

Interest on the Series 2014B Bonds is not excluded from gross income for federal income tax purposes. In the opinion of Thompson Coburn LLP, Bond Counsel interest on the Series 2014B Bonds is exempt from income taxation by the State of Missouri. See "TAX MATTERS" and the form of opinion of Bond Counsel attached hereto as Appendix E.



**\$150,000,000
THE CURATORS OF THE UNIVERSITY OF MISSOURI
TAXABLE SYSTEM FACILITIES REVENUE BONDS
SERIES 2014B**

Dated: Date of Issuance

Due: November 1, 2054

The Series 2014B Bonds are issuable in book-entry only form in denominations of \$5,000 or any integral multiple thereof. Interest on the Series 2014B Bonds will be payable on each May 1 and November 1, beginning May 1, 2015.

The Series 2014B Bonds are subject to redemption prior to maturity as described herein.

The Series 2014B Bonds and the interest thereon are special, limited obligations of The Curators of the University of Missouri (the "University"). The Series 2014B Bonds are payable solely from, and secured as to the payment of principal of, redemption premium, if any, and interest on the Series 2014B Bonds by a first lien on and pledge of the System Revenues, as defined herein. The Series 2014B Bonds stand on a parity with and are equally and ratably secured with respect to the payment of principal and interest from the System Revenues and in all other respects with certain other outstanding revenue bonds of the University as described under **"SECURITY FOR THE SERIES 2014B BONDS - Outstanding Parity Bonds."** The Series 2014B Bonds are not obligations of the State of Missouri. The University has no power to tax.

MATURITY SCHEDULE

\$150,000,000 4.237% Bond Due November 1, 2054 Price: 100% CUSIP*: 231266MJ3

The Series 2014B Bonds are offered when, as and if delivered by the University, and accepted by the Underwriters, subject to the approval of legality by Thompson Coburn LLP, St. Louis, Missouri, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the University by Stephen J. Owens, General Counsel to the University, and by Gilmore & Bell, P.C., Kansas City, Missouri, Disclosure Counsel to the University, and for the Underwriters by Greenberg Traurig, LLP, Boston, Massachusetts. Prager & Co., LLC, New York, New York, serves as Financial Advisor to the University in this transaction. It is expected that the Series 2014B Bonds will be available for delivery through The Depository Trust Company on or about November 6, 2014.

BofA Merrill Lynch

Morgan Stanley

This Official Statement is dated October 27, 2014

* CUSIP Number has been assigned to this issue by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and is included solely for the convenience of the bondholders. Neither the University nor the Underwriters are responsible for the selection or correctness of the CUSIP number set forth above.

REGARDING USE OF THIS OFFICIAL STATEMENT

The Series 2014B Bonds have not been registered with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, nor has the Resolution been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. In making an investment decision, investors must rely on their own examinations of the University and the terms of the offering. The Series 2014B Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

In connection with the offering of the Series 2014B Bonds, the Underwriters may over allot or effect transactions that stabilize or maintain the market prices of the Series 2014B Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

No dealer, broker, salesman or other person has been authorized by the University, the Underwriters or the Financial Advisor to give any information or to make any representations with respect to the Series 2014B Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2014B Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the University and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Financial Advisor. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to its date.

FORWARD-LOOKING STATEMENTS

This Official Statement contains “forward-looking statements” which are unaudited. These forward-looking statements include statements about the University’s future plans, strategies and projections, and other statements that are not historical in nature. These forward-looking statements are based on the current expectations of management of the University. When used in this Official Statement, the words “estimate,” “intend,” “expect,” “projected” and similar expressions are intended to identify forward-looking statements. Forward-looking statements involve future risks and uncertainties that could cause actual results and experience to differ materially from the anticipated results or other expectations expressed in forward-looking statements. These future risks and uncertainties include (i) risks associated with decreases in and withholdings of State appropriations for the University in the 2015 fiscal year and in future years, (ii) risks associated with fluctuating student enrollment and any decrease in the demand for and revenues from the System Facilities, (iii) endowment and other investment risks, including any future decline in the value of the University’s investments, (iv) risks associated with the operations of the University Health System, including the impact of the Affordable Care Act on the University Health System and the University, and (v) the other risks discussed in this Official Statement. The University undertakes no obligation to update any forward-looking statements contained in this Official Statement to reflect future events or developments.

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OFFICIAL STATEMENT

\$150,000,000
THE CURATORS OF THE UNIVERSITY OF MISSOURI
TAXABLE SYSTEM FACILITIES REVENUE BONDS
SERIES 2014B

INTRODUCTION

*The following introductory statement is subject in all respects to more complete information contained elsewhere in this Official Statement. The order and placement of materials in this Official Statement, including the Appendices hereto, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page, the inside cover page, and Appendices, should be considered in its entirety. All capitalized terms used in this Official Statement that are not otherwise defined herein shall have the meanings ascribed to them in **Appendix D**.*

Purpose of the Official Statement

The purpose of this Official Statement is to furnish information relating to The Curators of the University of Missouri (the “**University**”), the University’s System Facilities described below, and the University’s Taxable System Facilities Revenue Bonds, Series 2014B (the “**Series 2014B Bonds**”) to be issued in the aggregate principal amount of \$150,000,000. See “**PLAN OF FINANCE**.”

The University

The University is a duly incorporated and created body politic and state educational institution existing under the Constitution and laws of the State of Missouri (the “**State**”), and is governed by the Board of Curators of the University of the State of Missouri (the “**Board**”). The University consists of four campuses located in the following Missouri cities: Columbia, Kansas City, Rolla and St. Louis. The four-campus system administration is located in Columbia. The University includes 45 schools, colleges and divisions and had a Fall 2014 enrollment of more than 77,000 full and part-time students. The University is the only public institution in Missouri offering professional and doctoral degrees. Approximately one-fourth of its enrollment consists of professional and graduate students. The University owns and operates the University Health System, which is a system of hospitals and clinics serving the health care needs of central Missouri, and includes University Physicians, which is the organized practice plan for the faculty of the University of Missouri – Columbia School of Medicine. The University also administers a statewide cooperative extension service with centers located in nearly all of Missouri’s 114 counties. See **Appendix A** for additional information about the University.

The Series 2014B Bonds

The Series 2014B Bonds are being issued pursuant to and in full compliance with the Constitution and Statutes of the State of Missouri and a Resolution adopted by the Board on October 21, 2014 (the “**Resolution**”) for the purpose of (i) acquiring, constructing, improving, renovating, furnishing and equipping certain additions and improvements to the System Facilities described herein (the “**Projects**”), and (ii) paying the costs of issuance of the Series 2014B Bonds. See “**PLAN OF FINANCE**.”

Sources of Revenue and Security for the Series 2014B Bonds

The Series 2014B Bonds and the interest thereon are special limited obligations of the University. The Series 2014B Bonds are payable solely from, and secured as to the payment of principal of and redemption premium, if any, and interest on the Series 2014B Bonds, by a first lien on and pledge of the gross income and revenues derived from the following (collectively, the “**System Revenues**”): (i) the ownership or operation of certain facilities of the University described herein (the “**System Facilities**”); (ii) the imposition and collection

of certain specifically assessed student fees and usage surcharges; and (iii) the portion of the tuition and fees collected from all students attending the University that is designated by the University as a ***“Student System Facilities Fee”*** in connection with the System Facilities in an amount equal to the Maximum Annual Debt Service on the Series 2014B Bonds, 11 outstanding revenue bond issues of the University that are on a parity with the Series 2014B Bonds (the ***“Prior System Bonds”***), and any Additional Bonds hereafter issued by the University and secured on a parity with the Series 2014B Bonds. See **“SECURITY FOR THE SERIES 2014B BONDS.”** The Series 2014B Bonds are not obligations of the State of Missouri. The University has no power to tax.

The following defined terms are used in this Official Statement with respect to various series of revenue bonds and obligations of the University:

- ***“Additional Bonds”*** means any series of revenue bonds hereafter issued by the University payable from the System Revenues on a parity with the Series 2014B Bonds, the Prior System Bonds and any other series of Additional Bonds then outstanding.
- ***“Bonds”*** means the Series 2014B Bonds, the Prior System Bonds and any Additional Bonds hereafter outstanding, all of which are payable from the System Revenues on a parity basis.
- ***“CP Notes”*** means the University’s outstanding commercial paper notes issued pursuant to the University’s commercial paper program. See **“PLAN OF FINANCE – Commercial Paper Program.”** As of October 1, 2014, the University had approximately \$26.6 million principal amount of CP Notes outstanding.
- ***“Prior System Bonds”*** means the 11 revenue bond issues of the University to be outstanding in the aggregate principal amount of \$1,420,420,000 as of June 30, 2014, which are payable from the System Revenues on a parity with the Series 2014B Bonds. See **“Outstanding Parity Bonds”** in **Appendix A**.
- ***“Series 2014B Bonds”*** means the University’s Taxable System Facilities Revenue Bonds, Series 2014B in the original principal amount of \$150,000,000.

Additional Information

The references to and summaries of the Resolution, and other documents referred to herein and in **Appendix D**, and to the laws of the State, do not purport to be complete, and all such references are qualified in their entirety by reference to the complete provisions thereof. Copies of all documents referred to herein are on file with the Financial Advisor and the University and may be obtained, without charge, by written request.

PLAN OF FINANCE

The Series 2014B Bonds

The Series 2014B Bonds are being issued pursuant to and in full compliance with the Constitution and Statutes of the State of Missouri and the Resolution. The Series 2014B Bonds are being issued for the purpose of (i) acquiring, constructing, improving, renovating, furnishing and equipping certain additions and improvements to the System Facilities described below under **“The Projects”**, and (ii) paying the costs of issuance of the Series 2014B Bonds.

The Projects

The University will use the proceeds of the Series 2014B Bonds to fund additions, improvements and renovations to System Facilities, including housing, athletic, recreational and health care facilities.

Sources and Uses of Funds

The following is a summary of the estimated sources and uses of funds in connection with the issuance of the Series 2014B Bonds:

Sources of Funds:

Par amount of Series 2014B Bonds	<u>\$150,000,000</u>
Total sources of funds	\$150,000,000

Uses of Funds:

Deposit to Project Fund	\$148,948,005
Costs of Issuance (including Underwriters' discount)	<u>1,051,995</u>
Total uses of funds	\$150,000,000

Prior System Bonds

The Prior System Bonds in the aggregate outstanding principal amount of \$1,420,420,000 as of June 30, 2014 are secured by the System Revenues on a parity with the Series 2014B Bonds. See **“SECURITY FOR THE SERIES 2014B BONDS - Outstanding Parity Bonds.”**

After the issuance of the Series 2014B Bonds, the University will have no outstanding long-term indebtedness other than the Series 2014B Bonds, the outstanding Prior System Bonds, and notes payable and capital lease obligations in the amount of approximately \$1,458,976,000 as of June 30, 2014.

Commercial Paper Program

The University has established a commercial paper program authorizing the University to have outstanding commercial paper notes (**“CP Notes”**) at any one time up to a maximum principal amount of \$375,000,000. The CP Notes are limited obligations of the University payable solely out of and secured by a pledge of the University's Unrestricted Revenues. **“Unrestricted Revenues”** means in any year state appropriations for general operations, student fee revenues, and all other operating revenues of the University other than System Facilities Revenues for such year, plus any unencumbered balances from previous years.

As of October 1, 2014, the University had approximately \$26.6 million principal amount of CP Notes outstanding. See **“Commercial Paper Program”** in **Appendix A**.

Future Financing Plans

The Board has approved approximately \$255 million of future capital projects for the University. Approximately \$149 million of the projects will be financed with Series 2014B Bond proceeds. The University anticipates that the balance of these capital project needs will be financed in a future financing. The University currently contemplates that this financing may occur in 2015 if market conditions are acceptable, which financing could consist of tax-exempt or taxable, fixed or variable rate debt. All indebtedness is presently contemplated to consist of Additional Bonds issued on a parity with the Series 2014B Bonds and the Prior System Bonds. The University also may fund capital projects on a short-term basis with proceeds of CP Notes.

THE SERIES 2014B BONDS

Authority and Purpose

The Series 2014B Bonds are being issued pursuant to and in full compliance with the Constitution and Statutes of the State of Missouri and the Resolution. The Series 2014B Bonds are being issued for the purpose of (i) financing the costs of the Projects, and (ii) paying the costs of issuance of the Series 2014B Bonds.

Description of the Series 2014B Bonds

The Series 2014B Bonds will be issuable in the form of fully registered bonds, without coupons, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates; the Series 2014B Bonds will be available in book-entry form only. The Series 2014B Bonds will be issued in the aggregate principal amount set forth on the cover page of this Official Statement, will be dated the date of original issuance and delivery thereof, and will mature on November 1, 2054. The Series 2014B Bonds will bear interest from the date of issuance and delivery, computed on the basis of a 360-day year consisting of twelve 30-day months, at the rate per annum set forth on the cover page of this Official Statement, which interest will be payable semiannually on May 1 and November 1 in each year, beginning on May 1, 2015. Principal of and redemption premium, if any, and interest on the Series 2014B Bonds are payable at maturity or upon earlier redemption to the person in whose name the Bond is registered at maturity or on the redemption date thereof, upon presentation and surrender of the Bond at the principal corporate trust office of Commerce Bank, Kansas City, Missouri (the ***"Paying Agent"***). Interest on the Series 2014B Bonds is payable (except on maturity or upon earlier redemption) by check or draft mailed by the Paying Agent to the person in whose name each Series 2014B Bond is registered on the 15th day of the month next preceding an interest payment date at such person's address as it appears on the bond registration books kept by the Paying Agent.

Redemption Provisions

Optional Redemption. The Series 2014B Bonds are subject to optional redemption at the election of the University in whole or in part (if in part, such Series 2014B Bonds will be redeemed pro rata, as described below), at the "Make-Whole Redemption Price," plus accrued and unpaid interest on the Series 2014B Bonds to be redeemed on the date fixed for redemption.

The ***"Make-Whole Redemption Price"*** is the greater of (i) 100% of the principal amount of the Series 2014B Bonds to be redeemed, or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2014B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2014B Bonds are to be redeemed, discounted to the date on which the Series 2014B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the "Treasury Rate" defined below, plus 20 basis points.

"Treasury Rate" means, with respect to any redemption date for a Series 2014B Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2014B Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Extraordinary Optional Redemption.

The Series 2014B Bonds are subject to redemption and payment prior to the stated maturity date thereof in whole or in part, at the option of the University, at any time at a redemption price of 100% of the

principal amount thereof, plus accrued interest thereon to the redemption date, upon or after the occurrence of any of the following conditions or events:

- (1) if title to, or the use for a limited period of, all or a substantial portion of the System Facilities is condemned by any authority having the power of eminent domain;
- (2) if title to all or a substantial portion of the System Facilities is found to be deficient or nonexistent to the extent, in the judgment of the University as reflected in a resolution of the Board or the Executive Committee, that the efficient utilization of a substantial portion of the System Facilities by the University is impaired;
- (3) if all or a substantial portion of the System Facilities is damaged or destroyed by fire, flooding, tornadoes or other casualty; or
- (4) if as a result of changes in the Constitution of the State of Missouri, or of legislative or administrative action by the State of Missouri or any political subdivision thereof, or by the United States, or by reason of any action instituted in any court, the Resolution shall become void or unenforceable, or, in the judgment of the University as reflected in a resolution of the Board or the Executive Committee of the Board, impossible of performance without unreasonable delay, or in any other way, in the judgment of the University as reflected in a resolution of the Board or the Executive Committee of the Board, by reason of such change of circumstances, unreasonable burdens or excessive liabilities are imposed on the University.

Notice of Redemption. Notice of the University's intent to redeem (including, when only a portion of the Series 2014B Bonds are to be redeemed, the numbers of such Series 2014B Bonds and the principal amounts thereof) shall be given by or on behalf of the University to the Paying Agent and Bond Registrar. Notice of the selection or call for redemption identifying the Series 2014B Bonds or portions thereof to be redeemed, shall be given by the Paying Agent and Bond Registrar by mailing a copy of the redemption notice by first class mail, not less than 30 nor more than 60 days prior to the date fixed for redemption, in each case to the Owner of each Series 2014B Bond to be redeemed in whole or in part at the address shown on the registration books; provided, however, that any defect in giving such notice by mailing as aforesaid shall not affect the validity of any proceeding for the redemption of any Series 2014B Bond. Any notice mailed as provided in the Resolution shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice.

Such notice may be conditioned upon moneys being on deposit with the Paying Agent and Bond Registrar on or prior to the redemption date in an amount sufficient to pay the redemption price plus premium, if any, on the redemption date. If such notice is conditional and moneys are not received, such notice shall be of no force and effect, the Paying Agent and Bond Registrar shall not redeem such Series 2014B Bonds and the Paying Agent and Bond Registrar shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Series 2014B Bonds will not be redeemed.

Selection of Bonds to be Redeemed. The Series 2014B Bonds may be redeemed only in the principal amount of \$5,000 or any integral multiple thereof. If less than all of the Series 2014B Bonds are called for redemption, such Series 2014B Bonds will be redeemed on a pro rata basis; provided that, so long as the Series 2014B Bonds are held in book-entry only form, the selection for redemption of such Series 2014B Bonds will be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata basis, the Series 2014B Bonds will be selected for redemption in accordance with DTC procedures, by lot or in such other manner as is in accordance with applicable DTC operational arrangements.

Effect of Redemption. Whenever any Series 2014B Bond is called for redemption and payment, all interest on such Series 2014B Bond shall cease from and after the date for which such call is made, provided funds are available for its payment at the price specified.

Registration, Transfer and Exchange

The Series 2014B Bonds will be issued only in fully registered form. Any Series 2014B Bond may be transferred only upon the surrender thereof to the principal corporate trust office of the Paying Agent duly endorsed for transfer or accompanied by a written instrument of transfer duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Paying Agent. The Paying Agent will charge the owner requesting any change in registration, exchange or transfer a fee covering any tax or other governmental charge in connection therewith.

The foregoing provisions for the registration, transfer and exchange of the Series 2014B Bonds will not be applicable to purchasers of the Series 2014B Bonds so long as the Series 2014B Bonds are subject to the DTC or other book-entry only system.

SECURITY FOR THE SERIES 2014B BONDS

General

The Series 2014B Bonds and the interest thereon constitute special, limited obligations of the University, payable solely from, and secured as to the payment of principal, redemption premium, if any, and interest by a first lien on and pledge of the System Revenues, and the System Revenues (other than the Student System Facilities Fee) will be set aside for that purpose in a special fund held pursuant to the Resolution and identified therein as the System Facilities Revenue Account. See **“Appendix D - Definitions and Summary of the Resolution.”** System Revenues consist of the gross income and revenues derived from the following: (1) the ownership or operation of System Facilities described herein; (2) the imposition and collection of certain specifically assessed student fees and usage surcharges; and (3) the Student System Facilities Fee. Any amounts remaining in the Student Facilities Revenue Account after required deposits to the Principal and Interest Account may be used by the University for any lawful purpose. See **“Appendix D - Definitions and Summary of the Resolution – Application of Revenues.”**

System Facilities – Operating Units

The gross income and revenues derived from the ownership or operation of various System Facilities are pledged to the payment of the Series 2014B Bonds and the Prior System Bonds and included within the term “System Revenues.” The System Facilities include:

Bookstores – the campus bookstores located on each of the four campuses of the University;

Housing – certain student residence halls, apartments and related dining and other facilities located on each of the four campuses of the University, but excluding University Meadows on the St. Louis Campus;

Parking – the existing parking and transportation systems located on each of the four campuses of the University, including revenues derived from parking fees and fines;

Student Centers – the Memorial Union and MU Student Center located on the Columbia Campus, the University Center and the Student Union on the Kansas City Campus, the Havener Center on the Missouri S&T Campus, and the University Center and the Student Center on the St. Louis Campus, including the dining and other student services located therein; and

University Health System – the facilities of the University Health System (the **“University Health System”**), including the facilities of University Hospital located on the Columbia Campus (which includes the Ellis Fischel Cancer Center); Women’s and Children’s Hospital, located in Columbia, Missouri; the Missouri Psychiatric Center, located in Columbia, Missouri; the Missouri Orthopaedic Institute located in Columbia, Missouri; and the other facilities and health care clinics of the

University Health System, including the facilities of University Physicians, the organized practice plan for the faculty of the School of Medicine. The School of Medicine, the Sinclair School of Nursing and the School of Health Professions are not part of the University Health System, and none of the revenues of those Schools is included in the System Revenues.

The term “System Facilities” also includes various other facilities of the University, including:

Athletics – the Mizzou Arena and various athletic practice and competition facilities constituting the Sports Complex on the Columbia Campus, including the Hearnes Multi-Purpose Building, Memorial Stadium, Daniel J. Devine Pavilion, the Mizzou Athletics Training Complex, the Taylor Stadium baseball facility, the University Field softball facility, the Mizzou Tennis Complex, the University-operated facilities at Old Hawthorne Golf Club, and the track and field and soccer stadium;

Printing and Publications – the printing and publications facility of the University located in Columbia, Missouri;

Campus Utilities – the cogeneration power plant, chilled water plant, and storm sewer replacement on the Columbia Campus and central utilities performance contracting on the Kansas City Campus;

Research Reactor – the research reactor on the Columbia Campus;

Laboratory – the laboratory and related facilities at the School of Medicine and the Swine Research Center on the Columbia Campus; and

Miscellaneous – various miscellaneous facilities and equipment of the University located on each of the four campuses including classroom, educational, research, office, administrative and other similar facilities.

It is the intention of the University generally to include only revenue producing facilities within the System Facilities.

Under the Resolution, the University may sell at fair market value or abandon the use of the System Facilities, or any material part thereof, or any extension or improvement thereof, only if certain conditions set forth in the Resolution are satisfied. See “**Appendix D - Definitions and Summary of the Resolution – Particular Covenants of the University – Restriction on Mortgage, Sale or Disposition of the System Facilities.**”

Student Fees and Usage Surcharges

The gross income and revenues derived from the imposition and collection of certain usage fees are also pledged to the payment of the Series 2014B Bonds, the Prior System Bonds and any Additional Bonds hereafter issued by the University in accordance with the Resolution. The usage fees that are pledged and included in the “System Revenues” include:

Recreational Facility Fees – (a) the Multi-Purpose Building Fee and the Student Recreational Facility Fee relating to the Hearnes Multipurpose Center and the Student Recreational Center, and the Student Activities Fee relating to Stankowski Field, paid by each enrolled student on the Columbia Campus, (b) the Recreational Center Fee relating to the Swinney Recreation Center paid by each enrolled student on the Kansas City Campus, (c) the Intramural Facility Fee relating to the Gale Bullman Multipurpose Building paid by each enrolled student on the Missouri S&T Campus, and (d) the Wellness Center Fee and Recreational Facility Fee paid by each enrolled student on the St. Louis Campus;

Stadium Surcharges – separate admission surcharges, presently collected in the aggregate amount of \$8.00 per paid admission to home regular season varsity football games of the University of Missouri - Columbia, relating to Memorial Stadium on the Columbia Campus; and

Student Center Fees – (a) the Student Union Fee paid by each enrolled student on the Columbia Campus, (b) the Student Center Building Fee paid by each enrolled student on the Kansas City Campus, (c) the Havener Center Building Fee paid by each enrolled student on the Missouri S&T Campus, and (d) the University Center Building Fee paid by each enrolled student on the St. Louis Campus.

Student System Facilities Fee

The Student System Facilities Fee consists of the portion of the Tuition and Fees collected from all students enrolled at the University that has been designated by the University as a student fee for the use of the System Facilities in an amount equal to the Maximum Annual Debt Service on the Bonds. The Student System Facilities Fee is included in the “System Revenues” and is pledged to the payment of the Series 2014B Bonds, the Prior System Bonds and any Additional Bonds hereafter issued by the University, but is not required to be deposited in the System Facilities Revenue Account established under the Resolution. Once all deposits to the Principal and Interest Account required under the Resolution have been made in any fiscal year, the University may expend the System Revenues, including the Student System Facilities Fee, for any lawful purpose, including the payment of the CP Notes and the interest thereon. The University may increase, but may not decrease, the amount of the Student System Facilities Fee as a percentage of Maximum Annual Debt Service.

Tuition and Fees, net of provision for doubtful accounts, for the fiscal year ended June 30, 2014 were \$829,920,000. Scholarship allowances were \$202,647,000, for a total net Tuition and Fees of \$627,273,000. The total Student System Facilities Fee with respect to the Prior System Bonds for the fiscal year ended June 30, 2014 was \$118,427,003.

Rate Covenant

Pursuant to the Resolution, the University covenants to continuously operate and maintain the System Facilities and continue to fix and maintain such reasonable rates and charges for the use of the System Facilities as will allow it to collect System Revenues sufficient to (a) provide and maintain the System Facilities Revenue Account and the Principal and Interest Account (as defined in the Resolution) in amounts adequate to pay promptly the principal of and interest on the Series 2014B Bonds, the Prior System Bonds and any Additional Bonds hereafter issued by the University and secured on a parity with the Series 2014B Bonds as and when the same become due; and (b) enable the University to have in each fiscal year System Revenues (excluding the Student System Facilities Fee) in an amount that will be not less than 200% of the Annual Debt Service required to be paid by the University in that fiscal year on account of both principal of and interest on all Bonds at the time Outstanding.

Outstanding Parity Bonds

In 1993, the University adopted resolutions that authorized the issuance of its Taxable System Facilities Revenue Bonds, Series 1993 (the “*Series 1993 Bonds*”), none of which remain outstanding. The Series 1993 Bond resolution (the “*Original Resolution*”) established a system facility financing program for the University, which included the Series 1993 Bonds and any Additional Bonds thereafter issued by the University in conformance with the provisions of the Original Resolution.

Since 1993, the University has issued various series of Prior System Bonds, which will be outstanding in the aggregate principal amount of \$1,420,420,000 as of June 30, 2014. See “**Outstanding Parity Bonds**” in **Appendix A**.

The Series 2014B Bonds are “Additional Bonds” within the meaning of the Prior System Bond resolutions and stand on a parity with and are equally and ratably secured with respect to the payment of principal and interest from the System Revenues derived by the University from the operation of the System Facilities and in all other respects with the Prior System Bonds, all as defined and provided in the Resolution. The Prior System Bonds specified above enjoy complete equality of lien on and claim against the System Revenues with the Series 2014B Bonds.

Additional Bonds

Prior Lien Bonds. The University covenants and agrees that so long as any of the Series 2014B Bonds remain outstanding and unpaid, the University will not issue any Additional Bonds or other debt obligations payable out of the System Revenues or any part thereof that are superior to the Series 2014B Bonds; provided, however, that nothing in the Resolution will preclude the University from issuing any Additional Bonds or other debt obligations to refund, in whole or in part, the Series 2014B Bonds.

Parity Lien Bonds. The University may issue one or more series of Additional Bonds to finance the acquisition, construction, improvement, renovation, furnishing or equipping of System Facilities Additions (see “**Appendix D - Definitions and Summary of the Resolution**”) or to refund indebtedness previously incurred to finance the acquisition, construction, improvement, renovation, furnishing or equipping of the System Facilities or System Facilities Additions, to be secured by a parity lien on and ratably payable from the System Revenues pledged to the Series 2014B Bonds and the Prior System Bonds, provided that all the following conditions are met:

(a) The University is not in default in the payment of principal of or interest on the Series 2014B Bonds, any Prior System Bonds or any Additional Bonds or in making any payment at the time required to be made into the respective funds and accounts created by and referred to in the Resolution; and

(b) The System Facilities Additions are made part of, if not already a part of, the System Facilities, and the System Revenues are pledged as security for the additional parity bonds and all Bonds Outstanding against the System Facilities; and

(c) The University obtains a certificate from its Controller (or other similar officer selected by the University), attesting to the accuracy of the calculations made by the University, that shows both of the following:

(1) The System Revenues (excluding the amount of any Student System Facilities Fee designated by the University) derived by the University for the fiscal year immediately preceding the issuance of Additional Bonds have been equal to at least 200% of the Maximum Annual Debt Service required to be paid out of the System Revenues in any current or future fiscal year on account of both principal and interest becoming due with respect to the Series 2014B Bonds, the Prior System Bonds and any Additional Bonds. In determining the System Revenues for the purpose described in this paragraph, System Revenues may be adjusted by adding thereto, in the event the University has made and put into effect any increase in the rates, charges or fees constituting the System Revenues and the increase has not been in effect during all the fiscal year immediately preceding the issuance of the Additional Bonds, the estimated amount of the additional System Revenues that would have resulted from the increase in the rates, charges or fees constituting the System Revenues during the preceding fiscal year had the rate increase been in effect for the entire period; and

(2) The estimated average annual System Revenues derived by the University (excluding the amount of any Student System Facilities Fee designated by the University) in connection with the issuance of the Additional Bonds for the two fiscal years immediately following the year in which the additional facilities for which the cost of acquisition, construction, improvement, renovation, furnishing or equipping of which is being financed by such Additional Bonds, are to be in operation, will be equal to at least 200% of the average Annual Debt Service required to be paid out of the System Revenues in any succeeding fiscal year following such operation on account of both principal and interest becoming due with respect to all Bonds, including the Additional Bonds proposed to be issued. In determining the amount of estimated System Revenues for the purpose described in this paragraph, System Revenues may be adjusted by adding thereto any estimated increase in System

Revenues resulting from any increase in the rates, charges or fees constituting the System Revenues that are economically feasible and reasonably considered necessary. The computation of estimates will be made by an officer selected by the University.

Additional Bonds of the University issued under the conditions set forth above will stand on a parity with the Series 2014B Bonds and the Prior System Bonds and will enjoy complete equality of lien on and claim against the System Revenues with the Series 2014B Bonds and the Prior System Bonds, and the University may make equal provision for paying the bonds and the interest thereon out of the System Facilities Revenue Account and may likewise provide for the creation of reasonable principal and interest accounts for the payment of the Additional Bonds and the interest thereon.

Special Additional Bonds. The University may also issue additional series of revenue bonds or provide for existing bonds or obligations to be secured by a parity lien on and ratably payable from the System Revenues with the Series 2014B Bonds and the Prior System Bonds and otherwise as set forth in **Article X** of the Resolution. See “**Appendix D - Definitions and Summary of the Resolution.**”

Junior Lien Bonds. The University may issue one or more additional series of revenue bonds or other revenue obligations payable out of the System Revenues that are junior and subordinate to the Series 2014B Bonds and the Prior System Bonds provided at the time of the issuance of the additional revenue bonds or obligations all the following conditions are met:

(a) The University is not in default in the payment of principal of or interest on the Series 2014B Bonds, any Prior System Bonds or any Additional Bonds or in making any payment at the time required to be made into the respective funds and accounts created by and referred to in the Resolution; and

(b) Any System Facilities Additions financed with junior lien bonds are made a part of, if not already a part of, the System Facilities, and the System Revenues derived therefrom are pledged as security for the additional revenue bonds or other obligations and all Bonds outstanding against the System Facilities; and

(c) The University obtains a certificate from its Controller (or other similar officer selected by the University) attesting to the accuracy of the calculations made by the University that demonstrates that the System Revenues (excluding the amount of any Student System Facilities Fee designated by the University) derived by the University for the fiscal year immediately preceding the issuance of additional revenue bonds or other obligations that are junior and subordinate to the Series 2014B Bonds are equal to at least 200% of the sum of (i) the average Annual Debt Service required to be paid out of the System Revenues in any succeeding fiscal year (other than the last year) on account of both principal and interest becoming due with respect to all revenue obligations payable out of the System Revenues, and (ii) the average Annual Debt Service required to be paid out of the System Revenues in any succeeding fiscal year on account of both principal and interest becoming due with respect to the additional junior lien bonds or other obligations proposed to be issued. In determining the System Revenues for the purpose described in this paragraph, System Revenues may be adjusted by adding thereto, if the University has made and put into effect an increase in the rates or charges constituting the System Revenues and the increase will not have been in effect during all of the fiscal year immediately preceding the issuance of additional revenue bonds or other obligations, the estimated amount of the additional System Revenues that would have resulted from the increase in the rates, charges or fees constituting the System Revenues during the preceding fiscal year had the rate increase been in effect for the entire period.

The additional revenue bonds or obligations will be junior and subordinate to the Series 2014B Bonds and the Prior System Bonds so that if at any time the University is in default in paying either interest on or principal of the Series 2014B Bonds, or if the University is in default in making any payments required to be made by it under the Resolution, the University will make no payments of either principal of or interest on the junior and subordinate revenue bonds or obligations until the default or defaults are cured. In the event of the

issuance of any junior and subordinate revenue bonds or obligations, the University, subject to the provisions above, may make provision for paying the principal of and interest on the junior lien revenue bonds or obligations out of moneys in the System Facilities Revenue Account.

