------------|--------------------|--------------------|--------------------|
| | ASU | DSU | JSU | MSU | MVSU | UM | USM | UMMC |
| Current assets | \$ 1,046,443 | 22,447 | — | — | — | 10,492,978 | 4,698,774 | 6,086,871 |
| Noncurrent assets | 41,612,844 | 3,997,553 | 99,606,841 | 215,160,000 | 18,075,000 | 130,170,306 | 183,372,310 | 263,315,872 |
| Total assets | 42,659,287 | 4,020,000 | 99,606,841 | 215,160,000 | 18,075,000 | 140,663,284 | 188,071,084 | 269,402,743 |
| Current liabilities | 453,700 | 480,000 | 2,999,589 | 7,975,000 | 265,000 | 8,275,467 | 4,698,774 | 6,276,435 |
| Noncurrent liabilities | 45,617,350 | 3,540,000 | 96,607,252 | 207,185,000 | 17,810,000 | 132,387,817 | 183,372,310 | 267,998,749 |
| Total liabilities | 46,071,050 | 4,020,000 | 99,606,841 | 215,160,000 | 18,075,000 | 140,663,284 | 188,071,084 | 274,275,184 |
| Total net position | \$ (3,411,763) | — | — | — | — | — | — | (4,872,441) |
| Operating revenues | \$ 2,638,688 | — | — | — | 1,026,689 | — | — | 8,004,005 |
| Operating expenses | 3,049,521 | — | — | — | 1,026,689 | — | — | 10,877,970 |
| Total operating income (loss) | (410,833) | — | — | — | — | — | — | (2,873,965) |
| Nonoperating revenues | 74 | — | 4,584,880 | 8,819,472 | — | 5,676,071 | 6,529,739 | — |
| Nonoperating expenses | — | 475,000 | 4,584,880 | 8,819,472 | — | 5,676,071 | 6,529,739 | 993,918 |
| Total nonoperating revenue (expenses) | 74 | (475,000) | — | — | — | — | — | (993,918) |
| Change in net position | \$ (410,759) | (475,000) | — | — | — | — | — | (3,867,883) |

(9) Long-Term Liabilities

Long-term liabilities of the IHL System consist of notes and bonds payable, capital lease obligations, and certain other liabilities that are expected to be liquidated at least one year from June 30, 2014 and 2013, respectively. The various leases cover a period not to exceed five years. The IHL System has the option to prepay all outstanding obligations less any unearned interest to fully satisfy the obligation. There is also a fiscal funding addendum stating that if funds are not appropriated for periodic payment for any future fiscal period, the lessee will not be obligated to pay the remainder of the total payments due beyond the end of the current fiscal period. Other long-term liabilities and notes payable consist of accrued leave liabilities, deposits refundable, notes payable, and other liabilities (government advance refundables, self-insured workers compensation, and tort claims).

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

Information regarding original issue amounts, interest rates, and maturity dates for bonds, notes, and capital leases relative to the long-term liabilities for each of the universities within the IHL System as of June 30, 2014 and 2013, is listed in the following schedule.

| Description and purpose | Original issue | Annual interest rate | Maturity (Fiscal Year) | Year ended June 30, 2014 | | | | | |
|---------------------------------------|----------------|----------------------|------------------------|--------------------------|-----------|-----------|----------------|---------------------|--|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year | |
| Alcorn State University: | | | | | | | | | |
| Bonded debt: | | | | | | | | | |
| 2009 Series A Student Housing Project | \$ 47,000,000 | 5.125% – 5.25% | 2040 | \$ 46,255,000 | — | 396,383 | 45,858,617 | 400,000 | |
| Total bonded debt | | | | 46,255,000 | — | 396,383 | 45,858,617 | 400,000 | |
| Other long-term liabilities: | | | | | | | | | |
| Accrued leave liabilities | | | | 4,349,724 | 1,592,537 | 1,309,757 | 4,632,504 | 841,992 | |
| Deposits refundable | | | | 734,546 | — | 138,918 | 595,628 | — | |
| Total other long-term liabilities | | | | 5,084,270 | 1,592,537 | 1,448,675 | 5,228,132 | 841,992 | |
| Total | | | | \$ 51,339,270 | 1,592,537 | 1,845,058 | 51,086,749 | 1,241,992 | |
| Due within one year | | | | | | | (1,241,992) | | |
| Total long-term liabilities | | | | | | | | \$ 49,844,757 | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| Description and purpose | Original issue | Annual interest rate | Maturity (Fiscal Year) | Year ended June 30, 2014 | | | | |
|--|----------------|----------------------|------------------------|--------------------------|--------------|------------------|----------------------|---------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| Delta State University: | | | | | | | | |
| Bonded debt: | | | | | | | | |
| 2003 Series | \$ 2,475,000 | 3.00% – 4.25% | 2024 | \$ 1,645,000 | — | 120,000 | 1,525,000 | 125,000 |
| 2009 Series | 3,135,000 | 2.50% – 3.75% | 2019 | 2,375,000 | — | 365,000 | 2,010,000 | 375,000 |
| Total bonded debt | | | | <u>4,020,000</u> | <u>—</u> | <u>485,000</u> | <u>3,535,000</u> | <u>500,000</u> |
| Capital leases: | | | | | | | | |
| Airplanes | | | | 1,309,092 | — | 239,343 | 1,069,749 | 250,087 |
| Foundation hall and faculty apartments | | | | 16,540,000 | — | 370,000 | 16,170,000 | 380,000 |
| Total capital leases | | | | <u>17,849,092</u> | <u>—</u> | <u>609,343</u> | <u>17,239,749</u> | <u>630,087</u> |
| Other long-term liabilities: | | | | | | | | |
| Accrued leave liabilities | | | | 1,725,701 | — | 318,168 | 1,407,533 | 176,665 |
| Deposits refundable | | | | 127,075 | 9,350 | — | 136,425 | — |
| Other | | | | 1,817,516 | — | — | 1,817,516 | — |
| Total other long-term liabilities | | | | <u>3,670,292</u> | <u>9,350</u> | <u>318,168</u> | <u>3,361,474</u> | <u>176,665</u> |
| Total | | | | <u>\$ 25,539,384</u> | <u>9,350</u> | <u>1,412,511</u> | <u>24,136,223</u> | <u>1,306,752</u> |
| Due within one year | | | | | | | <u>(1,306,752)</u> | |
| Total long-term liabilities | | | | | | | <u>\$ 22,829,471</u> | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| Description and purpose | Original issue | Annual interest rate | Maturity (Fiscal Year) | Year ended June 30, 2014 | | | | |
|---|----------------|----------------------|------------------------|--------------------------|----------------|------------------|----------------------|---------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| Jackson State University: | | | | | | | | |
| Bonded debt: | | | | | | | | |
| Series 1982 – Dormitory | \$ 4,000,000 | 1.00%–3.00% | 2021 | \$ 1,260,000 | — | 140,000 | 1,120,000 | 145,000 |
| Series 2006 – A | 12,000,000 | 3.50%–4.25% | 2031 | 10,195,000 | — | 400,000 | 9,795,000 | 415,000 |
| Series 2007 | 48,165,000 | 5.00% | 2034 | 50,209,074 | — | 1,468,503 | 48,740,571 | 694,256 |
| Series 2010-A-1 | 31,325,000 | 3.00%–5.00% | 2034 | 27,294,795 | — | 284,990 | 27,009,805 | 1,770,819 |
| Series 2010-A-2 | 790,000 | 3.00% | 2014 | 790,000 | — | 790,000 | — | — |
| Other Borrowings | 1,095,000 | 5.00% | 2034 | 1,095,000 | — | — | 1,095,000 | — |
| Total bonded debt | | | | <u>90,843,869</u> | <u>—</u> | <u>3,083,493</u> | <u>87,760,376</u> | <u>3,025,075</u> |
| Other long-term liabilities and notes payable: | | | | | | | | |
| Accrued leave liabilities | | | | 5,099,494 | 222,629 | — | 5,322,123 | 383,195 |
| Deposits refundable | | | | 36,749 | — | 12,542 | 24,207 | — |
| Notes payable | | | | 796,627 | — | 89,514 | 707,113 | — |
| Other | | | | 1,665,567 | 17,868 | — | 1,683,435 | 92,220 |
| Total other long-term liabilities and notes payable | | | | <u>7,598,437</u> | <u>240,497</u> | <u>102,056</u> | <u>7,736,878</u> | <u>475,415</u> |
| Total | | | | <u>\$ 98,442,306</u> | <u>240,497</u> | <u>3,185,549</u> | <u>95,497,254</u> | <u>3,500,490</u> |
| Due within one year | | | | | | | (3,500,490) | |
| Total long-term liabilities | | | | | | | <u>\$ 91,996,764</u> | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| Description and purpose | Original issue | Annual interest rate | Maturity (Fiscal Year) | Year ended June 30, 2014 | | | | |
|-----------------------------------|----------------|----------------------|------------------------|--------------------------|--------------------|--------------------|-----------------------|---------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| Mississippi State University: | | | | | | | | |
| Bonded debt: | | | | | | | | |
| Dormitory Bonds | \$ 2,250,000 | 3.00% | 2021 | \$ 690,000 | — | 80,000 | 610,000 | 80,000 |
| Student Apartments | 2,038,000 | 3.00% | 2022 | 710,000 | — | 70,000 | 640,000 | 70,000 |
| EBC – Revenue Bonds | 31,865,000 | 3.75%–5.25% | 2018 | 6,025,000 | — | — | 6,025,000 | 1,385,000 |
| EBC – Revenue Bonds | 17,000,000 | 2.00%–5.00% | 2029 | 12,675,000 | — | 12,080,000 | 595,000 | 595,000 |
| EBC – Revenue Bonds | 28,790,000 | 2.00%–5.00% | 2030 | 18,875,000 | — | 17,250,000 | 1,625,000 | 1,625,000 |
| EBC – Revenue Bonds | 58,965,000 | 4.00%–5.00% | 2036 | 49,290,000 | — | 45,705,000 | 3,585,000 | 1,750,000 |
| EBC – Revenue Bonds | 6,110,000 | 4.50%–4.75% | 2028 | 5,065,000 | — | 240,000 | 4,825,000 | 255,000 |
| EBC – Revenue Bonds | 29,615,000 | 3.00%–5.25% | 2029 | 28,435,000 | — | 615,000 | 27,820,000 | 630,000 |
| EBC – Revenue Bonds | 17,105,000 | 3.00%–5.25% | 2024 | 13,315,000 | — | 1,405,000 | 11,910,000 | — |
| EBC – Revenue Bonds | 54,370,000 | 2.00%–5.00% | 2042 | 52,480,000 | — | 1,925,000 | 50,555,000 | 1,970,000 |
| EBC – Revenue Bonds | 60,470,000 | 2.00%–5.00% | 2044 | — | 60,470,000 | — | 60,470,000 | 490,000 |
| EBC – Revenue Bonds | 89,810,000 | 2.00%–5.00% | 2044 | — | 89,810,000 | — | 89,810,000 | — |
| EBC – Revenue Bonds | 23,435,000 | 0.29%–5.00% | 2044 | — | 23,435,000 | — | 23,435,000 | 875,000 |
| Total bonded debt | | | | <u>187,560,000</u> | <u>173,715,000</u> | <u>79,370,000</u> | <u>281,905,000</u> | <u>9,725,000</u> |
| Commercial paper | | | | 29,000,000 | — | 29,000,000 | — | — |
| Other long-term liabilities: | | | | | | | | |
| Accrued leave liabilities | | | | 23,325,597 | 779,930 | — | 24,105,527 | 1,994,659 |
| Deposits refundable | | | | 35,760 | — | 5,455 | 30,305 | — |
| Other | | | | 14,036,229 | — | 198,994 | 13,837,235 | — |
| Total other long-term liabilities | | | | <u>37,397,586</u> | <u>779,930</u> | <u>204,449</u> | <u>37,973,067</u> | <u>1,994,659</u> |
| Total | | | | <u>\$ 253,957,586</u> | <u>174,494,930</u> | <u>108,574,449</u> | <u>319,878,067</u> | <u>11,719,659</u> |
| Due within one year | | | | | | | <u>(11,719,659)</u> | |
| Total long-term liabilities | | | | | | | <u>\$ 308,158,408</u> | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| Description and purpose | Original issue | Annual interest rate | Maturity (Fiscal Year) | Year ended June 30, 2014 | | | | |
|-----------------------------------|----------------|----------------------|------------------------|--------------------------|----------------|----------------|---------------------|---------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| Mississippi University for Women: | | | | | | | | |
| Capital leases: | | | | | | | | |
| Various equipment | | | | \$ — | 725,000 | 68,111 | 656,889 | 139,054 |
| Other long-term liabilities: | | | | | | | | |
| Accrued leave liabilities | | | | 1,112,687 | 70,159 | — | 1,182,846 | 47,314 |
| Other | | | | 1,265,364 | — | 80,552 | 1,184,812 | — |
| Total other long-term liabilities | | | | <u>2,378,051</u> | <u>70,159</u> | <u>80,552</u> | <u>2,367,658</u> | <u>47,314</u> |
| Total | | | | \$ <u>2,378,051</u> | <u>795,159</u> | <u>148,663</u> | 3,024,547 | <u>186,368</u> |
| Due within one year | | | | | | | (186,368) | |
| Total long-term liabilities | | | | | | | \$ <u>2,838,179</u> | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2014 | | | | |
|--------------------------------------|----------------|----------------------|------------------------|--------------------------|-----------|-----------|----------------|---------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| Mississippi Valley State University: | | | | | | | | |
| Bonded debt: | | | | | | | | |
| EBC – 2007 | \$ 19,015,000 | 4.00% | 2037 | \$ 18,075,000 | — | 265,000 | 17,810,000 | 290,000 |
| Total bonded debt | | | | 18,075,000 | — | 265,000 | 17,810,000 | 290,000 |
| Other long-term liabilities: | | | | | | | | |
| Accrued leave liabilities | | | | 1,631,175 | — | 76,699 | 1,554,476 | 180,256 |
| Deposits refundable | | | | 30,258 | — | — | 30,258 | — |
| Total other long-term liabilities | | | | 1,661,433 | — | 76,699 | 1,584,734 | 180,256 |
| Total | | | | \$ 19,736,433 | — | 341,699 | 19,394,734 | 470,256 |
| Due within one year | | | | | | | (470,256) | |
| Total long-term liabilities | | | | | | | \$ 18,924,478 | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2014 | | | | |
|---|----------------|----------------------|------------------------|--------------------------|------------|-----------|----------------|---------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| University of Mississippi: | | | | | | | | |
| Bonded debt: | | | | | | | | |
| EBC – 2005 | \$ 10,965,000 | 3.00%–4.38% | 2028 | \$ 7,805,000 | — | 390,000 | 7,415,000 | 400,000 |
| EBC – 2006A | 17,985,000 | 4.00%–5.00% | 2026 | 12,235,000 | — | 1,160,000 | 11,075,000 | 1,215,000 |
| EBC – 2006B-1 | 17,290,000 | 3.50%–5.00% | 2027 | 12,450,000 | — | 955,000 | 11,495,000 | 995,000 |
| EBC – 2008A | 29,785,000 | 3.25%–5.00% | 2034 | 26,825,000 | — | 795,000 | 26,030,000 | 825,000 |
| EBC – 2009A | 19,870,000 | 2.13%–4.50% | 2030 | 17,685,000 | — | 770,000 | 16,915,000 | 790,000 |
| EBC – 2009B | 24,165,000 | 3.00%–5.00% | 2021 | 17,475,000 | — | 1,820,000 | 15,655,000 | 1,915,000 |
| EBC – 2009C | 14,770,000 | 2.50%–4.75% | 2035 | 13,615,000 | — | 405,000 | 13,210,000 | 415,000 |
| EBC – 2011 | 27,995,000 | 2.00%–5.00% | 2032 | 29,699,899 | — | 669,449 | 29,030,450 | 605,000 |
| Total bonded debt | | | | 137,789,899 | — | 6,964,449 | 130,825,450 | 7,279,449 |
| Capital leases assets under construction | | | | — | 13,403,451 | — | 13,403,451 | 380,016 |
| Other long-term liabilities and notes payable: | | | | | | | | |
| Accrued leave liabilities | | | | 14,427,797 | 331,410 | — | 14,759,207 | 1,665,000 |
| Deposits refundable | | | | 95,815 | 157 | — | 95,972 | — |
| Notes payable | | | | 196,588 | — | 96,603 | 99,985 | 99,985 |
| Other | | | | 8,997,000 | 236,300 | — | 9,233,300 | — |
| Total other long-term liabilities and notes payable | | | | 23,717,200 | 567,867 | 96,603 | 24,188,464 | 1,764,985 |
| Total | | | | \$ 161,507,099 | 13,971,318 | 7,061,052 | 168,417,365 | 9,424,450 |
| Due within one year | | | | | | | (9,424,450) | |
| Total long-term liabilities | | | | | | | \$ 158,992,915 | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2014 | | | | |
|---|----------------|----------------------|------------------------|--------------------------|-----------|-----------|----------------|---------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| University of Southern Mississippi | | | | | | | | |
| Bonded debt: | | | | | | | | |
| The Village | \$ 18,725,000 | 3.63% – 5.00% | 2032 | \$ 17,275,000 | — | 300,000 | 16,975,000 | 345,000 |
| EBC Refunding | 24,855,000 | 3.63% – 5.00% | 2027 | 20,860,000 | — | 1,625,000 | 19,235,000 | 1,690,000 |
| Athletic Improvements | 27,190,000 | 4.00% – 5.00% | 2034 | 25,570,000 | — | 450,000 | 25,120,000 | 505,000 |
| Dormitory Construction | 49,900,000 | 2.75% – 5.38% | 2037 | 49,900,000 | — | — | 49,900,000 | 115,000 |
| SMBEC Series 2013 | 51,875,000 | 2.75% – 5.38% | 2044 | 57,344,262 | — | 1,549,584 | 55,794,678 | 401,805 |
| Total bonded debt | | | | 170,949,262 | — | 3,924,584 | 167,024,678 | 3,056,805 |
| Certificates of Participation | | | | | | | | |
| Parking Garage, Series 2009 | 15,520,000 | 2.0% – 5.13% | 2040 | 14,955,001 | — | 395,001 | 14,560,000 | 305,000 |
| Capital leases: | | | | | | | | |
| Various equipment | | | | 911,358 | 1,754,754 | 525,122 | 2,140,990 | 518,185 |
| Other long-term liabilities and notes payable: | | | | | | | | |
| Accrued leave liabilities | | | | 9,716,305 | 362,529 | 88,645 | 9,990,189 | 1,150,000 |
| Deposits refundable | | | | 31,594 | 1,149 | — | 32,743 | — |
| Notes payable | | | | 2,166,821 | — | 379,189 | 1,787,632 | 454,203 |
| Other | | | | 27,063,856 | — | 327,944 | 26,735,912 | — |
| Total other long-term liabilities and notes payable | | | | 38,978,576 | 363,678 | 795,778 | 38,546,476 | 1,604,203 |
| Total | | | | \$ 225,794,197 | 2,118,432 | 5,640,485 | 222,272,144 | 5,484,193 |
| Due within one year | | | | | | | (5,484,193) | |
| Total long-term liabilities | | | | | | | \$ 216,787,951 | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2014 | | | | |
|---|----------------|----------------------|------------------------|--------------------------|-------------------|-------------------|-----------------------|---------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| University of Mississippi Medical Center: | | | | | | | | |
| Bonded debt: | | | | | | | | |
| Series 1998B | \$ 41,075,000 | 3.88% – 5.90% | 2024 | \$ 23,670,000 | — | — | 23,670,000 | — |
| Series 2009 | 105,605,000 | 2.00% – 5.00% | 2034 | 88,129,299 | 5,873,200 | 4,639,405 | 89,363,094 | 4,814,405 |
| Series 2010A | 24,870,000 | 5.92% – 6.69% | 2032 | 24,870,000 | — | — | 24,870,000 | — |
| Series 2010B | 20,000,000 | 6.84% | 2035 | 20,000,000 | — | — | 20,000,000 | — |
| Series 2010C | 5,130,000 | 2.50% – 5.00% | 2020 | 3,928,582 | — | 504,083 | 3,424,499 | 519,083 |
| Series 2012A | 51,860,000 | 4.00% – 5.00% | 2041 | 51,815,797 | — | 44,202 | 51,771,595 | 44,202 |
| Series 2012B | 53,390,000 | 4.07% – 4.82% | 2038 | 54,671,871 | — | — | 54,671,871 | — |
| Total bonded debt | | | | <u>267,085,549</u> | <u>5,873,200</u> | <u>5,187,690</u> | <u>267,771,059</u> | <u>5,377,690</u> |
| Capital leases: | | | | | | | | |
| Various equipment | | | | — | — | — | — | — |
| Other long-term liabilities: | | | | | | | | |
| Accrued leave liabilities | | | | 50,289,513 | 5,716,107 | 4,056,729 | 51,948,891 | 4,408,465 |
| Other | | | | 44,193,225 | 114,427 | 6,543,883 | 37,763,769 | 4,827,000 |
| Total other long-term liabilities | | | | <u>94,482,738</u> | <u>5,830,534</u> | <u>10,600,612</u> | <u>89,712,660</u> | <u>9,235,465</u> |
| Total | | | | <u>\$ 361,568,287</u> | <u>11,703,734</u> | <u>15,788,302</u> | <u>357,483,719</u> | <u>14,613,155</u> |
| Due within one year | | | | | | | (14,613,155) | |
| Total long-term liabilities | | | | | | | <u>\$ 342,870,564</u> | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2014 | | | | |
|------------------------------|----------------|----------------------|------------------------|--------------------------|------------------|------------------|-------------------|---------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| IHL Board Office: | | | | | | | | |
| Other long-term liabilities: | | | | | | | | |
| Accrued leave liabilities | | | | \$ 786,492 | 8,937 | — | 795,429 | 47,208 |
| Other | | | | 37,804,541 | 2,448,541 | 1,846,979 | 38,406,103 | 9,858,162 |
| Total | | | | <u>\$ 38,591,033</u> | <u>2,457,478</u> | <u>1,846,979</u> | 39,201,532 | <u>9,905,370</u> |
| Due within one year | | | | | | | 9,905,370 | |
| Total long-term liabilities | | | | | | | <u>29,296,162</u> | |
| MCVS: | | | | | | | | |
| Other long-term liabilities: | | | | | | | | |
| Accrued leave liabilities | | | | \$ 66,207 | 3,310 | — | 69,517 | 6,536 |
| Total | | | | <u>\$ 66,207</u> | <u>3,310</u> | <u>—</u> | 69,517 | <u>6,536</u> |
| Due within one year | | | | | | | (6,536) | |
| Total long-term liabilities | | | | | | | <u>\$ 62,981</u> | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2014 | | | | |
|--|----------------|----------------------|------------------------|--------------------------|-------------|-------------|------------------|---------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| State of Mississippi Institutions of Higher Learning – Combined: | | | | | | | | |
| Total bonded debt | | | | \$ 922,578,579 | 179,588,200 | 99,676,599 | 1,002,490,180 | 29,654,019 |
| Total capital leases | | | | 18,760,450 | 15,883,205 | 1,202,576 | 33,441,079 | 1,667,342 |
| Other long-term liabilities and notes payable: | | | | | | | | |
| Accrued leave liabilities | | | | 112,530,692 | 9,087,548 | 5,849,998 | 115,768,242 | 10,901,290 |
| Deposits refundable | | | | 1,091,797 | 10,656 | 156,915 | 945,538 | — |
| Notes payable | | | | 18,115,037 | — | 960,307 | 17,154,730 | 951,408 |
| Other | | | | 165,843,298 | 2,817,136 | 37,998,352 | 130,662,082 | 14,685,162 |
| Total other long-term liabilities and notes payable | | | | 297,580,824 | 11,915,340 | 44,965,572 | 264,530,592 | 26,537,860 |
| Total | | | | \$ 1,238,919,853 | 207,386,745 | 145,844,747 | 1,300,461,851 | 57,859,221 |
| Due within one year | | | | | | | (57,859,221) | |
| Total noncurrent liabilities | | | | | | | \$ 1,242,602,630 | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| Description and purpose | Original issue | Annual interest rate | Maturity (Fiscal Year) | Year ended June 30, 2013 | | | | |
|---------------------------------------|----------------|----------------------|------------------------|--------------------------|-----------|-----------|----------------|---------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| Alcorn State University: | | | | | | | | |
| Bonded debt: | | | | | | | | |
| 2009 Series A Student Housing Project | \$ 47,000,000 | 5.125% – 5.25% | 2040 | \$ 46,595,000 | — | 340,000 | 46,255,000 | 405,000 |
| Total bonded debt | | | | 46,595,000 | — | 340,000 | 46,255,000 | 405,000 |
| Other long-term liabilities: | | | | | | | | |
| Accrued leave liabilities | | | | 4,106,158 | 1,322,409 | 1,078,843 | 4,349,724 | 656,722 |
| Deposits refundable | | | | 837,858 | — | 103,312 | 734,546 | — |
| Total other long-term liabilities | | | | 4,944,016 | 1,322,409 | 1,182,155 | 5,084,270 | 656,722 |
| Total | | | | \$ 51,539,016 | 1,322,409 | 1,522,155 | 51,339,270 | 1,061,722 |
| Due within one year | | | | | | | (1,061,722) | |
| Total long-term liabilities | | | | | | | \$ 50,277,548 | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| Description and purpose | Original issue | Annual interest rate | Maturity (Fiscal Year) | Year ended June 30, 2013 | | | | |
|--|----------------|----------------------|------------------------|--------------------------|-----------|-----------|----------------|---------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| Delta State University: | | | | | | | | |
| Bonded debt: | | | | | | | | |
| 2003 Series | \$ 2,475,000 | 3.00% – 4.25% | 2024 | \$ 1,760,000 | — | 115,000 | 1,645,000 | 122,500 |
| 2009 Series | 3,135,000 | 2.50% – 3.75% | 2019 | 2,735,000 | — | 360,000 | 2,375,000 | 362,500 |
| Total bonded debt | | | | 4,495,000 | — | 475,000 | 4,020,000 | 485,000 |
| Capital leases: | | | | | | | | |
| Various equipment | | | | 25,133 | — | 25,133 | — | — |
| Airplanes | | | | 1,538,152 | — | 229,060 | 1,309,092 | 239,342 |
| Foundation hall and faculty apartments | | | | 16,895,000 | — | 355,000 | 16,540,000 | 370,000 |
| Total capital leases | | | | 18,458,285 | — | 609,193 | 17,849,092 | 609,342 |
| Other long-term liabilities: | | | | | | | | |
| Accrued leave liabilities | | | | 1,665,372 | 60,329 | — | 1,725,701 | 176,665 |
| Deposits refundable | | | | 123,585 | 3,490 | — | 127,075 | — |
| Other | | | | 1,802,516 | 15,000 | — | 1,817,516 | — |
| Total other long-term liabilities | | | | 3,591,473 | 78,819 | — | 3,670,292 | 176,665 |
| Total | | | | \$ 26,544,758 | 78,819 | 1,084,193 | 25,539,384 | 1,271,007 |
| Due within one year | | | | | | | (1,271,007) | |
| Total long-term liabilities | | | | | | | \$ 24,268,377 | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| Description and purpose | Original issue | Annual interest rate | Maturity (Fiscal Year) | Year ended June 30, 2013 | | | | |
|---|----------------|----------------------|------------------------|--------------------------|----------------|------------------|----------------------|---------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| Jackson State University: | | | | | | | | |
| Bonded debt: | | | | | | | | |
| Series 1982 – Dormitory | \$ 4,000,000 | 1.00%–3.00% | 2020 | \$ 1,395,000 | — | 135,000 | 1,260,000 | 140,000 |
| Series 2006 – A | 12,000,000 | 3.50%–4.25% | 2031 | 10,195,000 | — | — | 10,195,000 | 400,000 |
| Series 2007 | 48,165,000 | 5.00% | 2034 | 51,232,577 | — | 1,023,503 | 50,209,074 | 1,344,256 |
| Series 2010-A-1 | 31,325,000 | 3.00%–5.00% | 2034 | 26,938,051 | 356,744 | — | 27,294,795 | 235,819 |
| Series 2010-A-2 | 790,000 | 3.00% | 2014 | 790,000 | — | — | 790,000 | 790,000 |
| Other Borrowings | 1,900,000 | 5.00% | 2034 | 1,095,000 | — | — | 1,095,000 | — |
| Total bonded debt | | | | <u>91,645,628</u> | <u>356,744</u> | <u>1,158,503</u> | <u>90,843,869</u> | <u>2,910,075</u> |
| Other long-term liabilities and notes payable: | | | | | | | | |
| Accrued leave liabilities | | | | 6,423,988 | — | 1,324,494 | 5,099,494 | 367,164 |
| Deposits refundable | | | | 34,159 | 2,590 | — | 36,749 | — |
| Notes payable | | | | 883,516 | — | 86,889 | 796,627 | 89,514 |
| Other | | | | 1,649,968 | 18,807 | 3,208 | 1,665,567 | — |
| Total other long-term liabilities and notes payable | | | | <u>8,991,631</u> | <u>21,397</u> | <u>1,414,591</u> | <u>7,598,437</u> | <u>456,678</u> |
| Total | | | | <u>\$ 100,637,259</u> | <u>378,141</u> | <u>2,573,094</u> | <u>98,442,306</u> | <u>3,366,753</u> |
| Due within one year | | | | | | | (3,366,753) | |
| Total long-term liabilities | | | | | | | <u>\$ 95,075,553</u> | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| Description and purpose | Original issue | Annual interest rate | Maturity (Fiscal Year) | Year ended June 30, 2013 | | | | |
|-----------------------------------|----------------|----------------------|------------------------|--------------------------|-------------------|-------------------|-----------------------|---------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| Mississippi State University: | | | | | | | | |
| Bonded debt: | | | | | | | | |
| Dormitory Bonds | \$ 2,250,000 | 3.00% | 2021 | \$ 760,000 | — | 70,000 | 690,000 | 80,000 |
| Student Apartments | 2,038,000 | 3.00% | 2022 | 780,000 | — | 70,000 | 710,000 | 70,000 |
| EBC – Revenue Bonds | 31,865,000 | 3.75%–5.25% | 2018 | 6,025,000 | — | — | 6,025,000 | — |
| EBC – Revenue Bonds | 17,000,000 | 2.00%–5.00% | 2029 | 13,230,000 | — | 555,000 | 12,675,000 | 575,000 |
| EBC – Revenue Bonds | 28,790,000 | 2.00%–5.00% | 2030 | 20,340,000 | — | 1,465,000 | 18,875,000 | 1,540,000 |
| EBC – Revenue Bonds | 58,965,000 | 4.00%–5.00% | 2036 | 50,890,000 | — | 1,600,000 | 49,290,000 | 1,675,000 |
| EBC – Revenue Bonds | 6,110,000 | 4.50%–4.75% | 2028 | 5,295,000 | — | 230,000 | 5,065,000 | 240,000 |
| EBC – Revenue Bonds | 29,615,000 | 3.00%–5.25% | 2029 | 29,035,000 | — | 600,000 | 28,435,000 | 615,000 |
| EBC – Revenue Bonds | 17,105,000 | 3.00%–5.25% | 2024 | 14,695,000 | — | 1,380,000 | 13,315,000 | 1,405,000 |
| EBC – Revenue Bonds | 54,370,000 | 2.00%–5.00% | 2042 | 54,370,000 | — | 1,890,000 | 52,480,000 | 1,925,000 |
| Total bonded debt | | | | <u>195,420,000</u> | <u>—</u> | <u>7,860,000</u> | <u>187,560,000</u> | <u>8,125,000</u> |
| Commercial paper | | | | — | 79,000,000 | 50,000,000 | 29,000,000 | — |
| Other long-term liabilities: | | | | | | | | |
| Accrued leave liabilities | | | | 22,705,686 | 619,911 | — | 23,325,597 | 2,479,786 |
| Deposits refundable | | | | 40,260 | — | 4,500 | 35,760 | — |
| Other | | | | 14,270,908 | — | 234,679 | 14,036,229 | — |
| Total other long-term liabilities | | | | <u>37,016,854</u> | <u>619,911</u> | <u>239,179</u> | <u>37,397,586</u> | <u>2,479,786</u> |
| Total | | | | <u>\$ 232,436,854</u> | <u>79,619,911</u> | <u>58,099,179</u> | <u>253,957,586</u> | <u>10,604,786</u> |
| Due within one year | | | | | | | (10,604,786) | |
| Total long-term liabilities | | | | | | | <u>\$ 243,352,800</u> | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| Description and purpose | Original issue | Annual interest rate | Maturity (Fiscal Year) | Year ended June 30, 2013 | | | | |
|-----------------------------------|----------------|----------------------|------------------------|--------------------------|---------------|----------------|---------------------|---------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| Mississippi University for Women: | | | | | | | | |
| Capital leases: | | | | | | | | |
| Various equipment | | | | \$ 4,338 | — | 4,338 | — | — |
| Other long-term liabilities: | | | | | | | | |
| Accrued leave liabilities | | | | 1,041,561 | 71,126 | — | 1,112,687 | 44,507 |
| Other | | | | 1,376,106 | — | 110,742 | 1,265,364 | — |
| Total other long-term liabilities | | | | <u>2,417,667</u> | <u>71,126</u> | <u>110,742</u> | <u>2,378,051</u> | <u>44,507</u> |
| Total | | | | <u>\$ 2,422,005</u> | <u>71,126</u> | <u>115,080</u> | 2,378,051 | <u>44,507</u> |
| Due within one year | | | | | | | (44,507) | |
| Total long-term liabilities | | | | | | | <u>\$ 2,333,544</u> | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2013 | | | | |
|--------------------------------------|----------------|----------------------|------------------------|--------------------------|-----------|-----------|----------------|---------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| Mississippi Valley State University: | | | | | | | | |
| Bonded debt: | | | | | | | | |
| EBC – 2007 | \$ 19,015,000 | 4.00% | 2037 | \$ 18,305,000 | — | 230,000 | 18,075,000 | 265,000 |
| Total bonded debt | | | | 18,305,000 | — | 230,000 | 18,075,000 | 265,000 |
| Other long-term liabilities: | | | | | | | | |
| Accrued leave liabilities | | | | 1,594,971 | 36,204 | — | 1,631,175 | 220,324 |
| Deposits refundable | | | | 32,896 | — | 2,638 | 30,258 | — |
| Total other long-term liabilities | | | | 1,627,867 | 36,204 | 2,638 | 1,661,433 | 220,324 |
| Total | | | | \$ 19,932,867 | 36,204 | 232,638 | 19,736,433 | 485,324 |
| Due within one year | | | | | | | (485,324) | |
| Total long-term liabilities | | | | | | | \$ 19,251,109 | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2013 | | | | |
|---|----------------|----------------------|------------------------|--------------------------|----------------|------------------|-----------------------|---------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| University of Mississippi: | | | | | | | | |
| Bonded debt: | | | | | | | | |
| EBC – 2005 | \$ 10,965,000 | 3.00% – 4.38% | 2028 | \$ 8,180,000 | — | 375,000 | 7,805,000 | 390,000 |
| EBC – 2006A | 17,985,000 | 4.00% – 5.00% | 2026 | 13,345,000 | — | 1,110,000 | 12,235,000 | 1,160,000 |
| EBC – 2006B-1 | 17,290,000 | 3.50% – 5.00% | 2027 | 13,365,000 | — | 915,000 | 12,450,000 | 955,000 |
| EBC – 2008A | 29,785,000 | 3.25% – 5.00% | 2034 | 27,600,000 | — | 775,000 | 26,825,000 | 795,000 |
| EBC – 2009A | 19,870,000 | 2.13% – 4.50% | 2030 | 18,435,000 | — | 750,000 | 17,685,000 | 770,000 |
| EBC – 2009B | 24,165,000 | 3.00% – 5.00% | 2021 | 19,220,000 | — | 1,745,000 | 17,475,000 | 1,820,000 |
| EBC – 2009C | 14,770,000 | 2.50% – 4.75% | 2035 | 14,010,000 | — | 395,000 | 13,615,000 | 405,000 |
| EBC – 2011 | 27,995,000 | 2.00% – 5.00% | 2032 | 30,304,349 | — | 604,450 | 29,699,899 | 550,000 |
| Total bonded debt | | | | <u>144,459,349</u> | <u>—</u> | <u>6,669,450</u> | <u>137,789,899</u> | <u>6,964,449</u> |
| Other long-term liabilities and notes payable: | | | | | | | | |
| Accrued leave liabilities | | | | 13,444,658 | 983,139 | — | 14,427,797 | 1,374,000 |
| Deposits refundable | | | | 112,865 | — | 17,050 | 95,815 | — |
| Notes payable | | | | 1,214,968 | — | 1,018,380 | 196,588 | 96,604 |
| Other | | | | 9,102,500 | — | 105,500 | 8,997,000 | — |
| Total other long-term liabilities and notes payable | | | | <u>23,874,991</u> | <u>983,139</u> | <u>1,140,930</u> | <u>23,717,200</u> | <u>1,470,604</u> |
| Total | | | | <u>\$ 168,334,340</u> | <u>983,139</u> | <u>7,810,380</u> | <u>161,507,099</u> | <u>8,435,053</u> |
| Due within one year | | | | | | | <u>(8,435,053)</u> | |
| Total long-term liabilities | | | | | | | <u>\$ 153,072,046</u> | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2013 | | | | |
|---|----------------|----------------------|------------------------|--------------------------|-------------------|------------------|-----------------------|---------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| University of Southern Mississippi | | | | | | | | |
| Bonded debt: | | | | | | | | |
| Payne center | \$ 5,335,000 | 4.20%–6.00% | 2016 | \$ 1,535,000 | — | 1,535,000 | — | — |
| The village | 18,725,000 | 3.63%–5.00% | 2032 | 17,535,000 | — | 260,000 | 17,275,000 | 300,000 |
| EBC refunding | 24,855,000 | 3.63%–5.00% | 2027 | 22,420,000 | — | 1,560,000 | 20,860,000 | 1,449,584 |
| Athletic improvements | 27,190,000 | 4.00%–5.00% | 2034 | 25,995,000 | — | 425,000 | 25,570,000 | 450,000 |
| Dormitory construction | 49,900,000 | 2.75%–5.38% | 2037 | 49,900,000 | — | — | 49,900,000 | — |
| SMBEC Series 2013 | 51,875,000 | 2.75%–5.38% | 2044 | — | 57,344,262 | — | 57,344,262 | 1,530,000 |
| Total bonded debt | | | | <u>117,385,000</u> | <u>57,344,262</u> | <u>3,780,000</u> | <u>170,949,262</u> | <u>3,729,584</u> |
| Certificates of participation | | | | | | | | |
| Parking Garage, Series 2009 | 15,520,000 | 2.0% – 5.13% | 2040 | <u>15,240,000</u> | — | <u>284,999</u> | <u>14,955,001</u> | <u>295,000</u> |
| Capital leases: | | | | | | | | |
| Various equipment | | | | <u>1,094,962</u> | — | <u>183,604</u> | <u>911,358</u> | <u>171,513</u> |
| Other long-term liabilities and notes payable: | | | | | | | | |
| Accrued leave liabilities | | | | 9,580,560 | 135,745 | — | 9,716,305 | 1,350,000 |
| Deposits refundable | | | | 31,751 | — | 157 | 31,594 | — |
| Notes payable | | | | 2,475,505 | — | 308,684 | 2,166,821 | 674,190 |
| Other | | | | <u>27,365,658</u> | — | <u>301,802</u> | <u>27,063,856</u> | — |
| Total other long-term liabilities and notes payable | | | | <u>39,453,474</u> | <u>135,745</u> | <u>610,643</u> | <u>38,978,576</u> | <u>2,024,190</u> |
| Total | | | | <u>\$ 173,173,436</u> | <u>57,480,007</u> | <u>4,859,246</u> | <u>225,794,197</u> | <u>6,220,287</u> |
| Due within one year | | | | | | | <u>(6,220,287)</u> | |
| Total long-term liabilities | | | | | | | <u>\$ 219,573,910</u> | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2013 | | | | |
|---|----------------|----------------------|------------------------|--------------------------|-------------------|-------------------|-----------------------|---------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| University of Mississippi Medical Center: | | | | | | | | |
| Bonded debt: | | | | | | | | |
| Series 1998B | \$ 41,075,000 | 3.88%–5.90% | 2024 | \$ 23,670,000 | — | — | 23,670,000 | — |
| Series 2009 | 105,605,000 | 2.00%–5.00% | 2034 | 92,678,703 | — | 4,549,404 | 88,129,299 | 4,639,405 |
| Series 2010A | 24,870,000 | 5.92%–6.69% | 2032 | 24,870,000 | — | — | 24,870,000 | — |
| Series 2010B | 20,000,000 | 6.84% | 2035 | 20,000,000 | — | — | 20,000,000 | — |
| Series 2010C | 5,130,000 | 2.50%–5.00% | 2020 | 4,417,666 | — | 489,084 | 3,928,582 | 504,083 |
| Series 2012A | 51,860,000 | 4.00%–5.00% | 2041 | 51,860,000 | — | 44,203 | 51,815,797 | 44,202 |
| Series 2012B | 53,390,000 | 4.07%–4.82% | 2038 | 54,671,871 | — | — | 54,671,871 | — |
| Total bonded debt | | | | <u>272,168,240</u> | <u>—</u> | <u>5,082,691</u> | <u>267,085,549</u> | <u>5,187,690</u> |
| Capital leases: | | | | | | | | |
| Various equipment | | | | <u>1,190,228</u> | <u>—</u> | <u>1,190,228</u> | <u>—</u> | <u>—</u> |
| Other long-term liabilities: | | | | | | | | |
| Accrued leave liabilities | | | | 46,278,806 | 8,539,396 | 4,528,689 | 50,289,513 | 4,032,964 |
| Other | | | | <u>34,988,085</u> | <u>18,284,407</u> | <u>9,079,267</u> | <u>44,193,225</u> | <u>5,137,000</u> |
| Total other long-term liabilities | | | | <u>81,266,891</u> | <u>26,823,803</u> | <u>13,607,956</u> | <u>94,482,738</u> | <u>9,169,964</u> |
| Total | | | | <u>\$ 354,625,359</u> | <u>26,823,803</u> | <u>19,880,875</u> | <u>361,568,287</u> | <u>14,357,654</u> |
| Due within one year | | | | | | | <u>(14,357,654)</u> | |
| Total long-term liabilities | | | | | | | <u>\$ 347,210,633</u> | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2013 | | | | |
|--|----------------|----------------------|------------------------|--------------------------|--------------------|-------------------|-------------------|---------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| IHL Board Office: | | | | | | | | |
| Other long-term liabilities: | | | | | | | | |
| Accrued leave liabilities | | | | \$ 795,449 | — | 8,957 | 786,492 | 43,107 |
| Other | | | | 38,616,000 | 9,718,467 | 10,529,926 | 37,804,541 | 9,110,589 |
| Total | | | | <u>\$ 39,411,449</u> | <u>9,718,467</u> | <u>10,538,883</u> | 38,591,033 | <u>9,153,696</u> |
| Due within one year | | | | | | | 9,153,696 | |
| Total long-term liabilities | | | | | | | <u>29,437,337</u> | |
| MCVS: | | | | | | | | |
| Other long-term liabilities: | | | | | | | | |
| Accrued leave liabilities | | | | \$ 75,760 | 8,917 | 18,470 | 66,207 | 8,917 |
| Total | | | | <u>\$ 75,760</u> | <u>8,917</u> | <u>18,470</u> | 66,207 | <u>8,917</u> |
| Due within one year | | | | | | | (8,917) | |
| Total long-term liabilities | | | | | | | <u>\$ 57,290</u> | |
| | | | | | | | | |
| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2013 | | | | |
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| State of Mississippi Institutions of Higher Learning – Combined: | | | | | | | | |
| Total bonded debt | | | | \$ 890,473,217 | 57,701,006 | 25,595,644 | 922,578,579 | 28,071,798 |
| Total capital leases | | | | 20,747,813 | — | 1,987,363 | 18,760,450 | 780,855 |
| Other long-term liabilities and notes payable: | | | | | | | | |
| Accrued leave liabilities | | | | 107,712,969 | 11,777,176 | 6,959,453 | 112,530,692 | 10,754,156 |
| Deposits refundable | | | | 1,213,374 | 6,080 | 127,657 | 1,091,797 | — |
| Notes payable | | | | 19,813,989 | — | 1,698,952 | 18,115,037 | 860,308 |
| Other | | | | 129,171,741 | 51,025,637 | 14,354,080 | 165,843,298 | 14,542,589 |
| Total other long-term liabilities and notes payable | | | | <u>257,912,073</u> | <u>62,808,893</u> | <u>23,140,142</u> | 297,580,824 | <u>26,157,053</u> |
| Total long-term liabilities | | | | <u>\$ 1,169,133,103</u> | <u>120,509,899</u> | <u>50,723,149</u> | 1,238,919,853 | <u>55,009,706</u> |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