Refunding Bonds. The University will have the right, if it finds it desirable, to refund any of the Series 2014B Bonds, Prior System Bonds or Additional Bonds then subject to redemption or becoming due, under the provisions of any law then available. The Bonds or any part thereof may be refunded and the refunding bonds so issued will stand on a parity or enjoy complete equality of pledge upon the System Revenues with any Series 2014B Bonds and Prior System Bonds that are not refunded without complying with the provisions of the foregoing as to Additional Bonds as long as there are debt service savings to the University by virtue of the refunding. See “**Appendix D - Definitions and Summary of the Resolution.**”

Type of Indebtedness. So long as the other covenants of the Resolution applicable to that indebtedness are met, the Additional Bonds or junior lien bonds may be issued on either a fixed rate or a variable rate basis, and the University may use derivative products.

Operation and Maintenance of System Facilities

The University intends to pay the cost of operation and maintenance of the System Facilities from excess System Revenues (excluding the Student System Facilities Fee) available for that purpose. The University also intends to pay the costs of operation and maintenance of the System Facilities financed by the Prior System Bonds from excess System Revenues available for that purpose should excess System Revenues exist. In the past, the System Revenues (excluding the Student System Facilities Fee) have been adequate to pay the costs of operation and maintenance of the System Facilities, including facilities financed by the Prior System Bonds.

The University has historically maintained reserves for repair and replacement relative to the System Facilities and intends to continue to maintain those reserves after the issuance of the Series 2014B Bonds. The existence of those reserves is not required by the Resolution, but is considered by the University to be a good business practice. The amount of reserves may change from time to time. As of June 30, 2014, the amounts held in the reserves for repair and replacement relative to the System Facilities aggregated \$121,400,500, which amount is included in the unrestricted net position in the financial statements of the University.

Limited Obligations

The Series 2014B Bonds and the interest thereon are special, limited obligations of the University payable solely from, and secured as to the payment of principal, redemption premium, if any, and interest, by a first lien on and pledge of the System Revenues. The Series 2014B Bonds will not constitute an indebtedness or general obligation of the State of Missouri, the University, the Board, or any individual member of the Board. Under the Resolution, the Board will pledge and grant a continuing security interest in the System Revenues as long as the Series 2014B Bonds are outstanding. The owners of the Series 2014B Bonds will have no right to demand payment out of any other funds of the University.

Changes to System Revenues or Facilities and Issuance of Additional Bonds or other Obligations

The University created a financing program for the System Facilities to be secured by the System Revenues in connection with the issuance of the Series 1993 Bonds and the Prior System Bonds. The Series 2014B Bonds are a part of that financing program. Under the Resolution and the resolutions authorizing the Prior System Bonds, the University may subsequently add other facilities and properties to the System Facilities, add other revenues to the System Revenues and secure other bonds or obligations by the System Revenues on a parity with the Series 2014B Bonds and the Prior System Bonds.

Under the Resolution, the University also has the right to do any or all of the following provided that, upon the occurrence of any of the following, the Bonds retain a rating from any national rating service then rating the Bonds at the request of the University at least equal to that in effect immediately prior to the occurrence of the following:

- (a) change the security for the Bonds (including the type of revenues, fees and reserves pledged) to add a new type of revenues, fees and reserves to or delete a type of revenues, fees and reserves from the System Revenues or the System Facilities;
- (b) add or delete new types of facilities or properties of the University to the System Facilities financed by Bonds;
- (c) secure any other bonds or obligations of the University, whether issued prior or subsequent to the date of the Resolution, by the System Revenues as long as any other security for such other bonds or obligations also secure the Bonds; or
- (d) issue Additional Bonds secured by the System Revenues and other security described in paragraph (a), (b) or (c) without meeting the requirements of the Resolution for the issuance of Additional Bonds on a parity with the Bonds.

See “**Appendix D - Definitions and Summary of the Resolution - Potential Modification of (1) Security for the Bonds; (2) Bonds as to which System Revenues Provide Security; and (3) Parity Lien Bond Test.**”

DEBT SERVICE REQUIREMENTS

The following table sets forth the future annual debt service requirements relating to the System Facilities, consisting of the Series 2014B Bonds and the Prior System Bonds, calculated on a fiscal year basis and rounded to the nearest dollar. The University issued the Series 2010A Bonds and the Series 2009A Bonds as “Build America Bonds.” For purposes of the table below, interest included in the Prior System Bonds for the Series 2010A Bonds and the Series 2009A Bonds is the gross interest expense on those two series of Bonds before the interest subsidy payments that the University expects to receive from the U.S. Treasury as a result of the qualification of those two series of Bonds as “Build America Bonds” under the Internal Revenue Code. For purposes of the Resolution and the Prior System Bond resolutions, however, “Annual Debt Service” and “Maximum Annual Debt Service” on the Bonds are computed after giving effect to (i.e. deducting) the interest subsidy payments received or expected to be received by the University from the U.S. Treasury with respect to any series of Bonds designated as Build America Bonds. The University is obligated to pay the interest on the Series 2010A Bonds and the Series 2009A Bonds at the stated interest rates thereon irrespective of whether the University receives any interest subsidy payments from the U.S. Treasury. See the discussion under “**Outstanding Parity Bonds**” in **Appendix A** regarding reductions in the interest subsidy payments in fiscal 2014 and 2015. The table does not include debt service on the outstanding CP Notes and does not give effect to any outstanding interest rate swaps.

Debt Service Requirements

<u>Fiscal Year Ending June 30,</u>	<u>Prior System Bonds Principal and Interest ⁽¹⁾</u>	<u>Series 2014B Bonds</u>		<u>Total Debt Service Relating to System Facilities</u>
		<u>Principal</u>	<u>Interest</u>	
2015	\$ 89,337,328	--	\$ 3,089,479	\$ 92,426,807
2016	97,952,763	--	6,355,500	104,308,263
2017	111,849,455	--	6,355,500	118,204,955
2018	106,012,216	--	6,355,500	112,367,716
2019	104,330,063	--	6,355,500	110,685,563
2020	207,004,673	--	6,355,500	213,360,173
2021	91,259,757	--	6,355,500	97,615,257
2022	91,240,281	--	6,355,500	97,595,781
2023	93,114,796	--	6,355,500	99,470,296
2024	92,905,557	--	6,355,500	99,261,057
2025	100,575,848	--	6,355,500	106,931,348
2026	100,329,291	--	6,355,500	106,684,791
2027	100,067,640	--	6,355,500	106,423,140
2028	74,866,199	--	6,355,500	81,221,699
2029	70,996,196	--	6,355,500	77,351,696
2030	70,719,530	--	6,355,500	77,075,030
2031	70,410,533	--	6,355,500	76,766,033
2032	70,103,368	--	6,355,500	76,458,868
2033	60,169,438	--	6,355,500	66,524,938
2034	59,849,570	--	6,355,500	66,205,070
2035	59,509,038	--	6,355,500	65,864,538
2036	59,165,601	--	6,355,500	65,521,101
2037	58,807,776	--	6,355,500	65,163,276
2038	58,430,468	--	6,355,500	64,785,968
2039	42,256,930	--	6,355,500	48,612,430
2040	123,514,735	--	6,355,500	129,870,235
2041	98,712,174	--	6,355,500	105,067,674
2042	93,841,391	--	6,355,500	100,196,891
2043	7,311,000	--	6,355,500	13,666,500
2044	153,655,500	--	6,355,500	160,011,000
2045	--	--	6,355,500	6,355,500
2046	--	--	6,355,500	6,355,500
2047	--	--	6,355,500	6,355,500
2048	--	--	6,355,500	6,355,500
2049	--	--	6,355,500	6,355,500
2050	--	--	6,355,500	6,355,500
2051	--	--	6,355,500	6,355,500
2052	--	--	6,355,500	6,355,500
2053	--	--	6,355,500	6,355,500
2054	--	--	6,355,500	6,355,500
2055	--	<u>\$150,000,000</u>	<u>3,177,750</u>	<u>153,177,750</u>
Total	\$2,618,299,117	\$150,000,000	\$254,131,729	\$3,022,430,844

⁽¹⁾ Prior System Bonds in the outstanding principal amount of \$99,895,000 as of June 30, 2014 bear interest at variable rates that are set weekly in accordance with the Prior System Bond resolutions. For purposes of this table, the University has assumed that all the outstanding variable rate Prior System Bonds bear interest at a fixed rate of 4.0% per annum through maturity.

PLEDGED REVENUES OF THE SYSTEM

The Series 2014B Bonds are payable solely from, and secured as to the payment of principal of, redemption premium, if any, and interest on the Series 2014B Bonds, by a first lien on and pledge of the System Revenues, which consist of revenues derived from (i) the ownership or operation of the System Facilities, (ii) the imposition and collection of certain specifically assessed student fees and stadium usage surcharges, and (iii) the Student System Facilities Fee. See **“SECURITY FOR THE SERIES 2014B BONDS.”**

The following table sets forth the historical System Revenues pledged to secure the outstanding Bonds for the five fiscal years ended June 30, 2014.

Historical Pledged System Revenues <i>(\$ in thousands)</i>					
	Fiscal Years Ended June 30,				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Operating Revenues					
Specifically Assessed Student Fees	\$ 18,180	\$ 24,950	\$ 26,117	\$ 26,670	\$ 23,900
Bookstore	59,288	58,382	57,634	55,645	54,503
Housing and Food Service, Net	89,744	93,744	100,284	106,435	107,547
Parking	17,564	16,656	14,960	14,895	11,523
Patient Medical Services, Net	718,687	745,010	793,876	844,747	873,638
Other	<u>18,140</u>	<u>20,258</u>	<u>20,248</u>	<u>24,485</u>	<u>24,226</u>
Total	921,603	959,000	1,013,119	1,072,877	1,095,337
Student System Facilities Fee ⁽¹⁾	<u>78,752</u>	<u>88,058</u>	<u>82,554</u>	<u>82,539</u>	<u>118,427</u>
Total	<u>\$1,000,355</u>	<u>\$1,047,058</u>	<u>\$1,095,673</u>	<u>\$1,155,416</u>	<u>\$1,213,764</u>

⁽¹⁾ The Student System Facilities Fee is included in the System Revenues and is pledged to the payment of the Series 2014B Bonds, the Prior System Bonds and any Additional Bonds hereafter issued by the University. The University is not, however, required to deposit the Student System Facilities Fee in the System Facilities Revenue Account. Once all deposits to the Principal and Interest Account required under the Resolution have been made in any fiscal year, the University may expend the System Revenues, including the Student System Facilities Fee, for any lawful purpose.

The Series 2014B Bonds are special, limited obligations of the University payable solely from, and secured as to the payment of principal and interest by a first lien on and pledge of, the System Revenues, which (other than the Student System Facilities Fee) are to be set aside for that purpose in a special fund, known as the System Facilities Revenue Account, held pursuant to the Resolution. The University covenants and agrees in the Resolution that as long as any of the Series 2014B Bonds remain Outstanding and unpaid, all System Revenues, other than the Student System Facilities Fee, will be credited to the System Facilities Revenue Account. All moneys then held in the System Facilities Revenue Account are required to be applied first to the Principal and Interest Account for the Series 2014B Bonds and all Prior System Bonds, on a parity basis (and to any subaccounts established with respect to any Additional Bonds hereafter issued by the University), to the extent necessary for the payment of all principal of and interest on the Bonds. All amounts paid and credited to the Principal and Interest Account are required to be used by the University for the sole purpose of paying the interest on and principal of the Bonds as and when the same become due and the payment of any fees of the respective paying agent and bond registrars in connection with the Bonds. Once required deposits have been made to the Principal and Interest Account for each fiscal year, the University may use the amounts on deposit in the System Facilities Revenue Account for any lawful purpose, including the payment of principal of and interest on the CP Notes.

TAX MATTERS

The following is a summary of material federal and State of Missouri income tax consequences of purchasing, owning and disposing of the Series 2014B Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of Series 2014B Bond owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Series 2014B Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Missouri, does not discuss the consequences to owners under any state, local or foreign tax laws. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of purchasing, owning and disposing of the Series 2014B Bonds.

Interest on Series 2014B Bonds – Federal Taxable and Missouri Tax-Exempt. The opinion of Thompson Coburn LLP, Bond Counsel, to be delivered upon the issuance of the Series 2014B Bonds and a form of which is attached hereto in **Appendix E** will state that, under existing law, interest on the Series 2014B Bonds is not excluded from gross income for federal income tax purposes, but interest on the Series 2014B Bonds is exempt from income taxation by the State of Missouri.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences arising with respect to the Series 2014B Bonds.

All prospective purchasers of the Series 2014B Bonds should consult their own tax advisors as to the applicability and the impact of any other tax consequences (which may depend upon their particular tax status or other tax items) as well as to the treatment of interest on the Series 2014B Bonds under state or local laws other than those of the State of Missouri.

Federal, state or local legislation, if enacted in the future, may adversely affect the federal, state or local tax consequences of ownership or disposition of, and, whether or not enacted, may adversely affect the value and liquidity of, the Series 2014B Bonds.

Certain Federal Tax Consequences. The Code contains a number of provisions relating to the federal taxation of taxable obligations such as the Series 2014B Bonds (including but not limited to the federal income tax treatment of and accounting for interest, premium, original issue discount and market discount thereon, gain from the sale, exchange or other disposition thereof and withholding and backup withholding tax on income therefrom) that may affect the taxation of certain Series 2014B Bond owners, depending on their particular tax situations. Bond Counsel expresses no opinion regarding the effect of such provisions.

Interest. Interest on the Series 2014B Bonds generally will be taxable to an owner as ordinary income for federal income tax purposes at the time such interest is accrued or received (in accordance with the owner's method of tax accounting). A cash basis Series 2014B Bond owner will generally include interest in gross income when received (or when made available for receipt, if earlier). An accrual basis Series 2014B Bond owner will generally include interest in gross income when all events necessary to establish the right to receive such interest have occurred.

Premium. If an owner purchases a Series 2014B Bond for an amount that is greater than the sum of all amounts payable on such Series 2014B Bond after the purchase date other than payments of qualified stated interest, such owner will be considered to have purchased such Series 2014B Bond at a "premium" and will not be required to include any original issue discount in income, and may elect to deduct the "amortizable bond premium." An owner may elect to amortize such premium using a constant yield method over the remaining term of such Series 2014B Bond and may offset interest otherwise required to be included in income in respect of such Series 2014B Bond during any taxable year by the amortized amount of such premium for the taxable year. The amount amortized in any year will be treated as a reduction of the owner's adjusted tax basis in such Series 2014B Bond. Any election to amortize bond premium applies to all taxable debt obligations then owned

and thereafter acquired by the owner of such Series 2014B Bond and may be revoked only with the consent of the Internal Revenue Service. Bond premium on a Series 2014B Bond held by an owner that does not make such an election will decrease the gain or increase the loss otherwise recognized on disposition of such Series 2014B Bond.

Market Discount. If a Series 2014B Bond is purchased at any time for a price that is less than its stated redemption price at maturity such owner will be treated as having purchased such Bond at a “market discount,” unless such market discount is less than a statutorily specified *de minimis* amount.

Under the market discount rules, an owner will be required to treat any partial principal payment on, or any gain realized on the sale, exchange, retirement or other disposition (including certain nontaxable dispositions such as gifts) of, such Series 2014B Bond as ordinary income for federal income tax purposes to the extent of the market discount which has not previously been included in gross income for federal income tax purposes and is treated as having accrued on such Series 2014B Bond at the time of such payment or disposition. An owner may instead elect to include market discount in gross income for federal income tax purposes each taxable year as it accrues with respect to all debt instruments (including a Series 2014B Bond) acquired in the taxable year for which the election is made. Such election would apply to the taxable year for which it is made and for all subsequent taxable years and could be revoked only with the consent of the Service.

Also, an owner who acquires a Series 2014B Bond with market discount may be required to defer, until the maturity of the Series 2014B Bond or its earlier disposition in a taxable transaction, the deduction of all or a portion of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry such Series 2014B Bond, unless an election is made to include in gross income market discount currently as it accrues as described above.

The accrued market discount on a Series 2014B Bond is generally determined on a ratable basis, unless the owner elects with respect to such Series 2014B Bond to determine accrued market discount under a constant yield method similar to that applicable to original issue discount.

Election to Treat All Interest as Original Issue Discount. Owners generally may elect, with respect to a Series 2014B Bond acquired in the taxable year for which such election is made, to include in gross income for federal income tax purposes each taxable year all interest, including stated interest, acquisition discount, original issue discount, *de minimis* original issue discount, market discount, *de minimis* market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium, that accrues on such Series 2014B Bond by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions. Such election would apply to the taxable year for which it is made and for all subsequent taxable years and could be revoked only with the consent of the Service.

Redemption, Sale, Exchange or Other Disposition. Upon the redemption, sale, exchange or other disposition of a Series 2014B Bond, an owner generally will recognize taxable gain or loss for federal income tax purposes equal to the difference between the amount realized on the redemption, sale, exchange or other disposition (other than amounts representing accrued qualified stated interest which will be taxable as such) and such owner’s adjusted tax basis in the Series 2014B Bond. Defeasance of the Series 2014B Bonds, as applicable, may result in a reissuance (or deemed exchange) thereof for federal income tax purposes, in which event an owner will recognize taxable gain or loss as described in the preceding sentence. An owner’s adjusted tax basis in a Series 2014B Bond generally will equal such owner’s initial investment in such Series 2014B Bond increased by any original issue discount included in such owner’s gross income (and accrued market discount, if any, if the owner has included such market discount in such owner’s gross income) and decreased by the amount of any payments received, other than qualified stated interest payments, and bond premium amortized with respect to such Series 2014B Bond by such owner. Subject to the market discount rules discussed above, such gain or loss generally will be long-term capital gain or loss if such Series 2014B Bond was held by such owner for more than one year. Also, the deductibility of capital losses is subject to certain limitations.

Required Reporting to Service. The Code generally requires the reporting to the Service by payors of taxable interest. Generally, payors (including paying agents and other middlemen and nominees) of taxable interest (such as interest on the Series 2014B Bonds) to non-corporate payees are subject to federal income tax annual information return and payee statement reporting and recordkeeping requirements. Also, as to payor reportable payments of taxable interest (such as payments to non-corporate payees of interest on the Series 2014B Bonds), the general rules of federal income tax backup withholding will apply to such payments, unless the payor obtains from the payee a completed, certified Form W-9, Request for Taxpayer Identification Number and Certification. These information reporting and backup withholding rules are also applicable to taxable original issue discount.

LEGAL MATTERS

Legal matters incident to the authorization, sale and delivery of the Series 2014B Bonds are subject to the approval of Thompson Coburn LLP, St. Louis, Missouri, Bond Counsel, whose approving opinions will be delivered with the Series 2014B Bonds. The proposed form of opinion of Bond Counsel is attached hereto as **Appendix E**. Certain legal matters will be passed upon for the University by Stephen J. Owens, General Counsel to the University, and by Gilmore & Bell, P.C., Kansas City, Missouri, as Disclosure Counsel to the University, and for the Underwriters by Greenberg Traurig, LLP, Boston, Massachusetts.

The various legal opinions to be delivered concurrently with the delivery of the Series 2014B Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transactions opined upon, or of the future performance of parties to such transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

CONTINUING DISCLOSURE

The University entered into an Omnibus Continuing Disclosure and Disclosure Dissemination Agreement, as amended (the ***“Continuing Disclosure Agreement”***) with Digital Assurance Certification, L.L.C., as dissemination agent (the ***“Dissemination Agent”***) in conjunction with the issuance of a series of Prior System Bonds in 2011. The Continuing Disclosure Agreement is for the benefit of the owners and Beneficial Owners of the Series 2014B Bonds and all outstanding Prior System Bonds and is made applicable to the Series 2014B Bonds in order to assist the Underwriters for the Series 2014B Bonds in complying with Rule 15c2-12, as amended, of the Securities and Exchange Commission (the ***“Rule”***). The University is the only “obligated person” with responsibility for continuing disclosure.

Annual Reports

Pursuant to the Continuing Disclosure Agreement, the University will, or will cause the Dissemination Agent to, not later than 180 days after the end of the University’s fiscal year, file with the Municipal Securities Rulemaking Board (***“MSRB”***) through the Electronic Municipal Market Access system (***“EMMA”***) operated by the MSRB the following financial information and operating data (the ***“Annual Report”***):

- (a) The audited financial statements of the University for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Governmental Accounting Standards Board. If the University’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to the Continuing Disclosure Agreement, the Annual Report will contain unaudited financial statements in a format similar to the financial statements contained in this Official Statement, and the audited financial statements will be filed in the same manner as the Annual Report when they become available.

(b) Updates as of the end of the prior fiscal year of certain financial information and operating data in substantially the same format contained in the following tables under the following headings in the final Official Statement:

Tables in Official Statement:

- (1) PLEDGED REVENUES OF THE SYSTEM – Historical Pledged System Revenues;

Tables in Appendix A:

- (2) MU Health Care Financial and Operating Data – MU Health Care Utilization Data;
(3) MU Health Care Financial and Operating Data – MU Health Care – Summary Financial Information;
(4) MU Health Care Financial and Operating Data – MU Health Care Sources of Patient Service Revenue;
(5) University Historical and Projected Enrollment – Enrollment (Full- and Part-Time);
(6) Student Applications, Acceptances and Matriculations;
(7) Student Quality Indicators;
(8) Full-Time Ranked Faculty – Full Time Ranked Faculty;
(9) University Investments – Endowment Pool – Asset Mix
(10) University Investments - University of Missouri System Endowment Pool;
(11) Undergraduate Student Fees;
(12) Financial Aid;
(13) Retirement Trust and OPEB Trust – Summary Financial Information of the Plan; and
(14) Retirement Trust and OPEB Trust – Plan Investments.

Quarterly Liquidity Information

In conjunction with the first issuance of CP Notes, the University amended the Continuing Disclosure Agreement to provide that for so long as any CP Notes are outstanding the University will provide to the Dissemination Agent for filing with the MSRB on EMMA not later than 60 days following the end of each fiscal quarter, certain unaudited liquidity information for the University as of the last business day of the preceding fiscal quarter, consisting generally of various liquidity categories and amounts as well as any corresponding liabilities supported by such internal liquidity. The University intends to make the same information available voluntarily with respect to the outstanding Bonds. The University currently voluntarily files certain unaudited liquidity information on a monthly basis rather than a quarterly basis.

Voluntary University Health System Reporting

The University is not required by the Continuing Disclosure Agreement (or any previous continuing disclosure undertaking made by the University) to file any quarterly filings on EMMA of financial information or operating data with respect to the University, the System Facilities or the University Health System, other than the liquidity information described in the preceding paragraph. The University does, however, voluntarily file quarterly reports with the MSRB on EMMA, of selected consolidated quarterly and year-to-date, actual, budgeted and actual compared to budget balance sheet information and statement of revenues, expenses and changes in net position of the University Health System.

The University presently intends to continue to make voluntary filings on EMMA of this or similar financial information for the University Health System for the foreseeable future, but is not obligated to do so under the Continuing Disclosure Agreement or any similar undertaking or agreement by the University.

Event Notices

Pursuant to the Continuing Disclosure Agreement, the University also will give, or cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Series 2014B Bonds (*“Listed Events”*):

- (1) principal and interest payment delinquencies;

- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2014B Bond, or other material events affecting the tax status of the Series 2014B Bonds;
- (7) modifications to rights of bondholders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Series 2014B Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the University;
- (13) the consummation of a merger, consolidation, or acquisition involving the University or the sale of all or substantially all of the assets of the University, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material; and

The University is required to file any required notice of a Listed Event with the MSRB on EMMA, promptly after the occurrence of the Listed Events listed above, but no later than 10 business days after the occurrence of the Listed Event. If the University has not timely filed or caused to be filed an Annual Report, the Dissemination Agent has agreed to send notice to the MSRB disclosing such failure to file.

Other Terms

The University may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

The Dissemination Agent is not responsible in any manner for the content of any notice or report prepared by the University pursuant to the Continuing Disclosure Agreement. The Dissemination Agent is Digital Assurance Certification, L.L.C.

Notwithstanding any other provision of the Continuing Disclosure Agreement, the University and the Dissemination Agent may amend the Continuing Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the University) and any provision of the Continuing Disclosure Agreement may be waived, provided Bond Counsel or other counsel experienced in federal securities law matters provides the Dissemination Agent with its opinion that the undertaking of the University, as so amended or after giving effect to such waiver, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to the Continuing Disclosure Agreement.

In the event of a failure of the University or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, any owner or Beneficial Owner of the Series 2014B Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the University or the Dissemination Agent, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed an event of default under the Resolution and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the University or the Dissemination Agent to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

Electronic Municipal Market Access System (EMMA)

All Annual Reports and notices of Listed Events required to be filed by the University or the Dissemination Agent pursuant to the Continuing Disclosure Agreement must be filed with the MSRB on EMMA. EMMA is an internet-based, online portal for free investor access to municipal bond information, including offering documents, material event notices, real-time municipal securities trade prices and MSRB education resources, available at www.emma.msrb.org. Except as set forth below under **“INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE,”** nothing contained on EMMA relating to the University or any Prior System Bonds is incorporated by reference in this Official Statement.

The voluntary quarterly reports described above prepared by the University with respect to the University Health System are also filed by the University with the MSRB on EMMA and are available to all persons at the EMMA website.

Compliance with Prior Continuing Disclosure Undertakings

In the past five years, the University has not failed to comply in any material respect with any previous undertakings with regard to the Rule to provide annual reports or notices of material events. The University’s operating data for the fiscal year ended June 30, 2012 (the **“2012 Operating Data”**) was provided to the Dissemination Agent as required and posted on EMMA, but it was not properly linked by CUSIP numbers to one series of Prior System Bonds due to an administrative error. The University has remedied this error by re-filing the 2012 Operating Data under the omitted CUSIP numbers. A rating upgrade was not separately filed on EMMA in December 2010, but an official statement for the University was posted on EMMA within 10 business days after the rating upgrade.

Website Information

The University maintains a public website on which it posts:

- Audited Financial Statements of the University and the University Health System
- Summaries of University Debt
- Offering Documents relating to University Debt
- University Debt Policy
- Annual Operating Budgets
- Annual Appropriations Requests
- Endowment Fund Information
- Retirement Fund Information
- Finance Strategic Plan
- University Strategic Plan

Certain of the foregoing information is available on the webpage for the University of Missouri System, Office of the Treasurer, at www.umsystem.edu/ums/fa/treasurer. None of the information included on the University’s website is incorporated by reference into this Official Statement.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

As noted above, the University makes monthly filings with the MSRB on EMMA of certain unaudited liquidity information for the University and voluntarily makes quarterly filings of certain unaudited financial information for the University Health System. The University incorporates by reference herein the following reports filed by the University with the MSRB:

(1) The Curators of the University of Missouri Liquidity Information as of September 30, 2014, filed on EMMA on October 14, 2014;

(2) University of Missouri Health System Financial Report (unaudited) as of June 30, 2014, filed on EMMA on August 29, 2014; and

(3) Any other monthly liquidity report or quarterly University Health System Report filed on EMMA after the date of this Official Statement and prior to the date on which delivery of this Official Statement is no longer required under applicable MSRB rules.

FINANCIAL ADVISOR

The University has retained Prager & Co., LLC New York, New York, as Financial Advisor (the ***“Financial Advisor”***) for the sale of the Series 2014B Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. In addition to providing financial advisory services, the Financial Advisor is also engaged in the business of underwriting, trading, and distribution of municipal and other public securities.

INDEPENDENT AUDITORS

The financial statements of the University of Missouri System as of and for the fiscal year ended June 30, 2014 and as of and for the fiscal years ended June 30, 2013 and 2012 included as **Appendix B** to this Official Statement have been audited by KPMG LLP, independent auditors, as stated in their reports included in **Appendix B**.

RATINGS

Standard & Poor’s Ratings Services and Moody’s Investors Service, Inc. have assigned the Series 2014B Bonds the ratings of “AA+” and “Aa1,” respectively. These ratings reflect only the respective views of those organizations at the time the ratings were given. An explanation of the significance of those ratings may be obtained from the respective rating agencies.

The University furnished the rating agencies with certain information and materials relating to the Series 2014B Bonds and the University that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies.

There is no assurance that a particular rating will be maintained for any given period of time or that it will not be revised downward or withdrawn entirely by either or both rating agencies if, in the judgment of either or both, circumstances so warrant. Any downward change or withdrawal of the ratings may have an adverse effect on the market price and marketability of the Series 2014B Bonds.

UNDERWRITING

The Series 2014B Bonds are being purchased for reoffering by the underwriters named on the cover page (collectively, the ***“Underwriters”***), for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated will act as representative, pursuant to a Bond Purchase Agreement between the University and the Underwriters. The Underwriters have agreed to purchase all, but not less than all, of the Series 2014B Bonds at a price of \$149,639,245.28 (reflecting an underwriting discount in the amount of \$360,754.72) on the terms set forth in the Bond Purchase Agreement.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Series 2014B Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2014B Bonds.

The Underwriters may offer and sell the Series 2014B Bonds to certain dealers (including dealers depositing the Series 2014B Bonds into investment trusts) and others at prices lower than the public offering prices stated on the inside cover page. The initial public offering prices may be changed from time to time by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the University, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the University.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

MISCELLANEOUS

The references to and summaries of the Resolution, and other documents referred to herein and in **Appendix D**, and to the laws of the State, do not purport to be complete, and all such references are qualified in their entirety by reference to the complete provisions thereof. Copies of all documents referred to herein are on file with the Financial Advisor and the University and may be obtained, without charge, by written request. All estimates and other statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The attached appendices are integral parts of this Official Statement and must be read together with all of the foregoing statements.

The closing documents will include a certificate by the proper official of the University that, to the best of his or her knowledge and belief at the time of the acceptance of the delivery of the Series 2014B Bonds, this Official Statement and any information furnished by the University supplementary thereto did not and do not contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made in light of the circumstances under which they were made, not misleading in any material respect.

This Official Statement has been duly authorized and approved by the University and duly executed and delivered on its behalf by the official signing below.

**THE CURATORS OF THE UNIVERSITY OF
MISSOURI**

By /s/ Thomas F. Richards, CPA
Treasurer and Chief Investment Officer

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APPENDIX A

THE CURATORS OF THE UNIVERSITY OF MISSOURI

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THE CURATORS OF THE UNIVERSITY OF MISSOURI

History and Background

The Curators of the University of Missouri (the “*University*”), created by the Geyer Act of the Tenth General Assembly of Missouri in 1839, is the oldest state university west of the Mississippi. The University was patterned after the ideals of Thomas Jefferson, a vigorous advocate of public higher education. After passage of the Morrill Act by Congress, the University became a land-grant institution in 1870.

The University had its beginnings in Columbia, Missouri. It remained a single-campus institution until 1870 when the Rolla campus (now known as the Missouri University of Science and Technology) was opened. Two campuses were added in 1963: an entirely new campus was started in St. Louis, Missouri and the private University of Kansas City in Kansas City, Missouri became the University of Missouri-Kansas City.

Board of Curators

Under the State Constitution, the University is governed by the Board of Curators of the University of the State of Missouri (the “*Board*”). This nine-member Board is appointed by the Governor and confirmed by the State Senate, with each appointment being for a six-year term. No more than five members can be from the same political party, and at least one, but no more than two members, shall be from each of the eight congressional districts. The State Constitution provides that the Board has sole authority to govern the University. The State General Assembly has the responsibility to provide adequate funds to maintain the University.

The Board has the following standing committees that meet as business requires:

Executive Committee. The Executive Committee, when the Board is not in session, has the powers of the Board to take such action as the Executive Committee deems to be in the best interest of the University to the extent such action is in accordance with the bylaws of the University and the rules and regulations of the Board.

Academic, Student and External Affairs Committee. The Academic, Student and External Affairs Committee has referred to it matters relating to curricula, faculty and student affairs, government relations and external relations.

Audit Committee. The Audit Committee assists the Board in fulfilling its oversight responsibilities relating to the integrity of the University’s financial statements, the systems of internal control, the performance of the University’s independent auditors and internal audit function, the independent auditor’s qualifications and independence, and the University’s compliance with legal and regulatory requirements.

Compensation and Human Resources Committee. The Compensation and Human Resources Committee has referred to it matters relating to the compensation, benefits and other human resource functions of the University and associated programs and policies.

Finance Committee. The Finance Committee has referred to it matters relating to the fiscal and accounting functions of the University and associated programs and policies.