The annual debt service requirements for the outstanding debt as of June 30, 2014 for each of the respective universities within the IHL system are as follows:

| <u>University – fiscal year</u> | <u>Bonded debt</u> | <u>Capital leases</u> | <u>Notes payable</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|----------------------|-----------------------|----------------------|-------------------|-------------------|
| Alcorn State University: | | | | | |
| 2015 | \$ 400,000 | — | — | 2,271,438 | 2,671,438 |
| 2016 | 500,000 | — | — | 2,248,938 | 2,748,938 |
| 2017 | 640,000 | — | — | 2,223,638 | 2,863,638 |
| 2018 | 720,000 | — | — | 2,192,838 | 2,912,838 |
| 2019 | 815,000 | — | — | 2,154,463 | 2,969,463 |
| 2020 – 2024 | 5,575,000 | — | — | 10,141,566 | 15,716,566 |
| 2025 – 2029 | 8,350,000 | — | — | 8,509,072 | 16,859,072 |
| 2030 – 2034 | 11,115,000 | — | — | 6,127,716 | 17,242,716 |
| 2035 – 2039 | 14,390,000 | — | — | 2,842,042 | 17,232,042 |
| 2040 – 2044 | 3,353,617 | — | — | 87,806 | 3,441,423 |
| Totals | \$ <u>45,858,617</u> | <u>—</u> | <u>—</u> | <u>38,799,517</u> | <u>84,658,134</u> |

| <u>University – fiscal year</u> | <u>Bonded debt</u> | <u>Capital leases</u> | <u>Notes payable</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|---------------------|-----------------------|----------------------|-------------------|-------------------|
| Delta State University: | | | | | |
| 2015 | \$ 500,000 | 630,087 | — | 856,068 | 1,986,155 |
| 2016 | 520,000 | 651,314 | — | 823,267 | 1,994,581 |
| 2017 | 535,000 | 673,045 | — | 781,898 | 1,989,943 |
| 2018 | 555,000 | 705,303 | — | 766,785 | 2,027,088 |
| 2019 | 580,000 | 435,000 | — | 706,931 | 1,721,931 |
| 2020 – 2024 | 845,000 | 2,460,000 | — | 3,034,544 | 6,339,544 |
| 2025 – 2029 | — | 3,040,000 | — | 2,354,902 | 5,394,902 |
| 2030 – 2034 | — | 4,515,000 | — | 1,582,142 | 6,097,142 |
| 2035 – 2039 | — | 4,130,000 | — | 569,842 | 4,699,842 |
| Totals | \$ <u>3,535,000</u> | <u>17,239,749</u> | <u>—</u> | <u>11,476,379</u> | <u>32,251,128</u> |

| <u>University – fiscal year</u> | <u>Bonded debt</u> | <u>Capital leases</u> | <u>Notes payable</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|----------------------|-----------------------|----------------------|-------------------|--------------------|
| Jackson State University: | | | | | |
| 2015 | \$ 3,025,075 | — | 92,220 | 4,187,694 | 7,304,989 |
| 2016 | 2,514,213 | — | 95,007 | 4,075,520 | 6,684,740 |
| 2017 | 2,697,066 | — | 97,879 | 3,983,863 | 6,778,808 |
| 2018 | 2,854,098 | — | 100,837 | 3,847,428 | 6,802,363 |
| 2019 | 3,020,701 | — | 103,885 | 3,703,926 | 6,828,512 |
| 2020 – 2024 | 17,399,824 | — | 217,285 | 16,094,982 | 33,712,091 |
| 2025 – 2029 | 22,811,687 | — | — | 11,316,831 | 34,128,518 |
| 2030 – 2034 | 33,437,712 | — | — | 4,984,088 | 38,421,800 |
| Totals | \$ <u>87,760,376</u> | <u>—</u> | <u>707,113</u> | <u>52,194,332</u> | <u>140,661,821</u> |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| <u>University – fiscal year</u> | <u>Bonded debt</u> | <u>Capital leases</u> | <u>Notes payable</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|-----------------------|-----------------------|----------------------|--------------------|--------------------|
| Mississippi State University: | | | | | |
| 2015 | \$ 9,725,000 | — | — | 11,148,825 | 20,873,825 |
| 2016 | 9,725,000 | — | — | 12,005,332 | 21,730,332 |
| 2017 | 10,390,000 | — | — | 11,662,137 | 22,052,137 |
| 2018 | 8,755,000 | — | — | 11,355,819 | 20,110,819 |
| 2019 | 9,145,000 | — | — | 11,038,299 | 20,183,299 |
| 2020 – 2024 | 51,120,000 | — | — | 49,300,751 | 100,420,751 |
| 2025 – 2029 | 47,305,000 | — | — | 37,996,526 | 85,301,526 |
| 2030 – 2034 | 45,970,000 | — | — | 27,246,827 | 73,216,827 |
| 2035 – 2039 | 49,390,000 | — | — | 15,813,711 | 65,203,711 |
| 2040 – 2044 | 40,380,000 | — | — | 4,727,574 | 45,107,574 |
| Totals | \$ <u>281,905,000</u> | <u>—</u> | <u>—</u> | <u>192,295,801</u> | <u>474,200,801</u> |

| <u>University – fiscal year</u> | <u>Bonded debt</u> | <u>Capital leases</u> | <u>Notes payable</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|----------------------|-----------------------|----------------------|-------------------|-------------------|
| Mississippi Valley State University: | | | | | |
| 2015 | \$ 290,000 | — | — | 770,625 | 1,060,625 |
| 2016 | 335,000 | — | — | 759,025 | 1,094,025 |
| 2017 | 375,000 | — | — | 745,625 | 1,120,625 |
| 2018 | 415,000 | — | — | 730,625 | 1,145,625 |
| 2019 | 460,000 | — | — | 714,025 | 1,174,025 |
| 2020 – 2024 | 2,650,000 | — | — | 3,262,744 | 5,912,744 |
| 2025 – 2029 | 3,485,000 | — | — | 2,676,250 | 6,161,250 |
| 2030 – 2034 | 5,385,000 | — | — | 1,760,400 | 7,145,400 |
| 2035 – 2039 | 4,415,000 | — | — | 407,475 | 4,822,475 |
| Totals | \$ <u>17,810,000</u> | <u>—</u> | <u>—</u> | <u>11,826,794</u> | <u>29,636,794</u> |

| <u>University – fiscal year</u> | <u>Bonded debt</u> | <u>Capital leases</u> | <u>Notes payable</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|-----------------------|-----------------------|----------------------|-------------------|--------------------|
| University of Mississippi: | | | | | |
| 2015 | \$ 7,279,449 | 380,016 | 99,985 | 5,446,800 | 13,206,250 |
| 2016 | 7,639,449 | 760,032 | — | 5,168,550 | 13,568,031 |
| 2017 | 7,994,449 | 1,093,492 | — | 4,866,831 | 13,954,772 |
| 2018 | 7,979,449 | 1,160,184 | — | 4,540,118 | 13,679,751 |
| 2019 | 8,409,449 | 10,009,727 | — | 5,052,726 | 23,471,902 |
| 2020 – 2024 | 35,172,245 | — | — | 16,351,809 | 51,524,054 |
| 2025 – 2029 | 34,167,245 | — | — | 8,936,828 | 43,104,073 |
| 2030 – 2034 | 21,238,715 | — | — | 2,291,446 | 23,530,161 |
| 2035 – 2039 | 945,000 | — | — | 22,444 | 967,444 |
| Totals | \$ <u>130,825,450</u> | <u>13,403,451</u> | <u>99,985</u> | <u>52,677,552</u> | <u>197,006,438</u> |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| <u>University – fiscal year</u> | <u>Bonded debt</u> | <u>Capital leases</u> | <u>Notes payable</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|-----------------------|-----------------------|----------------------|--------------------|--------------------|
| University of Southern Mississippi: | | | | | |
| 2015 | \$ 3,056,805 | 518,185 | 759,203 | 8,499,951 | 12,834,144 |
| 2016 | 4,296,456 | 507,480 | 849,008 | 8,287,653 | 13,940,597 |
| 2017 | 4,260,175 | 510,106 | 957,691 | 8,107,882 | 13,835,854 |
| 2018 | 3,876,160 | 512,752 | 511,730 | 7,963,007 | 12,863,649 |
| 2019 | 4,287,408 | 92,467 | 355,000 | 7,748,286 | 12,483,161 |
| 2020 – 2024 | 24,906,588 | — | 2,020,000 | 34,937,486 | 61,864,074 |
| 2025 – 2029 | 31,257,557 | — | 2,535,000 | 28,792,237 | 62,584,794 |
| 2030 – 2034 | 43,603,950 | — | 3,265,000 | 17,795,633 | 64,664,583 |
| 2035 – 2039 | 29,300,475 | — | 4,215,000 | 6,251,793 | 39,767,268 |
| 2040 – 2044 | 18,179,104 | — | 880,000 | 136,696 | 19,195,800 |
| Totals | \$ <u>167,024,678</u> | <u>2,140,990</u> | <u>16,347,632</u> | <u>128,520,624</u> | <u>314,033,924</u> |

| <u>University – fiscal year</u> | <u>Bonded debt</u> | <u>Capital leases</u> | <u>Notes payable</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|-----------------------|-----------------------|----------------------|--------------------|--------------------|
| University of Mississippi: | | | | | |
| Medical Center | | | | | |
| 2015 | \$ 5,377,690 | — | — | 13,059,513 | 18,437,203 |
| 2016 | 5,582,690 | — | — | 12,858,463 | 18,441,153 |
| 2017 | 5,807,690 | — | — | 12,639,163 | 18,446,853 |
| 2018 | 6,092,690 | — | — | 12,352,975 | 18,445,665 |
| 2019 | 6,372,690 | — | — | 12,071,138 | 18,443,828 |
| 2020 – 2024 | 36,802,119 | — | — | 55,334,442 | 92,136,561 |
| 2025 – 2029 | 42,428,036 | — | — | 45,716,041 | 88,144,077 |
| 2030 – 2034 | 54,943,036 | — | — | 33,242,185 | 88,185,221 |
| 2035 – 2039 | 70,806,012 | — | — | 17,865,448 | 88,671,460 |
| 2040 – 2044 | 33,558,406 | — | — | 2,196,545 | 35,754,951 |
| Totals | \$ <u>267,771,059</u> | <u>—</u> | <u>—</u> | <u>217,335,913</u> | <u>485,106,972</u> |

| <u>University – fiscal year</u> | <u>Bonded debt</u> | <u>Capital leases</u> | <u>Notes payable</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|--------------------|-----------------------|----------------------|-----------------|----------------|
| Mississippi University for | | | | | |
| Women: | | | | | |
| 2015 | \$ — | 139,054 | — | 17,177 | 156,231 |
| 2016 | — | 142,920 | — | 13,313 | 156,233 |
| 2017 | — | 146,890 | — | 9,341 | 156,231 |
| 2018 | — | 150,973 | — | 5,259 | 156,232 |
| 2019 | — | 77,052 | — | 1,063 | 78,115 |
| Totals | \$ <u>—</u> | <u>656,889</u> | <u>—</u> | <u>46,153</u> | <u>703,042</u> |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| <u>University – fiscal year</u> | <u>Bonded debt</u> | <u>Capital leases</u> | <u>Notes payable</u> | <u>Interest</u> | <u>Total</u> |
|---|-------------------------|-----------------------|----------------------|--------------------|----------------------|
| State of Mississippi – Institutions of Higher Learning: | | | | | |
| 2015 | \$ 29,654,019 | 1,667,342 | 951,408 | 46,258,091 | 78,530,860 |
| 2016 | 31,112,808 | 2,061,746 | 944,015 | 46,240,061 | 80,358,630 |
| 2017 | 32,699,380 | 2,423,533 | 1,055,570 | 45,020,378 | 81,198,861 |
| 2018 | 31,247,397 | 2,529,212 | 612,567 | 43,754,854 | 78,144,030 |
| 2019 | 33,090,248 | 10,614,246 | 458,885 | 43,190,857 | 87,354,236 |
| 2020 – 2024 | 174,470,776 | 2,460,000 | 2,237,285 | 188,458,324 | 367,626,385 |
| 2025 – 2029 | 189,804,525 | 3,040,000 | 2,535,000 | 146,298,687 | 341,678,212 |
| 2030 – 2034 | 215,693,413 | 4,515,000 | 3,265,000 | 95,030,437 | 318,503,850 |
| 2035 – 2039 | 169,246,487 | 4,130,000 | 4,215,000 | 43,772,755 | 221,364,242 |
| 2040 – 2044 | 95,471,127 | — | 880,000 | 7,148,621 | 103,499,748 |
| Totals | \$ <u>1,002,490,180</u> | <u>33,441,079</u> | <u>17,154,730</u> | <u>705,173,065</u> | <u>1,758,259,054</u> |

(a) Mississippi State University

On October 11, 2013, the University issued \$60,470,000 in Educational Building Corporation revenue bonds, Series 2013 bonds, with interest rates ranging from 2.00% to 5.00%. The University utilized the bonds for the purpose of refunding the outstanding commercial paper and providing additional funding for the Davis Wade Stadium project. Payments are scheduled to begin in August 2014 and the bonds are scheduled to be retired in full in August of 2043.

On April 3, 2014, the University issued \$113,245,000 in Educational Building Corporation revenue bonds, Series 2014 bonds, with interest rates ranging from 0.29% to 5.00%. The University utilized a portion of these proceeds to defease all or a portion of the Series 2004, Series 2004-A and Series 2005 Bonds, with the remaining being used to fund the construction, furnishing and equipping of a classroom building with parking lots and the expansion of Davis Wade Stadium and a Fresh Foods residential dining facility. Payments are scheduled to begin in August 2014 and the bonds are scheduled to be retired in full in August of 2043.

(b) University of Southern Mississippi

On June 4, 2013, the University issued \$51,875,000 in S.M. Educational Building Corporation bonds (Series 2013) with interest rates ranging from 2.00% to 5.00% at a premium of \$5,469,262. The bonds are payable semi-annually with a final maturity in March 2043. The majority of the proceeds (\$50,715,000) will be used for the construction, furnishing and equipping of a 954-bed student residential complex on the main campus of Hattiesburg known as Century Park South, which includes a new student health clinic, administrative offices and a large multi-purpose space, and demolishing of abandoned facilities. The balance of the proceeds (\$1,160,000) were utilized to refund all of the outstanding SMEBC Revenue Bonds, Series 1997A (Payne Center Project) originally issued in December 1997.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

(10) Natural Classifications with Functional Classifications

The IHL System's operating expenses by functional classification were as follows for the years ended June 30, 2014 and 2013:

| Functional classification | 2014 | | | | | | | | | |
|---------------------------|-------------------------|--------------------|-------------------|----------------------|-------------------|------------------------------|--------------------|----------------------|------------------|----------------------|
| | Salaries and wages | Fringe benefits | Travel | Contractual services | Utilities | Scholarships and fellowships | Commodities | Depreciation expense | Other | Total |
| Instruction | \$ 436,448,011 | 133,904,078 | 9,205,398 | 34,165,719 | 265,225 | 2,625,128 | 14,014,678 | — | 621,372 | 631,249,609 |
| Research | 140,197,697 | 46,074,850 | 8,908,587 | 57,863,007 | 2,926,579 | 1,509,029 | 20,970,795 | — | 453,038 | 278,903,582 |
| Public service | 77,085,242 | 24,867,300 | 6,184,366 | 28,179,328 | 893,292 | 112,608 | 9,224,398 | — | 26,958 | 146,573,492 |
| Academic support | 78,656,290 | 23,388,940 | 4,078,288 | 35,126,778 | 554,457 | 3,057,566 | 14,939,361 | — | 344,973 | 160,146,653 |
| Student services | 42,990,788 | 13,358,913 | 4,349,641 | 11,021,420 | 133,799 | 978,549 | 5,684,878 | — | 172,509 | 78,690,497 |
| Institutional support | 131,442,325 | 37,830,164 | 2,856,931 | 95,796,477 | 236,852 | 982,468 | 26,710,158 | — | 142,450 | 295,997,825 |
| Operation of plant | 50,860,330 | 17,543,253 | 155,864 | 37,795,102 | 49,440,468 | — | 9,264,774 | 8,448,664 | 1,438,805 | 174,947,260 |
| Student aid | 4,185,081 | 3,251,361 | 22,792 | 474,338 | 2,963,663 | 160,250,334 | 222,647 | — | — | 171,370,216 |
| Auxiliary enterprises | 66,036,471 | 18,751,059 | 13,905,101 | 80,470,766 | 10,245,236 | 17,812,467 | 19,620,494 | 2,236 | 374,940 | 227,218,770 |
| Depreciation | — | — | — | — | — | — | — | 134,232,885 | — | 134,232,885 |
| Hospital | 402,057,040 | 106,648,592 | 1,973,100 | 83,577,821 | 843,149 | — | 199,591,353 | — | — | 794,691,055 |
| Loan fund expense | — | — | — | 21,674 | — | — | — | — | 1,110,727 | 1,132,401 |
| Other | — | — | — | — | — | — | — | — | — | — |
| | <u>1,429,959,275</u> | <u>425,618,510</u> | <u>51,640,068</u> | <u>464,492,430</u> | <u>68,502,720</u> | <u>187,328,149</u> | <u>320,243,536</u> | <u>142,683,785</u> | <u>4,685,772</u> | <u>3,095,154,245</u> |
| Elimination entities | — | — | — | (49,392,659) | — | (21,435,667) | — | — | — | (70,828,326) |
| Total operating expenses | <u>\$ 1,429,959,275</u> | <u>425,618,510</u> | <u>51,640,068</u> | <u>415,099,771</u> | <u>68,502,720</u> | <u>165,892,482</u> | <u>320,243,536</u> | <u>142,683,785</u> | <u>4,685,772</u> | <u>3,024,325,919</u> |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| Functional classification | 2013 | | | | | | | | | |
|---------------------------|-------------------------|--------------------|-------------------|----------------------|-------------------|------------------------------|--------------------|----------------------|------------------|----------------------|
| | Salaries and wages | Fringe benefits | Travel | Contractual services | Utilities | Scholarships and fellowships | Commodities | Depreciation expense | Other | Total |
| Instruction | \$ 424,173,958 | 125,804,419 | 10,865,120 | 37,998,973 | 193,439 | 5,848,623 | 16,539,887 | — | 449,858 | 621,874,277 |
| Research | 143,138,960 | 45,342,098 | 8,870,827 | 59,276,057 | 2,723,871 | 1,630,359 | 21,178,174 | — | 544,986 | 282,705,332 |
| Public service | 78,135,459 | 24,313,841 | 6,262,034 | 31,193,413 | 806,366 | 151,694 | 7,284,732 | — | 18,555 | 148,166,094 |
| Academic support | 77,195,399 | 22,238,815 | 3,001,439 | 28,995,751 | 524,935 | 151,341 | 14,456,560 | — | 446,334 | 147,010,574 |
| Student services | 40,113,241 | 12,311,992 | 4,187,824 | 9,788,472 | 134,882 | 882,585 | 5,782,086 | — | 246,227 | 73,447,309 |
| Institutional support | 121,914,003 | 33,131,082 | 2,731,507 | 89,491,449 | 382,055 | 424,450 | 17,726,700 | — | 2,343,451 | 268,144,697 |
| Operation of plant | 49,322,842 | 16,555,818 | 24,889 | 43,436,195 | 43,159,393 | 172 | 8,779,532 | 8,887,245 | (292,234) | 169,873,852 |
| Student aid | 4,615,447 | 3,197,610 | 25,911 | 428,189 | — | 155,822,518 | 243,252 | — | — | 164,332,927 |
| Auxiliary enterprises | 62,025,331 | 17,158,390 | 11,785,142 | 76,842,948 | 11,733,029 | 16,137,256 | 18,992,817 | 4,145 | (3,853) | 214,675,205 |
| Depreciation | — | 135,744 | — | — | — | — | — | 129,534,492 | — | 129,670,236 |
| Hospital | 371,230,232 | 95,578,600 | 1,329,713 | 79,534,800 | 233,820 | — | 170,917,883 | — | — | 718,825,048 |
| Loan fund expense | — | — | — | 20,348 | — | — | — | — | 299,042 | 319,390 |
| Other | — | — | — | — | — | — | — | — | 493,227 | 493,227 |
| | <u>1,371,864,872</u> | <u>395,768,409</u> | <u>49,084,406</u> | <u>457,006,595</u> | <u>59,891,790</u> | <u>181,048,998</u> | <u>281,901,623</u> | <u>138,425,882</u> | <u>4,545,593</u> | <u>2,939,538,168</u> |
| Elimination entities | — | — | — | (49,529,148) | — | (19,088,346) | — | — | — | (68,617,494) |
| Total operating expenses | <u>\$ 1,371,864,872</u> | <u>395,768,409</u> | <u>49,084,406</u> | <u>407,477,447</u> | <u>59,891,790</u> | <u>161,960,652</u> | <u>281,901,623</u> | <u>138,425,882</u> | <u>4,545,593</u> | <u>2,870,920,674</u> |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

(11) Operating Leases

Leased property under operating leases is composed of office rent, land, computer software and equipment. The following is a schedule by year of the future minimum rental payments required under noncancelable operating leases for the next five years:

| | <u>Amount</u> |
|---------------------------------|-----------------------|
| Years ending June 30, 2014: | |
| 2015 | \$ 22,976,501 |
| 2016 | 20,338,008 |
| 2017 | 18,124,703 |
| 2018 | 17,782,727 |
| 2019 | 15,654,228 |
| 2020 – 2024 | 48,900,916 |
| 2025 – 2029 | 45,586,200 |
| 2030 – 2034 | <u>23,034,480</u> |
| Total minimum payments required | \$ <u>212,397,763</u> |

The total rental expense for all operating leases, except those with terms of a month or less that were not renewed, for the years ended June 30, 2014 and 2013 approximated \$24.9 million and \$22.4 million, respectively.

(12) Construction Commitments and Financing

The IHL System has contracted for various construction projects as of June 30, 2014 and 2013. Estimated costs to complete the various projects and the sources of anticipated funding are presented below:

| | <u>Total costs to complete</u> | <u>2014</u> | | | |
|--|--------------------------------|------------------------|----------------------|------------------------------|--------------------|
| | | <u>Federal sources</u> | <u>State sources</u> | <u>Institutional sources</u> | <u>Other</u> |
| Alcorn State University | \$ 1,935,973 | 1,822,620 | 113,353 | — | — |
| Delta State University | 15,943,067 | — | 15,943,067 | — | — |
| Jackson State University | 17,163,333 | — | 17,163,333 | — | — |
| Mississippi State University | 365,182,807 | 11,432,729 | 74,236,742 | 277,020,024 | 2,493,312 |
| Mississippi University for Women | 5,134,809 | — | 5,134,809 | — | — |
| Mississippi Valley State University | 18,800,000 | — | 18,800,000 | — | — |
| University of Mississippi | 264,508,000 | 7,477,000 | 27,494,000 | 141,846,300 | 87,690,700 |
| University of Southern Mississippi | 17,151,086 | 511,464 | 7,352,402 | 9,287,220 | — |
| University of Mississippi Medical Center | 99,654,149 | 26,244,491 | 13,108,489 | 15,498,686 | 44,802,483 |
| Totals | \$ <u>805,473,224</u> | <u>47,488,304</u> | <u>179,346,195</u> | <u>443,652,230</u> | <u>134,986,495</u> |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| | 2013 | Funded by | | | |
|--|----------------|-------------------------|-----------------|---------------|-----------------------|
| | | Total costs to complete | Federal sources | State sources | Institutional sources |
| Alcorn State University | \$ 1,734,497 | 1,556,253 | 178,244 | — | — |
| Delta State University | 12,798,731 | — | 12,293,801 | 504,930 | — |
| Jackson State University | 18,811,390 | — | 18,811,390 | — | — |
| Mississippi State University | 327,778,824 | 11,144,963 | 103,448,698 | 211,917,770 | 1,267,393 |
| Mississippi University for Women | 2,493,147 | — | 2,493,147 | — | — |
| Mississippi Valley State University | 43,976,376 | — | 36,476,376 | 4,500,000 | 3,000,000 |
| University of Mississippi | 130,022,000 | 21,234,000 | 11,242,000 | 95,131,000 | 2,415,000 |
| University of Southern Mississippi | 80,989,229 | 460,696 | 27,351,325 | 53,177,208 | — |
| University of Mississippi Medical Center | 90,435,232 | 19,295,852 | 7,938,305 | 11,060,433 | 52,140,642 |
| Totals | \$ 709,039,426 | 53,691,764 | 220,233,286 | 376,291,341 | 58,823,035 |

(13) Donor Restricted Endowments

The net appreciation on investments of donor restricted endowments that is available for authorization for expenditure approximated \$54.6 million and \$52.5 million as of June 30, 2014 and 2013, respectively. These amounts are included in the accompanying statement of net position in “net position – expendable for other purposes”, and “net position – expendable for scholarships and fellowships”.

Most endowments operate on the total-return concept as permitted by the Uniform Management of Institutional Funds Act (Sections 79-11-601 through 79-11-617, MS Code, Ann. 1972) as enacted in 1998. The annual spending rate for these endowments is 5% of the three-year moving average market value.

(14) Pension Plan

(a) Plan Description

The IHL System participates in either the Public Employees’ Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan or the Optional Retirement Plan (ORP), a multiple-employer defined contribution plan established in 1990. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees’ Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

(b) Vesting Period

In 2007, the Mississippi Legislature amended the PERS Plan to change the vesting period from four to eight years for members who entered the IHL System after July 1, 2007. A member who entered

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

the IHL System prior to July 1, 2007 is still subject to the four year vesting period provided that the member does not subsequently refund their account balance.

(c) Funding Policy

PERS members are required to contribute 9.0% of their annual salary and the institution is required to contribute at an actuarially determined rate. The actuarially determined rate was 15.75% and 12.00% of annual covered payroll at June 30, 2014 and 2013, respectively. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The IHL System's contributions to PERS for the years ended June 30, 2014, 2013, and 2012, approximated \$145.3 million, \$128.4 million, and \$113.3 million, respectively. Such contributions equaled the required contributions for each respective year.

The membership of the ORP is composed of teachers and administrators of the IHL System appointed or employed on or after July 1, 1990, who elect to participate in ORP and reject membership in PERS. The IHL System's contributions to ORP for the years ended June 30, 2014, 2013, and 2012, approximated \$51.8 million, \$44.1 million, and \$36.2 million, respectively, which equaled its required contributions for each respective year.

(15) Self-Insured Worker's Compensation Fund

The IHL System participates in the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund (the WC Fund). The WC Fund provides a mechanism for the institutions to fund and budget for the costs of providing worker compensation benefits to eligible employees. The WC Fund does not pay benefits directly to employees. Funds are set aside in trust, and a third-party administrator is utilized to distribute the benefits to eligible employees. Total assets and liabilities related to this activity approximated \$24.0 million and \$22.6 million, at June 30, 2014 and 2013, respectively, and are included in the statements of net position.

A professionally licensed actuarial firm was contracted to establish a liability for both reported and unreported insured events, which includes estimates of future payments of losses. The difference between the assets and liabilities of the fund is not expected to impact the WC Fund's ability to pay claims.

In order to minimize the amount of risk and in accordance with self-insurance general practices, the WC Fund purchases excess loss insurance to cover risks exceeding \$1,000,000 per occurrence. Excess loss insurance premiums for the years ended June 30, 2014 and 2013 were approximately \$415,000 and \$364,000, respectively. Excess loss insurance does not discharge the WC Fund from its primary liability to cover the IHL System's claims. Consequently, failure of the insurer to honor its obligation could result in losses to the WC Fund.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

The following represents changes in the unpaid claims liabilities for the IHL System's portion of the WC Fund for the years ended June 30, 2014, 2013, and 2012:

| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|--|-----------------------------|--------------------------|--------------------------|
| Accrued claims at beginning of year | \$ 22,497,000 | 21,428,000 | 19,082,000 |
| Incurred claims: | | | |
| Provision for insured events of the current year | 8,377,000 | 6,977,000 | 7,925,000 |
| Increase (decrease) in provision for insured events of prior years | <u>(481,000)</u> | <u>103,000</u> | <u>(990,000)</u> |
| Total incurred claims and claims adjustment expenses | <u>7,896,000</u> | <u>7,080,000</u> | <u>6,935,000</u> |
| Claim payments: | | | |
| Claims attributable to insured events of the current year | 1,356,000 | 1,126,000 | 1,537,000 |
| Claims attributable to insured events of prior years | <u>5,196,000</u> | <u>4,885,000</u> | <u>3,052,000</u> |
| Total payments | <u>6,552,000</u> | <u>6,011,000</u> | <u>4,589,000</u> |
| Total accrued claims at end of year | \$ <u><u>23,841,000</u></u> | <u><u>22,497,000</u></u> | <u><u>21,428,000</u></u> |

Total accrued claims, included in long-term liabilities, are presented at their present value using a discount rate of 3.0%. The discount approximated \$2.9 million as of June 30, 2014 and 2013, respectively.

(16) Unemployment Trust Fund

The IHL System participates in a self-funded Unemployment Trust Fund (the Unemployment Fund). The Unemployment Fund provides a mechanism for the IHL System to fund and budget for the costs of providing unemployment benefits to eligible former employees. The Unemployment Fund does not pay benefits directly to former employees. Rather, it reimburses the Mississippi Department of Employment Security for benefits it pays directly to former IHL System employees. The assets and liabilities related to this activity approximated \$2.1 million and \$3.4 million at June 30, 2014, respectively and approximated \$2.1 million and \$3.2 million at June 30, 2013, and approximated \$2.2 million and \$2.9 million at June 30, 2012, respectively.

A professionally licensed actuarial firm was contracted to perform an actuarial analysis of the Unemployment Fund as of June 30, 2014 and 2013. The actuarial firm recommended a minimum funding level of \$3.4 million and \$3.2 million as of June 30, 2014 and 2013, respectively. They concluded that the actual assets of the Unemployment Fund, which equaled \$2.1 million at June 30, 2014 and 2013 were lower than the recommended minimum. This fact will be considered by the IHL when determining future funding rates.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

(17) Tort Liability Fund and Other Contingencies

The IHL System participates in the State Institutions of Higher Learning Tort Liability Fund (the IHL Tort Fund). In accordance with Section 11-46-1, et seq., Mississippi Code Annotated (1972), the Mississippi Tort Claims Board has authorized the Board of Trustees of State Institutions of Higher Learning (IHL Board) to establish a fund in order to self-insure a certain portion of its liability under the Mississippi Tort Claims Act and professional liability claims. The IHL Board established the IHL Tort Fund to provide self-insurance.

Effective July 1, 1993, Mississippi statute permitted tort claims to be filed against public institutions. A maximum limit of liability of \$500,000 per occurrence is currently permissible.

A professionally licensed actuarial firm was contracted to perform an actuarial analysis of the IHL Tort Fund as of June 30, 2014 and 2013. Total assets and liabilities related to this activity approximated \$14.7 million and \$12.7 million, at June 30, 2014, respectively, and approximated \$14.2 million and \$12.3 million at June 30, 2013, respectively, and are included in the statements of net position.

The following represents changes in the unpaid claims liabilities for the IHL System's portion of the IHL Tort Fund during the period ended June 30, 2014, 2013, and 2012:

| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|--|----------------------|--------------------|-------------------|
| Accrued claims at beginning of year | \$ 12,261,000 | 14,688,000 | 11,746,000 |
| Incurred claims: | | | |
| Provision for insured events of the current year | 3,491,000 | 3,203,000 | 3,113,000 |
| Increase (decrease) in provision for insured events of prior years | <u>(135,000)</u> | <u>(3,426,000)</u> | <u>1,302,000</u> |
| Total incurred claims and claims adjustment expense | <u>3,356,000</u> | <u>(223,000)</u> | <u>4,415,000</u> |
| Claims paid: | | | |
| Claims attributable to insured events of the current year | 124,000 | 78,000 | 98,000 |
| Claims attributable to insured events of prior years | <u>2,881,000</u> | <u>2,126,000</u> | <u>1,375,000</u> |
| Total payments | <u>3,005,000</u> | <u>2,204,000</u> | <u>1,473,000</u> |
| Total accrued claims at end of year | <u>\$ 12,612,000</u> | <u>12,261,000</u> | <u>14,688,000</u> |

Total accrued claims, included in long-term liabilities, are presented at their present value using a discount rate of 3.0%. The discount approximated \$1.4 million and \$1.5 million as of June 30, 2014 and 2013, respectively.

In addition to claims covered by the IHL Tort Fund and the UMMC Tort Fund (described more fully below), the IHL System is defendant in various other legal matters occurring in the normal course of business

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

activities. Management, with the advice of legal counsel, is of the opinion that the ultimate resolution of these matters will not have a material adverse impact on the IHL System's financial statements.

(18) University of Mississippi Medical Center Tort Claims Fund

The University of Mississippi Medical Center participates in the University of Mississippi Medical Center Tort Claims Fund (UMMC Tort Claims Fund). In accordance with Section 11-46-1, et seq., Mississippi Code Annotated (1972), the Mississippi Tort Claims Board has authorized the Board of Trustees of the IHL System to establish a fund to self-insure a certain portion of its liability under the Mississippi Tort Claims Act.

Effective July 1, 1993, Mississippi statute permitted tort claims to be filed against public institutions. A maximum limit of liability of \$500,000 per occurrence is currently permissible.

The Board of Trustees of Higher Learning has established a Medical Center Tort Claims fund to pay claims up to the maximum liability limits described above. Losses from professional and tort liability claims of the Medical Center are the responsibility of the Medical Center Tort Claims Fund.

Total assets and liabilities related to this activity approximated \$39.8 million and \$32.4 million at June 30, 2014 and approximated \$39.0 million and \$33.3 million at June 30, 2013, respectively, and are included in the Statements of Net Position.

A professionally licensed actuarial firm was contracted to perform an actuarial analysis to establish a liability for both reported and unreported insured events, which includes estimates of future payments of losses.

The following represents changes in the unpaid claims liabilities for the IHL System's portion of the UMMC Tort Claims Fund for the years ended June 30, 2014, 2013, and 2012:

| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|---|----------------------|--------------------|--------------------|
| Accrued claims at beginning of year | \$ 32,464,000 | 32,725,000 | 32,846,000 |
| Incurred claims: | | | |
| Provision for insured events of the current year | 8,210,000 | 7,387,000 | 7,424,000 |
| Decrease in provision for insured events of prior years | <u>(4,346,000)</u> | <u>(1,230,000)</u> | <u>(2,286,000)</u> |
| Total incurred claims | <u>3,864,000</u> | <u>6,157,000</u> | <u>5,138,000</u> |
| Payments: | | | |
| Claims attributable to insured events of the current year | 504,000 | 444,000 | 520,347 |
| Claims attributable to insured events of prior years | <u>3,844,000</u> | <u>5,974,000</u> | <u>4,738,653</u> |
| Total payments | <u>4,348,000</u> | <u>6,418,000</u> | <u>5,259,000</u> |
| Total accrued claims at end of year | <u>\$ 31,980,000</u> | <u>32,464,000</u> | <u>32,725,000</u> |

At June 30, 2014, unpaid claims, included in other long-term liabilities, of \$35.7 million are presented at their net present value of \$32.0 million.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

(19) Significant Disclosures for the Discretely Presented Component Unit of the IHL System – Mississippi State University Foundation, Inc.

(a) Significant Accounting Policies

(i) Organization

Mississippi State University Foundation, Inc. (MSUF) is a not-for-profit entity established to solicit and manage funds for the benefit of Mississippi State University. MSUF also manages funds for affiliates of the University, including Mississippi State University Alumni Association, Mississippi State University Alumni Foundation, Inc., and The Bulldog Club, Inc.

(ii) Basis of Accounting

The MSUF financial statements include MSUF and the Mississippi State Investment Pool in which MSUF has a significant financial interest and control. These consolidated financial statements are presented on the accrual basis of accounting and follow Financial Accounting Standards Board (FASB) statements, have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into three classes – permanently restricted, temporarily restricted or unrestricted as follows:

Permanently restricted net position – net assets subject to donor-imposed stipulations that they be maintained permanently by MSUF. Generally, the donor of these assets permits MSUF to use all or part of the income earned on related investments for general or specific purposes in support of MSU.

Temporarily restricted net position – net assets subject to donor-imposed stipulations that may or will be met by actions of MSUF and/or the passage of time.

Unrestricted net position – net assets that represent resources generated from operations or that are not subject to donor-imposed stipulations. Unrestricted net assets include contributions designated to a particular college or unit for which the use or purpose is unrestricted.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless the use of the underlying net asset is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at a rate commensurate with the risks involved. Amortization of the discount is recorded as contribution revenue and recognized in accordance

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

with donor-imposed restrictions, if any, on the contributions. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

Income and realized and unrealized gains (losses) on investments of permanently restricted net assets are reported:

- as increases (decreases) in permanently restricted net assets if the terms of the gift or MSUF's interpretation of relevant state law require that they be added to the principal of a permanent endowment fund;
- as increases (decreases) in temporarily restricted net assets in all other cases and released from restriction when expended in accordance with donor agreements, except as described in note 9(d) of MSUF's financial statements for endowment funds whereby the fair value of the fund is less than the historical cost value.

(iii) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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

(iv) Investments

Overall Investment Objective

The overall investment objective of MSUF is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund donor-designated directives and maintain each fund's inflation-adjusted impact. MSUF diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by MSUF's Investment Committee, which oversees its investment program in accordance with an established investment policy.

Mississippi State Investment Pool

MSUF, MSU, the MSU Alumni Foundation, and the MSU Bulldog Club, Inc. are participants in a joint venture, the Mississippi State Investment Pool (MSIP), whereby certain assets are pooled for investment purposes. MSUF is the investment pool's managing member, manages the assets of the pool, and maintains separate accounts for each participant. Investment income,

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

gains and losses, and expenses of the MSIP are allocated to each participant based on their share of ownership of the MSIP. Due to MSUF's significant financial interest in and control of the MSIP, MSUF has consolidated the MSIP reflecting the noncontrolling interests of the other three participants in its financial statements. As of June 30, 2014 and 2013, MUSF's financial statements include \$57.1 million and \$46.0 million, respectively, for their noncontrolling share within investments and unrestricted net position related to noncontrolling interests. MSUF recorded \$14.6 million and \$4.9 million of gains associated with these investments in fiscal 2014 and 2013, respectively, which is reported in net investment income (loss).