Governance, Resources and Planning Committee. The governance, resources and planning committee has a broad mandate from the Board to work with the Board Chair and the President of the University to help the Board function effectively, efficiently and with integrity, including (a) ensuring a substantive orientation process is in place for all new Board members, (b) overseeing, or determining with the Board Chair and President, the timing and process of periodic Board self-assessment, (c) encouraging Board members to participate periodically in in-service education opportunities, (d) ensuring the Board adheres to its rules of conduct, including conflict-of-interest and disclosure

policies and otherwise maintains the highest levels of integrity in everything it does, and (e) periodically reviewing the adequacy of the Board's bylaws and other collected rules and regulations adopted by the Board that pertain to its internal operations.

Internal Audit and Enterprise Risk Management

The University has engaged an independent auditing firm to conduct internal audit projects under the direction of the Vice President for Finance and Chief Financial Officer. The internal auditing firm is not the same firm that regularly audits the University's financial statements. The internal auditing firm reports to the Audit Committee of the Board and the University President. The University initiated an Enterprise Risk Management pilot program in 2012 and is in the process of extending the program to each campus.

General Officers

The Board appoints the President of the University, who is the chief executive officer for the University's four-campus system. The Board, upon recommendation of the President, appoints a Chancellor to direct each campus, a Vice President for Finance and Chief Financial Officer, an Executive Vice President for Academic Affairs, Research and Economic Development, a Vice President for Information Technology, a Vice President for Human Resources, and a Vice President for University Relations, all of whom report to the President, and a General Counsel, who reports directly to the Board.

The following is summary biographical information relating to the President of the University, the Chancellor of each Campus of the University, the General Counsel of the University, the Vice President for Finance and Chief Financial Officer of the University, and the Treasurer and Chief Investment Officer of the University.

Timothy M. Wolfe, 56, President of the University of Missouri System. Mr. Wolfe was selected as the 23rd President of the University effective February 15, 2012. Prior to assuming this role, Mr. Wolfe was President of the Americas at Novell, a leading provider of infrastructure software. Prior to that, Mr. Wolfe spent 20 years in various executive positions at IBM, working his way to vice president and general manager of the global distribution sector. Mr. Wolfe received a bachelor's of science in personnel management from the University of Missouri-Columbia.

R. Bowen Loftin, 65, Chancellor of the University of Missouri-Columbia. Dr. Loftin became the 22nd chief executive officer of the University of Missouri-Columbia on February 1, 2014. He is also a professor of physics at the University of Missouri-Columbia. Dr. Loftin earned a bachelor's degree in physics from Texas A&M University in 1970. He earned a master's degree in physics in 1973 and a doctorate in physics in 1975, both from Rice University. Prior to joining the University, Dr. Loftin served as president of Texas A&M University for four years, which followed eight months as interim president and four years as a university vice president assigned as the chief executive officer of Texas A&M's Galveston branch. Prior to joining the administration of Texas A&M University, Dr. Loftin served as a professor of electrical and computer engineering and computer science at Old Dominion University for five years after serving as a professor of physics for 23 years at the University of Houston.

Leo E. Morton, 69, Chancellor of the University of Missouri-Kansas City. Mr. Morton became Chancellor of the University of Missouri-Kansas City on December 15, 2008. Mr. Morton holds a bachelor's degree in engineering from Tuskegee University and a master's degree in management from the Massachusetts Institute of Technology. Prior to assuming the Chancellorship, Mr. Morton served as interim Chancellor and was employed with Aquila, Inc., in various executive positions, including senior vice president and chief administrative officer since 2000. Prior to Aquila, Inc., Mr. Morton's management career extended over 26 years in engineering and manufacturing with AT&T Microelectronics, Bell Laboratories, General Motors, Rust Engineering Company and Corning Glass. Mr. Morton was a trustee for the University of Missouri-Kansas City since 2000 and served as Chairman of the Board of Trustees prior to stepping down to serve as interim Chancellor.

Cheryl B. Schrader, 52, Chancellor of the Missouri University of Science and Technology. Dr. Schrader became the Chancellor of Missouri University of Science and Technology effective April 2, 2012. Prior to becoming Chancellor, Dr. Schrader was dean of engineering at Boise State University, where she also held the position of

associate vice president for strategic research initiatives. Dr. Schrader began her teaching and research career at Notre Dame while undertaking internships and consulting work with McDonnell Douglas Astronautics Co. in the early 1980s and Chimera Research in the early 1990s. Following a brief period as an adjunct assistant professor at Rice University in 1991, Dr. Schrader moved to the University of Texas at San Antonio, where she rose to serve as a tenured professor of electrical engineering and served as associate dean at both the college of sciences and the college of engineering. Dr. Schrader earned a bachelor of science degree in electrical engineering from Valparaiso University in Valparaiso, Indiana, in 1984. Dr. Schrader earned a master of science and Ph.D. degrees in electrical engineering from Notre Dame in 1987 and 1991, respectively.

Thomas F. George, 67, Chancellor of the University of Missouri-St. Louis. Dr. George became Chancellor of the University of Missouri-St. Louis on September 1, 2003. Prior to joining the University, Dr. George served as chancellor of the University of Wisconsin-Stevens Point. Prior to coming to Stevens Point in 1996, he served for five years as provost and academic vice-president of Washington State University. Dr. George also worked at the State University of New York at Buffalo where he served as dean of the faculty of natural sciences and mathematics for six years, and at the University of Rochester where he was a professor of chemistry. Dr. George earned his bachelor's degree (Phi Beta Kappa) with a double major in chemistry (with honors) and mathematics (with honors) from Gettysburg College, his master's degree and doctoral degree in theoretical chemistry from Yale University, followed by postdoctoral appointments at the Massachusetts Institute of Technology and the University of California at Berkeley.

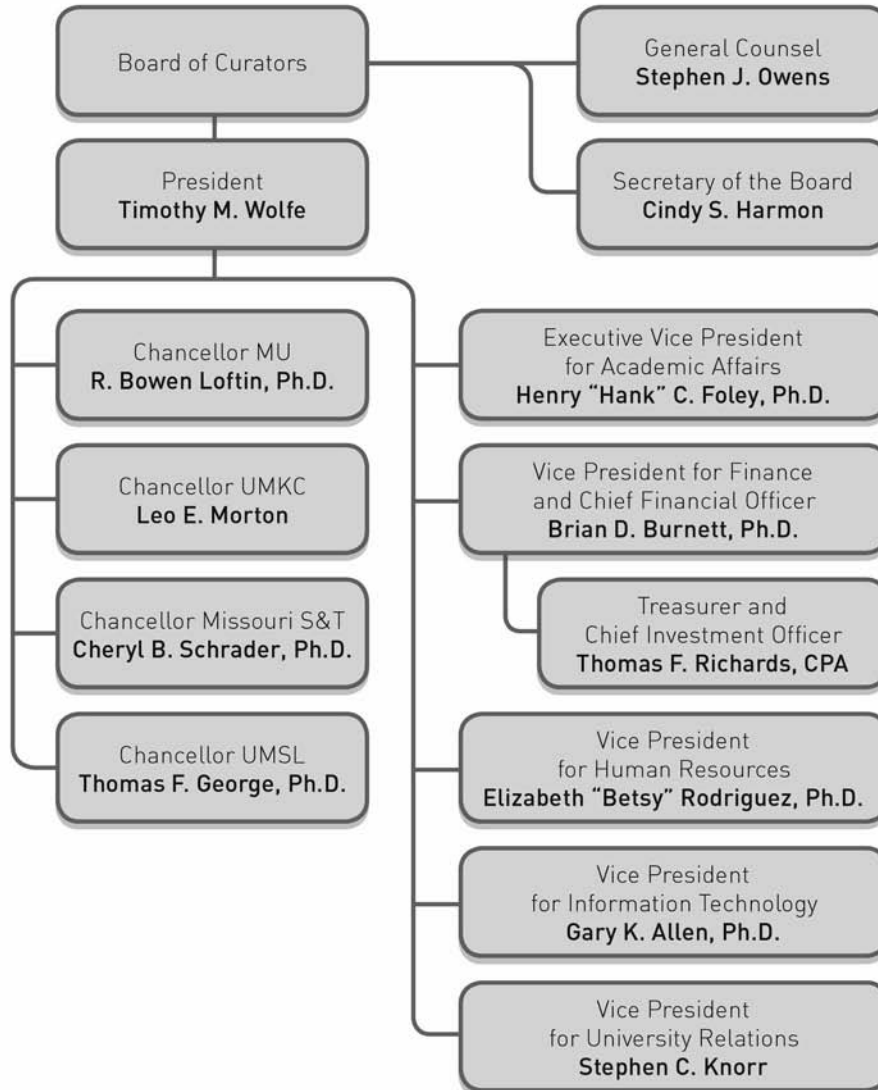
Stephen J. Owens, 59, General Counsel of the University of Missouri System. Mr. Owens became General Counsel of the University in January 2008. Mr. Owens served as Interim Chancellor of the University of Missouri-Columbia from November 15, 2013 until February 1, 2014, following the retirement of Chancellor Brady Deaton. Previously, Mr. Owens served as Interim President of the University from January 7, 2011 to February 14, 2012, following the resignation of the then current President of the University. Prior to joining the University, Mr. Owens was a partner and Chairman of the Class Action and Complex Litigation Division of Stinson Morrison Hecker, LLP. Mr. Owens earned a bachelor of science degree in Public Administration from the University of Missouri-Columbia in 1977 and a law degree from Wake Forest University in 1980.

Brian D. Burnett, 51, Vice President for Finance and Chief Financial Officer of the University of Missouri System. Dr. Burnett assumed the responsibilities of the Vice President for Finance and Chief Financial Officer effective August 25, 2014. Previously, Dr. Burnett served in concurrent roles at the University of Colorado-Colorado Springs, as Senior Executive Vice Chancellor for Administration and Finance and as University of Colorado System Associate Vice President for Administration and Foundation Relations. In that role, he managed the Development Services Agreement between the university and the CU Foundation that supported fundraising activities at all campuses in the University of Colorado System. Dr. Burnett earned a bachelor's degree in economics from the University of Colorado-Boulder, a master's degree in finance from the University of Colorado-Denver and a doctor of philosophy in educational leadership, research and policy from the University of Colorado-Colorado Springs.

Thomas F. Richards, CPA, 45, Treasurer and Chief Investment Officer of the University of Missouri System. Mr. Richards became Treasurer and Chief Investment Officer in January 2011. In July 2013, Mr. Richards was appointed Interim Vice President for Finance for the University and concurrently served in that capacity through August 2014. Prior to joining the University, Mr. Richards served as the Chief Financial Officer of Landmark Bank, N.A. Prior to that, Mr. Richards served as an audit manager in the financial services practice of PricewaterhouseCoopers LLP in Indianapolis Indiana. Mr. Richards, a CPA, earned his bachelor's degree from the University of Michigan. He received the Rising Star Award from the National Association of College and University Business Officers in 2013.

The following chart shows the organizational structure and relationships among the Board, the President of the University, the Chancellors of each Campus of the University and certain other officers of the University.

University of Missouri System Organizational Chart



University System

The University currently includes four campuses with 45 schools, colleges and divisions, and a Fall 2014 enrollment of over 77,000 full- and part-time students. The four-campus system administration is located in Columbia. The University is the only public institution in Missouri offering professional and doctoral degrees, and approximately one-fourth of its enrollment consists of professional and graduate students. The University also administers a statewide cooperative extension service consisting of centers located in nearly all of Missouri's 114 counties. The extension service is aided by local extension councils in every Missouri county which help guide local educational programming.

Strategic Planning

The University initiated a system-wide, campus driven strategic planning process in June 2012. Pursuant to the strategic planning process, each campus has developed and will continue to refine a campus plan and a strategy statement designed to facilitate the implementation of its plan. The goal of the strategic planning process is for each campus and the System as a whole to develop a clear, focused strategy that articulates how it will use its unique strengths to overcome barriers in achieving its vision and delivering on its mission. The University intends to distribute any future increases in State support for operations among the System's four campuses based on a competitive process driven by the relative strength of strategic funding requests submitted by each campus. Previously, funding increases were distributed among the campuses pro rata.

The University distributed more than \$22 million in new State funding during fiscal year 2014 to the four campuses in furtherance of the campuses' respective strategic priorities. Each campus previously submitted strategic planning funding requests which were analyzed with input from the four Chancellors. Funding was based on the criteria for strategic financial investment agreed upon by the President and Chancellors in April 2013. Each campus request was evaluated based on whether it would have a measurable and significant impact on achieving its strategy or return on investment; evidence that the campus is sharing the cost of the initiative and has made the difficult choices about what it will no longer do in order to free resources for strategic investment; the impact on student learning and success, including how the proposed action plan is tied to and directly impacts measurable student learning and success outcomes; and the extent to which the action plan and request for funding allows the actions being tested and implemented on one campus to be replicated on additional campuses.

Additional information about the University's strategic planning process is available at <http://www.umsystem.edu/strategicplan>. None of the strategic plan information available through this webpage is incorporated by reference into this Official Statement, as such information is aspirational in nature and not intended to be predictive of future results of operations of the University.

Accreditations

The University of Missouri's four campuses are all fully accredited, and institutional accreditation is obtained through the North Central Association of Colleges and Schools. Individual schools and colleges are accredited by their respective professional accrediting bodies. In addition, the University of Missouri-Columbia is a member of the Association of American Universities, which is an association of 62 leading research universities in the United States and Canada.

The Columbia Campus

The University of Missouri-Columbia (the "**Columbia Campus**" or "**UMC**") is the largest campus in the University system with nearly one-half of the University's enrollment. The Columbia Campus had a Fall 2014 enrollment of 35,425 full- and part-time students. Established in 1839, the Columbia Campus has 20 schools and colleges offering over 275 degree programs and emphasis areas. The Columbia Campus is home of the world's first School of Journalism, the oldest agricultural experiment field west of the Mississippi River, and the nation's first electrical engineering department. It is one of only five institutions in the United States that has accredited programs located on one campus in agriculture, business, education, engineering, journalism, law, medicine, and veterinary

medicine. The Columbia Campus is home to the University Health System, an integrated health network that includes six hospitals totaling 550 acute care beds, which support the teaching efforts of the Schools of Medicine, Nursing, and Health Professions. The Columbia Campus also includes a School of Natural Resources, a Graduate School, a College of Arts and Sciences, a School of Fine Arts, a School of Music, a School of Accountancy, a School of Information Science and Learning Technologies, a College of Human Environmental Sciences, a School of Social Work, and the Harry S. Truman School of Public Affairs, as well as various cooperative programs. UMC has been designated a Doctoral/Research Universities Extensive by the Carnegie Foundation for Advancement of Teaching. UMC is also a member of the National Association of State Universities and Land-Grant Colleges.

The Kansas City Campus

While the University of Missouri-Kansas City (the “*Kansas City Campus*” or “*UMKC*”) has been a part of the University since 1963, classes began on the Kansas City Campus 30 years earlier as a private institution, the University of Kansas City. Three of the professional schools on the Kansas City Campus (dentistry, law and pharmacy) were founded in the nineteenth century and subsequently merged into the University of Kansas City. The Kansas City Campus also has a Graduate School, a College of Arts and Sciences, Schools of Biological Sciences, Business and Public Administration, Education, Interdisciplinary Computing and Engineering, Medicine and Nursing, the Conservatory of Music, and various cooperative programs. The Kansas City Campus had a Fall 2014 enrollment of 16,146 full- and part-time students. UMKC includes both the main Volker campus, located just south of the Country Club Plaza, and the Hospital Hill campus, located in midtown Kansas City. It is primarily a commuter campus, and 33% of its students are enrolled in graduate or professional programs, the highest ratio on any of the University’s campuses.

The Missouri S&T Campus

Missouri University of Science and Technology (the “*Missouri S&T Campus*” or “*Missouri S&T*”) is located in the City of Rolla, which is approximately 100 miles southwest of St. Louis. Missouri S&T had a Fall 2014 enrollment of 8,640 full- and part-time students. Founded in 1870, the campus was known as the Missouri School of Mines and Metallurgy until 1964 and renamed the University of Missouri-Rolla until 2008. The campus is located on a 284 acre site in the City of Rolla and provides off-campus programs at the Engineering Education Center in St. Louis and Missouri State University in Springfield. The campus is currently undergoing a strategic restructuring to bring academic departments together under a College of Engineering and Computing and a College of Arts, Sciences and Business. This change is part of a strategic plan focused on providing the best return on investment to key customer groups – students, employers, research partners and donors. Missouri S&T ranks third nationally in the percentage of degrees awarded in science, technology, engineering and mathematics and, according to College Factual, ranks fifth nationally for best return on investment among public universities. Approximately half of the engineers educated in Missouri are Missouri S&T graduates.

The St. Louis Campus

From its beginning in 1963, the University of Missouri-St. Louis (the “*St. Louis Campus*” or “*UMSL*”) has grown to become the third largest university in Missouri. The St. Louis Campus had a Fall 2014 enrollment of 17,072 full- and part-time students. The St. Louis Campus offers an academic structure consisting of a Graduate School, an Honors College, the School of Social Work, the Colleges of Arts and Sciences, Business Administration, Education, Fine Arts and Communication, Nursing and Optometry, and various cooperative programs. The St. Louis Campus serves primarily residents of the St. Louis metropolitan area.

University Health System

University Health System – General. The University Health System and the facilities, revenues and expenses thereof became a part of the System Facilities in the fiscal year ended June 30, 2006.

The University Health System consists of the University of Missouri Health Care (“*MU Health Care*”), a system of hospitals and clinics serving the health care needs of central Missouri, and University Physicians, which is

the organized practice plan for the faculty of the University of Missouri-Columbia School of Medicine (“**UMC School of Medicine**”), and various facilities utilized by University Physicians. The flagship hospital of MU Health Care is University Hospital, a 361-staffed bed hospital located on the Columbia Campus, which offers a wide spectrum of general and specialty care services and is the only Level I trauma center and helicopter service in central Missouri. University Hospital includes Missouri Psychiatric Center, a 61-staffed bed acute psychiatric center, (included in the University Hospital total beds), and Ellis Fischel Cancer Center, a specialty cancer facility. A freestanding Missouri Orthopedic Institute is located on the University Hospital, with 20 inpatient beds (included in the University Hospital total beds) and five operating rooms.

MU Health Care also includes Women’s and Children’s Hospital, a 126-staffed bed acute-care facility located in Columbia, various other health care facilities and clinics.

In March 2013, a \$190 million patient tower was opened which includes the \$50 million Ellis Fischel Cancer Center, six operating rooms, and 90 private patient rooms. Ellis Fischel Cancer Center had previously been located in a separate facility in Columbia. In 2013, Ellis Fischel Cancer Center affiliated with MD Anderson Cancer Network, a program of The University of Texas MD Anderson Cancer Center. MD Anderson Cancer Network was created to advance MD Anderson’s mission to eliminate cancer by collaborating with community hospitals and health systems nationwide on quality improvement and best practices. Ellis Fischel Cancer Center is the first academic certified member of MD Anderson Cancer Network. MU Health Care also has partnerships with various health care providers.

The UMC School of Medicine, the Sinclair School of Nursing and the School of Health Professions are not part of the University Health System, and none of the revenues of those Schools is included in the System Revenues.

MU Health Care treats patients from every county in the State and considers its primary service area to be seven counties in central Missouri (including Boone County, in which the principal MU Health Care facilities are located) and its secondary service area to be 18 surrounding counties. University Hospital (including Ellis Fischel Cancer Center) and Women’s and Children’s Hospital are accredited by The Joint Commission.

The Vice Chancellor for Health Sciences serves as the operating executive responsible for all academic, clinical and business operations for the hospitals, physician group and health-related schools and reports to the Chancellor of the University of Missouri-Columbia.

The Chief Executive Officer of MU Health Care and the deans of each of the Schools of Medicine, Nursing and Health Professions report to the Vice Chancellor for Health Sciences. Oversight of MU Health Care is provided by an advisory board (the “**Health Care Advisory Board**”). The Health Care Advisory Board consists of individuals external to the University who possess broad expertise and experience in financial, health-related and other fields. The President of the University chairs the Health Care Advisory Board and the Vice Chancellor of Health Sciences and the Chief Executive Officer of MU Health Care serve as ex-officio members.

Approximately 38.2% of the University’s operating revenue for fiscal year 2014 was derived from the University’s Health System, which includes MU Health Care. Future changes in the health care market and regulations, including health care reform and third party health care programs could adversely affect the financial condition and results of operations of the University. See “**MU Health Care Financial and Operating Data.**”

University Health System - Biographical Information. The following is summary biographical information for the Vice Chancellor for Health Sciences and the Chief Executive Officer of MU Health Care:

Harold A. Williamson Jr., 64, MD, MSPH, Vice Chancellor for Health Sciences. Dr. Williamson was appointed Vice Chancellor for Health Sciences in March 2009 after having served as interim vice chancellor since September 2008. Prior to his appointment, Dr. Williamson served for 10 years as the chair of the University’s Curtis W. and Ann H. Long Department of Family and Community Medicine, directed the University’s family practice residency program, served as a visiting scholar at the University of Washington, where he studied rural health care services and quality, and served for 11 years as director of the University’s Area Health Education Center. Dr. Williamson received his medical degree from Case Western Reserve University Medical School in Cleveland and

completed his residency training at the University of Minnesota. Dr. Williamson received his master's degree in public health from the University of Missouri-Columbia.

Mitchell L. Wasden, Ed.D., 45, Chief Executive Officer and Chief Operating Officer, MU Health Care.

Dr. Wasden became Chief Executive Officer of MU Health Care in January 2013. He served as Chief Operating Officer from June 2012 to January 2013. Prior to joining MU Health Care, Dr. Wasden served as Chief Executive Officer of Oschner Medical Center in Baton Rouge, Louisiana. Dr. Wasden's previous experience also includes chief operating officer and vice president of Tympany Medical, Inc. in Stafford, Texas and vice president of clinical services for Oschner Health Systems in New Orleans. A fellow of the American College of Healthcare Executives, Dr. Wasden holds a doctor of education degree from George Washington University in Washington D.C., a master's degree in health services administration from the University of Michigan in Ann Arbor and a bachelor's degree from Brigham Young University in Provo, Utah.

MU Health Care Financial and Operating Data

The table below summarizes selected utilization data for MU Health Care for each of the five fiscal years ended June 30, 2014.

MU Health Care Utilization Data

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Acute Staffed Beds	562	562	536	545	550
Patient Days	127,822	123,572	120,985	126,142	130,045
Average Daily Census ⁽¹⁾	350.2	338.6	330.6	354.5	356.3
Length of stay (days) ⁽¹⁾	5.91	5.58	5.47	5.20	5.21
Discharges ⁽¹⁾	21,625	22,165	22,203	24,028	24,963
Outpatient Visits	715,409	741,535	779,683	829,947	843,551

⁽¹⁾ Excludes normal newborns.

For additional financial information regarding the University Health System, see the financial information as of and for the fiscal year ended June 30, 2014, which has been posted on EMMA and which is incorporated by reference in this Official Statement. See **"INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE"** in this Official Statement.

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The following table summarizes certain financial information for MU Health Care for each of the five fiscal years ended June 30, 2014.

MU Health Care – Summary Financial Information
(in thousands)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Net patient service revenue	\$583,551	\$594,517	\$639,180	\$684,621	\$712,342
Other operating revenues	<u>16,855</u>	<u>22,125</u>	<u>17,861</u>	<u>21,497</u>	<u>21,323</u>
Total operating revenues	600,406	616,642	657,041	706,118	733,665
Operating expenses	<u>580,489</u>	<u>608,419</u>	<u>640,493</u>	<u>672,309</u>	<u>705,286</u>
Operating income (loss)	19,917	8,223	16,548	33,809	28,379
Net non-operating revenues	<u>36,120</u>	<u>31,536</u>	<u>8,181</u>	<u>11,226</u>	<u>13,491</u>
Income before contributions and transfers ⁽¹⁾	\$ 56,037	\$ 39,759	\$ 24,729	\$ 45,035	\$ 41,870

⁽¹⁾ Effective June 30, 2012, the operations of University Physicians are no longer combined with the hospital facilities of MU Health Care. The above financial information for fiscal years 2010 through 2012 has been restated to exclude University Physicians. The operations of University Physicians continue to be included in the results of operations of the University.

The following table summarizes the gross patient service revenue payor mix for the five fiscal years ended June 30, 2014.

MU Health Care
Sources of Patient Service Revenue

<u>Source of Payment</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Medicare	34.2%	32.9%	32.8%	34.3%	36.1%
Medicaid	21.0	25.3	25.4	25.0	22.7
Managed Care / Commercial Insurance	33.6	29.9	29.4	29.4	29.5
Self Pay / Other	<u>11.2</u>	<u>11.9</u>	<u>12.4</u>	<u>11.3</u>	<u>11.7</u>
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The payments to MU Health Care from third-party payors can vary depending upon a number of factors, including federal and State funding of Medicare and Medicaid, changes in reimbursement methodologies and changes to managed care and other insurance contracts with the Health System.

MU Health Care – Competition. MU Health Care’s principal competitors are Boone Hospital Center, a 349-bed hospital located in Columbia, Missouri and affiliated with BJC Health System, headquartered in St. Louis, Missouri (“**Boone Hospital**”), and St. Mary’s Health Center, a 167-bed hospital located in Jefferson City, Missouri and affiliated with SSM Health Care in St. Louis, Missouri (“**St. Mary’s**”). Capital Region Medical Center, a 114-bed hospital also located in Jefferson City, Missouri (“**Capital Region**”), is affiliated with the University Health System and is included in the audited financial statements of the University as a part of the University of Missouri-Columbia Medical Alliance which is a discretely presented component unit. See Note 1 of the Notes to Financial Statements included as **Appendix B**. Although Capital Region is not a part of the University Health System, MU Health Care

does not consider Capital Region a competitor. The following table sets forth for the fiscal years ended June 30, 2012 and 2013 and the nine months ended March 31, 2014 (the most recent period for which data are available), the market share of MU Health Care, Capital Region and other facilities for the Combined Service Area of MU Health Care. The Combined Service Area of MU Health Care consists of 25 counties, including Boone County, surrounding Columbia, Missouri from which approximately 85% of MU Health Care's discharges historically originate.

Market Share – Combined Service Area

	Fiscal Years Ended June 30,				Nine Months Ended March 31,	
	2012		2013		2014	
	<u>Discharges</u>	<u>% Share</u>	<u>Discharges</u>	<u>% Share</u>	<u>Discharges</u>	<u>% Share</u>
Combined Service Area						
MU Health Care ⁽¹⁾	18,646	20.2%	20,473	23.0%	15,844	24.9%
Capital Region Medical Center ⁽²⁾	6,662	7.2	5,502	6.2	4,169	6.5
Boone Hospital Center	16,288	17.6	15,176	17.0	10,410	16.3
St. Mary's Health Center	8,320	9.0	7,509	8.4	4,876	7.7
Other Facilities	<u>42,475</u>	<u>46.0</u>	<u>40,478</u>	<u>45.4</u>	<u>28,426</u>	<u>44.6</u>
Total CSA	92,391	100.0%	89,138	100.0%	63,725	100.0%

⁽¹⁾ MU Health Care consists of University Hospital and Women's and Children's Hospital.

⁽²⁾ Capital Region Medical Center is affiliated with the University but is not included in MU Health Care.

Source: Missouri Hospital Association.

University Historical and Projected Enrollment

The following table sets forth the historical and projected head count enrollment for the University. The projected enrollment figures provided below are prepared by each campus and are reviewed by the University system administration.

Enrollment (Full- and Part-Time)

Historical Enrollment

<u>Fall</u>	<u>Columbia</u>	<u>Kansas City</u>	<u>Missouri S&T</u>	<u>St. Louis</u>	<u>Total</u>
2010	32,341	15,259	7,205	16,791	71,596
2011	33,762	15,473	7,521	16,809	73,565
2012	34,704	15,990	7,645	16,705	75,044
2013	34,616	15,718	8,129	16,809	75,272
2014	35,425	16,146	8,640	17,072	77,283

Projected Enrollment⁽¹⁾

<u>Fall</u>	<u>Columbia</u>	<u>Kansas City</u>	<u>Missouri S&T</u>	<u>St. Louis</u>	<u>Total</u>
2015	35,043	16,386	8,391	17,171	76,991
2016	35,020	16,748	8,453	17,337	77,558
2017	34,968	17,027	8,506	17,555	78,056
2018	35,191	17,279	8,579	17,725	78,774

⁽¹⁾ Projected enrollment as of Spring 2014 before actual Fall 2014 enrollment data were available.

Student Applications, Acceptances, and Matriculations

The following table sets forth the numbers of applications, acceptances and matriculations for new undergraduate students of the University for the Fall semesters 2010 through 2014.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Freshmen					
Applicants	26,864	27,524	30,415	30,910	31,537
Acceptances	21,396	21,676	23,671	23,404	23,653
Matriculations	8,919	8,908	9,304	9,044	9,404
% Admitted (selectivity)	79.6%	78.8%	77.8%	75.7%	75.0%
% Enrolled (matriculation)	41.7%	41.1%	39.3%	38.6%	39.8%

Transfer

Applicants	11,811	10,645	11,282	10,668	10,410
Acceptances	8,600	7,783	7,967	7,201	7,056
Matriculations	5,729	5,163	5,220	4,783	4,768
% Admitted (selectivity)	72.8%	73.1%	70.6%	67.5%	67.8%
% Enrolled (matriculation)	66.6%	66.3%	65.5%	66.4%	67.6%

Degrees Granted

The following tables set forth the number of degrees awarded by campus and school/college therein during the 2013-2014 academic year.

Degrees Granted

	<u>Columbia</u>					<u>Graduate</u>	<u>Education</u>	
<u>School/College</u>	<u>Bachelor</u>	<u>Professional</u>	<u>Master</u>	<u>Doctorate</u>	<u>Certificate</u>	<u>Specialist</u>	<u>Total</u>	
Agriculture, Food & Natural Resources	460	-	68	35	-	-	563	
Arts and Sciences	1,902	-	209	113	-	-	2,224	
Business	785	-	229	8	24	-	1,046	
Education	305	-	418	73	-	65	861	
Engineering	490	-	131	43	-	-	664	
Health Professions	549	-	58	43	-	-	650	
Human Environmental Sciences	318	-	26	11	-	-	355	
Journalism	520	-	91	6	-	-	617	
Law	-	132	8	-	25	-	165	
Medicine	-	97	56	5	-	-	158	
Natural Resources	190	-	30	3	-	-	223	
Nursing	217	-	36	25	-	-	278	
Public Affairs	-	-	60	2	-	-	62	
Social Work	33	-	70	3	-	-	106	

Degrees Granted (Columbia) (continued)

Veterinary Medicine	-	110	9	3	-	-	122
Graduate Studies	-	-	81	17	177	-	275
Columbia Campus Total	5,769	339	1,580	390	226	65	8,369

Kansas City

<u>School/College</u>	<u>Bachelor</u>	<u>Professional</u>	<u>Master</u>	<u>Doctorate</u>	<u>Graduate Certificate</u>	<u>Education Specialist</u>	<u>Total</u>
Arts and Sciences	895	-	227	7	3	-	1,132
Biological Sciences	99	-	24	-	-	-	123
Computing and Engineering	105	-	124	-	2	-	231
Conservatory of Music and Dance	43	-	25	18	6	-	92
Dentistry	30	103	4	-	17	-	154
Education	112	-	152	21	3	35	323
Law	-	141	29	-	-	-	170
Management	276	-	292	1	-	-	569
Medicine	-	90	21	-	-	-	111
Nursing	239	-	130	14	-	-	383
Pharmacy	4	125	-	-	-	-	129
Graduate Studies	-	-	-	55	2	-	57
Kansas City Campus Total	1,803	459	1,028	116	33	35	3,474

Missouri S&T

<u>School/College</u>	<u>Bachelor</u>	<u>Professional</u>	<u>Master</u>	<u>Doctorate</u>	<u>Graduate Certificate</u>	<u>Education Specialist</u>	<u>Total</u>
Missouri S&T Campus Total	1,141	-	551	70	404	-	2,166

St. Louis

<u>School/College</u>	<u>Bachelor</u>	<u>Professional</u>	<u>Master</u>	<u>Doctorate</u>	<u>Graduate Certificate</u>	<u>Education Specialist</u>	<u>Total</u>
Arts and Sciences	793	-	210	36	29	-	1,068
Business Administration	507	-	185	-	16	-	708
Education	205	-	370	21	25	13	634
Fine Arts and Communications	218	-	14	-	-	-	232
Nursing	246	-	52	7	4	-	309
Optometry	-	39	1	-	-	-	40
Graduate School	-	-	22	-	26	-	48
Engineering	51	-	-	-	-	-	51
St. Louis Campus Total	2,020	39	854	64	100	13	3,090
University Total	10,733	837	4,013	640	763	113	17,099

Student Quality Indicators

The academic demands of the curriculum require that students admitted possess a satisfactory preparatory education. The following tables set forth the high school class rank of freshmen entering the University during the Fall 2014 term and the average ACT test scores for the last five years for incoming freshmen for each campus of the University, the State of Missouri, and the United States.

High School Class Rank of Incoming Freshmen, Fall 2014

<u>High School Class Rank</u>	<u>Columbia</u>	<u>Kansas City</u>	<u>Missouri S&T</u>	<u>St. Louis</u>
Top 10%	27%	29%	43%	29%
Top 20%	48	49	65	51
Top 40%	77	74	90	76

Average First Time Freshman ACT

<u>Fall</u>	<u>Columbia</u>	<u>Kansas City</u>	<u>Missouri S&T</u>	<u>St. Louis</u>	<u>State of Missouri</u>	<u>National</u>
2010	25.6	23.9	27.7	23.5	21.6	21.0
2011	25.7	23.5	27.8	23.5	21.6	21.1
2012	25.7	23.7	27.9	24.1	21.6	21.1
2013	25.7	24.1	28.0	24.1	21.6	20.9
2014	25.9	24.4	28.4	24.1	21.8	21.0

Demographics of Student Population

Although virtually every state and numerous foreign countries are represented in the University's on-campus student population, Missouri students represent over 70% of the student body in the Fall 2014 term. The following table summarizes the historical geographic origin of students attending the University at the commencement of the Fall semester for each of the last five academic years.

Student Geographic Origin

<u>Campus</u>	<u>Fall</u>	<u>Missouri</u>	<u>Illinois, Iowa and Kansas</u>	<u>Other States</u>	<u>International</u>
Columbia	2010	23,444	3,715	3,677	1,486
	2011	23,685	4,379	3,985	1,687
	2012	23,425	5,118	4,250	1,885
	2013	22,513	5,701	4,374	2,001
	2014	22,277	6,186	4,774	2,188
Kansas City	2010	10,606	2,786	1,031	835
	2011	10,718	2,944	1,026	785
	2012	11,084	2,986	1,117	801
	2013	10,554	3,048	1,155	958
	2014	10,683	2,977	1,190	1,294
Missouri S&T	2010	4,917	617	816	851
	2011	5,057	630	905	923
	2012	5,149	666	885	940
	2013	5,439	666	865	1,154
	2014	5,678	667	965	1,326
St. Louis	2010	15,024	693	488	531
	2011	14,872	763	583	578
	2012	14,736	820	579	559
	2013	14,915	823	523	539
	2014	15,248	832	527	512

Full-Time Ranked Faculty

The following table sets forth for the last five fiscal years the number of full-time ranked faculty, and the percentages who are tenured and hold terminal degrees for each campus of the University.

Full-Time Ranked Faculty				
<u>Campus</u>	<u>Academic Year</u>	<u>Full-Time Ranked Faculty</u>	<u>Percentage of Faculty Tenured</u>	<u>Percentage of Faculty With Terminal Degrees*</u>
Columbia	2009-2010	1,862	49%	91%
	2010-2011	1,912	48	90
	2011-2012	1,972	48	91
	2012-2013	1,998	48	91
	2013-2014	2,031	48	90
Kansas City	2009-2010	687	53	83
	2010-2011	698	53	84
	2011-2012	701	52	95
	2012-2013	720	51	91
	2013-2014	735	49	89
Missouri S&T	2009-2010	314	69	98
	2010-2011	315	67	96
	2011-2012	329	63	95
	2012-2013	325	62	96
	2013-2014	333	62	95
St. Louis	2009-2010	443	50	79
	2010-2011	461	51	79
	2011-2012	456	51	81
	2012-2013	458	50	80
	2013-2014	451	54	82

*Definition of terminal degree slightly modified in Academic Year 2011-2012.

Selected Financial Data of the University

The following table presents a summary of the Revenues, Expenses and Changes in Net Position of the University for the five fiscal years ended June 30, 2014, which is derived from the audited financial statements of the University, and with respect to the fiscal year ended June 30, 2014, reference is made to the audited financial statements of the University attached as **Appendix B** to this Official Statement. In the opinion of the University's management, there has been no material adverse change in the financial condition of the University since June 30, 2014, the date of the last audited financial statements. The summary financial information in the following table excludes revenues, expenses and changes in net assets attributable to the University's discretely presented component unit and the pension trust funds.

**Summary of Revenues, Expenses and
Changes in Net Position of the University
(in thousands)**

	Fiscal Years Ended June 30,				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Operating Revenues:					
Tuition and Fees (net of provision for doubtful accounts)*	\$ 630,498	\$ 671,419	\$ 736,074	\$ 791,319	\$ 829,920
Less: Scholarship Allowances	<u>164,187</u>	<u>175,917</u>	<u>190,798</u>	<u>198,514</u>	<u>202,647</u>
Net Tuition and Fees	<u>466,311</u>	<u>495,502</u>	<u>545,276</u>	<u>592,805</u>	<u>627,273</u>
Federal Grants and Contracts	183,885	196,122	184,882	183,654	160,582
State and Local Grants and Contracts	66,194	57,375	55,837	54,298	49,538
Private Grants and Contracts	68,044	67,025	71,023	71,731	76,867
Sales and Services of Educational Activities	22,560	21,671	23,106	24,129	24,137
Auxiliary Enterprises:					
Patient Medical Services, Net	736,799	759,734	795,302	847,681	873,638
Housing and Dining Services, Net*	89,743	93,724	99,667	105,794	106,818
Bookstores	59,288	58,591	57,566	55,582	54,444
Other Auxiliary Enterprises, Net*	198,748	220,162	217,590	250,975	247,922
Other Operating Revenues	<u>49,250</u>	<u>55,811</u>	<u>55,312</u>	<u>58,179</u>	<u>64,037</u>
Total Operating Revenues	<u>1,940,822</u>	<u>2,025,717</u>	<u>2,105,561</u>	<u>2,244,828</u>	<u>2,285,256</u>
Operating Expenses:					
Salaries and Wages	1,236,965	1,272,226	1,318,349	1,343,889	1,363,449
Benefits	303,300	328,340	359,595	385,767	346,257
Supplies, Services and Other Operating Expenses	676,362	716,044	762,700	766,624	833,799
Scholarships and Fellowships	55,469	58,790	60,380	62,461	66,919
Depreciation	<u>146,753</u>	<u>155,103</u>	<u>160,915</u>	<u>167,796</u>	<u>183,250</u>
Total Operating Expenses	<u>2,418,849</u>	<u>2,530,503</u>	<u>2,661,939</u>	<u>2,726,537</u>	<u>2,793,674</u>
Operating Income (Loss) before State Appropriations	<u>(478,027)</u>	<u>(504,786)</u>	<u>(556,378)</u>	<u>(481,709)</u>	<u>(508,418)</u>
State Appropriations	<u>498,358</u>	<u>437,631</u>	<u>397,629</u>	<u>401,400</u>	<u>412,650</u>
Operating Income (Loss) after State Appropriations, before Nonoperating Revenues (Expenses)	<u>20,331</u>	<u>(67,155)</u>	<u>(158,749)</u>	<u>(80,309)</u>	<u>(95,768)</u>
Nonoperating Revenues (Expenses):					
Federal Appropriations	21,455	28,416	28,222	29,154	27,675
Federal Pell Grants	48,281	57,951	62,311	59,917	59,776
Investment and Endowment Income, Net of Fees	172,833	266,633	30,855	147,433	281,837
Private Gifts	48,695	52,564	90,346	64,103	66,780
Interest Expense	(46,103)	(49,507)	(53,923)	(55,256)	(59,916)
Other Nonoperating Revenues (Expenses)	<u>(1,659)</u>	<u>(3,279)</u>	<u>(10,214)</u>	<u>(4,822)</u>	<u>1,477</u>
Net Nonoperating Revenues (Expenses)	<u>243,502</u>	<u>352,778</u>	<u>147,597</u>	<u>240,529</u>	<u>377,629</u>
Income (Loss) before Capital Contributions, Additions to Permanent Endowments, Special Item and Extraordinary Item	263,833	285,623	(11,152)	160,220	281,861
State Capital Appropriations and State Bond Funds	14,205	8,043	937	745	-
Capital Gifts and Grants	19,381	15,466	11,788	20,244	14,727
Private Gifts for Endowment Purposes	24,703	26,376	24,484	35,113	47,390
Special and Extraordinary Items	<u>-</u>	<u>-</u>	<u>42,316</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>322,122</u>	<u>335,508</u>	<u>68,373</u>	<u>216,322</u>	<u>343,978</u>
Net Position, Beginning of Year	3,364,777	3,680,736	4,016,244	4,084,617	4,300,939
Cumulative Effect of Change in Accounting Principles	<u>(6,163)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(509,947)</u>
Net Position, Beginning of Year, as Adjusted	<u>3,358,614</u>	<u>3,680,736</u>	<u>4,016,244</u>	<u>4,084,617</u>	<u>3,790,992</u>
Net Position, End of Period	<u>\$3,680,736</u>	<u>\$4,016,244</u>	<u>\$4,084,617</u>	<u>\$4,300,939</u>	<u>\$4,134,970</u>

* For various line items, the net amount is disclosed in the table above, and the offsetting amounts have been excluded for summary purposes.

Change in Accounting Principles

The cumulative effect of change in accounting principles reflected in the summary of the Revenues, Expenses and Changes in Net Position of the University on the preceding page for the fiscal year ended June 30, 2014 was \$(508.7) million. Effective for fiscal year 2014 the University Adopted Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27, which enhances accounting and financial reporting by state and local governments for pensions and improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The University adopted GASB Statement 68 one year early in an effort to enhance financial disclosures related to the University's retirement plan. In adopting this standard, the University recognized the effect of a change in accounting principle in the amount of \$(502.3) million for the net pension liability at the beginning of fiscal year 2014, with no impact to Deferred Inflow of Resources or Deferred Outflow of Resources for any prior year. The University did not have information available to restate fiscal year 2013 statements to comply with the new Statement. The University will now recognize a long-term liability for the net pension liability in the Statement of Net Position. The University will continue to report pension expense as a component of benefits expense. The amount of expense reported now includes the overall change in the pension liability. See Note 12 of the Notes to Financial Statements of the University included as **Appendix B** for additional details on the Retirement Plan.

State Appropriations

Article IV, Section 27 of the State Constitution authorizes the Governor to control the rate at which any appropriation is expended during the period of the appropriation by allotment or other means. This section also authorizes the Governor to reduce the expenditures of the State or any of its agencies below their appropriations whenever the actual revenues are less than the revenue estimates upon which the appropriations were based. The normal Governor's reserve from appropriated funds is 3%, and the University budgets with the expectation that the actual funds received by the University will always be 3% less than the amount appropriated due to the withholding of the normal Governor's reserve. The effect of the withholdings in any year is to reduce the State's overall budget.

The following table sets forth the State appropriations for general operations appropriated, withheld and received by the University for fiscal year 2015 and the preceding four fiscal years.

State Appropriations for General Operations, University of Missouri System, FY 2011-FY 2015

Fiscal Year	Recurring State Appropriations	Recurring State Appropriations Withheld (Governor's reserve)	% Withholding	Recurring State Appropriations Received	Recurring Percent Increase/Decrease
FY2011	\$427,957,662	\$12,838,730	3.0%	\$415,118,932	(5.2)%
FY2012	405,634,997	20,900,069	5.2	384,734,928	(7.3)
FY2013	400,000,626	12,000,019	3.0	388,000,607	0.8
FY2014	419,511,996	20,185,290	4.8	399,326,706	2.9
FY2015	440,525,516	22,915,765	5.2	417,609,751	4.6

Reductions in recurring State appropriations received in fiscal years 2011 and 2012 were directly related to overall reductions in federal stabilization funds received by the State following the recession in 2008 and 2009. The State received federal stabilization funds of \$1.639 billion for fiscal year 2010, \$546.6 million for fiscal year 2011 and \$0 in fiscal year 2012.

Specific to fiscal year 2012, the Governor placed additional spending restrictions on operations of \$9.8 million, beyond the normal 3% withholding, in response to concerns over State revenue projections concurrent with the elimination of federal stabilization funds from the State's budget. Near the end of fiscal year 2012, \$1.1 million of this additional spending restriction was released by the Governor, resulting in net operating appropriations for the University of \$384.7 million for fiscal year 2012. This was a decline of 7.3% over fiscal year 2011.

For fiscal year 2013, State appropriations received for University operations increased by \$3.3 million or 0.8%. This stabilization of funding for University operations was consistent with the overall stabilization of the State's budget coming out of the recession in 2008 and 2009.

In fiscal year 2014, the extent of the increase in State operating appropriations for higher education institutions was determined in large part by the level of success in meeting certain performance funding metrics that had previously been identified by each institution. The University successfully met all five of its performance funding metrics for purposes of fiscal year 2014 and 2015 appropriations and was thus eligible for the largest possible share of any increase in State appropriations for higher education. Additionally, legislation for fiscal year 2014 operating appropriations included a new \$10 million recurring appropriation specifically for the expansion of the UMC School of Medicine, as part of an overall plan to provide more physicians across the State.

Upon signing the fiscal year 2014 and 2015 State appropriations bill for higher education, the Governor made immediate across the board withholdings, beyond the normal 3%, which essentially held back any increases in State appropriations for higher education (in addition to other special withholdings throughout the State's budget). These actions were in response to concerns over State revenues, as a result of the legislature having passed significant tax cut legislation in both 2013 and 2014. The Governor vetoed the tax cut legislation in 2013 and 2014, but withheld the additional funds from the State's budget pending the outcome of the legislative veto session in September of each year.

In September 2013, the legislature was unable to override the Governor's veto of the tax cut legislation and the Governor subsequently released substantially all of the special withholdings, including those that specifically impacted the University. The Governor eventually withheld a portion of the special withholdings for higher education (and other programs) due to a shortfall in gaming and lottery revenues in the State's fiscal year 2014, which additional withholding included \$7.6 million in appropriations for the University.

In September 2014, the legislature was unable to override the Governor's vetoes of the more substantial tax cut bills, and the Governor subsequently released a significant portion of the special withholdings affecting higher education. Currently, in addition to the standard 3% Governor reserve, the \$10 million for UMC School of Medicine appropriation is subject to the Governor's withholding, making the estimated receipts for fiscal year 2015 total \$417.6 million. The University anticipates a slight increase in State operating appropriations for fiscal year 2016 over fiscal year 2015.

Future revenue shortfalls for the State or increased spending pressures for the State in other areas, or a combination of the two, may adversely affect future State appropriations for the University and the level of Governor withholdings of appropriated amounts.

University Investments

Investment policies are established by the Board. The policies ensure that funds are managed in accordance with the Revised Statutes of Missouri and prudent investment practices. The use of external investment managers has been authorized by the Board. Substantially all University cash and investments are managed centrally, primarily in the General Pool and Endowment Pool, each as described below.

General Pool. The General Pool represents the University’s cash and reserves, including, but not limited to, operating funds, auxiliary funds, service operations funds, self-insurance funds, debt service funds, and plant funds. Approximately 40% of the General Pool consists of high-grade, short-duration, fixed income securities and commercial paper, primarily managed by the University, all of which are available to support the liquidity requirements of the University’s variable rate bonds and commercial paper notes (for which the University provides self-liquidity). See “**University Self Liquidity.**” The General Pool had a market value of approximately \$1.7 billion as of June 30, 2014.

For additional information regarding the University’s liquidity, see the unaudited liquidity information as of September 30, 2014, which has been posted on EMMA and which is incorporated by reference in this Official Statement. See “**INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**” in this Official Statement.

Endowment Pool. When appropriate and permissible, endowment and similar funds are pooled for investment purposes, with the objective of achieving long-term returns sufficient to preserve principal by protecting against inflation and to meet endowment spending targets. The Endowment Pool, currently managed by 48 investment managers, had the long-term target asset mix and actual asset mix as of June 30, 2014 as set forth in the following table.

Endowment Pool – Asset Mix

<u>Investment Sectors</u>	<u>Target Asset Mix</u>	<u>Actual Asset Mix June 30, 2014</u>
Global equity	51.5%	55.5%
Absolute return	12.0	11.9
Real estate	8.0	4.6
Global fixed income	5.0	4.3
Bank Loans	2.0	1.7
High yield	5.0	4.6
Inflation-linked bonds	2.0	1.5
Emerging markets debt	7.0	5.9
Cash	0.0	0.7
Private equity	7.5	6.3
Risk Parity	0.0	3.0

The market values of the Endowment Pool as of June 30 for the last five fiscal years are set forth below.

University of Missouri System Endowment Pool

<u>As of June 30,</u>	<u>Market Value</u>
2010	\$ 862,431,000
2011	1,013,787,000
2012	1,043,965,000
2013	1,135,525,000
2014	1,326,526,000

At June 30, 2014, the Endowment Pool had a market value of approximately \$1.3 billion, compared to \$1.1 billion at June 30, 2013. The Endowment Pool includes true endowment and quasi endowment funds. The market value of certain investments in the Endowment Pool (primarily, absolute return, private equity, and real estate) is

reported on a lagged basis of one to three months. For the fiscal year ended June 30, 2014, the Endowment Pool had an annual return of 16.7%.

The Endowment Pool's spending policy was revised in fiscal year 2012 to distribute 4.5% of the trailing 28-quarter average of the endowment's total market value. The change from 5% to 4.5% is being phased in over several years to minimize any impact on annual distributions. In addition, the University distributes 1% of the trailing 28-quarter average of the endowment's total market value to support internal endowment administration and development functions.

For additional information on the University's investments, see Note 3 of the Notes to Financial Statements included as **Appendix B**.

Capital Campaigns

Each of the four campuses of the University has recently completed or has an ongoing major capital campaign, as follows:

- The Columbia Campus completed a campaign in 2008 that raised just over \$1 billion. The campus raised a record \$164 million in gifts and pledges in fiscal year 2014.
- The Kansas City Campus commenced a \$250 million capital campaign in 2009 that is in the public phase, with approximately \$228 million raised as of September 2014.
- The Missouri S&T Campus completed a comprehensive campaign in 2010 securing \$128 million in charitable gifts and \$83 million in sponsored programs. The campus is currently in the planning stage for its next campaign.
- The St. Louis Campus raised a record \$31.2 million in fiscal year 2014. The six-year average for fundraising is \$26.2 million. The St. Louis Campus is contemplating its next comprehensive campaign.

Total gifts reported in the University's financial statements for these capital campaigns and other giving to the University totaled \$119.4 million in fiscal year 2013 and \$128.9 million in fiscal year 2014.

Undergraduate Student Fees

The following table sets forth the total annual Academic, Educational and Required Fees charged to each full-time undergraduate student at the University who is a resident of Missouri for each of the four campuses for the academic years 2010-2011 through 2014-2015. There was no tuition increase for in-state undergraduate students for fiscal year 2015, with modest increases for tuition in other categories and for various student fees.

<u>Academic Year</u>	<u>Columbia</u>	<u>Kansas City</u>	<u>Missouri S&T</u>	<u>St. Louis</u>
2010-2011	\$8,501	\$8,602	\$8,528	\$8,631
2011-2012	8,989	9,029	9,084	9,038
2012-2013	9,257	9,299	9,350	9,314
2013-2014	9,415	9,456	9,510	9,474
2014-2015	9,433	9,476	9,529	9,474

The annual rate of increase in undergraduate tuition and required fees charged to all Missouri resident students is governed by Missouri Senate Bill 389 (SB389). SB389 limits annual tuition and required fee increases to a rate no greater than the rate of inflation as defined by the consumer price index (CPI). If tuition and fees are increased by more than the CPI, the University could be subject to a penalty of up to 5% of the current year State operating appropriation, unless a waiver is granted by the Commissioner of the Missouri Department of Higher Education.

Financial Aid

The following table sets forth the total Financial Aid awarded by the University for fiscal year 2014, the number of students receiving financial aid and the average amount awarded per student.

Financial Aid

	<u>Columbia</u>	<u>Kansas City</u>	<u>Missouri S&T</u>	<u>St. Louis</u>	<u>Total</u>
Total Financial Aid Awarded ⁽¹⁾	\$444,859,201	\$202,238,681	\$102,201,949	\$138,767,938	\$888,067,769
Aid from Institutional Sources	\$177,566,019	\$41,758,313	\$45,835,618	\$33,038,351	\$298,198,301
Students Receiving Aid	28,087	11,887	6,819	11,740	58,533
Total Financial Aid Awarded Per Student	\$15,839	\$17,013	\$14,988	\$11,820	\$15,172

⁽¹⁾ Financial Aid includes the Scholarships and Allowances included in the University's Statement of Revenues, Expenses and Changes in Net Position as well as student loans and federal aid.

Management's Discussion and Analysis

*The following Management's Discussion and Analysis is excerpted from the financial statements of the University for the fiscal year ended June 30, 2014. For the full discussion (which discussion is unaudited as noted therein), see the financial statements of the University for the fiscal year ended June 30, 2014 included as **Appendix B** to this Official Statement.*

Financial Position of the University

At June 30, 2014, the University's financial position remained solid, with Total Assets of \$7.2 billion. Net Position, which represents the residual value of the University's assets and deferred outflow of resources after deducting liabilities and deferred inflow of resources, totaled \$4.1 billion. When operating and non-operating changes are included, Net Position increased by approximately \$344.0 million as compared to fiscal year 2013. Taking into account a (\$509.9) million cumulative effect of a change in accounting principle, Net Position decreased by approximately \$166.0 million in fiscal year 2014, primarily driven by the net pension liability at the beginning of the year related to the implementation of GASB Statement No. 68.

Total Assets increased by \$706.8 million, or 10.8%, to \$7.2 billion as of June 30, 2014 compared to the prior year. The increase during fiscal year 2014 was driven primarily by strong returns on the University's Investments. At the same time, the University continued to expand Capital Assets across all of its campuses to meet housing, educational, and patient care needs.

At June 30, 2014, the University's working capital, which is current assets less current liabilities, was \$148.1 million, an increase of \$83.5 million from the previous year. The largest driver of the increase was a \$208.2 million increase in Investment Settlements Receivable for sales of investments occurring on or before June 30, but settling after June 30.

As a measurement of actual liquidity, working capital is adversely impacted by the inclusion, per accounting guidelines, of Long-Term Debt Subject to Remarketing. If Long-Term Debt Subject to Remarketing were excluded from Current Liabilities, working capital would be \$247.5 million at June 30, 2014, also expressed as Current Assets of 1.29 times Current Liabilities.

At June 30, 2014, the University held \$146.9 million in Cash and Cash Equivalents, a decrease of \$111.5 million from June 30, 2013. The decrease in cash at June 30, 2014 is largely due to timing differences as more working capital was invested at June 30, 2014 as compared to June 30, 2013. Short-Term and Long-Term Investments totaled \$3.1 billion as of June 30, 2014, representing an increase of 11.7% over the prior year. The increase in investment balances during fiscal year 2014 is partially offset by decreases in cash and cash equivalents due to an increased investment of working capital. The financial markets improved during fiscal year 2014; net

realized and unrealized gains and losses increased by \$137.7 million, going from a net gain of \$96.5 million in fiscal year 2013 to a net gain of \$234.2 million in fiscal year 2014. The overall change in investment returns is evident across all investment pools. The Endowment Pool, Fixed Income Pool and General Pool experienced a net gain of 16.7%, 7.5% and 6.2% in fiscal year 2014, respectively as compared to a net gain of 12.6%, 3.5% and (0.9)% in fiscal year 2013, respectively.

At June 30, 2014, the University's investment in Capital Assets totaled \$3.1 billion compared to \$3.0 billion at June 30, 2013. The University added \$308.9 million in capital assets, net of retirements, during fiscal year 2014, offset by depreciation of \$183.3 million for the year. Fiscal year 2013 capital asset additions of \$316.3 million, net of retirements, were offset by \$167.8 million in depreciation.

Total Liabilities and Deferred Inflow of Resources was \$872.8 million higher at June 30, 2014 as compared to June 30, 2013. Significant changes in Current Liabilities at June 30, 2014 include a \$84.3 million increase in Investment Settlements Payable for purchases of investments occurring on or before June 30, but settling after June 30; a \$89.0 million increase in Collateral Held for Securities Lending; and a \$110.9 million decrease in Commercial Paper and Current Portion of Long-Term Debt.

Current Liabilities include long-term variable rate demand bonds subject to remarketing agreements totaling \$99.4 million and \$99.9 million at June 30, 2014 and 2013, respectively. The variable rate demand bond has a final contractual maturity in fiscal year 2032. Despite contractual maturities beyond one year, this variable rate demand bond is classified as a current liability because the University is ultimately the sole source of liquidity should the option to tender be exercised by the bondholder.

Deferred Inflow Resources represent an acquisition of net position by the University that is applicable to a future period. During fiscal year 2014, the University recognized \$185.9 million of deferred inflow resources representing the difference between actual and expected earnings on pension plan investments.

Net Position represents the value of the University's assets after liabilities are deducted. The University's total Net Position decreased by \$166.0 million during the year ended June 30, 2014.

Total Net Position is reflected in the four component categories as follows:

- *Net Investment in Capital Assets*, represents the University's investment in capital assets, net of accumulated depreciation and outstanding debt related to acquisition, construction or improvement of those assets. This category decreased by \$10.0 million in fiscal year 2014. This decrease was driven by a change in accounting principle requiring the write-down of previously capitalized bond issue costs.
- *Restricted Nonexpendable Net Position* includes endowment assets that are subject to externally imposed stipulations for the principal to be maintained in perpetuity by the University. Favorable market experience led to a \$140.1 million, or 16.3%, increase in Restricted Nonexpendable Net Position during fiscal year 2014. Favorable market conditions were largely responsible for an \$87.7 million, or 11.4%, increase during fiscal year 2013.
- *Restricted Expendable Net Position* represents resources that are subject to externally imposed stipulations regarding their use, but are not required to be maintained in perpetuity. This category increased by \$62.6 million, or 15.1%, during fiscal year 2014 and \$26.1 million, or 6.7%, in fiscal year 2013. As of June 30, 2014, this category includes:
 - \$349.6 million of net position restricted for operations and giving purposes compared to \$323.4 million at June 30, 2013;
 - \$81.8 million for student loan programs compared to \$80.4 million at June 30, 2013; and
 - \$46.4 million for facilities compared to \$11.2 million at June 30, 2013.

- *Unrestricted Net Position* is not subject to externally imposed stipulations although these resources may be designated for specific purposes by the University's management or Board of Curators. This category decreased by \$358.7 million, or 25.8%, to \$1.0 billion at June 30, 2014. A (\$509.9) million cumulative effect of a change in accounting principle from the implementation of GASB 68 was the primary driver of the decrease in fiscal year 2014. Maintaining adequate levels of unrestricted net position is one of several key factors that have enabled the University to maintain its Aa1 credit rating. As of June 30, 2014 and 2013, University Health Care designated funds totaled \$351.8 million and \$309.5 million, respectively; capital project-designated funds totaled \$221.3 million and \$238.2 million, respectively; student loan program-designated funds totaled \$8.8 million and \$8.7 million, respectively; and unrestricted funds functioning as endowments totaled \$204.3 million and \$177.9 million, respectively. The remaining Unrestricted Net Position is available for the University's instructional and public service missions and its general operations totaled \$245.7 million and \$656.4 million at June 30, 2014 and 2013, respectively.

Changes in Financial Position of the University

Operating Revenues represent resources generated by the University in fulfilling its instruction, research, and public service missions. Total Operating Revenues increased \$40.4 million, or 1.8%, in fiscal year 2014. Net Tuition and Fees, Patient Medical Services and Other Auxiliary Enterprises continued to grow over fiscal year 2013, but this growth was offset by a decrease in Grants and Contracts.

Tuition and Fees, net of Scholarship Allowances, increased by \$34.5 million, or 5.8%, in fiscal year 2014 and by \$47.5 million, or 8.7%, in fiscal year 2013. The increase in fiscal year 2014 was driven by a 1% growth in full-time equivalent enrollment and increases of 1.7% in resident and between 1.7% and 6.8% in non-resident tuition rates varying by campus.

As a research institution, the University receives a substantial amount of funding through Federal, State and Private Grants and Contracts. Overall, sponsored funding decreased by \$22.7 million, or 7.3%, in fiscal year 2014 compared to a decrease of 0.7% in fiscal year 2013. Federal Grants and Contracts declined in fiscal year 2014 as projects funded by the American Recovery and Reinvestment Act expired.

Total State Appropriations received for University operations, University Health Care operations, and other special programs increased by \$11.3 million, or 2.8%, in fiscal year 2014. Even though State Appropriations increased over fiscal year 2013, the increase was not as high as expected as the State's lottery revenue fell short of expectations, resulting in increased withholdings for fiscal year 2014.

As one of the more volatile sources of non-operating revenues, Investment and Endowment Income includes interest and dividend income as well as realized and unrealized gains and losses. Realized and unrealized market value gains, losses and other activity affecting Investment and Endowment Income resulted in a net gain of \$281.8 million in fiscal year 2014 as compared to a net gain of \$147.4 million in fiscal year 2013, an increase of \$134.4 million for the year ended June 30, 2014.

Gift income is reflected in three categories: Private Gifts, Capital Gifts and Grants (which are restricted for adding or improving capital assets) and Private Gifts for Endowments (which are restricted for establishing endowments). Private Gifts and Grants can fluctuate significantly from year to year due to the voluntary nature of donors' gifts. In fiscal year 2014, the University received gifts totaling \$128.9 million, as compared to \$119.5 million for fiscal year 2013.

Total Interest Expense for the year ended June 30, 2014 was \$67.9 million. Interest expense associated with financing projects during construction, net of any investment income earned on bond proceeds during construction, is capitalized. For the years ended June 30, 2014 and 2013, capitalization of interest earned on unspent bond proceeds totaled \$8.0 million and \$9.2 million, respectively, resulting in net interest expense of \$59.9 million and \$55.3 million, respectively.

In fiscal year 2014, Other Nonoperating Revenues, Net of \$88.9 million increased \$4.7 million over fiscal year 2013. The increase is primarily due to positive experience on insurance recoveries for fiscal year 2014. In fiscal year 2014 and fiscal year 2013, Federal Appropriations include cash subsidy payments from the United States Treasury totaling \$9.8 million and \$10.5 million respectively, for designated Build America Bonds outstanding. Pell Grants were flat in fiscal year 2014.

During fiscal year 2014, Salaries, Wages and Benefits decreased by approximately 1.2% as compared to a 3.1% increase in the prior fiscal year. Salaries and Wages increased by \$19.6 million, or 1.5%, driven by merit increases. Staff Benefits in fiscal year 2014 decreased \$39.5 million, or 10.2%, over fiscal year 2013 primarily due to positive investment performance on the pension plan.

In fiscal year 2014, the University's Supplies, Services, and Other Operating expenses of \$833.8 million increased by \$67.2 million, or 8.8%, over the prior fiscal year. The increase in growth for fiscal year 2014 was due to increased volatility in self-insured expenses.

The core missions of instruction, research, and public service account for the largest proportion of Operating Expenses at 34.3% for fiscal year 2014. University Health Care constitutes the next highest proportion at 25.2% of expenses for fiscal year 2014. Excluding University Health Care, instruction, research, and public service account for 45.9% of Operating Expenses for fiscal year 2014. Institutional support, which represents the core administrative operations of the University, was less than 5 cents of each dollar spent during this 5-year period.

Statement of Cash Flows of the University

Net Cash Used in Operating Activities reflects the continued need for funding from the State of Missouri, as funding received from tuition and fees and related sales and services of auxiliary and educational activities are not sufficient to cover operational needs. In fiscal year 2014, cash used in operating activities increased by \$115.7 million as compared to fiscal year 2013 due primarily to increased payments to employees and suppliers.

The University's most significant source of cash, Net Cash Provided from Noncapital Financing Activities, includes funding from State and Federal appropriations, Pell grants and noncapital private gifts. Cash from these sources totaling \$621.6 million and \$581.0 million in fiscal year 2014 and fiscal year 2013, respectively, directly offset the additional cash needs resulting from operations.

Net Cash Used In Capital Related Financing Activities increased by \$154.6 million in fiscal year 2014 due largely to new issuances of debt to fund capital projects. Net Cash Used in Capital and Related Financing Activities of \$356.8 million in fiscal year 2013 was due largely to the spend down of bond proceeds for capital projects.