Allocation of Investment Strategies

In addition to traditional stocks and fixed income securities, MSUF may also hold shares or units in alternative investment vehicles involving hedged, private equity, and real asset strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments, and are valued accordingly. Private equity funds employ buyout and venture capital strategies and focus on investments in turn-around situations. Real asset strategies include natural resources and contributed properties held for investment. Natural resources funds generally hold interests in timber management organizations and master limited partnerships. Private equity and real asset strategies therefore often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of MSUF's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net position. Cash held for reinvestment consists of liquid short-term investments held by the investment pool.

Basis of Reporting

Investments are reported at estimated fair value. If an investment is held directly by MSUF and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in mutual funds registered with the SEC are based on share prices reported by the funds as of the last business day of the fiscal year. MSUF's interests in alternative investment funds are generally reported at the net position value (NAV) reported by the fund managers, which is used a practical expedient to estimate the fair value of MSUF's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2014, MSUF had no plans or intentions to sell investments at amounts different from NAV. Properties held for investment are reported at estimated fair value based on periodic appraisals conducted by third-party appraisers who utilize the cost, sales comparison and income capitalization approaches to estimate the fair value of the

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

investments. MSUF considers recent comparables, among other things, to adjust for any changes in fair value between the most recent appraisal date and year-end.

(b) Pledges Receivable

All unconditional promises to give are recorded at their estimated realizable value on a discounted basis using rates commensurate with the risks involved. Allowance is made for uncollectible pledges based upon management's judgment and analysis of specific accounts, past collection experience and other relevant factors.

Pledges receivable, net, are summarized as follows at June 30, 2014 and 2013:

| | <u>2014</u> | <u>2013</u> |
|--|----------------------|-------------------|
| Unconditional promises expected to be collected in: | | |
| Less than one year | \$ 9,897,207 | 9,418,443 |
| One year to five years | 17,408,819 | 10,098,539 |
| Over five years | 4,720,167 | 2,321,833 |
| | <u>32,026,193</u> | <u>21,838,815</u> |
| Less unamortized discount (rates ranging from 1% to 5%) | <u>(1,424,031)</u> | <u>(802,417)</u> |
| | 30,602,162 | 21,036,398 |
| Less allowance for uncollectible pledges | <u>(616,685)</u> | <u>(521,120)</u> |
| | <u>\$ 29,985,477</u> | <u>20,515,278</u> |

(c) Investments

Investments are summarized as follows at June 30, 2014 and 2013:

| | <u>2014</u> | <u>2013</u> |
|--|-----------------------|--------------------|
| Fixed income securities | \$ 101,421,623 | 98,470,824 |
| Equity securities | 160,364,992 | 154,094,141 |
| Hedged funds | 63,186,484 | 58,189,671 |
| Private equity and venture capital funds | 8,993,394 | 6,588,665 |
| Natural resources | 41,670,111 | 21,114,668 |
| Short-term investments | 22,527,781 | 1,173,950 |
| Contributed properties held for investment | 31,188,074 | 25,533,510 |
| Cash surrender value of life insurance | 1,743,015 | 1,760,612 |
| | <u>\$ 431,095,474</u> | <u>366,926,041</u> |

Total investments include a portion of an investment vehicle controlled by MSUF that approximated \$57.1 million and \$46.0 million as of June 30, 2014 and 2013, respectively. These investments

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

represent the amounts related to noncontrolling interests included within the accompanying financial statements.

MSUF has entered into various split interest agreements, including charitable remainder unitrusts and charitable gift annuities, whereby MSUF serves as trustee. The assets held under these split interest agreements are included in investments at June 30, 2014 and 2013 with an approximate fair value of \$6.7 million and \$6.4 million, respectively.

The following schedule summarizes net investment income in the statements of activities for the years ended June 30, 2014 and 2013:

| | 2014 | 2013 |
|---|---------------|-------------|
| Dividends and interest (net of expenses of \$726,884 and \$495,766, respectively) | \$ 7,972,813 | 8,261,500 |
| Net realized and unrealized gains | 56,198,472 | 25,893,174 |
| | \$ 64,171,285 | 34,154,674 |

(d) Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that MSUF has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement.

Shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable, are classified as Level 2 or Level 3. Because the net asset value reported by each fund is used as a practical expedient to estimate the fair value of MSUF's interest therein, its classification in Level 2 is based on MSUF's ability to redeem its interest at or near the date of the statement of financial position. If the interest can be redeemed in the near term, the investment is classified in Level 2, otherwise the investment is classified in Level 3. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

The following table summarizes MSUF's assets by major category in the fair value hierarchy as of June 30, 2014 and 2013:

| | June 30, 2014 | | | Total | Redemption or Liquidation | Days' Notice |
|---|----------------|------------|-------------|-------------|------------------------------|-----------------|
| | Level 1 | Level 2 | Level 3 | | | |
| Fixed income: | | | | | | |
| Fixed income securities | \$ 123,828 | 8,452,921 | — | 8,576,749 | Daily | 1 |
| Fixed income – mutual funds | 92,844,874 | — | — | 92,844,874 | Daily | 1 |
| Total fixed income | 92,968,702 | 8,452,921 | — | 101,421,623 | | |
| Equities: | | | | | | |
| Domestic large cap/mid cap | 374,310 | 37,842,493 | — | 38,216,803 | Daily | 1–3 |
| Domestic small cap | 27,404,462 | — | — | 27,404,462 | Daily | 3 |
| Non-U.S. equity | 94,743,727 | — | — | 94,743,727 | Daily/monthly | 1–15 |
| Total equities | 122,522,499 | 37,842,493 | — | 160,364,992 | | |
| Hedged funds | — | — | 63,186,484 | 63,186,484 | (1) | (1) |
| Private equity and venture capital funds | — | — | 8,993,394 | 8,993,394 | Illiquid (2) | — |
| Natural resources | — | — | 41,670,111 | 41,670,111 | (3) | (3) |
| Short-term investments | 22,527,781 | — | — | 22,527,781 | Daily | 1 |
| Contributed properties held for investment | — | — | 31,188,074 | 31,188,074 | Illiquid (4) | — |
| Cash surrender value of life insurance | — | 1,743,015 | — | 1,743,015 | (5) | (5) |
| Total investments | \$ 238,018,982 | 48,038,429 | 145,038,063 | 431,095,474 | | |
| Present value of amounts due from externally managed trusts | \$ — | — | 41,317,126 | 41,317,126 | | |
| Liabilities under split interest agreements | — | — | 4,144,163 | 4,144,163 | | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| | June 30, 2013 | | | | Redemption or Liquidation | Days' Notice |
|---|----------------|------------|-------------|-------------|------------------------------|-----------------|
| | Level 1 | Level 2 | Level 3 | Total | | |
| Fixed income: | | | | | | |
| Fixed income securities | \$ 193,154 | 8,264,292 | — | 8,457,446 | Daily | 1 |
| Fixed income – mutual funds | 90,013,378 | — | — | 90,013,378 | Daily | 1 |
| Total fixed income | 90,206,532 | 8,264,292 | — | 98,470,824 | | |
| Equities: | | | | | | |
| Domestic large cap/mid cap | 369,800 | 53,654,091 | — | 54,023,891 | Daily | 1–3 |
| Domestic small cap | 49,757,457 | — | — | 49,757,457 | Daily | 3 |
| Non-U.S. equity | 48,713,822 | 1,598,971 | — | 50,312,793 | Daily/monthly | 1–15 |
| Total equities | 98,841,079 | 55,253,062 | — | 154,094,141 | | |
| Hedged funds | — | — | 58,189,671 | 58,189,671 | (1) | (1) |
| Private equity and venture capital funds | — | — | 6,588,665 | 6,588,665 | Illiquid (2) | — |
| Natural resources | — | — | 21,114,668 | 21,114,668 | (3) | (3) |
| Short-term investments | 1,173,950 | — | — | 1,173,950 | Daily | 1 |
| Contributed properties held for investment | — | — | 25,533,510 | 25,533,510 | Illiquid (4) | — |
| Cash surrender value of life insurance | — | 1,760,612 | — | 1,760,612 | (5) | (5) |
| Total investments | \$ 190,221,561 | 65,277,966 | 111,426,514 | 366,926,041 | | |
| Present value of amounts due from externally managed trusts | \$ — | — | 38,487,513 | 38,487,513 | | |

1 Some of the hedge fund investments with redemption restrictions allow early redemption for specified fees. The terms and conditions upon which an investor may redeem an investment vary, usually with the majority requiring 15 to 180 days notice after the initial lock up period, which may be monthly, quarterly, or annually. At June 30, 2014 and 2013, MSUF had no alternative investment funds for which an otherwise redeemable investment was not redeemable.

2 These funds have ten-year terms or twelve-year terms, with extensions of one to four years, and are expected to liquidate prior to fund closing; future commitments to these funds approximate \$16,000,000 and \$19,000,000 at June 30, 2014 and 2013, respectively. Private equity and venture capital investments are generally made through limited partnerships. Under the terms of such agreements, the MSIP may be required to provide additional funding when capital or liquidity calls are made by fund managers. These partnerships have a limited existence, and they may provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, or other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. MSUF cannot anticipate such changes because they generally arise from unforeseeable events, but should they occur they could reduce liquidity or originally anticipated investment returns. Accordingly, the timing and amount of future capital or liquidity calls in any particular future year are uncertain.

3 One partnership expected to terminate in May 2019, but is subject to two 2-year extensions. The master limited partnership allows for monthly redemptions with 30 days notice.

4 Bulldog Forest properties may be held in perpetuity or liquidated at the MSUF's discretion. Other properties are for immediate sale.

5 MSUF currently has no plans to surrender these policies prior to maturity, but cash would be realized in a minimal amount of time if an insurance policy is cancelled.

At June 30, 2014 and 2013, MSUF had future funding commitments of \$16.0 million and \$19.0 million, respectively, related to investments. In addition, all of MSUF's investments can be redeemed

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

or liquidated on a daily basis except for real estate investments which require a much longer period to liquidate.

The following tables present MSUF's activities for the years ended June 30, 2014 and 2013 for investments classified in Level 3:

| 2014 | | | | | |
|---|-------------------------|---|------------------------------|---|--------------------|
| | Hedged funds | Private equity and venture capital funds | Natural resources | Properties held for investment | Total |
| Beginning value as of July 1, 2013 | \$ 58,189,671 | 6,588,665 | 21,114,668 | 25,533,510 | 111,426,514 |
| Acquisitions | — | 4,080,084 | 14,781,860 | 5,925,000 | 24,786,944 |
| Dispositions | (83,417) | (2,213,704) | (486,885) | (213,084) | (2,997,090) |
| Net realized and unrealized gains (losses) | <u>5,080,230</u> | <u>538,349</u> | <u>6,260,468</u> | <u>(57,352)</u> | <u>11,821,695</u> |
| Fair value at June 30, 2014 | <u>\$ 63,186,484</u> | <u>8,993,394</u> | <u>41,670,111</u> | <u>31,188,074</u> | <u>145,038,063</u> |

| 2013 | | | | | |
|---|-------------------------|---|------------------------------|---|--------------------|
| | Hedged funds | Private equity and venture capital funds | Natural resources | Properties held for investment | Total |
| Beginning value as of July 1, 2012 | \$ 66,049,643 | 5,082,762 | 18,537,182 | 11,726,801 | 101,396,388 |
| Acquisitions | — | 2,760,405 | 438,861 | 15,039,309 | 18,238,575 |
| Dispositions | (10,154,601) | (2,003,065) | (321,710) | (519,797) | (12,999,173) |
| Net realized and unrealized gains (losses) | <u>2,294,629</u> | <u>748,563</u> | <u>2,460,335</u> | <u>(712,803)</u> | <u>4,790,724</u> |
| Fair value at June 30, 2013 | <u>\$ 58,189,671</u> | <u>6,588,665</u> | <u>21,114,668</u> | <u>25,533,510</u> | <u>111,426,514</u> |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

(e) Net Position

Temporarily restricted and permanently restricted net position at June 30, 2014 and 2013 were available for the following purposes:

| | 2014 | | 2013 | |
|----------------------------|---|---|---|---|
| | Net assets Temporarily restricted | Net assets Permanently restricted | Net assets Temporarily restricted | Net assets Permanently restricted |
| Specified college programs | \$ 35,298,112 | 104,092,186 | 25,127,855 | 95,831,735 |
| Student financial aid | 38,512,608 | 125,069,303 | 24,610,548 | 116,876,438 |
| Research | 3,383,991 | 16,561,099 | 1,872,540 | 16,506,068 |
| Faculty and staff support | 10,640,970 | 49,573,050 | 5,400,078 | 47,914,506 |
| Facilities | 7,183,964 | 6,975,463 | 2,764,124 | 6,965,463 |
| Other | 5,554,072 | 6,166,551 | 3,295,428 | 2,678,215 |
| Total | \$ 100,573,717 | 308,437,652 | 63,070,573 | 286,772,425 |

(f) Endowment Net Assets

The FASB issued FASB ASC 958, *Not-for-Profit Entities*, which provides guidance about the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and expands disclosures about endowment funds (both donor-restricted and board-designated endowment funds), regardless of whether an organization is subject to UPMIFA. The Mississippi legislature enacted House Bill 1104 adopting UPMIFA during the 2012 legislative session. The legislation was effective July 1, 2012.

MSUF's Board of Directors has reviewed the terms of UPMIFA as enacted by the Mississippi legislature and has determined its donor agreements provide for the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds. As a result, MSUF classifies as permanently restricted net position the original gift donated to the permanent endowment and the original value of subsequent gifts. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net position is classified in temporarily restricted net position until the amounts are appropriated for expenditures in accordance with the donor agreements.

At June 30, 2014 MSUF's endowment consists of approximately 1,000 individual donor-restricted endowment funds established for a variety of purposes. As required by U.S. generally accepted accounting principles, net position associated with endowment funds, including funds designated by the Board of Directors of MSUF (the Board) to function as endowments, is classified and reported based on the existence or absence of donor-imposed restrictions.

MSUF's spending policy is designed to provide for positive growth in the market value of its endowment, net of distributions, over an extended period of time. In establishing this policy, the Board considered the long-term expected return of the endowment investment pool and the goal of maintaining the purchasing power of the endowment asset. Over the long-term, the current spending

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

policy is designed to return a net positive gain in market value (growth) after spendable transfers. The annual rate for spendable transfers, distributed semi-annually, is 4.0% of the investment pool's average unit value over the most recent 36-month period. In addition, each endowed fund is assessed an annual 1.5% administrative fee. This fee covers administrative costs related to the operations of the MSIP, and is a portion of the funding mechanism for the operations of MSUF.

MSUF's investment objectives are to provide an annualized real (adjusted for inflation) rate of return of 5.50% or more in order to preserve, or increase, the purchasing power of endowment capital, while generating an income stream to support activities of the funds held for the colleges and units of MSU. This policy is designed to tolerate volatility in short and intermediate-term performance. The endowment assets are invested as a part of the investment pool. To satisfy its long-term rate of return objectives, the pool embraces a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). MSUF, through the MSIP, targets a diversified asset allocation that includes global equities, fixed income, natural resources, and hedge strategies to achieve long-term objectives within prudent risk constraints.

Endowment net asset composition by type of fund as of June 30, 2014:

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|----------------------------------|----------------------|-----------------------------------|-----------------------------------|--------------------|
| Donor-restricted endowment funds | \$ (175,064) | 61,010,423 | 249,420,706 | 310,256,065 |
| Board-designated endowment funds | <u>21,550,474</u> | <u>—</u> | <u>—</u> | <u>21,550,474</u> |
| Total funds | <u>\$ 21,375,410</u> | <u>61,010,423</u> | <u>249,420,706</u> | <u>331,806,539</u> |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

Changes in endowment net assets for the fiscal year ended June 30, 2014:

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|--|----------------------|-----------------------------------|-----------------------------------|--------------------|
| Endowment net assets, beginning of year | \$ 22,749,137 | 29,425,866 | 235,005,290 | 287,180,293 |
| Investment return: | | | | |
| Investment income | 789,332 | 1,930,202 | — | 2,719,534 |
| Net appreciation (realized and unrealized) | <u>1,137,661</u> | <u>42,111,547</u> | <u>347,882</u> | <u>43,597,090</u> |
| Total investment return | 1,926,993 | 44,041,749 | 347,882 | 46,316,624 |
| Contributions | — | — | 12,907,398 | 12,907,398 |
| Appropriation of endowment assets for expenditure | (3,305,116) | (12,457,192) | — | (15,762,308) |
| Other changes: | | | | |
| Other transfers | 4,396 | — | 1,160,136 | 1,164,532 |
| Change in restrictions by donor | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Endowment net assets, end of year | \$ <u>21,375,410</u> | <u>61,010,423</u> | <u>249,420,706</u> | <u>331,806,539</u> |

Endowment net asset composition by type of fund as of June 30, 2013:

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|-------------------------------------|----------------------|-----------------------------------|-----------------------------------|--------------------|
| Donor-restricted endowment funds | \$ (435,486) | 29,425,866 | 235,005,290 | 263,995,670 |
| Board-designated endowment funds | <u>23,184,623</u> | <u>—</u> | <u>—</u> | <u>23,184,623</u> |
| Total funds | \$ <u>22,749,137</u> | <u>29,425,866</u> | <u>235,005,290</u> | <u>287,180,293</u> |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

Changes in endowment net assets for the fiscal year ended June 30, 2013:

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|--|-----------------------------|-----------------------------------|-----------------------------------|---------------------------|
| Endowment net assets, beginning of year | \$ 9,591,590 | 16,352,458 | 218,894,891 | 244,838,939 |
| Investment return: | | | | |
| Investment income | 862,653 | 2,904,040 | — | 3,766,693 |
| Net appreciation (realized and unrealized) | <u>2,660,777</u> | <u>21,466,534</u> | <u>(306,109)</u> | <u>23,821,202</u> |
| Total investment return | 3,523,430 | 24,370,574 | (306,109) | 27,587,895 |
| Contributions | 10,500,000 | — | 16,404,011 | 26,904,011 |
| Appropriation of endowment assets for expenditure | (1,189,753) | (11,297,166) | — | (12,486,919) |
| Other changes: | | | | |
| Other transfers | 323,870 | — | — | 323,870 |
| Change in restrictions by donor | <u>—</u> | <u>—</u> | <u>12,497</u> | <u>12,497</u> |
| Endowment net assets, end of year | \$ <u><u>22,749,137</u></u> | <u><u>29,425,866</u></u> | <u><u>235,005,290</u></u> | <u><u>287,180,293</u></u> |

(g) Funds with Deficiencies

As a result of market declines for certain recently established endowments, the fair value of certain donor-restricted endowments was less than the historical cost value (original gift/book value) of such funds (underwater) by \$175,064 and \$435,486 at June 30, 2014 and 2013, respectively.

These losses have been recorded as reductions in unrestricted net assets in accordance with U.S. generally accepted accounting principles. Future gains will be used to restore this deficiency in unrestricted net assets before any net appreciation above the historical cost value of such funds increases temporarily restricted net assets.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

(20) Significant Disclosures for the Discretely Presented Component Unit of the IHL System – University of Mississippi Foundation

(a) Significant Accounting Policies

(i) Organization

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

(ii) Basis of Accounting

These financial statements, which are presented on the accrual basis of accounting and follow Financial Accounting Standards Board (FASB) statements, have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net position and transactions into three classes – permanently restricted, temporarily restricted or unrestricted as follows:

Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by UMF. Generally, the donor of these assets permits UMF to use all or part of the income earned on related investments for general or specific purposes in support of UM.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that will be met by actions of UMF and/or the passage of time.

Unrestricted net assets – net assets that represent resources granted from operations or that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless the use of the underlying net asset is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at a rate commensurate with the risks involved. Amortization of the discount is recorded as contribution revenue and recognized in accordance with donor-imposed restrictions, if any, on the contributions. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

Income and realized and unrealized gains (losses) on investments of permanently restricted net assets are reported:

- as increases (decreases) in permanently restricted net assets if the terms of the gift or UMF's interpretation of relevant state law require that they be added to the principal of a permanent endowment fund;
- as increases (decreases) in temporarily restricted net assets in all other cases and released from restriction when expended in accordance with donor agreements.

(iii) Use of Estimates

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

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

(iv) Investments

Investments are recorded at fair value. The fair values of all investments other than real estate and partnership and membership interests (which include certain private equity investments and hedge funds) are based on quoted market prices and other observable inputs such as quoted prices for similar assets, quoted prices in inactive markets, or inputs corroborated by observable market data. UMF's partnership and member interests are generally reported at the net position value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value of the UMF's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2014 and 2013, UMF had no plans or intentions to sell investments at amounts different from NAV. UMF's real estate investments are also carried at fair value based on appraisal values at the date of receipt and as subsequently updated. Both realized and unrealized gains and losses are classified in the accompanying statements of activities based on restrictions put in place by the donor.

(b) *Pledges Receivable*

UMF obtains pledges through fund-raising projects in support of various activities. At June 30, 2014, pledges mature at various dates through 2034 (approximately \$11.3 million is due in fiscal year 2015, \$16.9 million is due in total during the period including fiscal year 2015 through fiscal year 2019, and \$1.3 million is due thereafter). At June 30, 2013, pledges were scheduled to mature at various dates through 2034 (approximately \$6.5 million was due in fiscal year 2014, \$11.9 million was due in total

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

during the period including fiscal year 2015 through fiscal year 2019, and \$504,000 is due thereafter). A summary of pledges receivable as of June 30, 2014 and 2013 are as follows:

| | <u>2014</u> | <u>2013</u> |
|---|----------------------|--------------------|
| Temporarily restricted | \$ 17,506,951 | 12,010,510 |
| Permanently restricted | <u>11,949,005</u> | <u>6,958,428</u> |
| | 29,455,956 | 18,968,938 |
| Allowances for doubtful pledges | (6,103,349) | (5,370,295) |
| Present value discounts (ranging from 1.6% to 6.1%) | <u>(3,042,923)</u> | <u>(2,492,770)</u> |
| | \$ <u>20,309,684</u> | <u>11,105,873</u> |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

(c) Investments

UMF's investments, aggregated by investment strategy, with related liquidity information consist of the following at June 30, 2014 and 2013:

| | <u>2014</u> | <u>2013</u> | <u>Liquidation period</u> |
|-------------------------------|-----------------------|-----------------------|-------------------------------|
| Investment strategy: | | | |
| Fixed income: | | | |
| U.S. Government securities | \$ 1,477,412 | 1,551,274 | Daily |
| Corporate bonds | 18,425,173 | 19,639,188 | Daily |
| Certificates of deposit | 503,804 | — | Annually |
| Other fixed income securities | <u>51,018,469</u> | <u>71,798,645</u> | Daily |
| Total fixed income | <u>71,424,858</u> | <u>92,989,107</u> | |
| Equities: | | | |
| Common stocks | 2,708,889 | 2,388,803 | Daily |
| Common stock funds | 47,561,792 | 31,444,225 | Daily |
| Mutual funds | 13,065,871 | 8,489,994 | Daily |
| Index funds | <u>82,668,594</u> | <u>69,076,899</u> | Daily |
| Total equities | <u>146,005,146</u> | <u>111,399,921</u> | |
| Hedge funds | 129,883,742 | 100,612,776 | Various ¹ |
| Venture capital | 25,518,456 | 18,940,187 | Illiquid ² |
| Real estate: | | | |
| Real estate owned | 5,136,673 | 4,943,308 | Illiquid |
| Timber fund | 12,305,905 | 11,890,742 | Illiquid ³ |
| Partnership interest | <u>750,000</u> | <u>750,000</u> | Illiquid ⁴ |
| Total real estate | 18,192,578 | 17,584,050 | |
| Other short-term investments | <u>2,571,748</u> | <u>2,441,066</u> | Daily |
| Total investments | \$ <u>393,596,528</u> | \$ <u>343,967,107</u> | |

¹ The majority of these hedge funds have liquidation terms that allow UMF to liquidate its investment in the fund on a quarterly basis but require prior notification ranging from 30 to 65 days.

² These venture capital investments have liquidation terms that allow UMF to liquidate its investment in the different funds after 7 to 12 years depending on the investment.

³ This fund represent interest in a partnership that invests solely in timber land and allows for liquidation after a 10-year term.

⁴ This investment represents a 49% interest in a commercial property. The investment would be liquidated upon the sale of the property.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

(d) ***Fair Value Measurement***

ASC Topic 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are observable at the measurement date;
- Level 2: Significant observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data; and
- Level 3: Significant unobservable inputs for the asset or liability that reflects the reporting entity's own estimates about the assumptions that market participants would use in pricing the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. In accordance with ASU 2009-12, *Investments that can be Redeemed at Net position Value on the Measurement Date or in the Near Term*, may be classified as Level 2. NAV is used as a practical expedient to estimate the fair value of such investments unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2014 and 2013, UMF had no plans or intentions to sell investments at amounts different from NAV.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

The following table presents the financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2014.

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|-----------------------|--------------------|-------------------|--------------------|
| Investment strategy: | | | | |
| Fixed income: | | | | |
| U.S. Government securities | \$ — | 1,477,412 | — | 1,477,412 |
| Corporate bonds | — | 18,425,173 | — | 18,425,173 |
| Certificates of deposit | — | 503,804 | — | 503,804 |
| Other fixed income securities | 40,614,185 | 10,404,284 | — | 51,018,469 |
| Total fixed income | <u>40,614,185</u> | <u>30,810,673</u> | <u>—</u> | <u>71,424,858</u> |
| Equities: | | | | |
| Common stocks | 2,708,889 | — | — | 2,708,889 |
| Common stock funds | 47,561,792 | — | — | 47,561,792 |
| Mutual funds | 13,065,871 | — | — | 13,065,871 |
| Index funds | 82,668,594 | — | — | 82,668,594 |
| Total equities | <u>146,005,146</u> | <u>—</u> | <u>—</u> | <u>146,005,146</u> |
| Hedge funds | — | 101,499,005 | 28,384,737 | 129,883,742 |
| Venture capital | — | — | 25,518,456 | 25,518,456 |
| Real estate: | | | | |
| Real estate owned | — | — | 5,136,673 | 5,136,673 |
| Timber fund | — | — | 12,305,905 | 12,305,905 |
| Partnership interest | — | — | 750,000 | 750,000 |
| Total real estate | <u>—</u> | <u>—</u> | <u>18,192,578</u> | <u>18,192,578</u> |
| Other short-term investments | 2,571,748 | — | — | 2,571,748 |
| Total investments | <u>\$ 189,191,079</u> | <u>132,309,678</u> | <u>72,095,771</u> | <u>393,596,528</u> |
| Beneficial interest in perpetual trust | \$ 820,979 | 254,070 | — | 1,075,049 |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

The following table presents the financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2013.

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|-----------------------|--------------------|-------------------|--------------------|
| Investment strategy: | | | | |
| Fixed income: | | | | |
| U.S. Government securities | \$ — | 1,551,274 | — | 1,551,274 |
| Corporate bonds | — | 19,639,188 | — | 19,639,188 |
| Certificates of deposit | — | — | — | — |
| Other fixed income securities | 61,984,177 | 9,814,468 | — | 71,798,645 |
| Total fixed income | <u>61,984,177</u> | <u>31,004,930</u> | <u>—</u> | <u>92,989,107</u> |
| Equities: | | | | |
| Common stocks | 2,388,803 | — | — | 2,388,803 |
| Common stock funds | 31,444,225 | — | — | 31,444,225 |
| Mutual funds | 8,489,994 | — | — | 8,489,994 |
| Index funds | 69,076,899 | — | — | 69,076,899 |
| Total equities | <u>111,399,921</u> | <u>—</u> | <u>—</u> | <u>111,399,921</u> |
| Hedge funds | — | 96,451,152 | 4,161,624 | 100,612,776 |
| Venture capital | — | — | 18,940,187 | 18,940,187 |
| Real estate: | | | | |
| Real estate owned | — | — | 4,943,308 | 4,943,308 |
| Timber fund | — | — | 11,890,742 | 11,890,742 |
| Partnership interest | — | — | 750,000 | 750,000 |
| Total real estate | <u>—</u> | <u>—</u> | <u>17,584,050</u> | <u>17,584,050</u> |
| Other short-term investments | 2,441,066 | — | — | 2,441,066 |
| Total investments | <u>\$ 175,825,164</u> | <u>127,456,082</u> | <u>40,685,861</u> | <u>343,967,107</u> |
| Beneficial interest in remainder trust | \$ 975,748 | — | — | 975,748 |

These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while UMF believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At June 30, 2014 and 2013, UMF had no outstanding unfunded commitments related to investments. In addition, all of UMF's investments can be redeemed or liquidated on a daily basis except for real estate investments which require a much longer period to liquidate.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

The following table includes a rollforward of the amounts for the years ended June 30, 2014 and 2013 for investments classified within Level 3:

| | <u>Real estate</u> | <u>Venture capital and private equity</u> | <u>Beneficial interest in remainder trust</u> | <u>Hedge Funds</u> | <u>Total</u> |
|----------------------------------|----------------------|---|---|--------------------|--------------------|
| Balance as of June 30, 2012 | \$ 17,565,697 | 14,854,261 | 5,512,593 | — | 37,932,551 |
| Net realized and unrealized gain | 173,243 | 1,211,783 | 3,286,929 | 302,164 | 4,974,119 |
| Net purchases (sales) | <u>(154,890)</u> | <u>2,874,143</u> | <u>(8,799,522)</u> | <u>3,859,460</u> | <u>(2,220,809)</u> |
| Balance as of June 30, 2013 | 17,584,050 | 18,940,187 | — | 4,161,624 | 40,685,861 |
| Net realized and unrealized gain | 1,036,201 | 1,062,525 | — | 4,827,268 | 6,925,994 |
| Net purchases (sales) | <u>(427,673)</u> | <u>5,515,744</u> | — | <u>19,395,845</u> | <u>24,483,916</u> |
| Balance as of June 30, 2014 | <u>\$ 18,192,578</u> | <u>25,518,456</u> | — | <u>28,384,737</u> | <u>72,095,771</u> |

(e) Net Position

Permanently restricted net position at June 30, 2014 and 2013 were available for the following purposes:

| | <u>2014</u> | <u>2013</u> |
|------------------------------|-----------------------|--------------------|
| Academic and program support | \$ 33,518,733 | 34,651,852 |
| Scholarship support | 87,164,527 | 79,587,143 |
| Faculty support | 58,466,198 | 52,287,041 |
| Library support | <u>13,538,446</u> | <u>12,436,190</u> |
| Total | <u>\$ 192,687,904</u> | <u>178,962,226</u> |

The vast majority of temporarily restricted net position at June 30, 2014 and 2013 were available for academic and program support.

(f) Net Asset Classification of Endowment Funds

The FASB issued FASB ASC 958, *Not-for-Profit Entities*, which provides guidance about the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and expands disclosures about endowment funds (both donor-restricted and board-designated endowment funds), regardless of whether an organization is subject to UPMIFA. The Mississippi legislature enacted House Bill 1104 adopting UPMIFA during the 2012 legislative session. The legislation was effective July 1, 2012.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

USMF's Board of Directors has reviewed the terms of UPMIFA as enacted by the Mississippi legislature and has determined its donor agreements provide for the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds. As a result, USMF classifies as permanently restricted net position the original gift donated to the permanent endowment and the original value of subsequent gifts. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net position is classified in temporarily restricted net position until the amounts are appropriated for expenditures in accordance with the donor agreements.

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

Income available for spending is determined by a total return system and is approved by the Board of Directors of UMF. The amount to be spent for the endowed purpose is calculated based on a percentage of a 3-year moving average of the endowment's market value. The objective is to provide relatively stable spending allocations. However, no portion of the original gift value of the endowed assets will be allocated for spending.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

Changes in donor-restricted endowment net assets for the years ended June 30, 2014 and 2013 is as follows:

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|--------------------|
| Donor-restricted endowment net assets (deficit), June 30, 2012 | \$ (405,737) | 51,538,466 | 163,470,384 | 214,603,113 |
| Contributions and transfers to endowment | — | — | 19,214,444 | 19,214,444 |
| Appropriation for expenditures | — | (8,209,170) | — | (8,209,170) |
| Investment return: | | | | |
| Investment income | — | 4,456,379 | — | 4,456,379 |
| Net appreciation | 223,676 | 21,018,565 | — | 21,242,241 |
| Donor-restricted endowment net assets (deficit), June 30, 2013 | (182,061) | 68,804,240 | 182,684,828 | 251,307,007 |
| Contributions and transfers to endowment | — | — | 9,486,836 | 9,486,836 |
| Appropriation for expenditures | — | (7,300,572) | — | (7,300,572) |
| Investment return: | | | | |
| Investment income | — | 3,733,409 | — | 3,733,409 |
| Net appreciation | 182,061 | 36,043,250 | 165,048 | 36,390,359 |
| Donor-restricted endowment net assets, June 30, 2014 | \$ <u>—</u> | <u>101,280,327</u> | <u>192,336,712</u> | <u>293,617,039</u> |

As a result of unfavorable volatility in the financial markets, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the fund's original value. Deficiencies of this nature are reported in unrestricted net assets. Subsequent gains that restore the fair value of assets of the endowment fund to the required level are classified as an increase in unrestricted net assets. There were no endowment funds with deficiencies as of June 30, 2014, and approximately \$182,000 of such deficiencies as of June 30, 2013.

(21) Significant Disclosures for the Discretely Presented Component Unit of the IHL System – University of Southern Mississippi Foundation

(a) Significant Accounting Policies

(i) Organization

The University of Southern Mississippi Foundation (USMF) is a not-for-profit entity organized under the laws of the State of Mississippi to provide support to The University of Southern Mississippi (USM) and its students. USMF depends on the University to provide the staff and facilities for its operations.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

Foundation Aviation Holdings, LLC was formed by USMF in October 2008 as a single member limited liability company. USMF's consolidated financial statements include the accounts of Foundation Aviation Holdings, LLC. All significant intercompany accounts and intercompany transactions have been eliminated.

(ii) **Basis of Accounting**

The consolidated financial statements, which are presented on the accrual basis of accounting, and follow Financial Accounting Standards Board (FASB) statements, have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into three classes – permanently restricted, temporarily restricted and unrestricted as follows:

Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by USMF. Generally, only a portion of the income earned on related investments may be expended for general or specific purposes in support of the USM.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met by actions of USMF and/or the passage of time. To the extent that restricted resources from multiple donors are available for the same purpose, USMF expends such gifts on a “first in, first out” basis.

Unrestricted net assets – net assets that represent resources generated from operations or that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless the use of the underlying net asset is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at a rate commensurate with the risks involved. Amortization of the discount is recorded as contribution revenue and recognized in accordance with donor-imposed restrictions, if any, on the contributions. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

Income and realized and unrealized gains (losses) on investments of permanently restricted net assets are reported:

- as increases (decreases) in permanently restricted net assets if the terms of the gift or USMF's interpretation of relevant state law require that they be added to the principal of a permanent endowment fund.
- as increases (decreases) in temporarily restricted net assets in all other cases and released from restriction when expended in accordance with donor agreements.

(iii) Use of Estimates

USMF prepares its consolidated financial statements in accordance with U.S. generally accepted accounting principles which require that management make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses. Such estimates include the allowance for uncollectible pledges, the fair market value of certain real estate, depreciation of property and equipment, and the present value discount applied to pledges receivable, the present value of externally managed trusts and the liabilities for gift annuity contracts. Actual results could differ significantly from those estimates.

USMF's investments are held in various types of investment securities across a variety of markets. Investment securities are exposed to several risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in USMF's consolidated financial statements.

(iv) Investments

Investments are recorded at fair value. The fair values of all investments other than real estate and partnership and membership interests (which include certain private equity investments and hedge funds) are based on quoted market prices and other observable inputs such as quoted prices for similar assets, quoted prices in inactive markets, or inputs corroborated by observable market data. USMF's partnership and member interests are generally reported at the net position value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value of the USMF's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2014 and 2013, USMF had no plans or intentions to sell investments at amounts different from NAV. USMF's real estate investments are also carried at fair value based on appraisal values at the date of receipt and as subsequently updated. Both realized and unrealized gains and losses are classified in the accompanying statements of activities based on restrictions put in place by the donor.

(v) Pledges

All unconditional pledges to give are recorded at their estimated realizable value on a discounted basis at rates commensurate with the risk involved. Management's estimate of the allowance for uncollectible pledges is based on an analysis of economic conditions, financial information about donors and current receivable levels and agings.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

(b) Pledges Receivable

Pledges receivable, net, are summarized as follows at June 30, 2014 and 2013:

| | 2014 | 2013 |
|---|---------------|-------------|
| Unconditional promises expected to be collected in: | | |
| Less than one year | \$ 5,766,855 | 4,669,007 |
| One year to five years | 12,229,484 | 10,210,498 |
| More than five years | 98,769 | 121,344 |
| | 18,095,108 | 15,000,849 |
| Less unamortized discounts ranging from 0.72% to 5.15% | (544,863) | (392,013) |
| | 17,550,245 | 14,608,836 |
| Less allowance for uncollectible pledges | (295,000) | (540,000) |
| | \$ 17,255,245 | 14,068,836 |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

(c) **Investments**

Investments are summarized as follows at June 30, 2014 and 2013:

| | <u>2014</u> | <u>2013</u> |
|--|----------------------|-------------------|
| Investment strategy: | | |
| Fixed income: | | |
| U.S. government securities | \$ 2,776,460 | 4,001,986 |
| Corporate bonds | 6,008,760 | 5,069,639 |
| Mutual funds | 25,223,504 | 27,480,999 |
| Index funds | — | 15,233 |
| Other fixed income securities | 3,699,367 | 3,246,868 |
| Total fixed income | <u>37,708,091</u> | <u>39,814,725</u> |
| Equities: | | |
| Common stocks | — | 123,381 |
| Mutual and common stock funds | 45,681,935 | 40,784,638 |
| Index funds | — | 95,919 |
| Total equities | <u>45,681,935</u> | <u>41,003,938</u> |
| Alternative investments: | | |
| Real estate owned | 90,000 | 102,000 |
| Real estate investment funds | 2,111,592 | 43,179 |
| Total alternative investments | <u>2,201,592</u> | <u>145,179</u> |
| Cash surrender value of insurance policies | 2,327,070 | 2,236,727 |
| Other | 46,032 | 46,032 |
| Total investments | <u>\$ 87,964,720</u> | <u>83,246,601</u> |

The following schedule summarizes net investment gain and its classification in the statements of activities:

| | <u>2014</u> | | | |
|---|---------------------|-------------------------------|-------------------------------|-------------------|
| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
| Dividends and interest (net of expenses of \$256,993) | \$ 1,459,541 | 106,512 | 14,749 | 1,580,802 |
| Realized (losses) gains, net | (159,891) | 1,911,399 | 4,641 | 1,756,149 |
| Unrealized gains, net | 224,860 | 6,865,097 | 148,733 | 7,238,690 |
| | <u>\$ 1,524,510</u> | <u>8,883,008</u> | <u>168,123</u> | <u>10,575,641</u> |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| | 2013 | | | Total |
|--|--------------|---------------------------|---------------------------|-------------|
| | Unrestricted | Temporarily restricted | Permanently restricted | |
| Dividends and interest (net of expenses of \$342,595) | \$ 1,314,641 | 129,272 | 16,059 | 1,459,972 |
| Realized gains, net | 62,761 | 9,482,679 | 120,814 | 9,666,254 |
| Unrealized gains, net | (271,711) | (4,766,452) | (59,357) | (5,097,520) |
| | \$ 1,105,691 | 4,845,499 | 77,516 | 6,028,706 |

(d) Fair Value Measurements

FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements. The fair value hierarchy established in FASB ASC 820 prioritizes the inputs used in valuation techniques into three levels as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that USMF has the ability to access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 is a description of the valuation methodologies used for assets measured at fair value.

Mutual and common stock funds, index funds, hedge funds and commodity funds, U.S. Government securities, corporate bonds and common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds: Valued based on inputs corroborated by observable market data.

Other fixed income securities: Valued at either the closing price reported on the active market on which the individual securities are traded or based on inputs corroborated by observable market data.

Real estate investment funds: At June 30, 2013, \$32,893 are publicly traded and are valued at the closing price reported on the active market on which the individual securities are traded. In addition, at June 30, 2014 and 2013, \$2,111,592 and \$10,286, respectively, are valued at the net asset value of underlying investments as determined by the fund managers. USMF's management also takes into consideration the audited financial information to determine overall reasonableness of the recorded value.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

Cash surrender value of insurance policies: Valued at the cash surrender value of the life insurance contract as determined by the life insurance company.

Real estate and other: Valued on the basis of recent appraisals.

The following is a description of the valuation methodologies used for other assets and liabilities measured at fair value:

Amounts due from externally managed trusts: Valued based on the present value of the estimated future cash receipts from the assets of the trust using appropriate discount rates.

Gift annuities payable: Valued based on the present value of projected future distributions to the annuity beneficiaries using appropriate discount rates.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while USMF believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

The following tables set forth by level, within the fair value hierarchy, USMF's assets at fair value or net position value as of June 30, 2014 and 2013:

| | | June 30, 2014 | | | |
|---|----|----------------------|-------------------|------------------|-------------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| Investment strategy: | | | | | |
| Fixed income: | | | | | |
| U.S. Government securities | \$ | 2,776,460 | — | — | 2,776,460 |
| Corporate bonds | | — | 6,008,760 | — | 6,008,760 |
| Mutual Funds | | 25,223,504 | — | — | 25,223,504 |
| Index funds | | 997,530 | 2,701,837 | — | 3,699,367 |
| Total fixed income | | <u>28,997,494</u> | <u>8,710,597</u> | <u>—</u> | <u>37,708,091</u> |
| Equities: | | | | | |
| Mutual and common stock funds | | 45,681,935 | — | — | 45,681,935 |
| Index funds | | — | — | — | — |
| Total equities | | <u>45,681,935</u> | <u>—</u> | <u>—</u> | <u>45,681,935</u> |
| Alternative investments: | | | | | |
| Real estate owned | | — | — | 90,000 | 90,000 |
| Real estate investment funds | | — | 2,111,592 | — | 2,111,592 |
| Total alternative investments | | <u>—</u> | <u>2,111,592</u> | <u>90,000</u> | <u>2,201,592</u> |
| Cash surrender value of insurance policies | | — | — | 2,327,070 | 2,327,070 |
| Other | | — | — | 46,032 | 46,032 |
| Total investments | \$ | <u>74,679,429</u> | <u>10,822,189</u> | <u>2,463,102</u> | <u>87,964,720</u> |
| Present value of amounts due from externally managed trusts | | | | | |
| | \$ | — | — | 856,903 | 856,903 |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| | | June 30, 2013 | | | |
|---|----|--------------------------|-----------------|-------------------------|--------------------------|
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Investment strategy: | | | | | |
| Fixed income: | | | | | |
| U.S. Government securities | \$ | 7,248,854 | — | — | 7,248,854 |
| Corporate bonds | | 5,069,639 | — | — | 5,069,639 |
| Mutual Funds | | 27,480,999 | — | — | 27,480,999 |
| Index funds | | 15,233 | — | — | 15,233 |
| Total fixed income | | <u>39,814,725</u> | <u>—</u> | <u>—</u> | <u>39,814,725</u> |
| Equities: | | | | | |
| Common stocks | | 123,381 | — | — | 123,381 |
| Mutual and common stock funds | | 40,784,638 | — | — | 40,784,638 |
| Index funds | | 95,919 | — | — | 95,919 |
| Total equities | | <u>41,003,938</u> | <u>—</u> | <u>—</u> | <u>41,003,938</u> |
| Alternative investments: | | | | | |
| Real estate owned | | — | — | 102,000 | 102,000 |
| Real estate investment funds | | 32,893 | — | 10,286 | 43,179 |
| Total alternative investments | | 32,893 | — | 112,286 | 145,179 |
| Cash surrender value of insurance policies | | — | — | 2,236,727 | 2,236,727 |
| Other | | — | — | 46,032 | 46,032 |
| Total investments | \$ | <u><u>80,851,556</u></u> | <u><u>—</u></u> | <u><u>2,395,045</u></u> | <u><u>83,246,601</u></u> |
| Present value of amounts due from externally managed trusts | | | | | |
| | \$ | — | — | 744,271 | 744,271 |

At June 30, 2014 and 2013, USMF had no outstanding unfunded commitments related to investments. In addition, all of USMF's investments can be redeemed or liquidated on a daily basis except for real estate investments which require a much longer period to liquidate.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

Level 3 Gains and Losses

The tables below set forth a summary of changes in the fair value or net position value of USMF's Level 3 assets for the years ended June 30, 2014 and 2013:

| June 30, 2014 | | | | | |
|-----------------------------------|---|---|--------------------|--------------|--------------|
| | Real estate investment funds | Life insurance contracts | Real estate | Other | Total |
| Balance, June 30, 2013 | \$ 10,286 | 2,236,727 | 102,000 | 46,032 | 2,395,045 |
| Acquisitions | — | — | — | — | — |
| Dispositions | (8,284) | — | (2,500) | — | (10,784) |
| Realized losses | (32,313) | — | (9,500) | — | (41,813) |
| Unrealized gains | 30,311 | — | — | — | 30,311 |
| Change in cash surrender value | — | 90,343 | — | — | 90,343 |
| Balance, June 30, 2014 | \$ — | 2,327,070 | 90,000 | 46,032 | 2,463,102 |
| June 30, 2013 | | | | | |
| | Real estate investment funds | Life insurance contracts | Real estate | Other | Total |
| Balance, June 30, 2012 | \$ 144,349 | 2,135,638 | 247,500 | 46,032 | 2,573,519 |
| Acquisitions | — | — | 230,000 | — | 230,000 |
| Dispositions | (160,226) | — | (251,331) | — | (411,557) |
| Realized losses | (541,541) | — | (124,169) | — | (665,710) |
| Unrealized gains | 567,704 | — | — | — | 567,704 |
| Change in cash surrender value | — | 101,089 | — | — | 101,089 |
| Balance, June 30, 2013 | \$ 10,286 | 2,236,727 | 102,000 | 46,032 | 2,395,045 |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

(e) **Temporarily Restricted Net position**

Temporarily restricted net position at June 30, 2014 and 2013 were available for the following purposes:

| | <u>2014</u> | <u>2013</u> |
|------------------------------------|----------------------|-------------------|
| Student financial aid | \$ 24,085,183 | 14,375,066 |
| Academic divisions | 3,506,414 | 3,266,465 |
| Research | 239,098 | 247,389 |
| Operation and maintenance of plant | 13,248,857 | 16,173,877 |
| Library | 751,121 | 432,571 |
| Athletics | 370,491 | 402,537 |
| Faculty and staff support | 2,445,051 | 1,331,395 |
| Other restricted purposes | 6,916,924 | 5,248,428 |
| Total | <u>\$ 51,563,139</u> | <u>41,477,728</u> |

(f) **Permanently Restricted Net Assets**

Permanently restricted net assets at June 30, 2014 and 2013 were available for the following purposes:

| | <u>2014</u> | <u>2013</u> |
|------------------------------------|----------------------|-------------------|
| Student financial aid | \$ 36,124,736 | 34,045,240 |
| Academic divisions | 5,466,060 | 4,285,115 |
| Research | 93,512 | 88,517 |
| Operation and maintenance of plant | 1,636,891 | 1,245,153 |
| Library | 2,966,476 | 2,955,052 |
| Faculty and staff support | 9,602,336 | 9,287,407 |
| Other restricted purposes | 3,349,050 | 3,089,104 |
| Total | <u>\$ 59,239,061</u> | <u>54,995,588</u> |

(g) **Endowment Net Assets**

At June 30, 2014, USMF has 838 individual funds which function as endowment funds that are established for a variety of purposes to support the USM. The endowment funds include both donor-restricted endowment funds and funds designated by USMF's Board of Directors to function as endowments. As required by U.S. generally accepted accounting principles, net assets are associated with endowment funds, including board-designated funds to function as endowments, and classified and reported based on the existence or absence of donor-imposed restrictions.

The FASB issued FASB ASC 958, *Not-for-Profit Entities*, which provides guidance about the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and expands disclosures about endowment funds (both donor-restricted and board-designated endowment funds), regardless of whether an organization is subject to UPMIFA. The Mississippi legislature

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

enacted House Bill 1104 adopting UPMIFA during the 2012 legislative session. The legislation was effective July 1, 2012.

USMF's Board of Directors has reviewed the terms of UPMIFA as enacted by the Mississippi legislature and has determined its donor agreements provide for the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds. As a result, USMF classifies as permanently restricted net position the original gift donated to the permanent endowment and the original value of subsequent gifts. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net position is classified in temporarily restricted net position until the amounts are appropriated for expenditures in accordance with the donor agreements.

USMF has established investment policies to ensure the assets of USMF's endowment are managed in a prudent fashion in accordance with sound investment principles. USMF's Board of Directors sets and approves the investment policies and charges the Investment Committee with implementation and subsequent, ongoing monitoring of the policies. USMF's investment objectives for endowments are to provide a total return that preserves the purchasing power of the endowment's assets while generating an income stream to support USM. The primary performance objective of the endowment is to achieve a total return, net of investment fees and within prudent levels of risk, in excess of the total spending rate.

USMF's spending policy is designed to instill confidence that the positive growth in the market value of the endowment is sufficient to offset reasonable spending over an extended period of time. The spending policy is approved by USMF's Board of Directors. In accordance with UPMIFA, the Board may expend as much of an endowment fund as the Board determines to be prudent for the uses and purposes for which the endowment fund was established. The target spending rate was approximately 4% for the years ended June 30, 2014 and 2013. In addition, applicable endowment funds were assessed a 1.75% administrative fee. This fee provides a significant portion of the funding for the development programs of USMF. No portion of the original gift value of permanent endowments is allocated for spending or charged a fee.

During the years ended June 30, 2014 and 2013, USMF had the following endowment related activity:

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|--------------------------------|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Endowment net assets, | | | | |
| June 30, 2013 | \$ 1,467,429 | 15,482,528 | 51,912,668 | 68,862,625 |
| Contributions | 16,105 | 57,369 | 2,224,069 | 2,297,543 |
| Net investment income | 238,861 | 8,811,755 | 107,695 | 9,158,311 |
| Other income | 2,379 | 14 | 125 | 2,518 |
| Change in restriction by donor | (7,354) | (83,111) | 332,790 | 242,325 |
| Expenses | (51,580) | (2,058,484) | — | (2,110,064) |
| Transfers | <u>175,535</u> | <u>(12,210)</u> | <u>56,252</u> | <u>219,577</u> |
| Endowment net assets, | | | | |
| June 30, 2014 | \$ <u>1,841,375</u> | <u>22,197,861</u> | <u>54,633,599</u> | <u>78,672,835</u> |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2014 and 2013

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Endowment net assets, June 30, 2012 | \$ 1,610,165 | 11,814,987 | 48,021,737 | 61,446,889 |
| Contributions | 61,463 | 57,288 | 2,503,471 | 2,622,222 |
| Net investment income | 169,751 | 4,911,158 | 74,739 | 5,155,648 |
| Other income (loss) | (2,241) | 1,690 | 919 | 368 |
| Change in restriction by donor | (1,466) | 61,145 | 153,211 | 212,890 |
| Expenses | (338,546) | (1,364,373) | — | (1,702,919) |
| Transfers | (31,697) | 633 | 1,158,591 | 1,127,527 |
| Endowment net assets, June 30, 2013 | \$ <u>1,467,429</u> | <u>15,482,528</u> | <u>51,912,668</u> | <u>68,862,625</u> |

At June 30, 2014 and 2013, the endowment net asset composition by type of fund consists of the following:

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Donor-restricted endowment- type funds | \$ — | 22,197,861 | 54,633,599 | 76,831,460 |
| Board-designated endowment- type funds | <u>1,841,375</u> | <u>—</u> | <u>—</u> | <u>1,841,375</u> |
| Endowment net assets, June 30, 2014 | \$ <u>1,841,375</u> | <u>22,197,861</u> | <u>54,633,599</u> | <u>78,672,835</u> |

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Donor-restricted endowment- type funds | \$ — | 15,482,528 | 51,912,668 | 67,395,196 |
| Board-designated endowment- type funds | <u>1,467,429</u> | <u>—</u> | <u>—</u> | <u>1,467,429</u> |
| Endowment net assets, June 30, 2013 | \$ <u>1,467,429</u> | <u>15,482,528</u> | <u>51,912,668</u> | <u>68,862,625</u> |

COMBINING SUPPLEMENTAL INFORMATION

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STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Combining Statement of Net Position

June 30, 2014

| Assets | Alcorn State University | Delta State University | Jackson State University | Mississippi State University | Mississippi University for Women | Mississippi Valley State University | University of Mississippi | University of Southern Mississippi | University of Mississippi Medical Center | IHL Board Office | MCVS | Elimination entries | Total |
|---|-------------------------|------------------------|--------------------------|------------------------------|----------------------------------|-------------------------------------|---------------------------|------------------------------------|--|------------------|-----------|---------------------|---------------|
| Current assets: | | | | | | | | | | | | | |
| Cash and cash equivalents | \$ 27,396,796 | 2,957,259 | 23,354,500 | 58,759,186 | 6,846,118 | 6,610,555 | 37,869,805 | 42,159,678 | 176,085,317 | 10,732,407 | 673,083 | — | 393,444,704 |
| Short-term investments | 5,577,494 | 137,460 | 250,000 | 6,147,670 | — | 4,669,196 | 85,946,710 | 2,650,321 | 76,749,616 | 4,218,798 | — | — | 186,347,265 |
| Accounts receivable, net | 11,494,198 | 7,306,518 | 24,191,799 | 57,258,167 | 5,072,257 | 3,655,046 | 31,623,899 | 33,722,059 | 147,527,544 | 1,850,498 | 105,588 | — | 323,807,573 |
| Student notes receivable, net | 577,839 | 382,405 | 58,370 | 3,259,771 | 141,995 | — | 6,796,918 | 2,265,385 | 1,999,508 | 720,587 | — | — | 16,202,778 |
| Inventories | 251,969 | 235,843 | 40,610 | 2,387,369 | — | 344,740 | 1,091,814 | 358,638 | 23,656,399 | 434,139 | — | — | 28,801,521 |
| Prepaid expenses | — | 74,973 | 9,014 | 10,901,228 | 525,159 | 19,500 | 3,415,231 | 5,247,679 | 3,903,247 | 17,919 | — | — | 24,113,950 |
| Other current assets | — | — | — | — | — | — | — | — | 1,339,652 | — | — | — | 1,339,652 |
| Total current assets | 45,298,296 | 11,094,458 | 47,904,293 | 138,713,391 | 12,585,529 | 15,299,037 | 166,744,377 | 86,403,760 | 431,261,283 | 17,974,348 | 778,671 | — | 974,057,443 |
| Noncurrent assets: | | | | | | | | | | | | | |
| Restricted cash and cash equivalents | 3,154,917 | (311,495) | 1,233,823 | 40,870,854 | (1,620,151) | — | 1,373,145 | 13,739,166 | 131,854,883 | — | — | — | 190,295,142 |
| Restricted short-term investments | — | — | — | — | — | 57,031 | — | — | — | — | — | — | 57,031 |
| Endowments investments | 12,925,602 | — | 16,573,146 | 37,367,157 | 3,764,200 | 1,424,392 | 87,361,952 | 3,963,947 | 72,749,051 | 34,176,204 | — | — | 270,305,651 |
| Other long-term investments | — | 6,179,592 | — | 87,680,498 | 8,779,054 | 1,216,503 | 141,480,440 | 42,590,505 | 37,789,953 | 34,661,252 | 568,428 | — | 360,946,225 |
| Student notes receivable, net | — | 1,355,799 | 1,873,441 | 11,850,754 | 1,261,033 | — | 18,763,530 | 24,835,856 | 6,714,563 | 30,313,985 | — | — | 96,968,961 |
| Capital assets, net | 145,734,294 | 116,612,685 | 253,498,227 | 822,354,690 | 94,734,458 | 87,299,089 | 762,394,628 | 533,422,032 | 544,363,996 | 4,729,683 | — | — | 3,365,143,782 |
| Other noncurrent assets | 674,989 | — | 9,740,882 | — | — | 120,026 | 204,328 | — | 4,526,496 | — | — | — | 15,266,721 |
| Total noncurrent assets | 162,489,802 | 123,836,581 | 282,919,519 | 1,000,123,953 | 106,918,594 | 90,117,041 | 1,011,578,023 | 618,551,506 | 797,998,942 | 103,881,124 | 568,428 | — | 4,298,983,513 |
| Total assets | 207,788,098 | 134,931,039 | 330,823,812 | 1,138,837,344 | 119,504,123 | 105,416,078 | 1,178,322,400 | 704,955,266 | 1,229,260,225 | 121,855,472 | 1,347,099 | — | 5,273,040,956 |
| Deferred outflows of resources: | | | | | | | | | | | | | |
| Accumulated deferred amount of debt refundings | — | — | — | 2,621,626 | — | — | — | — | 4,754,560 | — | — | — | 7,376,186 |
| Total assets and deferred outflows of resources | \$ 207,788,098 | 134,931,039 | 330,823,812 | 1,141,458,970 | 119,504,123 | 105,416,078 | 1,178,322,400 | 704,955,266 | 1,234,014,785 | 121,855,472 | 1,347,099 | — | 5,280,417,142 |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Combining Statement of Net Position