Net Cash Used In Investing Activities reflects a net cash outflow of \$163.9 million in fiscal year 2014 compared to a net cash outflow of \$77.3 million in fiscal year 2013. This is largely driven by increased purchases of investments over the prior year as the University invested more working capital outside of cash.

Discretely Presented Component Unit

The University operates the University of Missouri-Columbia Medical Alliance (the "***Medical Alliance***"), a not-for-profit entity. The Medical Alliance is reflected in the financial statements of the University as a discretely presented component unit of the University. The Medical Alliance was established to facilitate the creation of an integrated healthcare delivery system for mid-Missouri. Capital Region Medical Center in Jefferson City, Missouri, operates as an affiliate of the Medical Alliance and provides inpatient, outpatient and emergency care services to the surrounding community. The Medical Alliance ended the fiscal year ended June 30, 2014, with a \$3.0 million increase in net position.

Retirement Trust and OPEB Trust

The University operates the University of Missouri Retirement, Disability and Death Benefit Plan (the “**Retirement Plan**”) and the University of Missouri Other Post-employment Benefits Plan (the “**OPEB Plan**” and, collectively with the University Retirement Plan, the “**Plan**”), which are single employer, defined benefit plans. The assets of the Plan are held in trust and are restricted for use only to pay for benefits and expenses of the Plan. Therefore, the net position and changes in net position are reflected separately from the operations of the University. The table below sets forth comparative summary financial statements for the Plan as of and for the three fiscal years ended June 30, 2014.

Summary Financial Information of the Plan (in thousands)

Plan Net Position	Fiscal Years Ended June 30,		
	2012	2013	2014
Assets:			
Cash and Cash Equivalents and Collateral for Securities Lending	\$ 156,056	\$ 177,153	\$ 355,560
Investments and Related Receivables	<u>2,833,026</u>	<u>2,898,487</u>	<u>3,414,185</u>
Total Assets	<u>2,989,082</u>	<u>3,075,640</u>	<u>3,769,745</u>
Liabilities:			
Payables and Accrued Liabilities	207,149	59,240	122,371
Collateral for Securities Lending	<u>50,023</u>	<u>48,560</u>	<u>263,048</u>
Total Liabilities	<u>257,172</u>	<u>107,800</u>	<u>385,419</u>
Net Position Held in Trust for Retirement and OPEB	<u>\$2,731,910</u>	<u>\$2,967,840</u>	<u>\$3,384,326</u>
Changes in Plan Net Position			
Net Revenues and Other Additions:			
Net Investment Income	\$ 27,041	\$ 289,082	\$ 461,231
Contributions	<u>128,633</u>	<u>141,911</u>	<u>167,400</u>
Total Net Revenues and Other Additions	<u>155,674</u>	<u>430,993</u>	<u>628,631</u>
Expenses and Other Deductions:			
Administrative Expenses	2,630	2,652	3,043
Payments to Retirees and Beneficiaries	<u>180,316</u>	<u>192,411</u>	<u>209,102</u>
Total Expenses and Other Deductions	<u>182,946</u>	<u>195,063</u>	<u>212,145</u>
Increase (Decrease) in Net Position Held in Trust for Retirement and OPEB	(27,272)	235,930	416,486
Net Position Held in Trust for Retirement and OPEB, Beginning of Year	<u>\$2,759,182</u>	<u>2,731,910</u>	<u>2,967,840</u>
Net Position Held in Trust for Retirement and OPEB, End of Year	<u>\$2,731,910</u>	<u>\$2,967,840</u>	<u>\$3,384,326</u>

Net position held for the Plan increased \$416.5 million, from \$2.97 billion at fiscal year ended June 30, 2013 to \$3.38 billion at fiscal year ended June 30, 2014. This increase is primarily the result of an increase in net investment income of \$172.2 million for fiscal year 2014 compared to fiscal year 2013.

For the fiscal year ended June 30, 2014, the Plan experienced a total investment return of 16.2% compared to 10.6% for the year ended June 30, 2013. The 16.2% investment return for the fiscal year ended June 30, 2014, compares to the benchmark index of 17.3%. The allocation of the Retirement Plan investments and the return on those investments for the fiscal year ended June 30, 2014 is shown in the following table:

Plan Investments
Fiscal Year ended June 30, 2014

	<u>Asset Distribution</u>	<u>Total Return</u>	<u>Benchmark Index Return ⁽¹⁾</u>
Global Equity	52.1%	21.8%	24.0%
Absolute Return	7.8	9.7	7.4
Real Estate	4.3	11.0	14.2
Global Fixed Income	6.6	8.4	7.4
Bank Loans	2.7	5.8	6.1
High Yield	9.8	10.4	11.5
Inflation-Linked Bonds	3.2	8.5	8.7
Emerging Markets Debt	5.3	10.4	10.8
Risk Parity	2.1	0.0	0.0
Cash	0.5	0.0	0.0
Private Equity	5.6	18.7	20.1
Total (Composite)	-	16.2	17.3

⁽¹⁾ Benchmark index returns are calculated by independent investment consultants based on returns of similar security portfolios.

Full-time employees vest in the Retirement Plan after five years of credited service and become eligible for benefits based on age and years of service. A vested employee who retires at age 65 or older is eligible for a lifetime annuity calculated at 2.2% times the credit service years times the compensation base. The employee's average compensation for the five highest consecutive salary years determines the compensation base. Vested employees who are at least age 55 and have 10 years or more of credited service or age 60 with at least five years of service may choose early retirement with a reduced benefit. If the employee retires at age 62 and has at least 25 years of credited service, the benefit is not reduced. Up to 30% of the retirement annuity can be taken in a lump sum payment. See "Plan Description" in Note 12 of the Notes to Financial Statements of the University included as **Appendix B** for a further description of the Retirement Plan, including a table of Retirement Plan membership as of June 30, 2014.

The Board approved a new retirement plan design for all new employees of the University as of October 1, 2012. The new retirement plan does not affect employees or retirees participating in or receiving benefits from the Retirement Plan as of October 1, 2012. A comparison of the new retirement with a defined benefit portion and a defined contribution portion to the prior retirement plan, is set forth on the following page.

<u>Plan Design Elements</u>	<u>Employees Hired on or after October 1, 2012</u>	<u>Employees and retirees hired on or before September 30, 2012</u>
<u>Defined Benefit Portion</u>		
Multiplier Formula	1% of Pay, average of 5 highest consecutive years of salary	2.2% of Pay, average of 5 highest consecutive years of salary
University Contribution	3.21% of salary	7.25% of salary
Vesting	5 years	5 years
Employee Mandatory DB Contribution	1% up to \$50,000, 2% of amount above \$50,000	1% up to \$50,000, 2% of amount above \$50,000
Minimum Value Accumulation	None	5% of pay per year with 7.5% interest
<u>Defined Contribution Portion</u>		
University Automatic Contribution	2% of Pay	
University Match	100% up to an additional 3% of Pay	
Vesting	3 years (need not be consecutive)	
Estimated University Contribution	7.4% to 7.7% of Pay	7.25%

The University obtains an actuarial valuation of the assets and liabilities of the Retirement Plan as of October 1 of each year. Key actuarial assumptions and methodologies used in that actuarial valuation include the following:

- a net long-term rate of investment return, after expenses, of 7.75% per annum;
- for purposes of determining the actuarially required contributions, the actuarial value of assets is determined utilizing expected return asset valuation method, which smoothes unrecognized return (gain or loss) for each fiscal year over a five-year period, with actuarial value further adjusted, if necessary, to be within 20% of the market value;
- actuarial gains and losses resulting from differences between actual and assumed experience are recognized immediately in the Plan's actuarial accrued liabilities;
- unfunded actuarial liability is recognized for funding purposes assuming it is amortized on a level basis over a closed period of 30 years from the October 1, 2013 valuation date;
- wage and salary increases are assumed to average 4.9% for academic and administrative personnel and 4.1% for clerical and service personnel;
- mortality of covered employees for non-disabled members is 95% of the RP-2000 Combined Health Mortality Table projected to 2023 and for disabled members is the RP-2000 Disabled Retiree Mortality Table projected to 2023; and
- employee contributions are assumed to remain at 1% of salary up to \$50,000 and 2% of salary in excess of \$50,000 per calendar year.

The University reviews assumptions underlying the actuarial valuation of the assets and liabilities of the Retirement Plans no less often than once every five years in consultation with its consulting actuaries. Changes in assumptions may have a significant effect on the actuarial valuation of the assets and liabilities of the Retirement Plan and thus on the annually required contributions to that plan. In 2013, the University completed its five-year review of assumptions, which updates were included in the actuarial report as of October 1, 2013.

The following table sets forth the schedule of funding progress for the Retirement Plan as of the five most recent actuarial valuation dates:

Retirement Plan – Schedule of Funding Progress
(unaudited; \$ in thousands)

Actuarial Valuation Date Oct. 1,	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL / (Excess Funding) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL (Excess) as a % of Covered Payroll ([b-a]/(c))
2009	\$2,843,422	\$2,819,525	\$(23,898)	100.9%	\$970,060	-2.5%
2010	2,851,957	2,960,832	108,875	96.3	979,888	11.1
2011	2,828,697	3,138,190	309,493	90.1	1,031,891	30.0
2012	2,790,622	3,308,967	518,345	84.3	1,046,075	49.6
2013	2,950,555	3,463,026	512,470	85.2	1,078,347	47.5

As discussed above, the Retirement Plan uses actuarial asset value smoothing and recognizes investment gains and losses over five years for actuarial valuation purposes. Accordingly, the market value of Retirement Plan assets differs from the actuarial value of those assets. The following table compares the actuarial valuation of assets as of each of the five most recent valuation dates to the market value of the Retirement Plan assets as of those dates, in dollars, and the funded ratio of the Retirement Plan based on both actuarial value and market value as of those dates.

Retirement Plan – Actuarial Value of Assets Compared to Market Value
(unaudited; \$ in thousands)

Date Oct. 1,	Actuarial Value of Assets	Market Value of Assets	% of Actuarial Value to Market Value	Funded Ratio ⁽¹⁾ (Actuarial Value)	Funded Ratio ⁽²⁾ (Market Value)
2009	\$2,843,422	\$2,369,519	120.0%	100.9%	84.0%
2010	2,851,957	2,518,673	113.2	96.3	85.1
2011	2,828,697	2,504,265	113.0	90.1	79.8
2012	2,790,622	2,788,322	100.1	84.3	84.3
2013	2,950,555	3,051,916	96.7	85.2	88.1

⁽¹⁾ Actuarial value of assets divided by actuarial accrued liability.

⁽²⁾ Market value of assets divided by actuarial accrued liability.

The University's contributions to the Retirement Plan are equal to the actuarially determined employer contribution requirement, as a percent of payroll. Effective June 1, 2009, employees are required to contribute 1% of their salary up to \$50,000 in a calendar year and 2% of their salary in excess of \$50,000 to the Retirement Plan. The following table sets forth the University's annual required contributions and its annual pension contributions (or planned contributions) to the Retirement Plan, after employee contributions, for the five fiscal years ending June 30, 2015.

Five-Year Employer Contribution Information
(unaudited, \$ in thousands)

Fiscal Year Ending June 30,	Annual Required Contribution (ARC)	Contributions Made ⁽¹⁾	Percentage of ARC Contributed ⁽¹⁾
2011	\$ 57,541	\$ 57,541	100%
2012	74,618	74,618	100
2013	94,176	94,176	100
2014	112,771	112,771	100
2015	104,087	104,087	100

⁽¹⁾ For fiscal year 2015, amount shown is contribution expected to be made. In fiscal years 2014 and 2015, annual required contributions by the University are 10.8% and 9.7% of covered payroll, respectively.

For additional information relating to the Retirement Plan, see Notes 3, 12 and 16 of the Notes to Financial Statements of the University included as **Appendix B** and the unaudited Required Supplemental Information on page 76 of **Appendix B**.

As discussed above, effective for fiscal year 2014 the University Adopted Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27, which enhances accounting and financial reporting by state and local governments for pensions and improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The Retirement Plan is 92.9% funded as of June 30, 2014, computed in accordance with GASB Statement No. 68. Comparable information as of June 30, 2013 is not available. Notwithstanding the change in accounting principles for the Retirement Plan, the University presently intends to continue to fund the Retirement Plan at 100% of the Annual Required Contribution for each fiscal year, including fiscal year 2015. See Note 12 of the Notes to Financial Statements of the University included as **Appendix B** for additional details on the Retirement Plan.

Other Post-Employment Benefits

Under the OPEB Plan, the University provides post-employment benefits to eligible retirees and long-term disability claimants, including medical, dental, and life insurance benefits. The terms and conditions governing the post-employment benefits to which its employees are entitled are at the sole authority and discretion of the University's Board of Curators. Effective June 2008, the University established a trust, the assets of which are irrevocable and legally protected from creditors and dedicated to providing post-employment benefits in accordance with terms of the plan. Contribution requirements of employees and the University are established and may be amended by the University's management.

The Annual Required Contribution (ARC) represents a level of funding that an employer is projected to need in order to prefund its obligations for postemployment benefits over its employees' years of service. The University has no obligation to make contributions in advance of when insurance premiums or claims are due for payment and currently funds postemployment benefits at a level no less than on a pay-as-you-go basis. In fiscal year 2014, the University contributed \$25,094,000, or 41.8% of the ARC, which was \$59,966,000 and represented 5.4% of annual covered payroll.

The University obtains an actuarial valuation of the OPEB Plan biannually as of July 1. The most recent actuarial valuation is as of July 1, 2013. As of July 1, 2013, the OPEB Plan was 7.4% funded. The actuarial accrued liability (AAL) for postemployment benefits was \$669,836,000 with \$49,284,000 in actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$620,552,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,103,558,000, and the ratio of UAAL to covered payroll was 56.2%.

For additional information relating to the OPEB Plan, see Notes 3, 13 and 16 of the Notes to Financial Statements of the University included as **Appendix B** and the unaudited Required Supplemental Information on page 77 of **Appendix B**.

Outstanding Parity Bonds

In 1993, the University adopted resolutions that authorized the issuance of its System Facilities Revenue Bonds, Series 1993 (the “**Series 1993 Bonds**”), none of which remain outstanding. The Series 1993 Bond resolution (the “**Original Resolution**”) established a system facility financing program for the University, which included the Series 1993 Bonds and any Additional Bonds thereafter issued by the University in conformance with the provisions of the Original Resolution.

Since 1993, the University has issued various series of Prior System Bonds, all of which constitute Additional Bonds under the Original Resolution. The University currently has outstanding the following series of Prior System Bonds, all of which stand on a parity with the Series 2014B Bonds. Principal amounts outstanding for all Prior System Bonds as of June 30, 2014 are as follows:

- System Facilities Revenue Bonds, Series 2006A, in the outstanding principal amount of \$127,540,000;
- System Facilities Revenue Bonds, Series 2007A, in the outstanding principal amount of \$17,480,000;
- Variable Rate Demand System Facilities Revenue Bonds, Series 2007B, in the outstanding principal amount of \$99,895,000;
- Taxable System Facilities Revenue Bonds, Series 2009A (Build America Bonds), in the outstanding principal amount of \$256,300,000;
- System Facilities Revenue Bonds, Series 2009B, in the outstanding principal amount of \$53,925,000;
- Taxable System Facilities Revenue Bonds, Series 2010A (Build America Bonds), in the outstanding principal amount of \$252,285,000;
- System Facilities Revenue Bonds, Series 2011, in the outstanding principal amount of \$52,005,000;
- System Facilities Revenue Bonds, Series 2012A, in the outstanding principal amount of \$105,155,000;
- System Facilities Revenue Bonds, Series 2013A in the outstanding principal amount of \$11,325,000;
- Taxable System Facilities Revenue Bonds, Series 2013B in the outstanding principal amount of \$150,000,000; and
- System Facilities Revenue Bonds, Series 2014A, in the outstanding principal amount of \$294,510,000.

The bonds referred to above are collectively referred to as the “**Prior System Bonds**,” which are outstanding in the aggregate principal amount of \$1,420,420,000 as of June 30, 2014.

The Series 2014B Bonds are “Additional Bonds” within the meaning of the Prior System Bond resolutions and stand on a parity with and are equally and ratably secured with respect to the payment of principal and interest from the System Revenues derived by the University from the operation of the System Facilities and in all other respects with the Prior System Bonds, all as defined and provided in the Resolution. The Prior System Bonds specified above enjoy complete equality of lien on and claim against the System Revenues with the Series 2014B Bonds.

The Series 2009A Bonds and the Series 2010A Bonds were designated “Build America Bonds” at the time of issuance. As such, under then current law, the University expected to receive interest subsidy payments from the U.S. Treasury in an amount equal to 35% of the interest payable by the University on the Series 2009A Bonds and the Series 2010A Bonds (assuming continuing compliance by the University with various Internal Revenue Code requirements relating to Build America Bonds). On March 1, 2013 sequestration took effect under the federal Budget Control Act of 2011, and the President issued an order canceling \$85.3 billion in federal budgetary resources for the remainder of the federal fiscal year ending September 30, 2013. On September 30, 2014, the IRS announced that federal Interest Subsidy Payments to issuers of certain qualified bonds subject to sequestration (including the Build America Bonds) would be reduced by a rate of 7.3% for the federal fiscal year beginning October 1, 2014 (compared to the 7.2% reduction in Interest Subsidy Payments in the federal fiscal year beginning October 1, 2013). Absent the reduction caused by sequestration, the University’s Interest Subsidy Payment during its fiscal year ended June 30, 2014 would have been approximately \$10.4 million, compared to approximately \$9.7 million received by the University. Sequestration is currently scheduled to continue until the close of federal fiscal year 2024. Sequestration or other Congressional action may reduce or eliminate the expected Interest Subsidy Payments for the Series 2009A Bonds and Series 2010A Bonds in future years.

Commercial Paper Program

On October 20, 2011, the Board of Curators established the Commercial Paper Program pursuant to which the University is authorized to have outstanding at any one time up to \$375,000,000 principal amount of commercial paper notes (“**CP Notes**”). The CP Notes are designated as Series A (Tax-Exempt) and Series B (Taxable) and may be issued from time to time for the purpose of (i) financing and refinancing the costs of certain capital projects approved by the University, (ii) providing funds for operational uses, capital management activities and other general cash uses of the University (i.e. working capital), and (iii) paying the costs of issuance of the CP Notes. Only proceeds of the Series B (Taxable) CP Notes may be issued for working capital purposes. The CP Notes are required to mature on a business day that is not more than 270 days from the date of issue and are not subject to redemption prior to maturity, with not more than \$100,000,000 maturing in any seven-day period.

The CP Notes are limited obligations of the University payable solely out of and secured by a pledge of the University’s Unrestricted Revenues. “**Unrestricted Revenues**” means in any year State appropriations for general operations, student fee revenues, and all other operating revenues of the University other than System Facilities Revenues, for such year, plus any unencumbered balances from previous years. The owners of the CP Notes have no right to demand payment out of any other funds of the University, including the System Facilities Revenues. The CP Notes and the interest thereon do not constitute an indebtedness of the State, and the CP Notes do not constitute an indebtedness of the University within the meaning of any constitutional or statutory limitation upon the incurring of indebtedness, but in each Fiscal Year will be payable solely out of the Unrestricted Revenues.

Unrestricted Revenues excludes the System Facilities Revenues, which secure solely the Series 2014B Bonds, the Prior System Bonds and any Additional Bonds hereafter issued by the University.

Liquidity support for the Commercial Paper Program is provided solely by the University. As of October 1, 2014, the University had approximately \$26.6 million principal amount of CP Notes outstanding.

University Self-Liquidity

The University provides self-liquidity for all outstanding variable rate Prior System Bonds and for outstanding CP Notes. As a result, the University is obligated to repurchase, with funds of the University, any variable rate bonds that are tendered for remarketing and are not successfully remarketed, and to pay at maturity any CP Notes to the extent proceeds of a new issue of CP Notes are not available for such purpose. The University maintains substantial liquidity in its General Pool for the purpose of providing liquidity for its outstanding variable rate Prior System Bonds and for its Commercial Paper Program. Since the inception of the University’s variable rate debt program over 13 years ago, variable rate Prior System Bond remarketings have been consistently successful and the University has never been called upon to provide self liquidity. The Commercial Paper Program was established in late Fall 2011, and the first issuance of CP Notes occurred in January 2012. The maturing CP Notes have typically

been paid with proceeds of a new issuance of CP Notes. As of June 30, 2014, the University had approximately \$1.7 billion in its General Pool, of which approximately 40% was in high-grade, short-duration, fixed income securities and commercial paper.

For additional financial information regarding the University's liquidity, see the unaudited liquidity information as of September 30, 2014, which has been posted on EMMA and which is incorporated by reference in this Official Statement. See **"INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE"** in this Official Statement.

Swap Agreements

The University has entered into three interest rate swap agreements in an aggregate notional amount of \$189.45 million as of November 1, 2014. Under the swap agreements, the University makes fixed rate payments and receives variable rate payments. The fixed swap rates are 3.95% (\$40 million notional amount, with a maturity date of November 1, 2032), 3.798% (approximately \$99.445 million notional amount, with a maturity date of November 1, 2031) and 3.902% (approximately \$50.005 million notional amount, with a maturity date of August 3, 2026). The University receives variable rate payments on the \$40 million and \$50.005 million swaps equal to SIFMA, while it receives payments on the \$99.445 million swap equal to 68% of one-month LIBOR. The \$99.445 million swap specifically hedges the Series 2007B Bonds, the effectiveness of which has been determined using the synthetic instrument method under GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The \$40 million and \$50.005 million swaps do not specifically hedge any currently outstanding Bonds, but serve to reduce the overall exposure to interest rate risk on all outstanding variable rate debt obligations of the University. The counterparty to the \$99.445 million and \$40 million swap agreements is JPMorgan Chase Bank, N.A. The counterparty to the \$50.005 million swap agreement is Bank of America, N.A.

The University's fixed rate payment obligations and termination payment obligations to the counterparty under the swap agreements are limited obligations of the University payable solely from System Revenues on a parity basis with the Series 2014B Bonds, the Prior System Bonds and any Additional Bonds hereafter issued by the University. Under the \$99.445 million and \$40 million swap agreements, the University and the counterparty are required to post collateral if the termination payment amount calculated on each valuation date exceeds a certain amount (which varies based on the credit rating of the party posting collateral). Under the \$50.005 million swap agreement, the swap counterparty is required to post collateral with the University if the market value calculated on each valuation date exceeds a ratings-dependent threshold; the University is not required to post collateral with this swap counterparty. The market values of all three swaps are computed daily by the counterparty based on fluctuations in interest rates. The University may choose to terminate the swaps at any time, subject to payment of any applicable termination fees. See Note 9 of the Notes to Financial Statements included as **Appendix B** to this Official Statement.

As of June 30, 2014, the market value to the University of the \$99.445 million and \$40 million swaps was an aggregate of approximately (\$30.85) million. The University is required to post collateral with the counterparty when the negative market value exceeds \$30 million, based on the current long-term rating of the University. As of June 30, 2014, the University was posting collateral with the counterparty in accordance with the foregoing obligation.

As of June 30, 2014, the market value to the University of the \$50.005 million swap was approximately (\$8.73) million.

Litigation

There is not now pending or, to the knowledge of the University, threatened any litigation (a) to restrain or enjoin the issuance or delivery of the Series 2014B Bonds, (b) challenging the proceedings or authority under which the Series 2014B Bonds are to be issued, (c) materially affecting the security for the Series 2014B Bonds, or (d) which would otherwise materially adversely affect the financial condition of the University.

The nature of the University's operations generates claims and litigation against the University arising in the ordinary course of its activities. At any given time, the University (including the University Health System) has a

number of claims and lawsuits pending or threatened against it, including employment-related claims and those based on alleged medical malpractice. The University has been investigating allegations of improper billings for certain radiology services after learning that a federal investigation led by the U.S. Attorney's Office was under way. The University has also reviewed other potential federal health program reimbursement issues contemporaneously with the radiology investigation. As a result of its review, the University is in process of self-disclosure to the federal government relating to these matters. See Note 11 of the Notes to Financial Statements included as **Appendix B**. The University cannot predict the potential exposures for these health program reimbursement issues beyond the minimum estimates set forth in Note 11.

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE UNIVERSITY OF MISSOURI
SYSTEM FOR THE FISCAL YEAR ENDED JUNE 30, 2014
AND FOR
THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

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University of Missouri System

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2014 FINANCIAL REPORT

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 University of Missouri
Health System

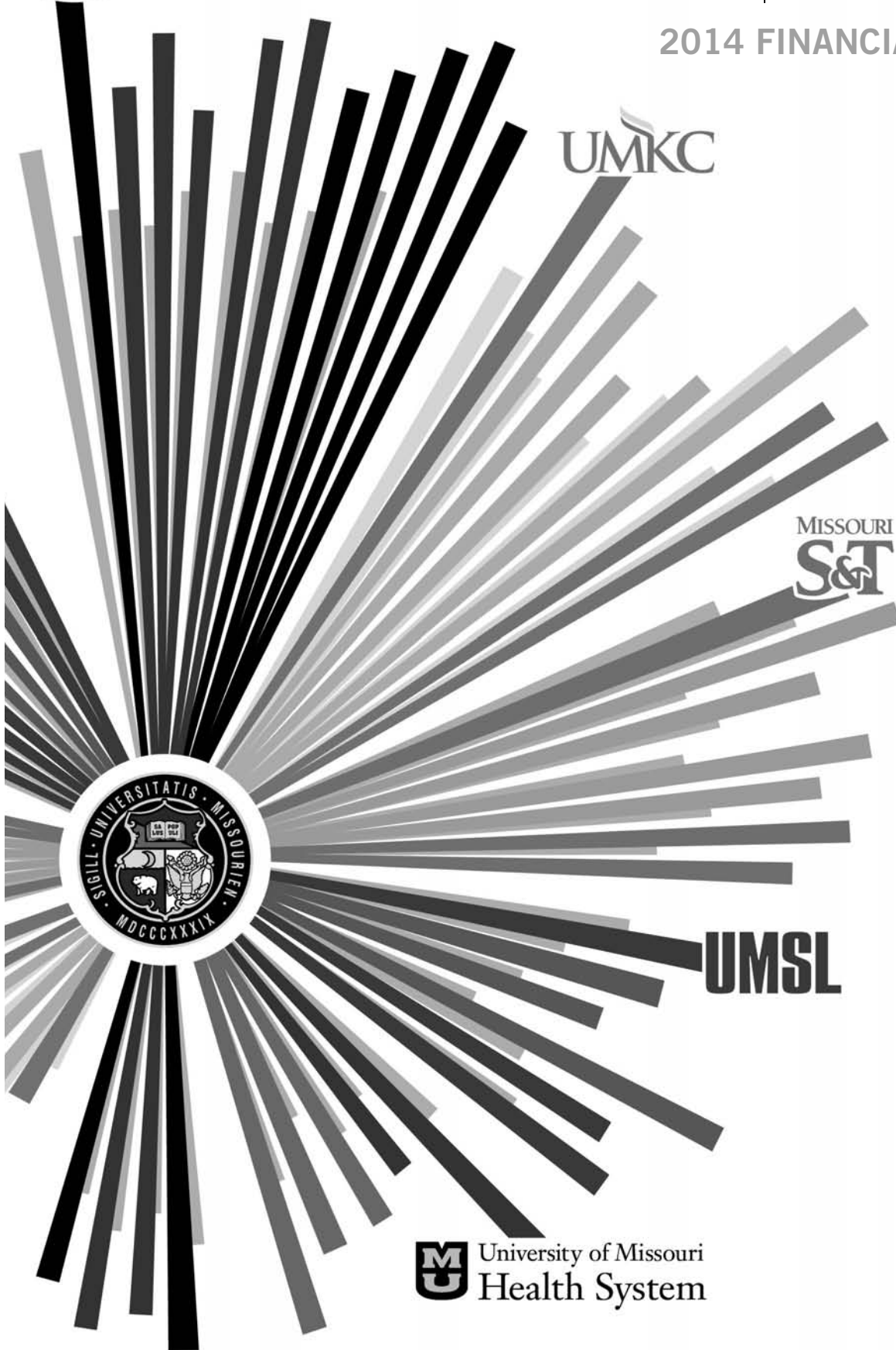


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Message from the President

As the state's largest public four-year research university and a vital driving force of the state's economic vitality, the University of Missouri System is committed to improving the well being of all 6 million Missourians. We take great pride in our responsibility to be good stewards of state resources.

We were encouraged this legislative session by the support of the entire General Assembly. In fact, we are in a position to receive the highest year over year funding increase to our budget in the past 14 years. We advocate proudly for our university and are appreciative of our lawmakers—who have demonstrated that they, too, value higher education in the state.

As you'll note in the following pages, our fiscal position and health remains strong and sound. Despite the decision to keep tuition flat for FY14, the university has been able to maintain its strong financial position through efficiency strategies across the system. These include lowering our administrative costs in order to allow for more investment toward the academic mission of the university.

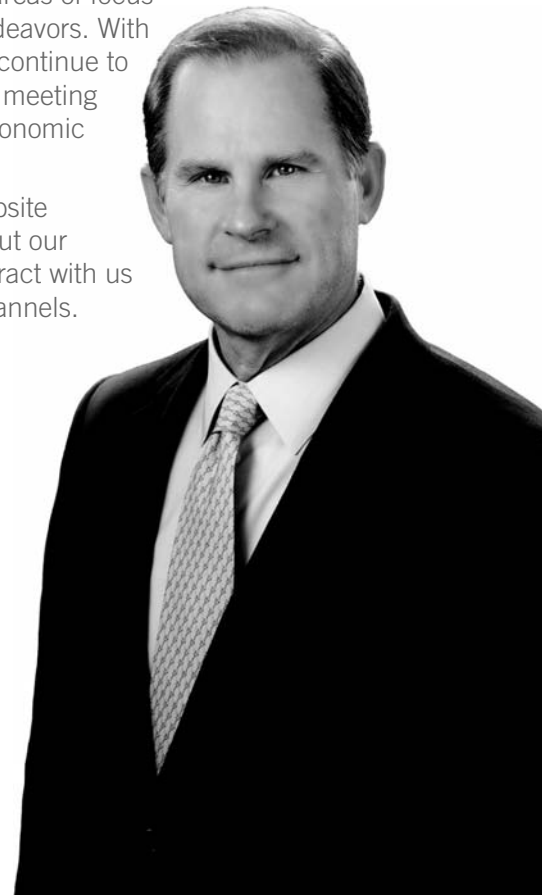
In order to continue to thrive, we must continue to make decisions that will help ensure our financial stability well into the future, which requires strategic thinking about the university's areas of focus and how to apply precious resources to those endeavors. With our strategic planning efforts in full force, we will continue to look for ways to be more efficient and effective in meeting our mission of research, teaching, service and economic development.

This information and more is available on our website at www.umsystem.edu. We invite you to read about our successes, review our strategic priorities and interact with us online or through any number of social media channels.

Sincerely,



Timothy M. Wolfe
President, University of Missouri System



Curators of the University of Missouri

The University of Missouri is governed by a nine-member board of curators, appointed by the Governor and confirmed by the Senate. Curators serve six-year terms. The student representative to the board of curators is appointed by the Governor and confirmed by the Senate. Student representatives serve two-year terms. No more than two curators shall be appointed from each congressional district, and no person shall be appointed a curator who shall not be a citizen of the United States, and who shall not have been a resident of the state of Missouri two years prior to his or her appointment. No more than five curators shall belong to any one political party.