June 30, 2014

| Liabilities | Alcorn State University | Delta State University | Jackson State University | Mississippi State University | Mississippi University for Women | Mississippi Valley State University | University of Mississippi | University of Southern Mississippi | University of Mississippi Medical Center | IHL Board Office | MCVS | Elimination entries | Total |
|---|-------------------------|------------------------|--------------------------|------------------------------|----------------------------------|-------------------------------------|---------------------------|------------------------------------|--|------------------|-----------|---------------------|---------------|
| Current liabilities: | | | | | | | | | | | | | |
| Accounts payable and accrued liabilities | \$ 3,531,320 | 3,302,147 | 12,156,597 | 24,137,988 | 2,519,806 | 1,990,340 | 25,399,744 | 21,999,083 | 92,958,465 | 2,624,499 | 18,219 | — | 190,638,208 |
| Unearned revenues | 1,453,929 | 651,775 | 14,592,580 | 22,195,185 | 1,390,801 | 151,433 | 28,542,986 | 14,652,436 | 12,608,207 | — | — | — | 96,239,332 |
| Accrued leave liabilities – current portion | 841,992 | 176,665 | 383,195 | 1,994,659 | 47,314 | 180,256 | 1,665,000 | 1,150,000 | 4,408,465 | 47,208 | 6,536 | — | 10,901,290 |
| Long-term liabilities – current portion | 400,000 | 1,130,087 | 3,117,295 | 9,725,000 | 139,054 | 290,000 | 7,759,450 | 4,334,193 | 10,204,690 | 9,858,162 | — | — | 46,957,931 |
| Other current liabilities | — | — | — | 69,696 | 371,980 | 81,769 | 8,005,353 | 22,083 | 23,888,767 | — | — | — | 32,439,648 |
| Total current liabilities | 6,227,241 | 5,260,674 | 30,249,667 | 58,122,528 | 4,468,955 | 2,693,798 | 71,372,533 | 42,157,795 | 144,068,594 | 12,529,869 | 24,755 | — | 377,176,409 |
| Noncurrent liabilities: | | | | | | | | | | | | | |
| Deposits refundable | 595,628 | 136,425 | 24,207 | 30,305 | — | 30,258 | 95,972 | 32,743 | — | — | — | — | 945,538 |
| Accrued leave liabilities | 3,790,512 | 1,230,868 | 4,938,928 | 22,110,868 | 1,135,532 | 1,374,220 | 13,094,207 | 8,840,189 | 47,540,426 | 748,221 | 62,981 | — | 104,866,952 |
| Long-term liabilities | 45,458,617 | 19,644,662 | 85,350,194 | 272,180,000 | 517,835 | 17,520,000 | 136,569,436 | 181,179,107 | 262,393,369 | 28,007,838 | — | — | 1,048,821,058 |
| Other long-term liabilities | — | 1,817,516 | 1,683,435 | 13,837,235 | 1,184,812 | — | 9,233,300 | 26,735,912 | 32,936,769 | 540,103 | — | — | 87,969,082 |
| Total noncurrent liabilities | 49,844,757 | 22,829,471 | 91,996,764 | 308,158,408 | 2,838,179 | 18,924,478 | 158,992,915 | 216,787,951 | 342,870,564 | 29,296,162 | 62,981 | — | 1,242,602,630 |
| Total liabilities | \$ 56,071,998 | 28,090,145 | 122,246,431 | 366,280,936 | 7,307,134 | 21,618,276 | 230,365,448 | 258,945,746 | 486,939,158 | 41,826,031 | 87,736 | — | 1,619,779,039 |
| Net Position | | | | | | | | | | | | | |
| Net investment in capital assets | \$ 95,144,366 | 95,858,953 | 165,030,738 | 566,923,176 | 94,427,997 | 69,693,329 | 620,136,192 | 359,798,904 | 335,511,629 | 4,718,174 | — | — | 2,407,243,458 |
| Restricted for: | | | | | | | | | | | | | |
| Nonexpendable: | | | | | | | | | | | | | |
| Scholarship and fellowships | — | — | 8,120,842 | 2,756,315 | 823,451 | 763,507 | 7,311,211 | — | — | 975,913 | — | — | 20,751,239 |
| Research | — | — | — | 5,281,912 | — | — | 169,669 | — | — | — | — | — | 5,451,581 |
| Other purposes | 9,652,904 | — | — | 8,977,684 | 286,659 | — | 44,300,607 | 569,090 | 24,719,069 | 33,526,099 | — | — | 122,032,112 |
| Expendable: | | | | | | | | | | | | | |
| Scholarships and fellowships | — | — | 8,444,151 | 2,591,114 | 347,191 | 973,393 | 6,982,523 | 153,182 | 5,148,143 | 35,161,803 | — | — | 59,801,500 |
| Research | — | — | — | 25,720,040 | — | — | 6,995,114 | 87,895 | 22,087,588 | — | — | — | 54,890,637 |
| Capital projects | — | 2,314,766 | 6,705,991 | 405,344 | 2,110,352 | 1,436 | 2,927,994 | — | — | — | — | — | 14,465,883 |
| Debt service | — | — | 682,621 | 5,060,233 | — | 71,715 | — | — | — | — | — | — | 9,895,592 |
| Loans | 1,567,598 | 275,911 | 297,083 | 3,197,867 | 235,653 | — | 17,304,902 | 5,350,685 | 4,950,348 | 9,011 | — | — | 33,180,047 |
| Other purposes | — | 593,381 | — | 1,366,603 | — | — | 707,883 | 21,911,592 | 5,115,247 | — | 1,223,492 | — | 95,399,431 |
| Unrestricted | 45,351,232 | 7,797,883 | 19,295,955 | 152,897,746 | 13,965,686 | 11,586,539 | 219,917,148 | 71,949,103 | 289,091,019 | 5,638,441 | 35,871 | — | 837,526,623 |
| Total net position | \$ 151,716,100 | 106,840,894 | 208,577,381 | 775,178,034 | 112,196,989 | 83,797,802 | 947,956,952 | 446,009,520 | 747,075,627 | 80,029,441 | 1,259,363 | — | 3,660,638,103 |

See accompanying independent auditors' report.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Combining Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2014

| | Alcorn State University | Delta State University | Jackson State University | Mississippi State University | Mississippi University for Women | Mississippi Valley State University | University of Mississippi | University of Southern Mississippi | University of Mississippi Medical Center | IHL Board Office | MCVS | Elimination entries | Total |
|--|-------------------------------|------------------------------|--------------------------------|------------------------------------|--|---|---------------------------------|--|---|---------------------|-----------|------------------------|---------------|
| Operating revenues: | | | | | | | | | | | | | |
| Tuition and fees | \$ 25,945,473 | 21,075,453 | 65,327,446 | 189,477,201 | 17,753,672 | 13,494,657 | 246,717,316 | 128,961,632 | 27,196,477 | — | — | — | 735,949,327 |
| Less: | | | | | | | | | | | | | |
| Scholarship allowances | (10,997,030) | (4,178,873) | (21,098,339) | (55,661,841) | (5,911,964) | (7,633,108) | (64,391,644) | (38,349,988) | (2,647,745) | — | — | — | (210,870,532) |
| Bad debt expense | (531,896) | (212,667) | 634,640 | (1,023,229) | (120,794) | (679,837) | (884,655) | — | — | — | — | — | (2,818,438) |
| Net tuition and fees | 14,416,547 | 16,683,913 | 44,863,747 | 132,792,131 | 11,720,914 | 5,181,712 | 181,441,017 | 90,611,644 | 24,548,732 | — | — | — | 522,260,357 |
| Federal appropriations | — | — | — | 14,844,867 | — | — | — | — | — | — | — | — | 14,844,867 |
| Federal grants and contracts | 13,760,071 | 2,266,782 | 35,875,002 | 100,494,065 | 140,470 | 6,417,439 | 41,249,962 | 40,677,147 | 43,440,872 | 6,297,750 | 3,452,169 | (32,654,369) | 261,417,360 |
| State grants and contracts | 24,400 | 1,252,224 | 1,718,952 | 25,172,372 | 6,281,367 | 31,080 | 21,174,194 | 10,389,707 | 10,761,203 | 92,662 | — | (21,435,667) | 55,462,494 |
| Nongovernmental grants and contracts | 994,771 | 3,357,533 | 2,130,199 | 13,532,183 | 1,975,859 | — | 29,393,725 | 13,296,958 | 9,263,625 | 1,244,162 | 99,382 | — | 75,288,397 |
| Sales and services of educational departments | 829,773 | 1,101,395 | 2,304,533 | 36,530,249 | 1,371,598 | 2,220,511 | 7,630,391 | 2,780,109 | 800,254 | 3,304,316 | 8,050 | (2,450,089) | 56,431,090 |
| Auxiliary enterprises: | | | | | | | | | | | | | |
| Student housing | 8,328,628 | 3,727,216 | 10,276,185 | 23,957,092 | 2,005,309 | 3,304,392 | 24,613,396 | 16,136,221 | — | — | — | — | 92,348,439 |
| Food services | 4,155,701 | 2,897,919 | 10,486,469 | 2,113,532 | 1,667,691 | 2,738,223 | 3,477,106 | 1,837,980 | — | — | — | — | 29,374,621 |
| Bookstore | 115,147 | 103,176 | — | 663,882 | 141,557 | 1,531,606 | 657,835 | 1,383,000 | 2,182,096 | — | — | — | 6,778,299 |
| Athletics | — | — | — | 37,585,418 | — | — | 45,337,508 | 10,689,484 | — | — | — | — | 93,612,410 |
| Other auxiliary revenues | 786,480 | 1,549,650 | 1,547,320 | 11,914,125 | 191,902 | 1,683,012 | 10,798,285 | 3,670,631 | 1,559,756 | 2,254,280 | 17,053 | — | 35,972,494 |
| Less auxiliary enterprise scholarship allowances | (2,923,261) | (434,169) | (7,903,043) | (12,218,453) | (1,224,112) | — | (5,981,737) | (3,599,360) | — | — | — | — | (34,284,135) |
| Interest earned on loans to students | — | 25,917 | — | 304,647 | — | — | 491,300 | — | 93,961 | — | — | — | 915,825 |
| Patient care revenues | — | — | — | — | — | — | — | — | 911,051,960 | — | — | — | 911,051,960 |
| Other operating revenues | 2,766,437 | 1,193,586 | 7,386,743 | 5,116,170 | 122,117 | 807,784 | 11,115,989 | 4,791,862 | 38,864,560 | 16,557,499 | — | (14,288,201) | 74,434,546 |
| Total operating revenues | 43,254,694 | 33,725,142 | 108,686,107 | 392,802,280 | 24,394,672 | 23,915,759 | 371,398,971 | 192,665,383 | 1,042,567,019 | 29,750,669 | 3,576,654 | (70,828,326) | 2,195,909,024 |
| Operating expenses: | | | | | | | | | | | | | |
| Salaries and wages | 36,326,711 | 26,154,883 | 75,257,674 | 294,082,679 | 19,510,986 | 21,159,328 | 195,735,059 | 140,285,920 | 612,504,051 | 8,392,139 | 549,845 | — | 1,429,959,275 |
| Fringe benefits | 11,267,196 | 8,357,904 | 21,231,515 | 99,117,254 | 5,877,401 | 7,825,296 | 55,142,825 | 49,912,359 | 164,361,573 | 2,360,415 | 164,772 | — | 425,618,510 |
| Travel | 2,107,006 | 1,092,762 | 3,522,647 | 16,354,244 | 468,911 | 1,354,884 | 14,231,341 | 7,908,562 | 4,168,167 | 371,151 | 60,393 | — | 51,640,068 |
| Contractual services | 15,515,342 | 12,750,475 | 44,638,195 | 68,070,241 | 7,662,758 | 10,239,196 | 79,361,152 | 53,744,522 | 145,240,459 | 24,129,713 | 3,140,377 | (49,392,659) | 415,099,771 |
| Utilities | 3,620,746 | 1,824,464 | 5,488,720 | 15,574,217 | 2,421,660 | 1,953,486 | 12,037,613 | 10,621,747 | 14,092,756 | 867,311 | — | — | 68,502,720 |
| Scholarships and fellowships | 8,136,110 | 5,453,267 | 19,783,017 | 31,419,262 | 5,553,512 | 5,287,224 | 46,069,232 | 24,802,089 | 6,959,759 | 33,864,677 | — | (21,435,667) | 165,892,482 |
| Commodities | 4,387,881 | 4,143,468 | 6,272,255 | 43,029,134 | 1,793,582 | 5,009,740 | 21,718,783 | 16,021,563 | 216,999,653 | 775,285 | 92,192 | — | 320,243,536 |
| Depreciation | 3,897,911 | 3,895,861 | 8,448,664 | 30,997,872 | 2,399,262 | 2,057,221 | 29,541,442 | 16,644,080 | 44,647,302 | 154,170 | — | — | 142,683,785 |
| Other operating expenses | 27,286 | 31,963 | 3,790,428 | — | — | — | 728,908 | — | 349,856 | (255,039) | 12,370 | — | 4,685,772 |
| Total operating expenses | 85,286,189 | 63,705,047 | 188,433,115 | 598,644,903 | 45,688,072 | 54,886,375 | 454,566,355 | 319,940,842 | 1,209,323,576 | 70,659,822 | 4,019,949 | (70,828,326) | 3,024,325,919 |
| Operating loss | (42,031,495) | (29,979,905) | (79,747,008) | (205,842,623) | (21,293,400) | (30,970,616) | (83,167,384) | (127,275,459) | (166,756,557) | (40,909,153) | (443,295) | — | (828,416,895) |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Combining Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2014

| | <u>Alcorn State University</u> | <u>Delta State University</u> | <u>Jackson State University</u> | <u>Mississippi State University</u> | <u>Mississippi University for Women</u> | <u>Mississippi Valley State University</u> | <u>University of Mississippi</u> | <u>University of Southern Mississippi</u> | <u>University of Mississippi Medical Center</u> | <u>IHL Board Office</u> | <u>MCVS</u> | <u>Elimination entries</u> | <u>Total</u> |
|---|--------------------------------|-------------------------------|---------------------------------|-------------------------------------|---|--|----------------------------------|---|---|-------------------------|------------------|----------------------------|----------------------|
| Nonoperating revenue (expenses): | | | | | | | | | | | | | |
| State appropriations | \$ 27,525,932 | 22,005,805 | 46,030,997 | 170,656,762 | 15,007,489 | 17,695,973 | 85,604,647 | 85,342,768 | 185,518,612 | 49,583,011 | 509,664 | — | 705,481,660 |
| Gifts and grants | 12,509,567 | 5,942,622 | 21,875,226 | 55,248,827 | 5,314,873 | 9,589,165 | 31,103,052 | 35,817,913 | 7,122,926 | 20 | — | — | 184,524,191 |
| Investment income, net of investment expense | 210,288 | 139,478 | 2,282,101 | 6,611,198 | 136,736 | 464,048 | 12,567,395 | 1,018,494 | 10,300,582 | 1,742,678 | 12,685 | — | 35,485,683 |
| Interest expense on capital assets-related debt | (2,287,513) | — | (5,550,321) | (8,436,717) | (10,005) | (787,489) | (5,618,595) | (6,383,567) | (11,278,568) | — | — | — | (40,352,775) |
| Other nonoperating revenues | 1,001,242 | 136,374 | 675,470 | 198,995 | 31,415 | — | — | 12,788,438 | 13,556 | — | — | — | 14,845,490 |
| Other nonoperating expenses | (41,219) | (257,027) | — | (1,989,740) | (1,823,397) | — | (268,218) | — | (2,452,962) | (235,897) | — | — | (7,068,460) |
| Total net nonoperating revenues | <u>38,918,297</u> | <u>27,967,252</u> | <u>65,313,473</u> | <u>222,289,325</u> | <u>18,657,111</u> | <u>26,961,697</u> | <u>123,388,281</u> | <u>128,584,046</u> | <u>189,224,146</u> | <u>51,089,812</u> | <u>522,349</u> | <u>—</u> | <u>892,915,789</u> |
| Income (loss) before other revenues, expenses, gains and losses | (3,113,198) | (2,012,653) | (14,433,535) | 16,446,702 | (2,636,289) | (4,008,919) | 40,220,897 | 1,308,587 | 22,467,589 | 10,180,659 | 79,054 | — | 64,498,894 |
| Capital grants and gifts | — | — | — | 26,482,220 | — | — | 30,663,790 | 4,896,119 | 3,612,201 | — | — | — | 65,654,330 |
| State appropriations restricted for capital purposes | 2,177,672 | 8,292,991 | 6,948,837 | 22,458,125 | 3,752,834 | 9,824,349 | 5,074,482 | 15,877,660 | 4,636,691 | 1,382,541 | — | — | 80,426,182 |
| Additions to permanent endowments | 1,430,000 | — | — | — | 55,098 | 49,235 | 68,374 | — | 359,463 | — | — | — | 1,962,170 |
| Other additions | 5,282,911 | — | — | — | 148,706 | — | 254,398 | 446,337 | — | — | — | — | 6,132,352 |
| Other deletions | (845,899) | — | — | (845,801) | — | — | (980,203) | (1,732,643) | (822,235) | — | — | — | (5,226,781) |
| Changes in net position | 4,931,486 | 6,280,338 | (7,484,698) | 64,541,246 | 1,320,349 | 5,864,665 | 75,301,738 | 20,796,060 | 30,253,709 | 11,563,200 | 79,054 | — | 213,447,147 |
| Net position – beginning of year | 146,784,614 | 100,560,556 | 216,062,079 | 710,636,788 | 110,876,640 | 77,933,137 | 872,655,214 | 425,213,460 | 716,821,918 | 68,466,241 | 1,180,309 | — | 3,447,190,956 |
| Net position – end of year | <u>\$ 151,716,100</u> | <u>106,840,894</u> | <u>208,577,381</u> | <u>775,178,034</u> | <u>112,196,989</u> | <u>83,797,802</u> | <u>947,956,952</u> | <u>446,009,520</u> | <u>747,075,627</u> | <u>80,029,441</u> | <u>1,259,363</u> | <u>—</u> | <u>3,660,638,103</u> |

See accompanying independent auditors' report.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Combining Statement of Cash Flows

Year ended June 30, 2014

| | Alcorn State University | Delta State University | Jackson State University | Mississippi State University | Mississippi University for Women | Mississippi Valley State University | University of Mississippi | University of Southern Mississippi | University of Mississippi Medical Center | IHL Board Office | MCVS | Elimination entries | Total |
|--|-------------------------------|------------------------------|--------------------------------|------------------------------------|--|---|---------------------------------|--|---|---------------------|-------------|------------------------|-----------------|
| Operating activities: | | | | | | | | | | | | | |
| Tuition and fees | \$ 14,446,184 | 16,683,913 | 43,865,174 | 136,189,154 | 11,707,859 | 5,857,687 | 181,293,436 | 91,465,262 | 24,285,242 | — | — | — | 525,793,911 |
| Grants and contracts | 15,636,745 | 7,177,597 | 40,164,350 | 138,365,359 | 6,794,292 | 6,689,223 | 95,126,810 | 66,228,774 | 62,916,322 | 7,961,426 | 3,551,551 | (54,090,036) | 396,522,413 |
| Sales and services of educational departments | 829,773 | 1,101,395 | 879,284 | 37,307,258 | 1,365,469 | 2,220,511 | 7,748,376 | 2,780,109 | 885,871 | 3,321,648 | 8,050 | (2,450,089) | 55,997,655 |
| Payments to suppliers | (26,362,617) | (17,983,686) | (58,128,014) | (133,506,207) | (10,195,869) | (14,295,864) | (104,794,884) | (73,857,464) | (365,321,266) | (25,116,441) | (3,292,962) | 49,392,659 | (783,462,615) |
| Payments to employees for salaries and benefits | (47,593,907) | (33,736,612) | (96,721,224) | (392,701,078) | (25,268,806) | (29,160,731) | (253,120,277) | (189,081,679) | (771,207,326) | (10,743,617) | (714,617) | — | (1,850,049,874) |
| Payments for utilities | (3,620,746) | (1,824,464) | (5,488,720) | (15,574,842) | (2,514,009) | (1,953,735) | (11,892,065) | (10,608,344) | (13,762,756) | (867,311) | — | — | (68,106,992) |
| Payment for scholarships and fellowships | (8,136,110) | (5,453,267) | (27,686,060) | (31,414,262) | (5,553,512) | (5,665,878) | (45,978,043) | (24,489,766) | (6,959,759) | (26,714,816) | — | 21,435,667 | (166,615,806) |
| Loans issued to students and employees | — | (31,963) | — | (3,209,078) | — | — | (3,134,010) | (4,057,705) | (1,880,888) | (10,602,050) | — | — | (22,915,694) |
| Collections of loans to students and employees | — | 25,917 | — | 3,708,050 | — | — | 2,143,858 | 4,454,643 | 1,316,980 | 1,043,061 | — | — | 12,692,509 |
| Auxiliary enterprise charges: | | | | | | | | | | | | | |
| Student housing | 8,176,664 | 2,982,912 | 10,276,185 | 23,936,199 | 1,339,034 | 3,304,392 | 17,807,790 | 15,591,603 | — | — | — | — | 83,414,779 |
| Food services | 4,155,701 | 2,897,919 | 9,869,597 | 2,004,837 | 1,106,132 | 2,738,223 | 3,357,574 | 1,844,872 | — | — | — | — | 27,974,855 |
| Bookstore | 115,147 | 103,176 | — | 663,882 | 141,557 | 1,531,606 | 657,374 | 1,418,915 | 2,195,028 | — | — | — | 6,826,685 |
| Athletics | — | — | — | 33,873,136 | — | — | 47,516,578 | 7,736,281 | — | — | — | — | 89,125,995 |
| Other auxiliary enterprises | 786,480 | 1,115,482 | 4,137,932 | 4,708,810 | 192,448 | 1,682,480 | 11,092,552 | 3,723,087 | 1,562,754 | 2,188,437 | — | — | 31,190,462 |
| Patient care services | — | — | — | — | — | — | — | — | 924,562,658 | — | — | — | 924,562,658 |
| Interest earned on loans to students | — | — | — | 304,464 | — | — | 491,301 | — | 93,961 | 369,249 | — | — | 1,258,975 |
| Other receipts | 1,832,123 | 1,193,586 | 4,731,650 | 18,834,580 | 122,116 | 682,448 | 11,154,804 | 2,669,336 | 50,016,323 | 16,559,769 | 17,054 | (14,288,201) | 93,525,588 |
| Other payments | (2,000) | (313,723) | — | — | — | — | (13,858,619) | — | (737,824) | (166,847) | — | — | (15,079,013) |
| Net cash used in operating activities | (39,736,563) | (26,061,818) | (74,099,846) | (176,509,738) | (20,763,289) | (26,369,638) | (54,387,445) | (104,182,076) | (92,034,680) | (42,767,492) | (430,924) | — | (657,343,509) |
| Noncapital financing activities: | | | | | | | | | | | | | |
| State appropriations | 27,525,932 | 22,005,805 | 47,572,561 | 169,540,179 | 15,007,489 | 17,901,766 | 85,849,441 | 84,508,178 | 185,518,612 | 49,843,450 | 509,664 | — | 705,783,077 |
| Gifts and grants for other than capital purposes | — | 6,442,823 | 21,875,226 | 58,693,856 | 5,297,637 | 9,589,165 | 29,978,282 | 35,735,009 | 7,122,926 | — | — | — | 174,734,924 |
| Private gifts for endowment purposes | 1,430,000 | — | — | — | 32,633 | — | 68,374 | — | 359,463 | 20 | — | — | 1,890,490 |
| Federal loan program receipts | 37,096,224 | 17,694,752 | 79,203,142 | 107,372,357 | 14,570,852 | 18,189,786 | 99,428,525 | 96,719,783 | 30,970,318 | — | — | — | 501,245,739 |
| Federal loan program disbursements | (37,096,224) | (17,694,752) | (79,203,142) | (107,725,697) | (14,570,852) | (18,189,786) | (99,428,525) | (96,907,081) | (30,991,861) | — | — | — | (501,807,920) |
| Other sources | — | 178,123 | — | — | 239,071 | — | 4,485,409 | (23,498) | 13,556 | — | — | — | 4,892,661 |
| Other uses | — | (280,651) | — | (998,878) | (1,381,775) | — | — | — | (3,451,611) | (353,701) | — | — | (6,466,616) |
| Net cash provided by noncapital financing activities | 28,955,932 | 28,346,100 | 69,447,787 | 226,881,817 | 19,195,055 | 27,490,931 | 120,381,506 | 120,032,391 | 189,541,403 | 49,489,769 | 509,664 | — | 880,272,355 |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Combining Statement of Cash Flows

Year ended June 30, 2014

| | <u>Alcorn State University</u> | <u>Delta State University</u> | <u>Jackson State University</u> | <u>Mississippi State University</u> | <u>Mississippi University for Women</u> | <u>Mississippi Valley State University</u> | <u>University of Mississippi</u> | <u>University of Southern Mississippi</u> | <u>University of Mississippi Medical Center</u> | <u>IHL Board Office</u> | <u>MCVS</u> | <u>Elimination entries</u> | <u>Total</u> |
|---|--|---------------------------------------|---|---|---|--|--|---|---|-----------------------------|-------------|--------------------------------|---------------|
| Capital and related financing activities: | | | | | | | | | | | | | |
| Proceeds from capital debt | \$ — | — | — | 173,715,000 | 725,000 | — | — | 1,754,754 | — | — | — | — | 176,194,754 |
| Cash paid for capital assets | — | (8,292,991) | (8,032,421) | (75,707,966) | (1,841,006) | (124,762) | (59,152,530) | (58,989,066) | (41,940,514) | (63,813) | — | — | (254,145,069) |
| Capital appropriations received | — | 8,784,841 | — | 2,271,150 | 384,894 | — | 779,813 | — | — | — | — | — | 12,220,698 |
| Capital grants and contracts received | 12,652,019 | — | — | 1,265,758 | — | — | 23,986,184 | 3,790,163 | 3,502,971 | — | — | — | 45,197,095 |
| Proceeds from sales of capital assets | — | — | — | 940,026 | — | — | — | 34,691 | 16,070 | — | — | — | 990,787 |
| Principal paid on capital debt and leases | (400,000) | (779,839) | (3,128,953) | (108,370,000) | (68,111) | (265,000) | (6,941,603) | (5,223,896) | (4,960,000) | — | — | — | (130,137,402) |
| Interest paid on capital debt and leases | (2,287,513) | (143,387) | (4,365,014) | (9,337,788) | (10,005) | (787,489) | (5,584,650) | (6,064,765) | (11,279,643) | — | — | — | (39,860,254) |
| Other sources | — | — | 6,269,428 | 6,667,893 | — | 5,218 | 3,501,003 | 13,234,775 | — | — | — | — | 29,678,317 |
| Other uses | — | — | — | (1,421,420) | — | — | (2,594,165) | (2,005,385) | — | — | — | — | (6,020,970) |
| Net cash provided by (used in) capital and related financing activities | 9,964,506 | (431,376) | (9,256,960) | (9,977,347) | (809,228) | (1,172,033) | (46,005,948) | (53,468,729) | (54,661,116) | (63,813) | — | — | (165,882,044) |
| Investing activities: | | | | | | | | | | | | | |
| Proceeds from sales and maturities of investments | 1,430,000 | 10,011,615 | 5,480,456 | 27,508,927 | 603,447 | 986,904 | 122,087,637 | 13,843,060 | 60,426,178 | 12,046,072 | 690 | — | 254,424,986 |
| Interest received on investments | 210,288 | 190,505 | 2,282,101 | 2,692,662 | 589,441 | 49,235 | 2,614,882 | 782,979 | 1,467,146 | 1,391,243 | (12,685) | — | 12,257,797 |
| Purchases of investments | (1,430,000) | (8,000,000) | (6,803,884) | (34,556,685) | (1,236,407) | (275,071) | (141,235,707) | (23,172,855) | (97,124,420) | (17,123,312) | 64,156 | — | (330,894,185) |
| Net cash provided by (used in) investing activities | 210,288 | 2,202,120 | 958,673 | (4,355,096) | (43,519) | 761,068 | (16,533,188) | (8,546,816) | (35,231,096) | (3,685,997) | 52,161 | — | (64,211,402) |
| Net increase (decrease) in cash and cash equivalents | (605,837) | 4,055,026 | (12,950,346) | 36,039,636 | (2,420,981) | 710,328 | 3,454,925 | (46,165,230) | 7,614,511 | 2,972,467 | 130,901 | — | (7,164,600) |
| Cash and cash equivalents – beginning of year | 31,157,550 | (1,409,262) | 37,538,669 | 63,590,404 | 7,646,948 | 5,900,227 | 35,788,025 | 102,064,074 | 300,325,689 | 7,759,940 | 542,182 | — | 590,904,446 |
| Cash and cash equivalents – end of year | \$ 30,551,713 | 2,645,764 | 24,588,323 | 99,630,040 | 5,225,967 | 6,610,555 | 39,242,950 | 55,898,844 | 307,940,200 | 10,732,407 | 673,083 | — | 583,739,846 |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Combining Statement of Cash Flows

Year ended June 30, 2014

| | Alcorn State University | Delta State University | Jackson State University | Mississippi State University | Mississippi University for Women | Mississippi Valley State University | University of Mississippi | University of Southern Mississippi | University of Mississippi Medical Center | IHL Board Office | MCVS | Elimination entries | Total |
|---|-------------------------------|------------------------------|--------------------------------|------------------------------------|--|---|---------------------------------|--|---|---------------------|-----------|------------------------|---------------|
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | | | | | | | | | | |
| Operating income (loss) | \$ (42,031,495) | (29,979,905) | (79,747,008) | (205,842,623) | (21,293,400) | (30,970,616) | (83,167,384) | (127,275,459) | (166,756,557) | (40,909,153) | (443,295) | — | (828,416,895) |
| Adjustment to reconcile net income (loss) to net cash provided by (used in) operating activities: | | | | | | | | | | | | | |
| Depreciation expenses | 3,897,911 | 3,895,861 | 8,448,664 | 30,997,872 | 2,399,262 | 2,057,221 | 29,541,442 | 16,644,080 | 44,647,302 | 154,170 | — | — | 142,683,785 |
| Self-insurance claims expense | — | — | — | — | — | — | — | — | 3,864,484 | 11,252,128 | — | — | 15,116,612 |
| Provision for uncollectible patient accounts receivable | — | — | — | — | — | — | — | — | 165,971,069 | — | — | — | 165,971,069 |
| Other | — | (478,714) | (555) | — | 148,796 | 2,001,733 | 975,444 | — | — | 8,792,240 | (44,172) | — | 11,394,772 |
| Changes in assets and liabilities: | | | | | | | | | | | | | |
| (Increase) decrease in assets: | | | | | | | | | | | | | |
| Receivables, net | 538,981 | 235,617 | (1,073,494) | 1,286,093 | (2,049,732) | 1,089,494 | (508,630) | (1,801,153) | (141,797,718) | (1,517,876) | 562,161 | — | (145,036,257) |
| Inventories | (37,679) | (3,019) | 7,252 | (74,423) | — | (26,464) | (93,787) | 23,466 | (1,324,781) | (51,067) | — | — | (1,580,502) |
| Prepaid expenses | — | — | — | (8,056,731) | (214,212) | 48,511 | (2,389,400) | 349,402 | (523,125) | 23,630 | — | — | (10,761,925) |
| Other assets | — | 51,014 | (81,004) | 1,023,229 | (127,161) | (205,793) | 762,654 | 791,606 | (879,998) | (21,766,646) | — | — | (20,432,099) |
| Increase (decrease) in liabilities: | | | | | | | | | | | | | |
| Accounts payable and accrued liabilities | (1,755,098) | 572,700 | (902,240) | (1,909,373) | 111,279 | (200,739) | (6,313,927) | 5,054,481 | 8,634,029 | 187,145 | (508,928) | — | 2,969,329 |
| Unearned revenue | (390,432) | (219,550) | 670,921 | 8,403,026 | 195,154 | (94,919) | 4,232,422 | 1,818,978 | 330,491 | — | — | — | 14,946,091 |
| Deposits refundable | (138,918) | 9,350 | (12,542) | (5,455) | — | — | 157 | 1,149 | — | — | — | — | (146,259) |
| Accrued leave liability | 282,780 | (318,168) | 222,629 | (779,930) | 70,159 | (76,699) | 331,410 | 273,884 | 1,659,378 | 8,937 | 3,310 | — | 1,677,690 |
| Loans to students and employees | — | 172,996 | — | (1,551,423) | (3,434) | — | (965,355) | 68,994 | — | — | — | — | (2,278,222) |
| Other liabilities | (102,613) | — | (1,632,469) | — | — | 8,633 | 3,207,509 | (131,504) | (5,859,254) | 1,059,000 | — | — | (3,450,698) |
| Total adjustments | 2,294,932 | 3,918,087 | 5,647,162 | 29,332,885 | 530,111 | 4,600,978 | 28,779,939 | 23,093,383 | 74,721,877 | (1,858,339) | 12,371 | — | 171,073,386 |
| Net cash provided by (used in) operating activities | \$ (39,736,563) | (26,061,818) | (74,099,846) | (176,509,738) | (20,763,289) | (26,369,638) | (54,387,445) | (104,182,076) | (92,034,680) | (42,767,492) | (430,924) | — | (657,343,509) |
| Noncash capital related financing and investing activities: | | | | | | | | | | | | | |
| Capital assets acquired through donations and capital lease obligations | \$ — | — | — | 26,482,220 | 374,571 | — | 19,436,326 | 837,492 | 109,230 | — | — | — | 47,239,839 |
| Capital appropriations from the State of Mississippi | 2,177,672 | 8,292,991 | 6,948,837 | 22,458,125 | 3,752,834 | 9,824,349 | 5,074,482 | 15,877,660 | 4,636,691 | 1,382,541 | — | — | 80,426,182 |

See accompanying independent auditors' report.

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REPORT ON INTERNAL CONTROL AND COMPLIANCE

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KPMG LLP
Suite 1100
One Jackson Place
188 East Capitol Street
Jackson, MS 39201-2127

**Independent Auditors' 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***

The Board of Trustees
State of Mississippi Institutions of Higher Learning:

We have audited, in accordance with the 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 accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the State of Mississippi Institutions of Higher Learning (the IHL System), a component unit of the State of Mississippi (the State), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise IHL System's basic financial statements, and have issued our report thereon dated December 10, 2014. Our report includes a reference to other auditors who audited the financial statements of the University of Mississippi Medical Center Education Building Corporation, the University of Mississippi Educational Building Corporation, the University of Mississippi Medical Center Tort Claims Fund, the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund, and the State Institutions of Higher Learning Tort Liability Fund, as described in our report on the IHL System's financial statements.

As described in our report on the IHL System's financial statements, the financial statements of the Mississippi State University Foundation, Inc., the University of Mississippi Foundation, the University of Southern Mississippi Foundation, the University of Mississippi Medical Center Educational Building Corporation, the University of Mississippi Educational Building Corporation, the University of Mississippi Medical Center Tort Claims Fund, the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund, and the State Institutions of Higher Learning Tort Liability Fund were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the IHL System's internal control over financial reporting (internal control) to determine the 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 IHL System's internal control. Accordingly, we do not express an opinion on the effectiveness of the IHL System'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the IHL System's basic 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 determination of financial statement amounts. 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 IHL System'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 IHL System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Jackson, Mississippi
December 10, 2014

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**COMPONENT UNIT ADDITIONAL INFORMATION
FOR INCLUSION IN THE STATE OF MISSISSIPPI
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

State of Mississippi Component Unit Additional Information

Combining Schedule of Net Position

June 30, 2014

| Assets | IHL System only | DFA reclass entry | MSU Foundation | UM Foundation | USM Foundation | Foundation eliminations | Total |
|---|-------------------------|----------------------|--------------------|--------------------|--------------------|----------------------------|----------------------|
| Current assets: | | | | | | | |
| Equity in internal investment pool | \$ — | 11,099,726 | — | — | — | — | 11,099,726 |
| Cash and cash equivalents | 393,444,704 | — | 2,079,027 | 5,906,694 | 8,260,263 | — | 409,690,688 |
| Short-term investments | 186,347,265 | — | 22,527,781 | 2,571,748 | — | — | 211,446,794 |
| Accounts receivable, net | 323,807,573 | (41,150,436) | — | — | — | — | 282,657,137 |
| Affiliate lease and accounts receivable | — | — | — | — | 798,668 | (798,668) | — |
| Notes and pledges receivable, net | 16,202,778 | — | 9,271,452 | 7,775,421 | 5,498,099 | — | 38,747,750 |
| Due from other governments | — | 30,050,710 | — | — | — | — | 30,050,710 |
| Inventories | 28,801,521 | — | — | — | — | — | 28,801,521 |
| Prepaid expenses | 24,113,950 | — | — | — | — | — | 24,113,950 |
| Other current assets | 1,339,652 | — | 450,905 | — | 1,556,017 | — | 3,346,574 |
| Total current assets | <u>974,057,443</u> | <u>—</u> | <u>34,329,165</u> | <u>16,253,863</u> | <u>16,113,047</u> | <u>(798,668)</u> | <u>1,039,954,850</u> |
| Noncurrent assets: | | | | | | | |
| Investments | 360,946,225 | — | 118,078,280 | 98,482,790 | — | — | 577,507,295 |
| Notes and pledges receivable, net | 96,968,961 | — | 20,746,294 | 12,534,263 | 11,757,146 | — | 142,006,664 |
| Restricted assets: | | | | | | | |
| Cash and cash equivalents | 190,295,142 | — | 5,044,019 | — | — | — | 195,339,161 |
| Short term investments | 57,031 | — | — | — | — | — | 57,031 |
| Investments | 270,305,651 | — | 331,806,539 | 293,617,039 | 87,964,720 | (53,107,648) | 930,586,301 |
| Capital assets, net of accumulated depreciation | 3,365,143,782 | — | 9,809,390 | 2,905,275 | 144,874 | — | 3,378,003,321 |
| Other noncurrent assets | 15,266,721 | — | — | 1,491,817 | 856,903 | — | 17,615,441 |
| Total noncurrent assets | <u>4,298,983,513</u> | <u>—</u> | <u>485,484,522</u> | <u>409,031,184</u> | <u>100,723,643</u> | <u>(53,107,648)</u> | <u>5,241,115,214</u> |
| Total assets | <u>\$ 5,273,040,956</u> | <u>—</u> | <u>519,813,687</u> | <u>425,285,047</u> | <u>116,836,690</u> | <u>(53,906,316)</u> | <u>6,281,070,064</u> |
| Deferred outflows of resources: | | | | | | | |
| Deferred amount of refundings | \$ 7,376,186 | — | — | — | — | — | 7,376,186 |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

State of Mississippi Component Unit Additional Information

Combining Schedule of Net Position

June 30, 2014

| Liabilities and Net Position | IHL System only | DFA reclass entry | MSU Foundation | UM Foundation | USM Foundation | Foundation eliminations | Total |
|---|----------------------------|------------------------------|---------------------------|--------------------------|---------------------------|------------------------------------|----------------------|
| Liabilities: | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable and accrued liabilities | \$ 190,638,208 | (855,182) | 6,893,966 | — | 562,123 | — | 197,239,115 |
| Due to primary government | — | 855,182 | — | — | — | — | 855,182 |
| Unearned revenues | 96,239,332 | — | — | — | — | — | 96,239,332 |
| Bonds and notes payable | 30,605,427 | — | — | — | — | — | 30,605,427 |
| Lease obligations payable | 1,667,342 | — | — | — | — | (177,427) | 1,489,915 |
| Current portion of noncurrent liabilities | 25,586,452 | — | 621,789 | 871,727 | 52,986 | — | 27,132,954 |
| Other current liabilities | 32,439,648 | — | — | 4,146,659 | — | — | 36,586,307 |
| Total current liabilities | 377,176,409 | — | 7,515,755 | 5,018,386 | 615,109 | (177,427) | 390,148,232 |
| Noncurrent liabilities: | | | | | | | |
| Bonds and notes payable | 989,039,483 | — | — | — | — | — | 989,039,483 |
| Lease obligations payable | 31,773,737 | — | — | — | — | (621,241) | 31,152,496 |
| Other noncurrent liabilities | 221,789,410 | — | 3,522,374 | 30,999,380 | 290,596 | — | 256,601,760 |
| Total noncurrent liabilities | 1,242,602,630 | — | 3,522,374 | 30,999,380 | 290,596 | (621,241) | 1,276,793,739 |
| Total liabilities | \$ 1,619,779,039 | — | 11,038,129 | 36,017,766 | 905,705 | (798,668) | 1,666,941,971 |
| Net position: | | | | | | | |
| Net investment in capital assets | \$ 2,407,243,458 | — | 9,809,390 | 2,905,275 | 144,874 | — | 2,420,102,997 |
| Restricted for: | | | | | | | |
| Other purposes | 267,633,090 | — | 100,573,717 | 177,908,495 | 51,563,139 | — | 597,678,441 |
| Permanent endowments: | | | | | | | |
| Nonexpendable | 148,234,932 | — | 308,437,652 | 192,687,904 | 59,239,061 | — | 708,599,549 |
| Unrestricted | 837,526,623 | — | 89,954,799 | 15,765,607 | 4,983,911 | (53,107,648) | 895,123,292 |
| Total net position | \$ 3,660,638,103 | — | 508,775,558 | 389,267,281 | 115,930,985 | (53,107,648) | 4,621,504,279 |

See accompanying independent auditors' report.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

State of Mississippi Component Unit Additional Information

Combining Schedule of Activities

Year ended June 30, 2014

| Functions/programs | Expenses | Program revenues | | | Net revenue (expense) and changes in net position | | | | | |
|--|------------------|----------------------|------------------------------------|----------------------------------|---|----------------|---------------|----------------|-------------------------|------------------|
| | | Charges for services | Operating grants and contributions | Capital grants and contributions | IHL System | MSU Foundation | UM Foundation | USM Foundation | Foundation Eliminations | Total |
| IHL System | \$ 3,079,792,373 | 1,791,714,344 | 407,013,118 | 65,654,330 | (815,410,581) | — | — | — | — | (815,410,581) |
| MSU Foundation | 34,925,585 | — | 22,974,937 | — | — | (11,950,648) | — | — | — | (11,950,648) |
| UM Foundation | 39,974,034 | — | 36,573,462 | — | — | — | (3,400,572) | — | — | (3,400,572) |
| USM Foundation | 14,315,280 | — | 14,784,861 | — | — | — | — | 469,581 | — | 469,581 |
| Total universities | \$ 3,169,007,272 | 1,791,714,344 | 481,346,378 | 65,654,330 | (815,410,581) | (11,950,648) | (3,400,572) | 469,581 | — | (830,292,220) |
| General revenues: | | | | | | | | | | |
| Interest and investment income | | | | | 35,485,683 | 68,786,467 | 47,554,800 | 10,632,486 | (10,358,610) | 152,100,826 |
| Other | | | | | 205,502,033 | — | — | — | — | 205,502,033 |
| Payment from State of Mississippi | | | | | 785,907,842 | — | — | — | — | 785,907,842 |
| Contributions to permanent endowments | | | | | 1,962,170 | 16,869,629 | 10,942,344 | 3,619,804 | — | 33,393,947 |
| Total general revenues and contributions | | | | | 1,028,857,728 | 85,656,096 | 58,497,144 | 14,252,290 | (10,358,610) | 1,176,904,648 |
| Change in net position | | | | | 213,447,147 | 73,705,448 | 55,096,572 | 14,721,871 | (10,358,610) | 346,612,428 |
| Net position – beginning | | | | | | | | | | 4,274,891,851 |
| Net position – ending | | | | | | | | | | \$ 4,621,504,279 |

See accompanying independent auditors' report.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

State of Mississippi Component Unit Additional Information

Schedule of Accounts Receivable Disclosure

June 30, 2014

| | Per IHL System | DFA Reclass | Total |
|---|---------------------------|------------------------|-----------------|
| Student tuition | \$ 89,390,093 | — | 89,390,093 |
| Auxiliary enterprises and other operating activities | 33,404,255 | — | 33,404,255 |
| Contributions and gifts | 9,582,779 | — | 9,582,779 |
| Federal, state, and private grants and contracts | 98,234,369 | (28,956,671) | 69,277,698 |
| State appropriations | 12,193,765 | (12,193,765) | — |
| Accrued interest | 2,804,995 | — | 2,804,995 |
| Other | 22,410,866 | — | 22,410,866 |
| Patient income | 2,598,997,228 | — | 2,598,997,228 |
| Total accounts receivable | 2,867,018,350 | (41,150,436) | 2,825,867,914 |
| Less bad debt provision | (2,543,210,777) | — | (2,543,210,777) |
| Net accounts receivable | \$ 323,807,573 | (41,150,436) | 282,657,137 |

See accompanying independent auditors' report.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

State of Mississippi Component Unit Additional Information

Schedule of Notes and Pledges Receivable Disclosure

June 30, 2014

| | <u>Interest rates</u> | | <u>Total</u> | <u>Current portion</u> | <u>Noncurrent portion</u> |
|--|---------------------------|----|---------------------------|----------------------------|-------------------------------|
| From students: | | | | | |
| Perkins student loans | 3% to 9% | \$ | 70,704,014 | 9,520,283 | 61,183,731 |
| Nursing student loans | 3% to 9% | | 1,182,301 | 88,237 | 1,094,064 |
| Other federal loans | 3% to 9% | | 3,844,290 | 2,205,701 | 1,638,589 |
| Institutional loans | 0% to 10% | | 56,486,300 | 8,416,711 | 48,069,589 |
| Medical student loans | 3% to 9% | | 176,482 | 8,116 | 168,366 |
| Dental student loans | 3% to 9% | | 398,957 | 25,522 | 373,435 |
| Notes and pledges: | | | | | |
| Foundations | | | <u>74,597,709</u> | <u>25,166,569</u> | <u>49,431,140</u> |
| Total notes and pledges receivable | | | 207,390,053 | 45,431,139 | 161,958,914 |
| Less allowance for doubtful accounts | | | <u>26,635,639</u> | <u>6,683,389</u> | <u>19,952,250</u> |
| Net notes and pledges receivable | | \$ | <u><u>180,754,414</u></u> | <u><u>38,747,750</u></u> | <u><u>142,006,664</u></u> |
| Foundation notes and pledges, before allowance for doubtful accounts: | | | | | |
| MSU Foundation | | \$ | 30,634,431 | 9,462,029 | 21,172,402 |
| UM Foundation | | | 26,413,033 | 10,112,041 | 16,300,992 |
| USM Foundation | | | <u>17,550,245</u> | <u>5,592,499</u> | <u>11,957,746</u> |
| | | \$ | <u><u>74,597,709</u></u> | <u><u>25,166,569</u></u> | <u><u>49,431,140</u></u> |
| Summary of allowance for doubtful accounts: | | | | | |
| IHL Universities | | \$ | 19,620,605 | 4,061,792 | 15,558,813 |
| MSU Foundation | | | 616,685 | 190,577 | 426,108 |
| UM Foundation | | | 6,103,349 | 2,336,620 | 3,766,729 |
| USM Foundation | | | <u>295,000</u> | <u>94,400</u> | <u>200,600</u> |
| | | \$ | <u><u>26,635,639</u></u> | <u><u>6,683,389</u></u> | <u><u>19,952,250</u></u> |

See accompanying independent auditors' report.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

State of Mississippi Component Unit Additional Information

Schedule of Assets under Capital Lease Disclosure

June 30, 2014

| | <u>Cost basis</u> | <u>Accumulated depreciation</u> | <u>Net book value</u> |
|------------------------------------|-----------------------|-------------------------------------|---------------------------|
| Delta State University | \$ 19,017,530 | 2,208,377 | 16,809,153 |
| Mississippi University for Women | 336,993 | 37,579 | 299,414 |
| University of Mississippi | 13,403,451 | — | 13,403,451 |
| University of Southern Mississippi | 1,817,610 | 801,284 | 1,016,326 |
| | <u>\$ 34,575,584</u> | <u>3,047,240</u> | <u>31,528,344</u> |

See accompanying independent auditors' report.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

State of Mississippi Component Unit Additional Information

Schedule of Capital Assets Disclosure

Year ended June 30, 2014

| | <u>Balance June 30, 2013</u> | <u>Additions</u> | <u>Deletions/ Transfers</u> | <u>Balance June 30, 2014</u> |
|-------------------------------------|----------------------------------|--------------------|---------------------------------|----------------------------------|
| Nondepreciable capital assets: | | | | |
| Land | \$ 81,100,657 | 6,699,001 | (28,935) | 87,770,723 |
| Construction in progress | 342,097,508 | 246,693,561 | (93,967,208) | 494,823,861 |
| Livestock | <u>1,729,368</u> | <u>264,881</u> | <u>(276,586)</u> | <u>1,717,663</u> |
| Total nondepreciable capital assets | <u>424,927,533</u> | <u>253,657,443</u> | <u>(94,272,729)</u> | <u>584,312,247</u> |
| Depreciable capital assets: | | | | |
| Improvements other than buildings | 298,081,463 | 14,582,545 | (13,132) | 312,650,876 |
| Buildings | 2,984,367,638 | 109,101,107 | (5,130,178) | 3,088,338,567 |
| Equipment | 750,392,125 | 55,636,578 | (29,958,286) | 776,070,417 |
| Library books | <u>364,487,418</u> | <u>13,557,344</u> | <u>(543,234)</u> | <u>377,501,528</u> |
| Total depreciable capital assets | <u>4,397,328,644</u> | <u>192,877,574</u> | <u>(35,644,830)</u> | <u>4,554,561,388</u> |
| Total capital assets | 4,822,256,177 | 446,535,017 | (129,917,559) | 5,138,873,635 |
| Less accumulated depreciation: | | | | |
| Improvements other than buildings | 107,545,107 | 11,122,867 | (133) | 118,667,841 |
| Buildings | 743,351,943 | 59,608,226 | (1,194,823) | 801,765,346 |
| Equipment | 495,094,280 | 55,321,683 | (25,748,225) | 524,667,738 |
| Library books | <u>301,670,320</u> | <u>14,666,023</u> | <u>(566,954)</u> | <u>315,769,389</u> |
| Total accumulated depreciation | <u>1,647,661,650</u> | <u>140,718,799</u> | <u>(27,510,135)</u> | <u>1,760,870,314</u> |
| Net capital assets | \$ <u>3,174,594,527</u> | <u>305,816,218</u> | <u>(102,407,424)</u> | <u>3,378,003,321</u> |

See accompanying independent auditors' report.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

State of Mississippi Component Unit Additional Information

Schedule of Construction Commitments and Financing Disclosure

June 30, 2014

| | Cost to complete | Funded by | | | |
|--|-----------------------------|----------------------------|--------------------------|--------------------------------|--------------------|
| | | Federal sources | State sources | Institutional funds | Other |
| Alcorn State University | \$ 1,935,973 | 1,822,620 | 113,353 | — | — |
| Delta State University | 15,943,067 | — | 15,943,067 | — | — |
| Jackson State University | 17,163,333 | — | 17,163,333 | — | — |
| Mississippi State University | 365,182,807 | 11,432,729 | 74,236,742 | 277,020,024 | 2,493,312 |
| Mississippi University for Women | 5,134,809 | — | 5,134,809 | — | — |
| Mississippi Valley State University | 18,800,000 | — | 18,800,000 | — | — |
| University of Mississippi | 264,508,000 | 7,477,000 | 27,494,000 | 141,846,300 | 87,690,700 |
| University of Southern Mississippi | 17,151,086 | 511,464 | 7,352,402 | 9,287,220 | — |
| University of Mississippi Medical Center | 99,654,149 | 26,244,491 | 13,108,489 | 15,498,686 | 44,802,483 |
| Total Construction Commitments | \$ <u>805,473,224</u> | <u>47,488,304</u> | <u>179,346,195</u> | <u>443,652,230</u> | <u>134,986,495</u> |

See accompanying independent auditors' report.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

State of Mississippi Component Unit Additional Information

Schedule of Long-Term Liabilities Disclosure (Rollforward)

Year ended June 30, 2014

| | <u>Balance</u> <u>June 30, 2013</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2014</u> | <u>Due within</u> <u>1 year</u> |
|-----------------------------------|--|--------------------|--------------------|--|------------------------------------|
| Bonded debt | \$ 922,578,579 | 179,588,200 | 99,676,599 | 1,002,490,180 | 29,654,019 |
| Notes payable | 18,115,037 | — | 960,307 | 17,154,730 | 951,408 |
| | <u>940,693,616</u> | <u>179,588,200</u> | <u>100,636,906</u> | <u>1,019,644,910</u> | <u>30,605,427</u> |
| Capital lease obligations | 17,833,915 | 16,838,491 | 2,029,995 | 32,642,411 | 1,489,915 |
| Other long-term liabilities: | | | | | |
| Accrued leave liability | 112,530,692 | 9,087,548 | 5,849,998 | 115,768,242 | 10,901,290 |
| Deposits refundable | 1,091,797 | 10,656 | 156,915 | 945,538 | — |
| Funds held in trust for others | 21,485,622 | 3,514,907 | 787,259 | 24,213,270 | 871,727 |
| Other noncurrent liabilities | 143,183,015 | 3,438,747 | 3,814,098 | 142,807,664 | 15,359,937 |
| Total other long-term liabilities | <u>278,291,126</u> | <u>16,051,858</u> | <u>10,608,270</u> | <u>283,734,714</u> | <u>27,132,954</u> |
| Total | \$ <u>1,236,818,657</u> | <u>212,478,549</u> | <u>113,275,171</u> | 1,336,022,035 | <u>59,228,296</u> |
| Due within one year | | | | <u>(59,228,296)</u> | |
| Total long-term liabilities | | | | \$ <u>1,276,793,739</u> | |