Don M. Downing
Webster Groves, Chairman
Term expires: Jan. 1, 2015



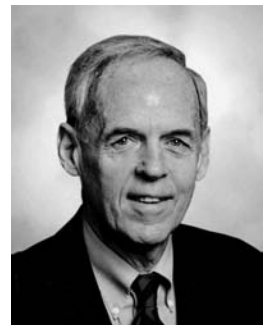
Donald L. Cupps
Cassville, Vice Chairman
Term expires: Jan. 1, 2017



David R. Bradley
St. Joseph
Term expires: Jan. 1, 2015



Ann Covington
Columbia
Term Expires: Jan. 1, 2019



Wayne Goode
St. Louis
Term expires: Jan. 1, 2015



Pamela Quigg Henrickson
Jefferson City
Term expires: Jan. 1, 2017



John R. Phillips
Kansas City
Term expires: Jan. 1, 2019



David L. Steelman
Rolla
Term expires: Jan. 1, 2019



David L. Steward
St. Louis
Term expires: Jan. 1, 2017



Tracy Mulderig
Student Representative
to the Board of Curators,
UMSL
Term expires: Jan. 1, 2016

University of Missouri System General Officers



Timothy M. Wolfe
President



Stephen J. Owens, JD
General Counsel



Gary K. Allen, DVM, PhD
Vice President for
Information Technology



Brian D. Burnett, PhD
Vice President for Finance
and Chief Financial Officer



Henry C. Foley, PhD
Executive Vice President for
Academic Affairs



Stephen C. Knorr
Vice President for
University Relations



Elizabeth "Betsy" Rodriguez, PhD
Vice President for
Human Resources



Thomas F. George, PhD
Chancellor,
University of Missouri-St. Louis



R. Bowen Loftin, PhD
Chancellor,
University of Missouri-Columbia



Leo E. Morton
Chancellor,
University of Missouri-Kansas City



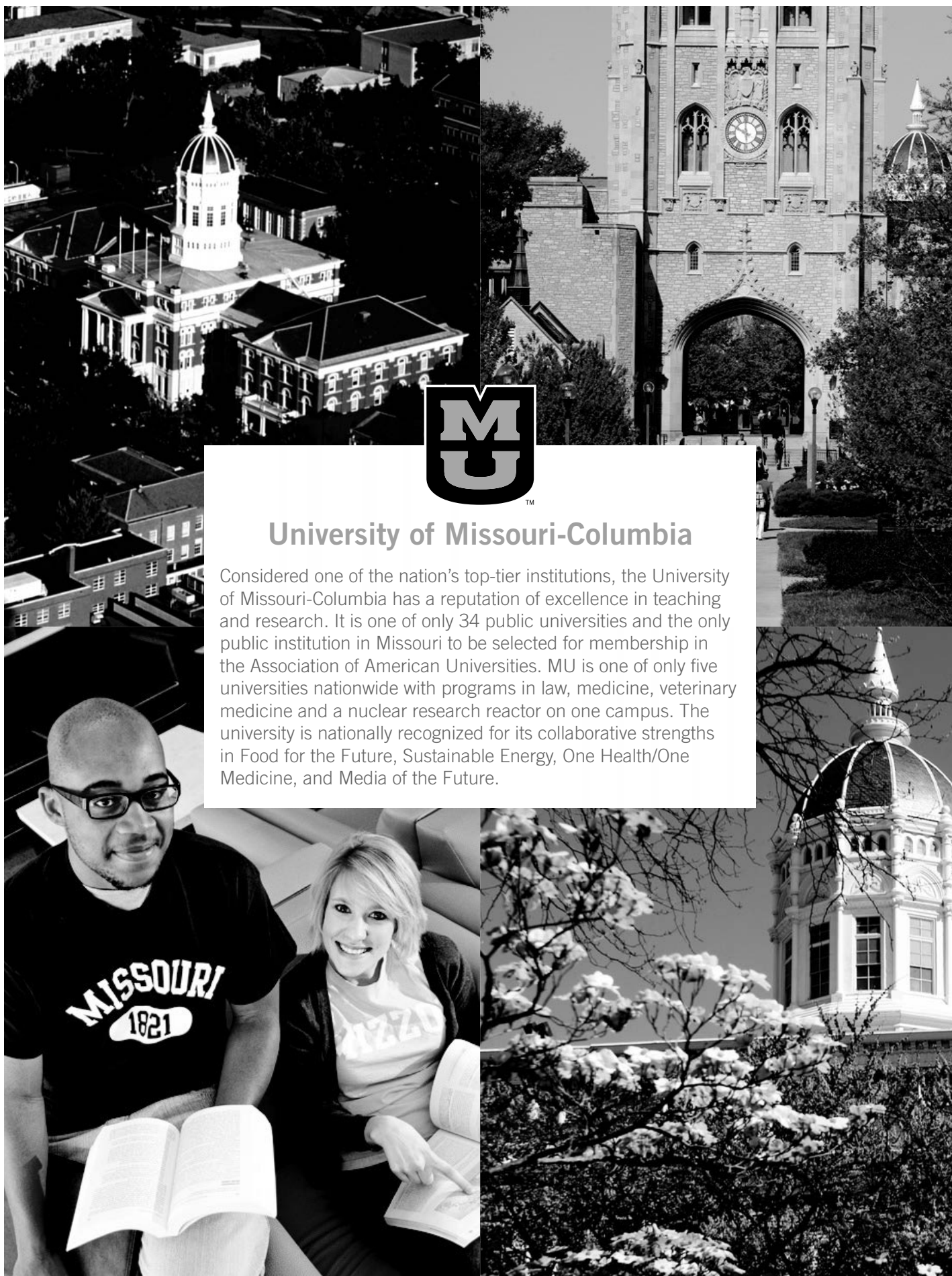
Cheryl B. Schrader, PhD
Chancellor,
Missouri University of Science
and Technology

University of Missouri System Finance Staff

Brian D. Burnett, Vice President for Finance and Chief Financial Officer

Ryan Rapp, Controller

Cuba Plain, Assistant Vice President for Budget Planning and Development



University of Missouri-Columbia

Considered one of the nation's top-tier institutions, the University of Missouri-Columbia has a reputation of excellence in teaching and research. It is one of only 34 public universities and the only public institution in Missouri to be selected for membership in the Association of American Universities. MU is one of only five universities nationwide with programs in law, medicine, veterinary medicine and a nuclear research reactor on one campus. The university is nationally recognized for its collaborative strengths in Food for the Future, Sustainable Energy, One Health/One Medicine, and Media of the Future.



University of Missouri-Kansas City

The University of Missouri-Kansas City, located in the heart of Kansas City, is a comprehensive, public research university offering more than 125 academic programs across a wide spectrum of academic units including the liberal arts, sciences, business, education, engineering, the performing arts and nursing as well as professional programs in dentistry, law, medicine and pharmacy. In 2014, the Princeton Review named UMKC a “Best Value” public university, for the third consecutive year. UMKC has long been at the heart of nurturing culture in the Kansas City region through renowned programs in music and dance, theater and visual arts. In addition, UMKC has four health science schools on one campus that provide outreach for community health needs and hands-on experience for students.





Missouri University of Science and Technology

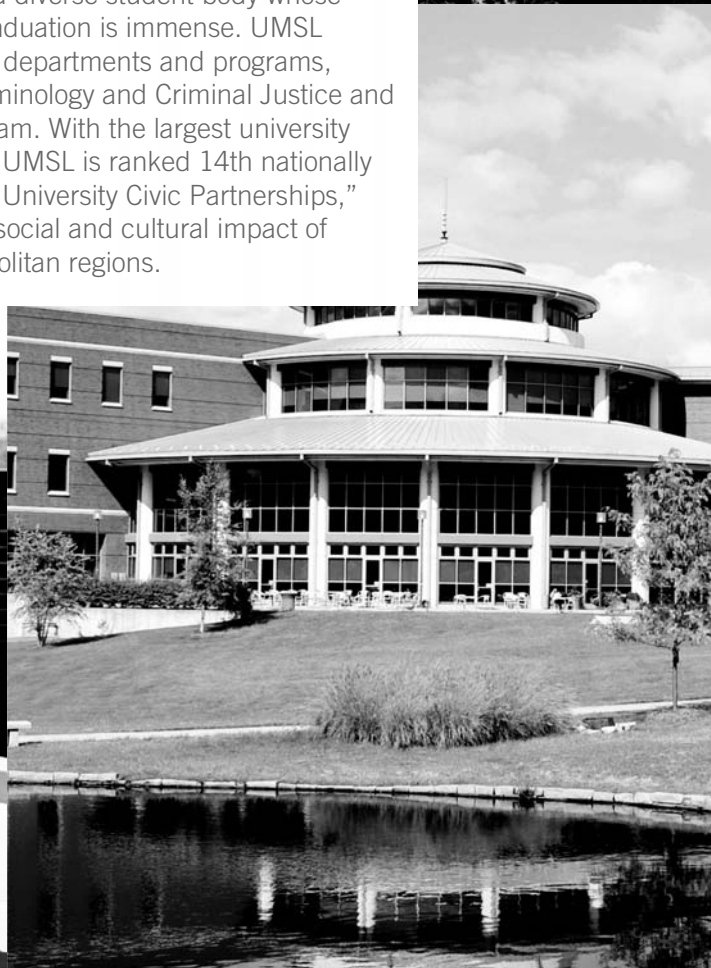
Missouri University of Science and Technology in Rolla is one of the nation's most focused technological research universities. With 15 accredited undergraduate engineering programs, Missouri S&T provides more engineering degree options than MIT, Purdue, Illinois or Michigan. Missouri S&T graduates are highly sought by the business community, with the fifth highest starting salaries among all public universities in the nation. Missouri S&T is consistently ranked as a best investment university by numerous collegiate publications throughout the country.



UMSL

University of Missouri-St. Louis

The largest research university located in Missouri's most populous and economically important region, the University of Missouri-St. Louis provides excellent learning experiences and leadership opportunities to a diverse student body whose influence on the region upon graduation is immense. UMSL boasts several nationally-ranked departments and programs, including the Department of Criminology and Criminal Justice and the International Business program. With the largest university alumni population in the region, UMSL is ranked 14th nationally in a survey of "Best College and University Civic Partnerships," which measures the economic, social and cultural impact of academic institutions on metropolitan regions.



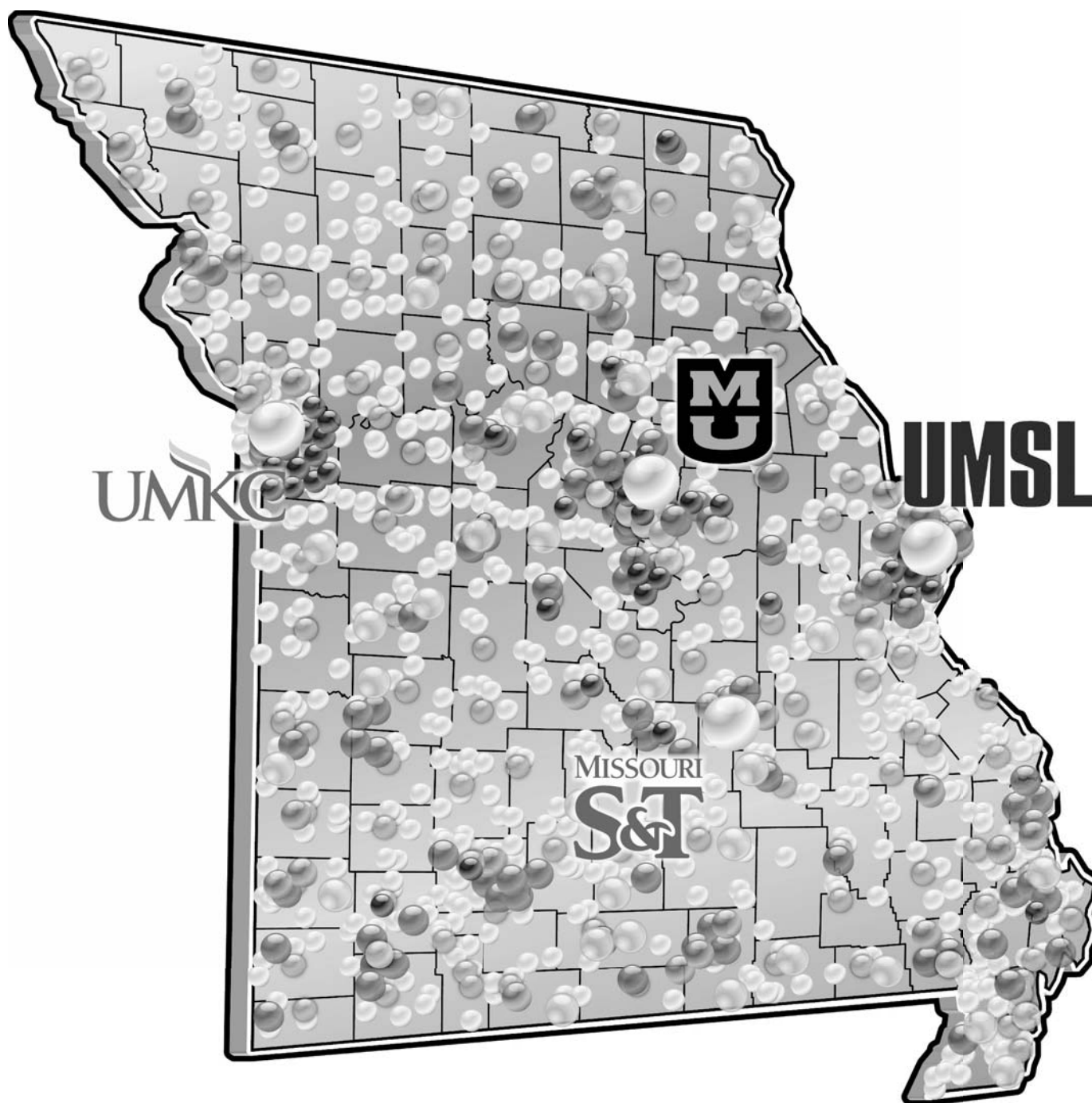


University of Missouri
Health Care

University of Missouri Health Care

University of Missouri Health Care touches the lives of Missourians across the state in myriad ways - through the quality care provided at its hospitals and clinics, the education of future health professionals offered by its health sciences schools, the specialty services delivered by University Physicians, and the life-saving research conducted. University of Missouri Health Care's state-of-the-art patient care tower implements technology developed in partnership with the Tiger Institute for Health Innovation. These advances earned the hospital recognition as one of the top ten hospitals in the nation for health care information technology. University of Missouri Health Care was named for the fourth consecutive year as one of the nation's "Most Wired" health systems, recognizing continuous advancements in the implementation of new technology.

University of Missouri System Statewide Reach



4 UM System Campuses

10 Research Parks /
Business Incubators

19 Agricultural Research Stations

38 School Districts Served by
eMINTS Investing in
Innovation (i3) Project

39 Small Business & Technology
Development Centers

56 Health Centers & Affiliates

787 MOREnet Sites

200 Missouri Telehealth
Network Sites

114 Counties Served by
Extension Centers

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

October 10, 2014

The management of the University of Missouri System (the "University") is responsible for the preparation, integrity, and fair presentation of the financial statements. The financial statements, presented on pages 30 to 77, have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on judgments and estimates by management.

The financial statements have been audited by the independent accounting firm KPMG LLP, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Curators. The University believes that all representations made to the independent auditors during their audit were valid and appropriate. KPMG's audit opinion is presented on pages 28-29.

The University maintains a system of internal controls over financial reporting, which is designed to provide reasonable assurance to the University's management and Board of Curators regarding the preparation of reliable published financial statements. Such controls are maintained by the establishment and communication of accounting and financial policies and procedures, by the selection and training of qualified personnel, and by an internal audit program designed to identify internal control weaknesses in order to permit management to take appropriate corrective action on a timely basis. There are, however, inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention of controls.

The Board of Curators, through its Audit Committee, is responsible for engaging the independent auditors and meeting regularly with management, internal auditors, and the independent auditors to ensure that each is carrying out their responsibilities and to discuss auditing, internal control, and financial reporting matters. Both internal auditors and the independent auditors have full and free access to the Audit Committee.

Based on the above, I certify that the information contained in the accompanying financial statements fairly presents, in all material respects, the financial condition, changes in net position and cash flows of the University.



Brian D. Burnett
Vice President for Finance and Chief Financial Officer

University of Missouri System COLUMBIA | KANSAS CITY | MISSOURI S&T | ST. LOUIS
118 University Hall • Columbia, MO 65211 • 573-882-3611 www.umsystem.edu



MISSOURI



University of Missouri System

COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS

FINANCIAL INFORMATION

UNIVERSITY OF MISSOURI SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 (unaudited)

Management's Discussion and Analysis provides an overview of the financial position and activities of the University of Missouri System (the "University") for the fiscal year ended June 30, 2014, and should be read in conjunction with the financial statements and notes. The University is a component unit of the state of Missouri and an integral part of the state's Comprehensive Annual Financial Report.

This report includes five financial statements:

- The three financial statements for the University of Missouri, its Blended Component Unit, and its Discretely Presented Component Unit include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows, where applicable.
- The two financial statements for the University's fiduciary fund, which includes the Retirement and the Other Postemployment Benefits Trust Funds, are the Statement of Plan Net Position and the Statement of Changes in Plan Net Position.

The University's financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes

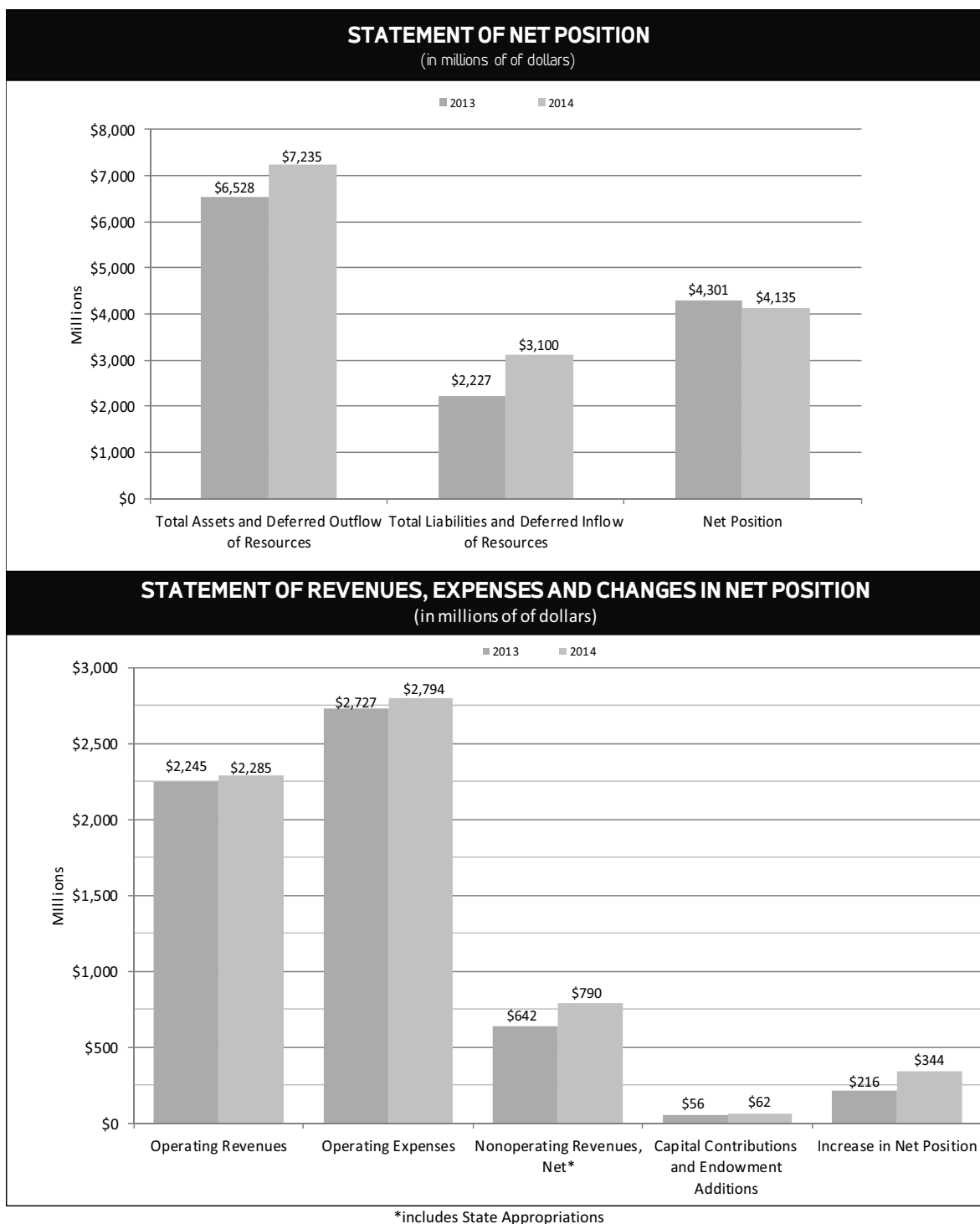
financial reporting standards for public colleges and universities. The University's significant accounting policies are summarized in Note 1 to the financial statements of this report, including further information on the financial reporting entity. In addition, a more detailed unaudited financial report that includes campus-level financial statements is available at the University of Missouri, 1000 W Nifong, Building 7, Suite 300, Columbia, MO 65211, and at www.umsystem.edu.

FINANCIAL HIGHLIGHTS

At June 30, 2014, the University's financial position remained solid, with Total Assets of \$7.2 billion. Net Position, which represents the residual value of the University's assets and deferred outflow of resources after deducting liabilities and deferred inflow of resources, totaled \$4.1 billion. When operating and non-operating changes are included, Net Position increased by approximately \$344.0 million as compared to fiscal year (FY) 2013. Taking into account a (\$509.9) million cumulative effect of a change in accounting principle, Net Position decreased by approximately \$166.0 million in fiscal year (FY) 2014, primarily driven by the net pension liability at the beginning of the year related to the implementation of GASB Statement No. 68.

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014 (unaudited)

The following charts compare Total Assets and Deferred Outflow of Resources, Liabilities and Deferred Inflow of Resources, and Net Position at June 30, 2014 and 2013, and the major components of changes in Net Position for the years ended June 30, 2014 and 2013:



UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014 (unaudited)

CONDENSED STATEMENT OF NET POSITION

The Statement of Net Position presents the University's financial position at the end of the fiscal year, including all assets and deferred outflow of resources and liabilities and deferred inflow of resources of the University and segregating them into current and noncurrent components. Total Net Position is an indicator of financial condition and

changes in Total Net Position indicate if the overall financial condition has improved or worsened. Assets and deferred outflow of resources and liabilities and deferred inflow of resources are generally measured using current values with certain exceptions, such as capital assets which are stated at cost less accumulated depreciation, and long-term debt which is stated at cost.

The following table summarizes the University's assets and deferred outflow of resources, liabilities and deferred inflow of resources and net position at June 30, 2014 and 2013:

CONDENSED STATEMENT OF NET POSITION (in thousands of dollars)		
As of June 30,	2014	2013
Assets		
Current Assets	\$ 1,110,174	\$ 950,039
Noncurrent Assets		
Endowment and Other Long-Term Investments	2,827,084	2,442,510
Capital Assets, Net	3,123,172	2,997,508
Other	122,208	116,475
Deferred Outflow of Resources	52,417	21,736
Total Assets and Deferred Outflow of Resources	\$ 7,235,055	\$ 6,528,268
Liabilities		
Current Liabilities		
Commercial Paper and Current Portion of Long-Term Debt	\$ 92,433	\$ 203,295
Long-Term Debt Subject to Remarketing Agreements	99,445	99,895
Other	770,196	582,292
Noncurrent Liabilities		
Long-Term Debt	1,411,225	1,103,004
Other	540,926	238,843
Deferred Inflow of Resources	185,860	-
Total Liabilities & Deferred Inflow of Resources	3,100,085	2,227,329
Net Position		
Net Investment in Capital Assets	1,626,371	1,636,334
Restricted -		
Nonexpendable	998,947	858,820
Expendable	477,728	415,128
Unrestricted	1,031,924	1,390,657
Total Net Position	4,134,970	4,300,939
Total Liabilities and Net Position	\$ 7,235,055	\$ 6,528,268

ASSETS AND DEFERRED OUTFLOW OF RESOURCES

Total Assets increased by \$706.8 million, or 10.8%, to \$7.2 billion as of June 30, 2014 compared to the prior

year. The increase during FY 2014 was driven primarily by strong returns on the University's **Investments**. At the same time, the University continued to expand **Capital Assets** across all of its campuses to meet housing, educational, and patient care needs.

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014 (unaudited)

At June 30, 2014, the University's working capital, which is current assets less current liabilities, was \$148.1 million, an increase of \$83.5 million from the previous year. The largest driver of the increase was a \$208.2 million increase in **Investment Settlements Receivable** for sales of investments occurring on or before June 30, but settling after June 30.

As a measurement of actual liquidity, working capital is adversely impacted by the inclusion, per accounting guidelines, of Long-Term Debt Subject to Remarketing. If Long-Term Debt Subject to Remarketing were excluded from Current Liabilities, working capital would be \$247.5 million at June 30, 2014, also expressed as Current Assets of 1.29 times Current Liabilities.

The following table illustrates actual working capital, as well as working capital adjusted for Long-Term Debt Subject to Remarketing:

SUMMARY OF WORKING CAPITAL (in thousands of dollars)		
As of June 30,	2014	2013
Current Assets	\$ 1,110,174	\$ 950,039
Current Liabilities	962,074	885,482
Working Capital	\$ 148,100	\$ 64,557
Ratio of Current Assets to Current Liabilities	1.15	1.07
Current Assets	1,110,174	950,039
Current Liabilities	962,074	885,482
Less: Long-Term Debt Subject to Remarketing	(99,445)	(99,895)
Current Liabilities, As Restated	862,629	785,587
Working Capital, As Restated	\$ 247,545	\$ 164,452
Ratio of Current Assets to Current Liabilities (As Adjusted)	1.29	1.21

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014 (unaudited)

At June 30, 2014, the University held \$146.9 million in **Cash and Cash Equivalents**, a decrease of \$111.5 million from June 30, 2013. The decrease in cash at June 30, 2014 is largely due to timing differences as more working capital was invested at June 30, 2014 as compared to June 30, 2013. **Short-Term and Long-Term Investments** totaled \$3.1 billion as of June 30, 2014, representing an increase of 11.7% over the prior year. The increase in investment balances during FY 2014 is partially offset by decreases in cash and cash equivalents due to an increased investment of working

capital. The financial markets improved during FY 2014; net realized and unrealized gains and losses increased by \$137.7 million, going from a net gain of \$96.5 million in FY 2013 to a net gain of \$234.2 million in FY 2014. The overall change in investment returns is evident across all investment pools. The Endowment Pool, Fixed Income Pool and General Pool experienced a net gain of 16.7%, 7.5% and 6.2% in FY 2014, respectively as compared to a net gain of 12.6%, 3.5% and (0.9)% in FY 2013, respectively.

Composition and returns of the University's various investment pools for the years ended June 30, 2014 and 2013 were as follows:

CASH, CASH EQUIVALENTS AND INVESTMENTS (in thousands of dollars)							
	June 30, 2014					June 30, 2013	
	Cash and Cash Equivalents	Short-Term and Long-Term	Total	Total Return	Benchmark Index Return (A)	Total	Total Return
General Pool	\$ 104,727	\$ 1,589,265	\$ 1,693,992	6.2%	3.1%	\$ 1,682,716	-0.9%
Endowment Funds							
Endowment Pool	27,302	1,299,224	1,326,526	16.7%	17.6%	1,135,525	12.6%
Fixed Income Pool	3,086	70,379	73,465	7.5%	6.5%	73,369	3.5%
Other	11,820	122,150	133,970	N/A		125,278	N/A
Total	\$ 146,935	\$ 3,081,018	\$ 3,227,953			\$ 3,016,888	

(A) Benchmark index returns are calculated by independent investment consultants based on returns of market indices.

At June 30, 2014, the University's investment in **Capital Assets** totaled \$3.1 billion compared to \$3.0 billion at June 30, 2013. The University added \$308.9 million in capital assets, net of retirements, during FY 2014,

offset by depreciation of \$183.3 million for the year. FY 2013 capital asset additions of \$316.3 million, net of retirements, were offset by \$167.8 million in depreciation.

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014 (unaudited)

Note 6 presents additional information on changes by asset classification. Major capital projects either substantially completed in FY 2014 or ongoing are shown in the following table:

SELECTED CAPITAL PROJECTS (Fiscal Year Ended June 30, 2014)			
Campus	Project Budget	Expenditures Through June 30,	Source of Funding
Columbia:			
Virginia Avenue South	\$28,400,000	\$ 5,519,000	Revenue Bonds, Campus Reserves
Renovation of Johnston and Wolpers	42,800,000	26,806,000	Revenue Bonds, Campus Reserves
Memorial Stadium	55,300,000	33,498,000	Revenue Bonds
Dobbs Dining Replacement Project	139,603,000	1,559,000	Revenue Bonds, Campus Reserves
Hospital:			
Green Meadows	28,528,000	15,380,000	Revenue Bonds, Reserves
MO Orthopaedic Institute	35,334,000	654,000	Revenue Bonds, Reserves
Kansas City:			
Hospital Hill	32,400,000	23,780,000	Revenue Bonds
Missouri S&T:			
Geothermal Energy Project	32,400,000	26,085,000	Revenue Bonds, Campus Reserves
Bertelsmeyer Hall	30,509,000	11,381,000	Revenue Bonds, Campus Reserves, Gifts
St. Louis:			
Wellness Center	36,000,000	9,854,000	Revenue Bonds
Benton Science Learning Building	30,000,000	2,874,000	Revenue Bonds, Campus Reserves
Optometry Building	18,300,000	145,000	Revenue Bonds, Campus Reserves

LIABILITIES AND DEFERRED INFLOW OF RESOURCES

Total Liabilities and Deferred Inflow of Resources was \$872.8 million higher at June 30, 2014 as compared to June 30, 2013. Significant changes in **Current Liabilities** at June 30, 2014 include a \$84.3 million increase in **Investment Settlements Payable** for purchases of investments occurring on or before June 30, but settling after June 30; a \$89.0 million increase in **Collateral Held for Securities Lending**; and a \$110.9 million decrease in **Commercial Paper and Current Portion of Long-Term Debt**.

Current Liabilities include long-term variable rate demand bonds subject to remarketing agreements totaling \$99.4 million and \$99.9 million at June 30, 2014 and 2013, respectively. The variable rate demand bond has a final contractual maturity in fiscal year 2032. Despite contractual maturities beyond one year, this variable rate demand bond is classified as a current liability because the University is ultimately the sole source of liquidity should the option to tender be exercised by the bondholder.

The University's Commercial Paper Program can issue up to an aggregate outstanding principal amount of \$375 million. During fiscal year 2014, the University refunded \$147.5 million of Commercial Paper with bond issuances and issued \$45.0 million of commercial paper to fund working capital needs. During fiscal year 2013, the University issued \$18.9 million of Commercial Paper to finance capital projects.

Noncurrent Liabilities represent those commitments beyond one year. Three new bonds were issued in FY 2014. On November 26, 2013 the University issued \$11.3 million and \$150.0 million in Series 2013A System Facilities Revenue Bonds and 2013B Taxable System Facilities Revenue Bonds, respectively. Proceeds from issuance of the Series 2013A and 2013B Bonds were used to refund the Series 2003B bonds, finance construction projects across multiple campuses and the health system, and finance the cost of issuance of the Series 2013A and 2013B bonds. The all-in-true interest cost of the Series 2013A and 2013B bonds is 2.2% and 4.9%, respectively.

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014 (unaudited)

On May 22, 2014 the University issued \$294.5 million in Series 2014A System Facilities Revenue Bonds. Proceeds from issuance of the Series 2014A bonds were used to refund a portion of Series 2007A bonds, repaying a portion of outstanding Commercial Paper

Notes and paying the cost of issuance of the Series 2014A bonds. The all-in-true interest cost of the Series 2014A bonds is 3.2%.