See accompanying independent auditors' report.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

State of Mississippi Component Unit Additional Information
 Schedule of Debt Service Disclosure (IHL System Only by Institution)
 June 30, 2014

| | <u>Total</u> | <u>Bonded debt</u> | <u>Bonded debt interest</u> | <u>Notes payable</u> | <u>Notes payable interest</u> | <u>Capital leases</u> | <u>Capital lease interest</u> | <u>Total interest</u> |
|--------------------------------------|-------------------------|----------------------|-----------------------------|----------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|
| IHL System Universities Only: | | | | | | | | |
| 2015 | \$ 78,530,860 | 29,654,019 | 44,636,646 | 951,408 | 741,561 | 1,667,342 | 879,884 | 46,258,091 |
| 2016 | 80,532,048 | 31,286,226 | 44,600,022 | 944,015 | 716,762 | 2,061,746 | 923,277 | 46,240,061 |
| 2017 | 81,372,279 | 32,872,798 | 43,320,856 | 1,055,570 | 693,833 | 2,423,533 | 1,005,689 | 45,020,378 |
| 2018 | 78,317,448 | 31,420,815 | 42,100,877 | 612,567 | 670,155 | 2,529,212 | 983,822 | 43,754,854 |
| 2019 | 87,527,654 | 33,263,666 | 41,635,645 | 458,885 | 652,100 | 10,614,246 | 903,112 | 43,190,857 |
| 2020 – 2024 | 368,493,476 | 175,337,867 | 182,533,148 | 2,237,285 | 2,982,276 | 2,460,000 | 2,942,900 | 188,458,324 |
| 2025 – 2029 | 340,475,303 | 188,601,616 | 141,484,891 | 2,535,000 | 2,458,894 | 3,040,000 | 2,354,902 | 146,298,687 |
| 2030 – 2034 | 318,145,996 | 215,335,559 | 91,711,084 | 3,265,000 | 1,737,211 | 4,515,000 | 1,582,142 | 95,030,437 |
| 2035 – 2039 | 221,364,242 | 169,246,487 | 42,415,679 | 4,215,000 | 787,234 | 4,130,000 | 569,842 | 43,772,755 |
| 2040 – 2044 | 103,499,748 | 95,471,127 | 7,126,071 | 880,000 | 22,550 | — | — | 7,148,621 |
| | <u>\$ 1,758,259,054</u> | <u>1,002,490,180</u> | <u>681,564,919</u> | <u>17,154,730</u> | <u>11,462,576</u> | <u>33,441,079</u> | <u>12,145,570</u> | <u>705,173,065</u> |
| Alcorn State University: | | | | | | | | |
| 2015 | \$ 2,671,438 | 400,000 | 2,271,438 | — | — | — | — | 2,271,438 |
| 2016 | 2,748,938 | 500,000 | 2,248,938 | — | — | — | — | 2,248,938 |
| 2017 | 2,863,638 | 640,000 | 2,223,638 | — | — | — | — | 2,223,638 |
| 2018 | 2,912,838 | 720,000 | 2,192,838 | — | — | — | — | 2,192,838 |
| 2019 | 2,969,463 | 815,000 | 2,154,463 | — | — | — | — | 2,154,463 |
| 2020 – 2024 | 15,716,566 | 5,575,000 | 10,141,566 | — | — | — | — | 10,141,566 |
| 2025 – 2029 | 16,859,072 | 8,350,000 | 8,509,072 | — | — | — | — | 8,509,072 |
| 2030 – 2034 | 17,242,716 | 11,115,000 | 6,127,716 | — | — | — | — | 6,127,716 |
| 2035 – 2039 | 17,232,042 | 14,390,000 | 2,842,042 | — | — | — | — | 2,842,042 |
| 2040 – 2044 | 3,441,423 | 3,353,617 | 87,806 | — | — | — | — | 87,806 |
| | <u>\$ 84,658,134</u> | <u>45,858,617</u> | <u>38,799,517</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>38,799,517</u> |
| Delta State University: | | | | | | | | |
| 2015 | \$ 1,986,155 | 500,000 | 117,229 | — | — | 630,087 | 738,839 | 856,068 |
| 2016 | 1,994,581 | 520,000 | 101,529 | — | — | 651,314 | 721,738 | 823,267 |
| 2017 | 1,989,943 | 535,000 | 85,055 | — | — | 673,045 | 696,843 | 781,898 |
| 2018 | 2,027,088 | 555,000 | 66,738 | — | — | 705,303 | 700,047 | 766,785 |
| 2019 | 1,721,931 | 580,000 | 45,881 | — | — | 435,000 | 661,050 | 706,931 |
| 2020 – 2024 | 6,339,544 | 845,000 | 91,644 | — | — | 2,460,000 | 2,942,900 | 3,034,544 |
| 2025 – 2029 | 5,394,902 | — | — | — | — | 3,040,000 | 2,354,902 | 2,354,902 |
| 2030 – 2034 | 6,097,142 | — | — | — | — | 4,515,000 | 1,582,142 | 1,582,142 |
| 2035 – 2039 | 4,699,842 | — | — | — | — | 4,130,000 | 569,842 | 569,842 |
| | <u>\$ 32,251,128</u> | <u>3,535,000</u> | <u>508,076</u> | <u>—</u> | <u>—</u> | <u>17,239,749</u> | <u>10,968,303</u> | <u>11,476,379</u> |
| Jackson State University: | | | | | | | | |
| 2015 | \$ 7,304,989 | 3,025,075 | 4,167,167 | 92,220 | 20,527 | — | — | 4,187,694 |
| 2016 | 6,858,158 | 2,687,631 | 4,057,780 | 95,007 | 17,740 | — | — | 4,075,520 |
| 2017 | 6,952,226 | 2,870,484 | 3,968,995 | 97,879 | 14,868 | — | — | 3,983,863 |
| 2018 | 6,975,781 | 3,027,516 | 3,835,518 | 100,837 | 11,910 | — | — | 3,847,428 |
| 2019 | 7,001,930 | 3,194,119 | 3,695,064 | 103,885 | 8,862 | — | — | 3,703,926 |
| 2020 – 2024 | 34,579,182 | 18,266,915 | 16,086,774 | 217,285 | 8,208 | — | — | 16,094,982 |
| 2025 – 2029 | 32,925,609 | 21,608,778 | 11,316,831 | — | — | — | — | 11,316,831 |
| 2030 – 2034 | 38,063,946 | 33,079,858 | 4,984,088 | — | — | — | — | 4,984,088 |
| | <u>\$ 140,661,821</u> | <u>87,760,376</u> | <u>52,112,217</u> | <u>707,113</u> | <u>82,115</u> | <u>—</u> | <u>—</u> | <u>52,194,332</u> |
| Mississippi State University: | | | | | | | | |
| 2015 | \$ 20,873,825 | 9,725,000 | 11,148,825 | — | — | — | — | 11,148,825 |
| 2016 | 21,730,332 | 9,725,000 | 12,005,332 | — | — | — | — | 12,005,332 |
| 2017 | 22,052,137 | 10,390,000 | 11,662,137 | — | — | — | — | 11,662,137 |
| 2018 | 20,110,819 | 8,755,000 | 11,355,819 | — | — | — | — | 11,355,819 |
| 2019 | 20,183,299 | 9,145,000 | 11,038,299 | — | — | — | — | 11,038,299 |
| 2020 – 2024 | 100,420,751 | 51,120,000 | 49,300,751 | — | — | — | — | 49,300,751 |
| 2025 – 2029 | 85,301,526 | 47,305,000 | 37,996,526 | — | — | — | — | 37,996,526 |
| 2030 – 2034 | 73,216,827 | 45,970,000 | 27,246,827 | — | — | — | — | 27,246,827 |
| 2035 – 2039 | 65,203,711 | 49,390,000 | 15,813,711 | — | — | — | — | 15,813,711 |
| 2040 – 2044 | 45,107,574 | 40,380,000 | 4,727,574 | — | — | — | — | 4,727,574 |
| | <u>\$ 474,200,801</u> | <u>281,905,000</u> | <u>192,295,801</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>192,295,801</u> |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

State of Mississippi Component Unit Additional Information
 Schedule of Debt Service Disclosure (IHL System Only by Institution)
 June 30, 2014

| | <u>Total</u> | <u>Bonded debt</u> | <u>Bonded debt interest</u> | <u>Notes payable</u> | <u>Notes payable interest</u> | <u>Capital leases</u> | <u>Capital lease interest</u> | <u>Total interest</u> |
|--|-----------------------|--------------------|-----------------------------|----------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|
| Mississippi University for Women: | | | | | | | | |
| 2015 | \$ 156,231 | — | — | — | — | 139,054 | 17,177 | 17,177 |
| 2016 | 156,233 | — | — | — | — | 142,920 | 13,313 | 13,313 |
| 2017 | 156,231 | — | — | — | — | 146,890 | 9,341 | 9,341 |
| 2018 | 156,232 | — | — | — | — | 150,973 | 5,259 | 5,259 |
| 2019 | 78,115 | — | — | — | — | 77,052 | 1,063 | 1,063 |
| | <u>\$ 703,042</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>656,889</u> | <u>46,153</u> | <u>46,153</u> |
| Mississippi Valley State University: | | | | | | | | |
| 2015 | \$ 1,060,625 | 290,000 | 770,625 | — | — | — | — | 770,625 |
| 2016 | 1,094,025 | 335,000 | 759,025 | — | — | — | — | 759,025 |
| 2017 | 1,120,625 | 375,000 | 745,625 | — | — | — | — | 745,625 |
| 2018 | 1,145,625 | 415,000 | 730,625 | — | — | — | — | 730,625 |
| 2019 | 1,174,025 | 460,000 | 714,025 | — | — | — | — | 714,025 |
| 2020 – 2024 | 5,912,744 | 2,650,000 | 3,262,744 | — | — | — | — | 3,262,744 |
| 2025 – 2029 | 6,161,250 | 3,485,000 | 2,676,250 | — | — | — | — | 2,676,250 |
| 2030 – 2034 | 7,145,400 | 5,385,000 | 1,760,400 | — | — | — | — | 1,760,400 |
| 2035 – 2039 | 4,822,475 | 4,415,000 | 407,475 | — | — | — | — | 407,475 |
| | <u>\$ 29,636,794</u> | <u>17,810,000</u> | <u>11,826,794</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>11,826,794</u> |
| University of Mississippi: | | | | | | | | |
| 2015 | \$ 13,206,250 | 7,279,449 | 5,369,079 | 99,985 | 3,499 | 380,016 | 74,222 | 5,446,800 |
| 2016 | 13,568,031 | 7,639,449 | 5,026,886 | — | — | 760,032 | 141,664 | 5,168,550 |
| 2017 | 13,954,772 | 7,994,449 | 4,611,262 | — | — | 1,093,492 | 255,569 | 4,866,831 |
| 2018 | 13,679,751 | 7,979,449 | 4,302,893 | — | — | 1,160,184 | 237,225 | 4,540,118 |
| 2019 | 23,471,902 | 8,409,449 | 4,834,258 | — | — | 10,009,727 | 218,468 | 5,052,726 |
| 2020 – 2024 | 51,524,054 | 35,172,245 | 16,351,809 | — | — | — | — | 16,351,809 |
| 2025 – 2029 | 43,104,073 | 34,167,245 | 8,936,828 | — | — | — | — | 8,936,828 |
| 2030 – 2034 | 23,530,161 | 21,238,715 | 2,291,446 | — | — | — | — | 2,291,446 |
| 2035 – 2039 | 967,444 | 945,000 | 22,444 | — | — | — | — | 22,444 |
| | <u>\$ 197,006,438</u> | <u>130,825,450</u> | <u>51,746,905</u> | <u>99,985</u> | <u>3,499</u> | <u>13,403,451</u> | <u>927,148</u> | <u>52,677,552</u> |
| University of Southern Mississippi: | | | | | | | | |
| 2015 | \$ 12,834,144 | 3,056,805 | 7,732,770 | 759,203 | 717,535 | 518,185 | 49,646 | 8,499,951 |
| 2016 | 13,940,597 | 4,296,456 | 7,542,069 | 849,008 | 699,022 | 507,480 | 46,562 | 8,287,653 |
| 2017 | 13,835,854 | 4,260,175 | 7,384,981 | 957,691 | 678,965 | 510,106 | 43,936 | 8,107,882 |
| 2018 | 12,863,649 | 3,876,160 | 7,263,471 | 511,730 | 658,245 | 512,752 | 41,291 | 7,963,007 |
| 2019 | 12,483,161 | 4,287,408 | 7,082,517 | 355,000 | 643,238 | 92,467 | 22,531 | 7,748,286 |
| 2020 – 2024 | 61,864,074 | 24,906,588 | 31,963,418 | 2,020,000 | 2,974,068 | — | — | 34,937,486 |
| 2025 – 2029 | 62,584,794 | 31,257,557 | 26,333,343 | 2,535,000 | 2,458,894 | — | — | 28,792,237 |
| 2030 – 2034 | 64,664,583 | 43,603,950 | 16,058,422 | 3,265,000 | 1,737,211 | — | — | 17,795,633 |
| 2035 – 2039 | 39,767,268 | 29,300,475 | 5,464,559 | 4,215,000 | 787,234 | — | — | 6,251,793 |
| 2040 – 2044 | 19,195,800 | 18,179,104 | 114,146 | 880,000 | 22,550 | — | — | 136,696 |
| | <u>\$ 314,033,924</u> | <u>167,024,678</u> | <u>116,939,696</u> | <u>16,347,632</u> | <u>11,376,962</u> | <u>2,140,990</u> | <u>203,966</u> | <u>128,520,624</u> |
| University of Mississippi Medical Center: | | | | | | | | |
| 2015 | \$ 18,437,203 | 5,377,690 | 13,059,513 | — | — | — | — | 13,059,513 |
| 2016 | 18,441,153 | 5,582,690 | 12,858,463 | — | — | — | — | 12,858,463 |
| 2017 | 18,446,853 | 5,807,690 | 12,639,163 | — | — | — | — | 12,639,163 |
| 2018 | 18,445,665 | 6,092,690 | 12,352,975 | — | — | — | — | 12,352,975 |
| 2019 | 18,443,828 | 6,372,690 | 12,071,138 | — | — | — | — | 12,071,138 |
| 2020 – 2024 | 92,136,561 | 36,802,119 | 55,334,442 | — | — | — | — | 55,334,442 |
| 2025 – 2029 | 88,144,077 | 42,428,036 | 45,716,041 | — | — | — | — | 45,716,041 |
| 2030 – 2034 | 88,185,221 | 54,943,036 | 33,242,185 | — | — | — | — | 33,242,185 |
| 2035 – 2039 | 88,671,460 | 70,806,012 | 17,865,448 | — | — | — | — | 17,865,448 |
| 2040 – 2044 | 35,754,951 | 33,558,406 | 2,196,545 | — | — | — | — | 2,196,545 |
| | <u>\$ 485,106,972</u> | <u>267,771,059</u> | <u>217,335,913</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>217,335,913</u> |

See accompanying independent auditors' report.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

State of Mississippi Component Unit Additional Information

Schedule of Debt Service Disclosures (Combined)

June 30, 2014

| <u>Fiscal years ended</u> | <u>Total</u> | <u>Bonded debt</u> | <u>Bonded debt interest</u> | <u>Notes payable</u> | <u>Notes payable interest</u> | <u>Capital leases</u> | <u>Capital lease interest</u> | <u>Total interest</u> |
|---------------------------|-------------------------|----------------------|-----------------------------|----------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|
| 2015 | \$ 78,353,433 | 29,654,019 | 44,636,646 | 951,408 | 741,561 | 1,489,915 | 879,884 | 46,258,091 |
| 2016 | 80,532,048 | 31,286,226 | 44,600,022 | 944,015 | 716,762 | 2,061,746 | 923,277 | 46,240,061 |
| 2017 | 81,372,279 | 32,872,798 | 43,320,856 | 1,055,570 | 693,833 | 2,423,533 | 1,005,689 | 45,020,378 |
| 2018 | 78,317,448 | 31,420,815 | 42,100,877 | 612,567 | 670,155 | 2,529,212 | 983,822 | 43,754,854 |
| 2019 | 86,906,413 | 33,263,666 | 41,635,645 | 458,885 | 652,100 | 9,993,005 | 903,112 | 43,190,857 |
| 2020 – 2024 | 368,493,476 | 175,337,867 | 182,533,148 | 2,237,285 | 2,982,276 | 2,460,000 | 2,942,900 | 188,458,324 |
| 2025 – 2029 | 340,475,303 | 188,601,616 | 141,484,891 | 2,535,000 | 2,458,894 | 3,040,000 | 2,354,902 | 146,298,687 |
| 2030 – 2034 | 318,145,996 | 215,335,559 | 91,711,084 | 3,265,000 | 1,737,211 | 4,515,000 | 1,582,142 | 95,030,437 |
| 2035 – 2039 | 221,364,242 | 169,246,487 | 42,415,679 | 4,215,000 | 787,234 | 4,130,000 | 569,842 | 43,772,755 |
| 2040 – 2044 | 103,499,748 | 95,471,127 | 7,126,071 | 880,000 | 22,550 | — | — | 7,148,621 |
| | <u>\$ 1,757,460,386</u> | <u>1,002,490,180</u> | <u>681,564,919</u> | <u>17,154,730</u> | <u>11,462,576</u> | <u>32,642,411</u> | <u>12,145,570</u> | <u>705,173,065</u> |

See accompanying independent auditors' report.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

State of Mississippi Component Unit Additional Information

Schedule of Bonds and Notes Payable Disclosure

June 30, 2014

| | <u>Original issue</u> | <u>Balance outstanding June 30, 2014</u> | <u>Interest rate</u> | <u>Maturity date</u> |
|---------------------------------------|---------------------------|--|--------------------------|--------------------------|
| Alcorn State University: | | | | |
| Bonds: | | | | |
| 2009 Series A Student Housing Project | \$ 47,000,000 | 45,858,617 | 5.13% – 5.25% | 09/2039 |
| Delta State University: | | | | |
| Bonds: | | | | |
| Student Housing, 2003 | 2,475,000 | 1,525,000 | 3.00% – 4.25% | 12/2023 |
| Student Housing, 2009 | 3,135,000 | 2,010,000 | 2.50% – 3.75% | 12/2018 |
| | <u>5,610,000</u> | <u>3,535,000</u> | | |
| Jackson State University: | | | | |
| Bonds: | | | | |
| Series 1982 – Dormitory | 4,000,000 | 1,120,000 | 1.00% – 3.00% | 12/2020 |
| Series 2006 – A | 12,000,000 | 9,795,000 | 3.50% – 4.25% | 03/2031 |
| Series 2007 | 48,165,000 | 48,740,571 | 5.00% | 03/2034 |
| Series 2010A-1 | 31,325,000 | 27,009,805 | 3.00% – 5.00% | 03/2034 |
| Other Borrowings | 1,095,000 | 1,095,000 | 5.00% | 03/2034 |
| | <u>96,585,000</u> | <u>87,760,376</u> | | |
| Notes: | | | | |
| Note payable | 2,222,000 | 707,113 | 3.00% | 12/2021 |
| Mississippi State University: | | | | |
| Bonds: | | | | |
| Dormitory bonds | 2,250,000 | 610,000 | 3.00% | 12/2021 |
| Student apartments | 2,038,000 | 640,000 | 3.00% | 12/2022 |
| EBC-Revenue | 31,865,000 | 6,025,000 | 3.75% – 5.25% | 12/2018 |
| EBC-Revenue | 17,000,000 | 595,000 | 2.00% – 5.00% | 12/2029 |
| EBC-Revenue | 28,790,000 | 1,625,000 | 2.00% – 5.00% | 06/2030 |
| EBC-Revenue | 58,965,000 | 3,585,000 | 4.00% – 5.00% | 06/2036 |
| EBC-Revenue | 6,110,000 | 4,825,000 | 4.125% – 5.00% | 08/2028 |
| EBC-Revenue | 29,615,000 | 27,820,000 | 2.50% – 5.25% | 08/2029 |
| EBC-Revenue | 17,105,000 | 11,910,000 | 2.75% – 5.00% | 08/2024 |
| EBC-Revenue | 54,370,000 | 50,555,000 | 2.00% – 5.00% | 12/2042 |
| EBC-Revenue | 60,470,000 | 60,470,000 | 2.00% – 5.00% | 08/2043 |
| EBC-Revenue | 89,810,000 | 89,810,000 | 2.00% – 5.00% | 08/2043 |
| EBC-Revenue | 23,435,000 | 23,435,000 | 0.29% – 4.813% | 08/2043 |
| | <u>421,823,000</u> | <u>281,905,000</u> | | |
| Mississippi Valley State University: | | | | |
| Bonds: | | | | |
| EBC – 2007 | 19,015,000 | 17,810,000 | 4.00% | 03/2037 |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

State of Mississippi Component Unit Additional Information

Schedule of Bonds and Notes Payable Disclosure

June 30, 2014

| | <u>Original issue</u> | <u>Balance outstanding June 30, 2014</u> | <u>Interest rate</u> | <u>Maturity date</u> |
|---|--------------------------------|--|--------------------------|--------------------------|
| The University of Mississippi: | | | | |
| Bonds: | | | | |
| EBC – 2005 | \$ 10,965,000 | 7,415,000 | 3.50% – 4.375% | 12/2027 |
| EBC – 2006A | 17,985,000 | 11,075,000 | 4.00% – 5.00% | 08/2025 |
| EBC – 2006B-1 | 17,290,000 | 11,495,000 | 3.625% – 5.00% | 10/2026 |
| EBC – 2008A | 29,785,000 | 26,030,000 | 3.50% – 5.00% | 10/2033 |
| EBC – 2009A | 19,870,000 | 16,915,000 | 3.00% – 4.50% | 10/2029 |
| EBC – 2009B | 24,165,000 | 15,655,000 | 3.25% – 5.00% | 10/2020 |
| EBC – 2009C | 14,770,000 | 13,210,000 | 2.50% – 4.75% | 11/2034 |
| EBC – 2011 | 27,995,000 | 29,030,450 | 3.00% – 5.00% | 10/2031 |
| | <u>162,825,000</u> | <u>130,825,450</u> | | |
| Notes: | | | | |
| NWCC Desoto Center expansion | <u>1,000,000</u> | <u>99,985</u> | 3.50% | 12/2014 |
| The University of Southern Mississippi: | | | | |
| Bonds: | | | | |
| The Village | 18,725,000 | 16,975,000 | 3.63% – 5.00% | 03/2032 |
| EBC refunding | 24,855,000 | 19,235,000 | 3.63% – 5.00% | 03/2027 |
| Athletic improvements | 27,190,000 | 25,120,000 | 4.00% – 5.00% | 03/2034 |
| Dormitory construction | 49,900,000 | 49,900,000 | 2.75% – 5.38% | 09/2036 |
| SMEBC Series 2013 | 51,875,000 | 55,794,678 | 2.00% – 5.00% | 09/2043 |
| | <u>172,545,000</u> | <u>167,024,678</u> | | |
| Notes: | | | | |
| Stadium scoreboard | 3,160,000 | 1,787,632 | 1.29% | 09/2017 |
| Parking garage | <u>15,520,000</u> | <u>14,560,000</u> | 2.00% – 5.13% | 09/2039 |
| | <u>18,680,000</u> | <u>16,347,632</u> | | |
| University Medical Center: | | | | |
| Bonds: | | | | |
| Series 1998B | 41,075,000 | 23,670,000 | 3.88% – 5.90% | 12/2023 |
| Series 2009 | 105,605,000 | 89,363,094 | 2.00% – 5.00% | 06/2034 |
| Series 2010A | 24,870,000 | 24,870,000 | 5.92% – 6.69% | 06/2032 |
| Series 2010B | 20,000,000 | 20,000,000 | 6.84% | 06/2035 |
| Series 2010C | 5,130,000 | 3,424,499 | 2.50% – 5.00% | 06/2020 |
| Series 2012A | 51,860,000 | 53,053,466 | 4.00% – 5.00% | 06/2041 |
| Series 2012B | 53,390,000 | 53,390,000 | 4.062% – 4.822% | 06/2038 |
| | <u>301,930,000</u> | <u>267,771,059</u> | | |
| Total | \$ <u><u>1,249,235,000</u></u> | \$ <u><u>1,019,644,910</u></u> | | |

See accompanying independent auditors' report.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

State of Mississippi Component Unit Additional Information

Schedule of Functional Expenses Disclosure

Year ended June 30, 2014

| <u>Functional classification</u> | <u>Salaries and wages</u> | <u>Fringe benefits</u> | <u>Travel</u> | <u>Contractual services</u> | <u>Utilities</u> | <u>Scholarships and fellowships</u> | <u>Commodities</u> | <u>Depreciation expense</u> | <u>Other</u> | <u>Total</u> |
|----------------------------------|---------------------------|------------------------|---------------|-----------------------------|------------------|-------------------------------------|--------------------|-----------------------------|--------------|---------------|
| Instruction | \$ 436,448,011 | 133,904,078 | 9,205,398 | 34,165,719 | 265,225 | 2,625,128 | 14,014,678 | — | 621,372 | 631,249,609 |
| Research | 140,197,697 | 46,074,850 | 8,908,587 | 57,863,007 | 2,926,579 | 1,509,029 | 20,970,795 | — | 453,038 | 278,903,582 |
| Public service | 77,085,242 | 24,867,300 | 6,184,366 | 28,179,328 | 893,292 | 112,608 | 9,224,398 | — | 26,958 | 146,573,492 |
| Academic support | 78,656,290 | 23,388,940 | 4,078,288 | 35,126,778 | 554,457 | 3,057,566 | 14,939,361 | — | 344,973 | 160,146,653 |
| Student services | 42,990,788 | 13,358,913 | 4,349,641 | 11,021,420 | 133,799 | 978,549 | 5,684,878 | — | 172,509 | 78,690,497 |
| Institutional support | 131,442,325 | 37,556,280 | 2,856,931 | 108,367,295 | 236,852 | 982,468 | 26,710,158 | — | 142,450 | 308,294,759 |
| Operation of plant | 50,860,330 | 17,543,253 | 155,864 | 37,795,102 | 49,440,468 | — | 9,264,774 | 8,448,664 | 1,438,805 | 174,947,260 |
| Student aid | 4,185,081 | 3,251,361 | 22,792 | 474,338 | 2,963,663 | 160,250,334 | 222,647 | — | — | 171,370,216 |
| Auxiliary enterprises | 66,036,471 | 18,751,059 | 13,905,101 | 80,470,766 | 10,245,236 | 17,812,467 | 19,620,494 | 2,236 | 374,940 | 227,218,770 |
| Depreciation | — | — | — | — | — | — | — | 135,323,804 | — | 135,323,804 |
| Hospital | 402,057,040 | 106,648,592 | 1,973,100 | 83,577,821 | 843,149 | — | 199,591,353 | — | — | 794,691,055 |
| Loan fund expenses | — | — | — | 21,674 | — | — | — | — | 1,110,727 | 1,132,401 |
| Other | — | 273,884 | — | — | — | — | — | — | — | 273,884 |
| Interest | — | — | — | — | — | — | — | — | 40,352,775 | 40,352,775 |
| Inter-campus eliminations | — | — | — | (49,392,659) | — | (21,435,667) | — | — | — | (70,828,326) |
| Total operating expenses | \$ 1,429,959,275 | 425,618,510 | 51,640,068 | 427,670,589 | 68,502,720 | 165,892,482 | 320,243,536 | 143,774,704 | 45,038,547 | 3,078,340,431 |

See accompanying independent auditors' report.