The following is a summary of long-term debt by type of debt instrument:

LONG-TERM DEBT (in thousands of dollars)		
As of June 30,	2014	2013
System Facilities Revenue Bonds	\$ 1,420,420	\$ 1,185,400
Unamortized Premium and Loss on Defeasance	72,556	23,489
Total Bonds Payable	1,492,976	1,208,889
Notes Payable	33,389	14,130
Capital Lease Obligations	5,166	5,920
Commercial Paper	71,572	177,255
Total Long-Term Debt	\$ 1,603,103	\$ 1,406,194
Contractual Maturities Within One Year		
Bonds Payable - Fixed Rate	\$ 18,640	\$ 23,890
Bonds Payable - Variable Rate Demand	450	435
Notes Payable	951	960
Capital Lease Obligations	820	755
Commercial Paper	71,572	177,255
Total Contractual Maturities Within One Year	\$ 92,433	\$ 203,295

The following is a summary of outstanding revenue bonds and commercial paper by campus and project type:

Revenue Bonds and Commercial Paper (in thousands of dollars)							
	June 30, 2014						
	MU	UMKC	UMSL	Missouri S&T	University Health Care	Unallocated Bond Cost	Total
Athletics	\$ 81,268	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 81,268
Campus Utilities	143,910	11,325	-	30,945	-	-	186,180
Classroom & Research	56,367	26,368	12,275	15,281	-	-	110,291
Critical Repairs/Maintenance	17,313	7,386	4,558	5,132	-	-	34,389
Housing	261,674	106,015	20,554	58,920	-	-	447,163
Health Care	-	-	-	-	306,257	-	306,257
Student Centers	45,952	46,002	20,666	-	-	-	112,620
Parking	39,555	7,222	15,762	1,089	-	-	63,628
Recreational Facilities	27,851	40,378	17,395	9,922	-	-	95,546
Other	811	1,008	-	-	-	7,831	9,650
Short-term working capital	-	-	-	-	-	45,000	45,000
Unamortized Premium	-	-	-	-	-	72,556	72,556
Total	\$ 674,701	\$ 245,704	\$ 91,210	\$ 121,289	\$ 306,257	\$ 125,387	\$ 1,564,548

UNIVERSITY OF MISSOURI SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

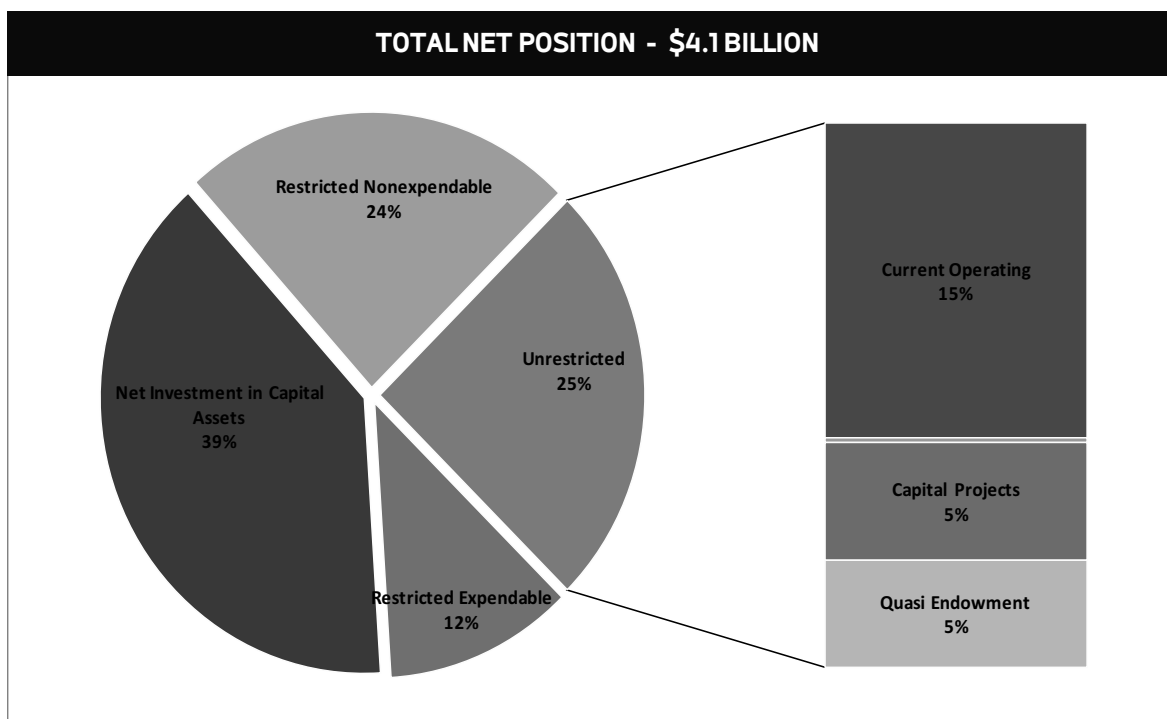
June 30, 2014 (unaudited)

Deferred Inflow Resources represent an acquisition of net position by the University that is applicable to a future period. During FY 2014, the University recognized \$185.9 million of deferred inflow resources representing the difference between actual and expected earnings on pension plan investments.

NET POSITION

Net Position represents the value of the University's assets after liabilities are deducted. The University's total **Net Position** decreased by \$166.0 million during the year ended June 30, 2014.

The distribution of the Net Position balances, including additional details on unrestricted net position by fund type, as of June 30, 2014, are as follows:



Total **Net Position** is reflected in the four component categories as follows:

Net Investment in Capital Assets, represents the University's investment in capital assets, net of accumulated depreciation and outstanding debt related to acquisition, construction or improvement of those assets. This category decreased by \$10.0 million in FY 2014. This decrease was driven by a change in accounting principle requiring the write-down of previously capitalized bond issue costs.

Restricted Nonexpendable Net Position includes endowment assets that are subject to externally imposed stipulations for the principal to be maintained in perpetuity by the University. Favorable market

experience led to a \$140.1 million, or 16.3%, increase in Restricted Nonexpendable Net Position during FY 2014. Favorable market conditions were largely responsible for an \$87.7 million, or 11.4%, increase during FY 2013.

Restricted Expendable Net Position represents resources that are subject to externally imposed stipulations regarding their use, but are not required to be maintained in perpetuity. This category increased by \$62.6 million, or 15.1%, during FY 2014 and \$26.1 million, or 6.7%, in FY 2013. As of June 30, 2014, this category includes:

UNIVERSITY OF MISSOURI SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 (unaudited)

- \$349.6 million of net position restricted for operations and giving purposes compared to \$323.4 million at June 30, 2013;
- \$81.8 million for student loan programs compared to \$80.4 million at June 30, 2013; and
- \$46.4 million for facilities compared to \$11.2 million at June 30, 2013.

Unrestricted Net Position is not subject to externally imposed stipulations although these resources may be designated for specific purposes by the University's management or Board of Curators. This category decreased by \$358.7 million, or 25.8%, to \$1.0 billion at June 30, 2014. A (\$509.9) million cumulative effect of a change in accounting principle from the implementation of GASB 68 was the primary driver of

the decrease in FY 2014. Maintaining adequate levels of unrestricted net position is one of several key factors that have enabled the University to maintain its Aa1 credit rating. As of June 30, 2014 and 2013, University Health Care designated funds totaled \$351.8 million and \$309.5 million, respectively; capital project-designated funds totaled \$221.3 million and \$238.2 million, respectively; student loan program-designated funds totaled \$8.8 million and \$8.7 million, respectively; and unrestricted funds functioning as endowments totaled \$204.3 million and \$177.9 million, respectively. The remaining Unrestricted Net Position is available for the University's instructional and public service missions and its general operations totaled \$245.7 million and \$656.4 million at June 30, 2014 and 2013, respectively.

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014 (unaudited)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's results of operations. The Statement distinguishes revenues and expenses between operating and non-operating categories, and provides a view of the University's operating margin.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (in thousands of dollars)		
Fiscal Year Ended June 30,	2014	2013
Operating Revenues		
Net Tuition and Fees	\$ 627,273	\$ 592,805
Grants and Contracts	286,987	309,683
Patient Medical Services, Net	873,638	847,681
Other Auxiliary Enterprises	409,184	412,351
Other Operating Revenues	88,174	82,308
Total Operating Revenues	2,285,256	2,244,828
Operating Expenses		
Salaries, Wages and Benefits	1,709,706	1,729,656
Supplies, Services and Other Operating Expenses	833,799	766,624
Other Operating Expenses	250,169	230,257
Total Operating Expenses	2,793,674	2,726,537
Operating Loss Before State Appropriations	(508,418)	(481,709)
State Appropriations	412,650	401,400
Loss after State Appropriations, before		
Nonoperating Revenues (Expenses)	(95,768)	(80,309)
Nonoperating Revenues (Expenses)		
Investment and Endowment Income, Net of Fees	281,837	147,433
Private Gifts	66,780	64,103
Interest Expense	(59,916)	(55,256)
Other Nonoperating Revenues, Net	88,928	84,249
Net Nonoperating Revenues (Expenses)	377,629	240,529
Income before Capital Contributions and Additions to Permanent Endowments	281,861	160,220
State Capital Appropriations	-	745
Capital Gifts and Grants	14,727	20,244
Private Gifts for Endowment Purposes	47,390	35,113
Increase in Net Position	343,978	216,322
Net Position, Beginning of Year	4,300,939	4,084,617
Cumulative Effect of a Change in Accounting Principle	(509,947)	-
Net Position, Beginning of Year, Restated	3,790,992	4,084,617
Net Position, End of Year	\$ 4,134,970	\$ 4,300,939

OPERATING REVENUES

Operating Revenues represent resources generated by the University in fulfilling its instruction, research, and public service missions. Total **Operating Revenues** increased \$40.4 million, or 1.8%, in FY 2014. **Net Tuition and Fees**, **Patient Medical Services** and **Other**

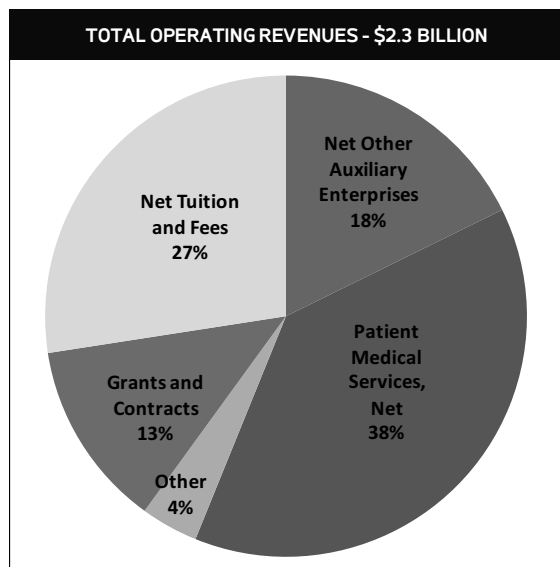
Auxiliary Enterprises continued to grow over FY 2013, but this growth was offset by a decrease in **Grants and Contracts**.

UNIVERSITY OF MISSOURI SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 (unaudited)

The following is a graphic illustration of operating revenues by source for FY 2014:



Tuition and Fees, net of **Scholarship Allowances**, increased by \$34.5 million, or 5.8%, in FY 2014 and by \$47.5 million, or 8.7%, in FY 2013. The increase in FY 2014 was driven by a 1% growth in full-time equivalent enrollment and increases of 1.7% in resident and between 1.7% and 6.8% in non-resident tuition rates varying by campus.

As a research institution, the University receives a substantial amount of funding through **Federal, State and Private Grants and Contracts**. Overall, sponsored funding decreased by \$22.7 million, or 7.3%, in FY 2014 compared to a decrease of 0.7% in FY 2013. Federal Grants and Contracts declined in FY 2014 as projects funded by the American Recovery and Reinvestment Act expired.

The University's auxiliary enterprises include University Health Care, Housing and Dining Services, campus Bookstores, and other such supplemental activities. Total operating revenues generated by these auxiliary enterprises increased by \$22.8 million, or 1.8% in FY 2014. **Patient Medical Services**, which includes fees for services provided by University Health Care, had the largest increase among auxiliaries at \$26.0 million, or 3.1%. This was largely driven by growth in inpatient areas with discharges increasing by 3.9% over FY 2013.

NONOPERATING REVENUES

Nonoperating Revenues are those not generated by the University's core missions and include such funding sources as State and Federal Appropriations, Pell Grants, Private Gifts and Investment and Endowment Income.

Total **State Appropriations** received for University operations, University Health Care operations, and other special programs increased by \$11.3 million, or 2.8%, in FY 2014. Even though State Appropriations increased over FY 2013, the increase was not as high as expected as the State's lottery revenue fell short of expectations, resulting in increased withholdings for FY 2014.

As one of the more volatile sources of non-operating revenues, **Investment and Endowment Income** includes interest and dividend income as well as realized and unrealized gains and losses. Realized and unrealized market value gains, losses and other activity affecting **Investment and Endowment Income** resulted in a net gain of \$281.8 million in FY 2014 as compared to a net gain of \$147.4 million in FY 2013, an increase of \$134.4 million for the year ended June 30, 2014.

Gift income is reflected in three categories: **Private Gifts, Capital Gifts and Grants** (which are restricted for adding or improving capital assets) and **Private Gifts for Endowments** (which are restricted for establishing endowments). Private Gifts and Grants can fluctuate significantly from year to year due to the voluntary nature of donors' gifts. In FY 2014, the University received gifts totaling \$128.9 million, as compared to \$119.5 million for FY 2013.

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014 (unaudited)

Total **Interest Expense** for the year ended June 30, 2014 was \$67.9 million. Interest expense associated with financing projects during construction, net of any investment income earned on bond proceeds during construction, is capitalized. For the years ended June

30, 2014 and 2013, capitalization of interest earned on unspent bond proceeds totaled \$8.0 million and \$9.2 million, respectively, resulting in net interest expense of \$59.9 million and \$55.3 million, respectively.

The following is a summary of interest expense associated with Long-Term Debt:

INTEREST EXPENSE (in thousands of dollars)		
Fiscal Year Ended June 30,	2014	2013
System Facilities Revenue Bonds	\$ 59,401	\$ 56,208
Net Payment on Interest Rate Swaps	7,176	7,104
Total System Facilities Revenue Bonds	66,577	63,312
Capitalized Lease Obligations	807	867
Notes Payable	385	35
Commercial Paper	150	255
Total Interest Expense Before Capitalization of Interest	67,919	64,469
Capitalization of Interest, Net of Interest Earned on Unspent Bond Proceeds	(8,003)	(9,213)
Total Interest Expense	\$ 59,916	\$ 55,256

In FY 2014, **Other Nonoperating Revenues, Net** of \$88.9 million increased \$4.7 million over FY 2013. The increase is primarily due to positive experience on insurance recoveries for FY 2014. In FY 2014 and FY 2013, Federal Appropriations include cash

subsidy payments from the United States Treasury totaling \$9.8 million and \$10.5 million respectively, for designated Build America Bonds outstanding. Pell Grants were flat in FY 2014.

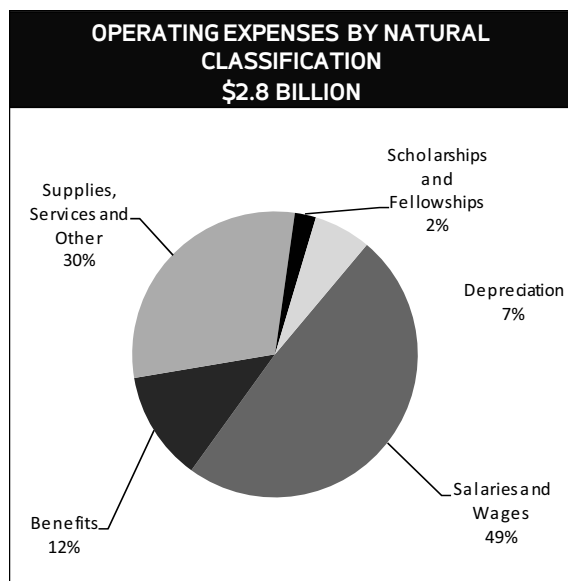
UNIVERSITY OF MISSOURI SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 (unaudited)

OPERATING EXPENSES

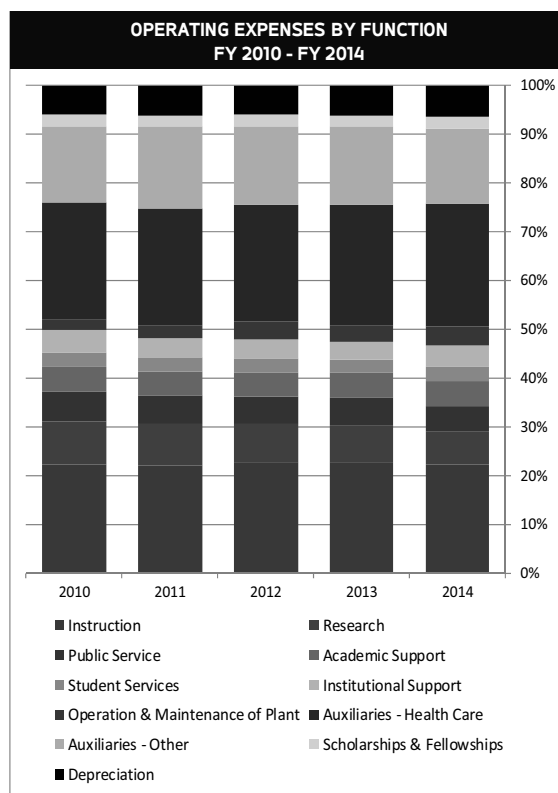
Total Operating Expenses increased by \$67.1 million, or 2.5%, in FY 2014 compared to an increase of \$64.6 million, or 2.4%, in FY 2013. The following graph illustrates the University's operating expenses by natural classification for FY 2014:



During FY 2014, **Salaries, Wages and Benefits** decreased by approximately 1.2% as compared to a 3.1% increase in the prior fiscal year. Salaries and Wages increased by \$19.6 million, or 1.5%, driven by merit increases. Staff Benefits in FY 2014 decreased \$39.5 million, or 10.2%, over FY 2013 primarily due to positive investment performance on the pension plan.

In FY 2014, the University's **Supplies, Services, and Other Operating** expenses of \$833.8 million increased by \$67.2 million, or 8.8%, over the prior fiscal year. The increase in growth for FY 2014 was due to increased volatility in self-insured expenses.

The following illustrates the University's operating expenses by function for FY 2010 through FY 2014:



The core missions of instruction, research, and public service account for the largest proportion of Operating Expenses at 34.3% for FY 2014. University Health Care constitutes the next highest proportion at 25.2% of expenses for FY 2014. Excluding University Health Care, instruction, research, and public service account for 45.9% of Operating Expenses for FY 2014. Institutional support, which represents the core administrative operations of the University, was less than 5 cents of each dollar spent during this 5-year period.

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014 (unaudited)

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about the University's sources and uses of cash and cash equivalents during the fiscal year. The following summarizes sources and uses of cash and cash equivalents for the three years ended June 30, 2014 and 2013:

CONDENSED STATEMENT OF CASH FLOWS (in thousands of dollars)		
Fiscal Year Ended June 30,	2014	2013
Net Cash Used in Operating Activities	\$ (366,936)	\$ (251,188)
Net Cash Provided from Noncapital Financing Activities	621,579	581,032
Net Cash Used in Capital and Related Financing Activities	(202,284)	(356,843)
Net Cash Used in Investing Activities	(163,876)	(77,329)
Net Decrease in Cash and Cash Equivalents	(111,517)	(104,328)
Cash and Cash Equivalents, Beginning of Year	258,452	362,780
Cash and Cash Equivalents, End of Year	\$ 146,935	\$ 258,452

Net Cash Used in Operating Activities reflects the continued need for funding from the state of Missouri, as funding received from tuition and fees and related sales and services of auxiliary and educational activities are not sufficient to cover operational needs. In FY 2014, cash used in operating activities increased by \$115.7 million as compared to FY 2013 due primarily to increased payments to employees and suppliers.

The University's most significant source of cash, **Net Cash Provided from Noncapital Financing Activities**, includes funding from State and Federal appropriations, Pell grants and noncapital private gifts. Cash from these sources totaling \$621.6 million and \$581.0 million in FY 2014 and FY 2013, respectively, directly offset the additional cash needs resulting from operations.

Net Cash Used In Capital Related Financing Activities increased by \$154.6 million in FY 2014 due largely to new issuances of debt to fund capital projects. Net Cash Used in Capital and Related Financing Activities of \$356.8 million in FY 2013 was due largely to the spend down of bond proceeds for capital projects.

Net Cash Used In Investing Activities reflects a net cash outflow of \$163.9 million in FY 2014 compared to a net cash outflow of \$77.3 million in FY 2013. This is largely driven by increased purchases of investments over the prior year as the University invested more working capital outside of cash.

ECONOMIC OUTLOOK

The University of Missouri is the state's premier public research university contributing to the economic development and vitality of the state through ground-breaking research, educating more than 75,000 students, delivering quality healthcare to the citizens of Missouri, and providing extension services throughout the state.

The University has experienced 25% enrollment growth over the past 10 years and is now educating 12,000 more students each year. Approximately 98% of the state's growth in undergraduate enrollment among public four-year institutions over the last 10 years has occurred within the University of Missouri System. This growth has occurred during the challenging economy of the past decade without any growth in state support and modest annual average increases in tuition. In FY 2014, growth in Operating Expense exceeded the growth in Operating Revenue, largely due to increases in self-insurance claims on benefit plans and decreases in research revenue. The University formed a task force to address benefit costs over the coming years.

State appropriations for operations increased by 2.8% in FY 2014 as the University performed well on state performance measures and received money to start additional programs. For FY 2015, the University expects to receive a small increase in state

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014 (unaudited)

appropriations as the state releases performance measure withholdings. Without significant increases in general revenues, the state will continue to be challenged to increase funding for higher education for FY 2016 and beyond.

Despite the challenges generated by relatively flat state funding and limited tuition increases, the University has been able to maintain its strong financial position due to diversified revenue sources, system-wide cost containment measures and historically low borrowing costs.

The University is aware of its fiduciary responsibility to control costs in order to provide an affordable education for Missourians. The University has continued to implement shared services and business process redesign to achieve cost savings and efficiencies and to identify resources for strategic investment. This is an on-going process critical to future performance.

The University continues to maintain its strong research base. Research expenditures faced significant downward pressure in FY 2014 as the funding provided by the American Recovery and Reinvestment Act began to wane and the impacts of sequestration were felt. To offset these decreases, the University is looking for other opportunities to stimulate research and economic development. This includes increased partnerships with private industry.

For FY 2014, University Health Care continues focus on advancing the health of all people, especially

Missourians. For the future, University Health Care continues to pursue growth and its academic mission. During FY 2014, University Health formed the Health Network of Missouri with four other hospitals in central Missouri in an effort to improve patient outcomes and access to care, share best practices, create efficiencies and lower healthcare costs to communities served by the network. University Health Care has also begun construction on a new replacement outpatient facility in Columbia, with expected completion in FY 2015.

The University continues to monitor the changing environment surrounding State and Federal health care programs and the corresponding legislation, including the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act, collectively referred to as 'Health Care Reform.' This legislation will significantly impact the future of healthcare. University Health Care management continues to review the effect that the legislation will have on the organization, but has not determined the full financial statement effect of this new Health Care Reform legislation.

Strong student demand, highly successful capital campaigns, robust research funding, economic development programs and a financially stable and growing healthcare system are all factors in the positive outlook for the University of Missouri. However, the state economy, limited increases in tuition, and flat state support will continue to pose budgetary challenges for the University in the future.

INDEPENDENT AUDITORS' REPORT



KPMG LLP
Suite 900
10 South Broadway
St. Louis, MO 63102-1761

The Board of Curators
University of Missouri System:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the University of Missouri System, a component unit of the State of Missouri, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University of Missouri 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 an opinion on these financial statements based on our audit. We conducted our audit 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.

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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the University of Missouri System as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP is a Delaware limited liability partnership,
the U.S. member firm of KPMG International Cooperative
("KPMG International"), a Swiss entity.

INDEPENDENT AUDITORS' REPORT



Emphasis of Matter

Effective July 1, 2013 the University of Missouri System implemented Government Accounting Standards Board (GASB) No. 65, *Items Previously Reported as Assets and Liabilities*, GASB No. 67, *Financial Reporting for Pension Plans*, and GASB No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis on pages 13 through 27, and the schedule of changes in the net pension liability, the schedule of contributions, the schedule of annual money-weighted rate of return on pension plan investments, the notes to required supplementary information, the OPEB plan schedule of funding progress, and the OPEB plan schedule of employer contributions on pages 73 through 77 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University of Missouri System's basic financial statements. The introductory section and the statistical section presented on pages 2 through 27 and 72 through 93, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2014 on our consideration of the University of Missouri 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University of Missouri System's internal control over financial reporting and compliance.

KPMG LLP

St. Louis, Missouri
October 10, 2014

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF NET POSITION

As of June 30, 2014 (in thousands)

	University 2014	Discretely Presented Component Unit 2014
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 90,750	\$ 7,245
Restricted Cash and Cash Equivalents	56,185	-
Short-Term Investments	217,758	-
Restricted Short-Term Investments	36,176	-
Investment of Cash Collateral	113,477	-
Accounts Receivable, Net	292,854	17,289
Pledges Receivable, Net	15,930	-
Investment Settlements Receivable	224,423	-
Notes Receivable, Net	8,490	-
Due (To) From Component Unit	(8,107)	8,107
Inventories	35,354	3,602
Prepaid Expenses and Other Current Assets	26,884	2,781
Total Current Assets	1,110,174	39,024
Noncurrent Assets		
Restricted Cash and Cash Equivalents		4,347
Pledges Receivable, Net	40,004	-
Notes Receivable, Net	79,961	-
Other Assets	2,243	5,138
Restricted Other Assets		3,368
Long-Term Investments	1,526,603	72,254
Restricted Long-Term Investments	1,300,481	-
Capital Assets, Net	3,123,172	59,656
Total Noncurrent Assets	6,072,464	144,763
Deferred Outflow of Resources	52,417	-
Total Assets and Deferred Outflow of Resources	\$ 7,235,055	\$ 183,787
Liabilities		
Current Liabilities		
Accounts Payable	\$ 137,956	\$ 5,408
Accrued Liabilities	159,209	14,087
Unearned Revenue	89,318	-
Funds Held for Others	78,787	-
Investment Settlements Payable	191,449	-
Collateral Held for Securities Lending	113,477	-
Commercial Paper and Current Portion of Long-Term Debt	92,433	1,795
Long-Term Debt Subject to Remarketing Agreements	99,445	-
Total Current Liabilities	962,074	21,290

(continued)

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF NET POSITION

As of June 30, 2014 (in thousands)

	University 2014	Discretely Presented Component Unit 2014
Liabilities, Continued		
Noncurrent Liabilities		
Unearned Revenue	9,859	-
Long-Term Debt	1,411,225	27,585
Derivative Instrument Liability	39,571	-
Other Postemployment Benefits Liability	177,040	-
Net Pension Liability	253,804	-
Other Noncurrent Liabilities	60,652	4,728
Total Noncurrent Liabilities	1,952,151	32,313
Deferred Inflow of Resources	185,860	-
Total Liabilities and Deferred Inflow of Resources	3,100,085	53,603
Net Position		
Net Investment in Capital Assets	1,626,371	30,400
Restricted		
Nonexpendable -		
Endowment	998,947	-
Expendable -		
Scholarship, Research, Instruction and Other	349,560	3,368
Loans	81,805	-
Capital Projects	46,363	-
Unrestricted	1,031,924	96,416
Total Net Position	4,134,970	130,184
Total Liabilities, Deferred Inflow of Resources and Net Position	\$ 7,235,055	\$ 183,787

See notes to the financial statements

UNIVERSITY OF MISSOURI SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2014 (in thousands)

	University 2014	Discretely Presented Component Unit 2014
Operating Revenues		
Tuition and Fees (Net of Provision for Doubtful Accounts of \$7,908 in 2014 and \$7,324 in 2013)	\$ 829,920	\$ -
Less Scholarship Allowances	202,647	-
Net Tuition and Fees	627,273	-
Federal Grants and Contracts	160,582	-
State and Local Grants and Contracts	49,538	-
Private Grants and Contracts	76,867	-
Sales and Services of Educational Activities	24,137	-
Auxiliary Enterprises -		
Patient Medical Services, Net	873,638	164,211
Housing and Dining Services (Net of Scholarship Allowance of \$1,317 in 2014 and \$670 in 2013)	106,818	-
Bookstores	54,444	-
Other Auxiliary Enterprises (Net of Scholarship Allowance of \$11,166 in 2014 and \$8,337 in 2013)	247,922	-
Other Operating Revenues	64,037	-
Total Operating Revenues	2,285,256	164,211
Operating Expenses		
Salaries and Wages	1,363,449	69,401
Benefits	346,257	17,092
Supplies, Services and Other Operating Expenses	833,799	64,799
Scholarships and Fellowships	66,919	-
Depreciation	183,250	9,817
Total Operating Expenses	2,793,674	161,109
Operating Income (Loss) before State Appropriations	(508,418)	3,102
State Appropriations	412,650	-
Operating Income (Loss) after State Appropriations, before Nonoperating Revenues (Expenses)	(95,768)	3,102
Nonoperating Revenues (Expenses)		
Federal Appropriations	27,675	-
Federal Pell Grants	59,776	-
Investment and Endowment Income, Net of Fees	281,837	520
Private Gifts	66,780	-
Interest Expense	(59,916)	(1,111)
Other Nonoperating Revenues (Expenses)	1,477	510
Net Nonoperating Revenues (Expenses)	377,629	(81)

(continued)

UNIVERSITY OF MISSOURI SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2014 (in thousands)

	University 2014	Discretely Presented Component Unit 2014
Income before Capital Contributions, and Additions		
to Permanent Endowments	281,861	3,021
Capital Gifts and Grants	14,727	-
Private Gifts for Endowment Purposes	47,390	-
Increase in Net Position	343,978	3,021
Net Position, Beginning of Year	4,300,939	127,163
Cumulative Effect of Change in Accounting Principle	(509,947)	-
Net Position, Beginning of Year, Adjusted	3,790,992	127,163
Net Position, End of Year	\$ 4,134,970	\$ 130,184

See notes to the financial statements

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2014 (in thousands)

	2014
Cash Flows from Operating Activities	
Tuition and Fees	\$ 631,335
Federal, State and Private Grants and Contracts	291,060
Sales and Services of Educational Activities and Other Auxiliaries	256,724
Patient Care Revenues	869,862
Student Housing Fees	106,747
Bookstore Collections	50,038
Payments to Suppliers	(833,665)
Payments to Employees	(1,361,741)
Payments for Benefits	(374,136)
Payments for Scholarships and Fellowships	(66,919)
Student Loans Issued	(12,077)
Student Loans Collected	8,864
Student Loan Interest and Fees	5,301
Other Receipts, Net	61,671
Net Cash Used in Operating Activities	(366,936)
Cash Flows from Noncapital Financing Activities	
State Appropriations	412,650
Federal Appropriations and Pell Grants	86,438
Private Gifts	69,559
Endowment and Similar Funds Gifts	47,390
Direct Lending Receipts	332,603
Direct Lending Disbursements	(332,603)
PLUS Loan Receipts	83,357
PLUS Loan Disbursements	(83,357)
Other Receipts, Net	(2,076)
Deposits (Receipts) of Affiliates	7,618
Net Cash Provided by Noncapital Financing Activities	621,579
Cash Flows from Capital and Related Financing Activities	
Capital Gifts and Grants	13,623
Proceeds from Sales of Capital Assets	9,795
Purchase of Capital Assets	(317,168)
Proceeds from Issuance of Capital Debt, Net	546,038
Principal Payments on Capital Debt	(28,349)
Payments on Capital Lease	(754)
Payments on Debt Defeasance	(348,264)
Payments of Bond Issuance Costs	(1,315)
Interest Payments on Capital Debt	(61,510)
Payments to Leveraged Loan	(14,380)
Net Cash Used in Capital and Related Financing Activities	(202,284)

(continued)

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2014 (in thousands)

	2014
Cash Flows from Investing Activities	
Interest and Dividends on Investments, Net	47,660
Purchase of Investments, Net of Sales and Maturities	(211,817)
Other Investing Activities	281
Net Cash Provided by (Used in) Investing Activities	(163,876)
Net Increase (Decrease) in Cash and Cash Equivalents	(111,517)
Cash and Cash Equivalents, Beginning of Year	258,452
Cash and Cash Equivalents, End of Year	\$ 146,935
 Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	\$ (508,418)
Adjustments to Net Cash Used in Operating Activities	
Depreciation Expense	183,250
Changes in Assets and Liabilities:	
Accounts Receivable, Net	(36,759)
Inventory, Prepaid Expenses and Other Assets	2,612
Notes Receivable	919
Accounts Payable	6,498
Accrued Liabilities	33,818
Unearned Revenue	13,855
Pension Liability	(62,711)
Net Cash Used in Operating Activities	\$ (366,936)
 Supplemental Disclosure of Noncash Activities	
Net Increase (Decrease) in Fair Value of Investments	\$ 184,538
Noncash Gifts	24,635
<i>See notes to the financial statements</i>	

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF PLAN NET POSITION

As of June 30, 2014 (in thousands)

	2014
Assets	
Cash and Cash Equivalents	\$ 92,512
Investment of Cash Collateral	263,048
Investment Settlements Receivable	44,920
Investments:	
Debt Securities	525,129
Equity Securities	707,632
Commingled Funds	1,839,054
Nonmarketable Alternative Investments	297,450
Total Assets	3,769,745
Liabilities	
Accounts Payable and Accrued Liabilities	279
Collateral Held for Securities Lending	263,048
Investment Settlements Payable	122,092
Total Liabilities	385,419
Net Position Held in Trust for Retirement and OPEB	\$3,384,326

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF CHANGES IN PLAN NET POSITION

For the Year Ended June 30, 2014 (in thousands)

	2014
Net Revenues and Other Additions	
Investment Income:	
Interest & Dividend Income	\$ 61,364
Net Appreciation in Fair Value of Investments	410,958
Less investment expense	(11,091)
Net Investment Income	461,231
Contributions:	
University	138,782
Members	28,618
Total Contributions	167,400
Total Net Revenues and Other Additions	628,631
Expenses and Other Deductions	
Administrative Expenses	3,043
Payments to Retirees and Beneficiaries	209,102
Total Expenses and Other Deductions	212,145
Increase in Net Position Held in Trust for Retirement and OPEB	416,486
Net Position Held in Trust for Retirement and OPEB, Beginning of Year	2,967,840
Net Position Held in Trust for Retirement and OPEB, End of Year	\$3,384,326

See notes to the financial statements

UNIVERSITY OF MISSOURI SYSTEM
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

**1. ORGANIZATION AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES**

UNIVERSITY OF MISSOURI SYSTEM

Organization – The University of Missouri System (the “University”), a Federal land grant institution, conducts education, research, public service, and related activities, which includes University Health Care and related facilities, principally at its four campuses in Columbia, Kansas City, Rolla and St. Louis. The University also administers a statewide cooperative extension service with centers located in each county in the State of Missouri (the “State”). The University is a component unit of the State and is governed by a nine-member Board of Curators appointed by the State’s Governor.

The income generated by the University, as an instrumentality unit of the State, is generally excluded from federal income taxes under Section 115 of the Internal Revenue Code. However, the University remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it is exempt. No income tax provision has been recorded as the net income, if any, from unrelated trade or business income, is not material to the financial statements.

Reporting Entity – As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (“GASB”), the financial reporting entity consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or the nature and significance of their relationships with the primary government are such that exclusion would cause the primary government’s financial statements to be misleading or incomplete.

The University of Missouri-Columbia Medical Alliance (the “Medical Alliance”) is considered a component unit of the University according to the criteria in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*, and is discretely presented in the University’s financial statements. The Medical Alliance, a not-for-profit corporation, provides an integrated health care delivery system for mid-

Missouri by establishing affiliations with various medical facilities. The purpose of the Medical Alliance is to develop a network of health care providers to support the missions of University Health Care. The Capital Region Medical Center (“CRMC”) in Jefferson City, Missouri, operates as an affiliate of the Medical Alliance and provides inpatient, outpatient, and emergency care services to the surrounding community. CRMC, a not-for-profit organization that follows generally accepted accounting principles under the Financial Accounting Standards Board (“FASB”), is a discretely presented component unit of the Medical Alliance. The University appoints the Board of Directors of the Medical Alliance and can impose its will on the organization. Financial statements for the Medical Alliance are not available.

The Missouri Renewable Energy Corporation (MREC) is considered a component unit of the University, for financial reporting purposes, according to the criteria in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*, and is included in the University’s financial statements using the blended method. MREC is a for-profit corporation, and the University holds the majority equity interest. MREC provides green energy facilities exclusively to the University. At June 30, 2014, the University was the majority owner of MREC. Financial statements for MREC are available at the University of Missouri System Controller’s Office. Condensed combining information regarding MREC is provided in Note 14.

The University operates the University of Missouri Retirement, Disability, and Death Benefit Plan (the “Retirement Plan”) and the University of Missouri Other Postemployment Benefits Plan (the “OPEB Plan,” which collectively with the Retirement Plan represent the “Pension Trust Funds”), which are single employer, defined benefit plans. The assets of the Retirement Plan and OPEB Plan are held in the Retirement Trust and OPEB Trust, respectively.

Financial Statement Presentation – University follows all applicable GASB pronouncements. Pursuant to GASB Statement No. 35, *Basic Financial Statement-and Management’s Discussion and Analysis-for Public Colleges and Universities*, the University’s activities are considered to be a single business-type activity and accordingly, are reported in a single column in the financial statements. Business-type activities are those

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For the Year Ended June 30, 2014

that are financed in whole or part by funds received by external parties for goods or services.

Basis of Accounting – The University's financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, regardless of the timing of cash flows.

On the Statement of Revenues, Expenses and Changes in Net Position, the University defines operating activities as those generally resulting from an exchange transaction. Nearly all of the University's expenses are from exchange transactions, which involve the exchange of equivalent values such as payments for goods or services. Non-operating revenues or expenses are those in which the University receives or gives value without directly giving or receiving equal value, such as State and Federal appropriations, Federal Pell grants, private gifts, and investment income.

The financial statements for the Pension Trust Funds have been prepared using the accrual basis of accounting. Benefits and refunds are recognized when due and payable. Investments are reported at fair value. Combining financial statements for these funds are presented in Note 16.

Cash, Cash Equivalents and Investments – Cash and cash equivalents consist of the University's bank deposits, repurchase agreements, money market funds, and other investments with original maturities of three months or less. Investment assets are carried at fair value based primarily on market quotations. Purchases and sales of investments are accounted for on the trade date basis. Investment settlements receivable and investment settlements payable represent investment transactions occurring on or before June 30, which settle after that date. Investment income is recorded on the accrual basis. Net unrealized gains (losses) are included in investment and endowment income in the Statement of Revenues, Expenses and Changes in Net Position.

Nonmarketable alternative investments and certain commingled funds are recorded based on valuations provided by the general partners of the respective partnerships. The University believes that the carrying

value of these investments is a reasonable estimate of fair value. Because alternative investments are not readily marketable, the estimated value is subject to uncertainty and therefore may differ materially from the value that would have been used had a ready market for investments existed.

Derivative instruments such as forward foreign currency contracts are recorded at fair value. The University enters into forward foreign currency contracts to reduce the foreign exchange rate exposure of its international investments. These contracts are marked to market, with the changes in market value being reported in investment and endowment income on the Statement of Revenues, Expenses, and Changes in Net Position.

Pledges Receivable – The University receives unconditional promises to give through private donations (pledges) from corporations, alumni and various other supporters of the University. Revenue is recognized when a pledge is received and all eligibility requirements, including time requirements, are met. These pledges have been recorded as pledges receivable on the Statement of Net Position and as private or capital gift revenues on the Statement of Revenues, Expenses, and Changes in Net Position, at the present value of the estimated future cash flows. An allowance of \$5,416,000 as of June 30, 2014 has been made for uncollectible pledges based upon management's expectations regarding the collection of the pledges and the University's historical collection experience.

Inventories – These assets are stated at the lower of cost or market. Cost is determined on an average cost basis except for University Health Care's inventories, for which cost is determined using the first-in, first-out method.

Capital Assets – If purchased, these assets are carried at cost or, if donated, at fair value at the date of gift. Depreciation expense is computed using the straight-line method over the assets' estimated useful lives – generally ten to forty years for buildings and improvements, eight to twenty-five years for infrastructure, three to fifteen years for equipment and twenty years for library materials. Net interest expense incurred during the construction of debt-financed facilities is included when capitalizing resulting assets. The University capitalizes works of

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art, as these collections generally consist of historical artifacts and artworks, they are considered inexhaustible and not subject to depreciation. The University does not capitalize collections of historical treasures held for public exhibition, education, research, and public service. These collections are not disposed of for financial gain and, accordingly, are not capitalized for financial statement purposes. Proceeds from the sale, exchange, or other disposal of such items must be used to acquire additional items for the same collection. Land is considered inexhaustible and is not subject to depreciation.

Unearned Revenue – Unearned revenues are recognized for amounts received prior to the end of the fiscal year but related to the subsequent period, including certain tuition, fees, and auxiliary revenues. Unearned revenues also include grant and contract amounts that have been received but not yet earned.

Pensions - Pension related items, including: net pension liability, deferred outflow of resources, deferred inflow of resources, net pension expense, fiduciary net assets, additions to and deductions from fiduciary net assets have been determined on the same basis as they are reported by the University of Missouri. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position – The University's net position is classified as follows:

Net Investment in Capital Assets represents capital assets, net of accumulated depreciation and outstanding principal debt balances related to the acquisition, construction or improvement of those assets.

Restricted Nonexpendable net position is subject to externally imposed stipulations that the principal be maintained in perpetuity, such as the University's permanent endowment funds. The University's policy permits any realized and unrealized appreciation to remain with these endowments after the spending distribution discussed in Note 3.

Restricted Expendable net position is subject to externally imposed stipulations on the University's use of the resources.

Unrestricted net position is not subject to externally imposed stipulations, but may be designated for specific purposes by the University's management or the Board of Curators. Unrestricted net position is derived from tuition and fees, sales and services, unrestricted gifts, investment income, and other such sources, and are used for academics and the general operation of the University. When both restricted and unrestricted resources are available for expenditure, the University's policy is to first apply restricted resources, and then the unrestricted resources.

Tuition and Fees, Net of Scholarship Allowances – Student tuition and fees, housing, dining, and other similar auxiliary revenues are reported net of any related scholarships and fellowships applied to student accounts. However, scholarships and fellowships paid directly to students are separately reported as scholarship and fellowship expenses.

Patient Medical Services, Net – Patient medical services are primarily provided through University of Missouri Hospitals and Clinics, Ellis Fischel Cancer Research Center, Women's and Children's Hospital, Missouri Rehabilitation Center and University Physicians. The University has agreements with third-party payors that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discount charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as estimates are refined and final settlements are determined. Net patient service revenue is also shown net of estimated uncollectible accounts.

Amounts receivable under Medicare and Tricare/Champus reimbursement agreements are subject to examination and certain retroactive adjustments by the related programs. These

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adjustments increased net patient services revenues by \$621,000 for the year ended June 30, 2014.

The Medicaid program reimburses inpatient services on a prospective established per diem rate. The Medicaid program reimburses outpatient services under a combination of prospective and fee schedule amounts. For the year ended June 30, 2014 the University Health Care's percentage of gross patient accounts receivable classified by major payor is as follows:

Table 1.1 - Percentage of Gross Patient Accounts Receivable (by Major Payor)

	2014
Medicare	28%
Commercial Insurance	13%
Medicaid	19%
Self Pay & Other	18%
Managed Care Agreements	22%
	100%

Patient services revenue includes the State of Missouri Federal Reimbursement Allowance Program (FRA Program) for uncompensated care. University Health Care recognizes FRA Program revenue in the period earned.

The Statement of Revenues, Expenses and Changes in Net Position reflect the gross to net patient medical services revenue as follows:

Table 1.2 - Gross to Net Patient Medical Services Revenue (in thousands)

	2014
Patient Medical Services	
Revenue, Gross	\$ 2,050,850
Deductions for Contractuals	(1,091,815)
Deductions for Bad Debt	(85,397)
Patient Medical Services	
Revenue, Net	\$ 873,638

Uncompensated Care - The University provides some services to patients without regard to their ability to pay for those services. For some of its patient services, the University receives no payment or payment that is less than the full cost of providing the services.

The estimated costs of providing these services are as follows:

Table 1.3 - Uncompensated Care

Revenue (in thousands)	2014
Cost of Charity Care	\$ 23,082
Unreimbursed cost under state and local government assistance programs, net of Medicaid disproportionate share funding, less Medicaid provider taxes	3,820
Cost of uncollectible accounts	36,075
Total Uncompensated Care	\$ 62,977

New Accounting Pronouncements – Effective for fiscal year 2014, the University Adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which intends to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reports. In adopting this standard, the University recognized the effect of a change in accounting principle, which decreased net position by \$7.6 million for prior periods' capitalized bond issue costs which were previously reported as "Deferred Charges and Other Assets" on the Statement of Net Position. Future bond issue costs will be included in interest expense when incurred. The University also changed the classification of the difference between the carrying value of defeased debt and the offsetting new debt to a deferred outflow of resources from long-term debt. The Statement also limited the use of the term deferred to deferred outflow resources and deferred inflow resources. To comply with this naming convention, the University changed "Deferred Revenue" to "Unearned Revenue" in the current liabilities section of the Statement of Net Position and "Deferred Charges and Other Assets" to "Other Assets" in the non-current asset section of the Statement of Net Position.

Effective for fiscal year 2014, the University adopted GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which intends to improve financial reporting by state and local governmental pension plans. Effective for fiscal year 2014, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting*

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for Pensions – an amendment to GASB Statement No. 27, which enhances accounting and financial reporting by state and local governments for pensions and improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. In adopting these standards, the University recognized the effect of a change in accounting principle in the amount of \$502.3 million for the net pension liability at the beginning of fiscal year 2014, with no impact to Deferred Inflow of Resources or Deferred Outflow of Resources for any prior year. The University will now recognize a long-term liability for the net pension liability in the Statement of Net Position. The University will continue to report pension expense as a component of benefits expense. The amount of expense reported now includes the overall change in the pension liability. See Note 12 for additional details on the University's pension plan.

Effective for fiscal year 2014, the University adopted GASB Statement No. 66, *Technical Corrections – 2012* which intends to improve financial reporting by resolving conflicting guidance that resulted from the issuance of two pronouncements, 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*. Adoption of GASB Statement No. 66 had no effect on the University's financial statements.

Effective for fiscal year 2014, the University adopted GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* which intends to improve financial reporting by state and local governments that extend and receive nonexchange financial guarantees. Adoption of GASB Statement No. 70 had no effect on the University's financial statements.

In January 2013, GASB issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* effective for financial statements for periods beginning after December 15, 2013, which intends to improve financial reporting by establishing standards for reporting government combinations and disposals of government operations. The University has not yet determined the effect that adoption of GASB Statement No. 69 will have on its financial statements.

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.

DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

Nature of Operations – The Curators of the University of Missouri, for and on behalf of University Health Care and CRMC entered into an Affiliation Agreement dated August 5, 1997. Pursuant to the Affiliation Agreement, the University created the Medical Alliance. The Medical Alliance then became the sole member of CRMC. The Medical Alliance's purpose is to develop a network of healthcare providers to support the missions of University Health Care.

CRMC operates as a two-hospital system, which consists of the Southwest Campus and Madison Campus complemented by community medical clinics. CRMC primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in Jefferson City, Missouri. It also operates medical clinics in the surrounding communities. The operating results of the facilities and clinics are included in these financial statements. CRMC is served by a group of admitting physicians that account for a significant portion of CRMC's net revenues. Additionally, CRMC is also associated with the Capital Region Medical Foundation, which is intended to support the interest of CRMC through its fundraising activities.

Net Position – As a not-for-profit organization, the Medical Alliance records its net position in accordance with Financial Accounting Standards Board Accounting Standards Codification 958-205, *Not-for-Profit Entities Presentation of Financial Statements*. For presentation within the accompanying basic financial statements, the net position is redistributed amongst the net position components defined by GASB Statement No. 63.

Capital Assets – Capital Assets are recorded at cost and depreciated on a straight-line basis over the estimated useful life of each asset following guidelines

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of the American Hospital Association. Equipment under capital lease obligations is amortized on the straight-line basis over the shorter period of the lease term or the estimated useful life of the equipment. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a cost of acquiring those assets.

Net Patient Medical Service Revenue – Net patient medical service revenue is reported at the net amounts to be realized from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments for reimbursement agreements with third-party payers. Retroactive adjustments are estimated and accrued in the period the related services are provided, and these amounts are adjusted in future periods as final settlements are determined.

2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk – The custodial credit risk for deposits is the risk that in the event of bank failure, the University's deposits may not be recovered. State law requires collateralization of all deposits with federal depository insurance, bonds and other obligations of the U.S. Treasury, U.S. Agencies and instrumentalities of the state of Missouri; bonds of any city, county, school district or special road district of the state of Missouri; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits. The University's cash deposits were fully insured or collateralized at June 30, 2014.

3. INVESTMENTS

Investment policies are established by the Board of Curators ("the Board"). The policies ensure that funds are managed in accordance with Section 105.688 of the Revised Statutes of Missouri and prudent investment practices. Additionally, investment policies established by the Board with respect to the Retirement Trust and Other Postemployment Benefit ("OPEB") Trust (collectively referred to as "Pension Trust Funds") and the Endowment Funds specifically recognize the fiduciary duties set forth in Section 105.688 of the Revised Statutes of Missouri. The use of external investment managers has been authorized by the Board.

Substantially all University cash and investments are managed centrally, generally in the following investment pools:

General Pool – General Pool contains short-term University funds, including but not limited to cash and reserves, operating funds, bond funds, and plant funds. Subject to various limitations contained within the corresponding investment policy, the University's internally managed component of the General Pool may be invested in the following instruments: U.S. Government securities; U.S. Government Agency securities; U.S. Government guaranteed securities; money market funds; certificates of deposit; repurchase agreements; commercial paper; and other similar short-term investment instruments of like or better quality. The externally managed component of the General Pool is allowed to invest in the following asset sectors: fixed income, absolute return and risk parity strategies. The General Pool's total return (loss), including unrealized gains and losses, was 6.2% for the year ended June 30, 2014.

Endowment Funds – When appropriate and permissible, endowment and similar funds are pooled for investment purposes, with the objective of achieving long-term returns sufficient to preserve principal by protecting against inflation and to meet endowment spending targets.

The Endowment Pool, which is externally managed, is the primary investment vehicle for endowment funds. Subject to various limitations contained within the corresponding investment policy, the Endowment Pool is allowed to invest in the following asset sectors: global equity, absolute return strategies, private equity, real estate, global fixed income, high-yield fixed income, floating rate bank loans, global inflation-linked bonds, emerging markets debt, and risk parity strategies. The Endowment Pool's total return (loss), including unrealized gains and losses, was 16.7% for the year ended June 30, 2014.

The Fixed Income Pool is an additional investment vehicle for endowment funds. The Fixed Income Pool, as required by investment policy, is invested in externally managed U.S. core plus bond funds. The Fixed Income Pool's total return, including unrealized gains and losses, was 7.5% for the year ended June 30, 2014.

UNIVERSITY OF MISSOURI SYSTEM
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If a donor has not provided specific restrictions, state law permits the Board to appropriate an amount of the Endowment Funds' net appreciation, realized and unrealized, as the Board considers to be prudent. In establishing this amount, the Board is required to consider the University's long- and short-term needs, present and anticipated financial requirements, expected total return on investments, price level trends, and general economic conditions. Further, any expenditure of net appreciation is required to be for the purposes for which the endowment was established. Inclusive of both realized and unrealized gains and losses on investments, donor-restricted endowments experienced net appreciation of approximately \$117,930,000 in fiscal year 2014.

The Board has adopted the total return concept (yield plus change in market value) in determining the spendable return for endowments and similar funds. The spending formula was revised in fiscal year 2012 to distribute 4.5% of a trailing 28-quarter average of the endowment's total market value, with the understanding that this spending rate over the long term will not exceed the total real return (net of inflation). However, the change from 5% to 4.5% is being phased in over several years to ensure a decrease in distributions year over year is not due solely to the lower rate. In addition, the University

distributes 1% of the trailing 28-quarter average of the endowment's total market value to support internal endowment and development administration.

PENSION TRUST FUNDS

The Retirement Trust and the OPEB Trust hold the assets of the Retirement Plan and OPEB Plan, respectively. Subject to various limitations contained within the corresponding investment policy, the externally-managed Retirement Trust is allowed to invest in the following asset sectors: global equity, absolute return strategies, private equity, real estate, global fixed income, high-yield fixed income, floating rate bank loans, global inflation-like bonds, emerging markets debt and risk parity strategies. The Retirement Trust's total return, including unrealized gains and losses, was 16.2% for the year ended June 30, 2014.

The OPEB Trust held \$51,631,000 of net position at June 30, 2014. Subject to various limitations contained within the corresponding investment policy, the externally-managed OPEB Trust is allowed to invest in the following asset sectors: global fixed income, global equity, and absolute return strategies.

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At June 30, 2014, the University and Pension Trust Funds held the following types of investments:

Table 3.1 - Investments by Type (in thousands)

As of June 30, 2014	University of Missouri	University of Missouri Pension Trust Funds
Debt Securities:		
U.S. Treasury Obligations	\$ 191,473	\$ 34,064
U.S. Agency Obligations	514,011	1,141
Asset-Backed Securities	32,599	35,251
Government - Foreign	95,970	186,076
Corporate - Domestic	288,550	180,118
Corporate - Foreign	174,190	88,479
Equity Securities:		
Domestic	206,354	393,991
Foreign	90,025	313,641
Commingled Funds:		
Absolute Return	175,256	268,950
Risk Parity	440,146	68,832
Debt Securities - Global	41,981	19,553
Debt Securities - Domestic	130,673	223,683
Debt Securities - Foreign	77,309	177,340
Equity Securities - Domestic	115,345	270,410
Equity Securities - Foreign	251,142	544,761
Equity Securities - Global	77,803	231,146
Real Estate	13,253	34,379
Nonmarketable Alternative Investments:		
Real Estate	50,235	102,438
Private Equity	83,771	195,012
Other	30,932	-
Total Investments	3,081,018	3,369,265
Money Market Funds	105,785	84,675
Commercial Paper	13,300	-
Other	27,850	7,837
Total Cash and Cash Equivalents	146,935	92,512
Total Investments and Cash and Cash Equivalents	\$ 3,227,953	\$ 3,461,777

Custodial Credit Risk - For investments, custodial credit risk is the risk that in the event of failure of the counterparty to a transaction, the University will not be able to recover the value of the investments held by an outside party. In accordance with its policy, the University minimizes custodial credit risk by establishing limitations on the types of instruments held with qualifying institutions. Repurchase agreements must be collateralized by U.S. Government issues and/or U.S. Government Agency issues. All University and Pension Trust Fund investments are

insured or registered and are held by the University, the Pension Trust Funds or an agent in its name.

Concentration of Credit Risk - Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments. The investment policies for the General Pool, Endowment Funds, and Retirement Trust all specify diversification requirements across asset

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sectors. The investment policy for the General Pool has specific single issuer limits in place for corporate bonds and commercial paper.

As of June 30, 2014, of the University's total investments and cash and cash equivalents, 10.0% are issues of the Federal Home Loan Bank (FHLB). At June 30, 2014 the Pension Trust Funds did not contain investments from any single issuer that exceeded 5% of the total portfolio.

Investments issued or guaranteed by the U.S. government as well as investments in mutual funds and other pooled investments are excluded from consideration when evaluating concentration risk.

Credit Risk – Debt securities are subject to credit risk, which is the chance that an issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments. Certain debt securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk.

Nationally recognized statistical rating organizations, such as Moody's and Standard & Poor's (S&P) assign credit ratings to security issues and issuers that indicate a measure of potential credit risk to investors. Debt securities considered investment grade are those rated at least Baa by Moody's and BBB by S&P. For General Pool investments, the following minimum credit ratings have been established to manage credit risk: minimum long-term rating of A or better by S&P, with minimum rating of A-1/P-1 for commercial paper and other short-term securities. For Endowment Funds and Retirement Trust investments, the respective investment policies allow for a blend of different credit ratings, subject to certain restrictions by asset sector. In all cases, disposition of securities whose ratings have been downgraded after purchase is generally left to the discretion of the respective investment manager after consideration of individual facts and circumstances.

All holdings of commercial paper were rated A-1/P-1 or better at June 30, 2014. All holdings of money market funds were rated AAA at June 30, 2014.

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Based on investment ratings provided by Moody's or S&P, the University's and Pension Trust Funds' credit risk exposure as of June 30, 2014, is as follows:

Table 3.2 - Debt Securities by Type and Credit Rating *(in thousands)*

As of June 30, 2014	University of Missouri	University of Missouri Pension Trust Funds
U.S. Treasury Obligations	\$ 191,473	\$ 34,064
U.S. Agency Obligations	514,011	1,141
Asset-Backed Securities		
Mortgage Backed Securities		
Guaranteed by U.S. Agencies	(95,374)	4,912
Aaa/AAA	1,670	8,494
Aa/AA	2,753	10,425
A/A	3,389	3,053
Baa/BBB	3,482	230
Ba/BB and lower	115,285	6,264
Unrated	1,394	1,873
Government - Foreign		
Aaa/AAA	2,952	24,324
Aa/AA	1,923	28,145
A/A	9,095	22,719
Baa/BBB	58,973	55,153
Ba/BB and lower	2,951	2,230
Unrated	20,076	53,505
Corporate - Domestic		
Aaa/AAA	4,693	367
Aa/AA	4,278	-
A/A	17,957	2,812
Baa/BBB	51,528	5,569
Ba/BB and lower	171,524	163,376
Unrated	38,570	7,994
Corporate - Foreign		
Aaa/AAA	11,712	6,504
Aa/AA	21,209	9,016
A/A	32,795	16,002
Baa/BBB	36,510	17,324
Ba/BB and lower	44,501	25,537
Unrated	27,463	14,096
Total	\$ 1,296,793	\$ 525,129

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. Debt securities with longer maturities are likely to be subject to more variability in their fair values as a result of future changes in interest rates. Neither the University nor the Pension Trust Funds have a formal policy that addresses interest rate risk; rather, such risk is

managed by each individual investment manager, as applicable.

The University and Pension Trust Funds have investments in asset-backed securities, which consist primarily of mortgage-backed securities guaranteed by U.S. agencies and corporate collateralized mortgage obligations. These securities are based on cash flows from principal and interest payments on the

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underlying securities. An asset-backed security may have repayments that vary significantly with changes in market interest rates.

The University and Pension Trust Funds invest in forward settling To Be Announced (TBA) Mortgage Backed Securities (MBS). TBA MBS with notional amounts totaling \$110,000,000 and \$4,000,000 and fair values of (\$119,916,000) and (\$4,553,000) were in place at June 30, 2014 for the University and Pension Trust Funds, respectively. The forward settling MBS instruments expose the University to interest rate risk of mortgage backed securities.

Table 3.3 presents the modified durations of the University's and Pension Trust Funds' debt securities as of June 30, 2014:

Table 3.3 - Debt Securities by Type and Modified Duration *(in thousands)*

		University of Missouri	
As of June 30, 2014		Duration (in years)	
U.S. Treasury Obligations	\$	191,473	8.3
U.S. Agency Obligations		514,011	3.3
Asset-Backed Securities		32,599	7.3
Government - Foreign		95,970	5.8
Corporate - Domestic		288,550	4.5
Corporate - Foreign		174,190	5.2
Total Debt Securities	\$	1,296,793	4.8
		University of Missouri	
		Pension Trust	
As of June 30, 2014		Duration (in years)	
U.S. Treasury Obligations	\$	34,064	10.5
U.S. Agency Obligations		1,141	3.1
Asset-Backed Securities		35,251	4.9
Government - Foreign		186,076	7.2
Corporate - Domestic		180,118	5.0
Corporate - Foreign		88,479	4.0
Total Debt Securities	\$	525,129	6.0

Foreign Exchange Risk – Foreign exchange risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies.

University and Retirement Trust investment policies allow for exposure to non-U.S. dollar denominated equities and fixed income securities, which may be fully or partially hedged using forward foreign currency exchange contracts.

At June 30, 2014, 20.7% of the University's total investments and cash and cash equivalents were denominated in foreign currencies. Forward foreign currency contracts with notional amounts totaling \$519,207,000 were in place at June 30, 2014. At June 30, 2014, 41.8% of the Pension Trust Funds' total investments and cash equivalents were denominated in foreign currencies. Forward foreign currency contracts with notional amounts totaling \$337,390,000 were in place at June 30, 2014.

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The University's and Pension Trust Funds' exposure to foreign exchange risk as of June 30, 2014:

Table 3.4 - Foreign Exchange Risk *(in thousands)*

As of June 30, 2014	University of Missouri	University of Missouri Pension Trust Funds
Debt Securities		
Euro	\$ 80,086	\$ 104,144
Australian Dollar	3,428	14,844
Canadian Dollar	494	7,657
British Pound Sterling	21,104	22,783
Japanese Yen	1,026	4,275
Danish Krone	436	2,672
New Zealand Dollar	773	8,365
Brazil Real	37,423	16,966
Singapore Dollar	-	-
Mexican New Peso	2,350	14,845
Polish Zloty	288	1,561
Other	1,419	9,621
	148,827	207,733
Equity Securities		
Euro	5,426	39,081
Japanese Yen	11,376	47,363
British Pound Sterling	13,401	56,094
Australian Dollar	3,030	13,544
Canadian Dollar	1,282	3,648
Swiss Franc	10,570	34,104
Hong Kong Dollar	7,232	21,420
Swedish Krona	4,306	14,391
Other	7,585	29,462
	64,208	259,107
Commingled Funds		
Various currency denominations:		
Debt Securities - Global	41,981	19,553
Debt Securities - Foreign	77,309	177,340
Equity Securities - Global	77,803	231,146
Equity Securities - Foreign	251,142	544,761
	448,235	972,800
Cash and Cash Equivalents		
Euro	3,174	5,928
Hong Kong Dollar	-	9
Mexican New Peso	1,454	86
Japanese Yen	110	673
British Pound Sterling	111	235
Other	1,326	835
	6,175	7,766
Total Exposure to Foreign Exchange Risk	\$ 667,445	\$ 1,447,406

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Commingled Funds - Includes Securities and Exchange Commission regulated mutual funds and externally managed funds, limited partnerships, and corporate structures which are generally unrated and unregulated. Certain commingled funds may use derivatives, short positions and leverage as part of their investment strategy. These investments are structured to limit risk exposure to the amount of invested capital. Commingled funds have liquidity (redemption) provisions, which enable the University and Pension Trust Funds to make full or partial withdrawals with notice, subject to restrictions on the timing and amount.

Of the University's and Pension Trust Funds' commingled funds at June 30, 2014, approximately 91% and 85%, respectively, are redeemable within 90 days, with the remaining redeemable within one year.

Nonmarketable Alternative Investments - Consists of limited partnerships involving an advance commitment of capital called by the general partner as needed and distributions of capital and return on invested capital as underlying strategies are concluded during the life of the partnership. The committed but unpaid obligation to these limited partnerships is further discussed in Note 11.

Securities Lending Transactions – The University and Pension Trust Funds each participate in an external investment pool securities lending program to augment income. The program is administered by the custodial agent bank, which lends equity, government and corporate securities for a predetermined period of time to an independent broker/dealer (borrower) in exchange for collateral. Collateral may be cash, U.S. Government securities, defined letters of credit or other collateral approved by the University or Pension Trust Funds. Loaned domestic securities are initially collateralized at 102% of their fair value, while loaned international securities are collateralized at 105% of fair value. Exposure to credit risk from borrower default has been minimized by having the custodial agent bank determine daily that required collateral meets a minimum of 100% of the fair value of loaned domestic securities and 105% for loaned international securities.

For the University, at June 30, 2014, there were a total of \$113,148,000 of securities out on loan to borrowers. The value of collateral received from the borrower for

these securities consisted of \$113,477,000 cash and \$2,692,000 noncash collateral at June 30, 2014.

For the Pension Trust Funds, at June 30, 2014, there was a total of \$263,023,000 of securities out on loan to borrowers. The value of collateral received from the borrower for these securities consisted of \$263,048,000 cash and \$6,953,000 noncash collateral at June 30, 2014.

Cash collateral received from the borrower is invested by the custodial agent bank in commingled collateral investment pools in the name of the University and Pension Trust Funds, with guidelines approved by each. These investments are shown as Investment of Cash Collateral in the Statement of Net Position and reported at fair value, with changes in market value recorded in Investment and Endowment Income on the Statement of Revenues, Expenses, and Changes in Net Position. Noncash collateral received for securities lending activities is not recorded as an asset because the University and Pension Trust Funds do not have the ability to pledge or sell such collateral unless the borrower defaults.

The University and Pension Trust Funds continue to receive interest and dividends during the loan period. The maturities of the investments made with the cash collateral generally match the maturities of the securities lent. At June 30, 2014, neither the University nor the Pension Trust Funds have any credit risk exposure arising from the actual securities lending transactions since the collateral received from the borrower exceeds the value of the securities lent. Further, the University and Pension Trust Funds are fully indemnified by the custodial bank against any losses incurred as a result of borrower default.

DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

Investments – The investment policies of Medical Alliance are established by its board of directors. The policies are established to ensure that Medical Alliance funds are managed in accordance with the "Prudent Man Rule."

Medical Alliance investments are presented at fair value in accordance with FASB Accounting Standards Codification 820, which establishes a fair value hierarchy that prioritizes the inputs to valuation

UNIVERSITY OF MISSOURI SYSTEM
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For the Year Ended June 30, 2014

techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to measurements involving significant unobservable inputs. The three levels of the fair value hierarchy are as follows: Level 1 - Quoted prices in active markets for identical assets that the Medical Alliance has the ability to access at the measurement date; Level 2 - Inputs other than quoted market prices included in Level 1, that are observable for the asset, either directly or indirectly; and, Level 3 - Inputs that are unobservable for the asset. 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.

At June 30, 2014, Medical Alliance held the following investments:

Table 3.5 - Medical Alliance Cash, Cash Equivalents, and Investments
(in thousands)

As of June 30, 2014	
Fair Value - Level 1	
Money Market Accounts	\$ 40,579
U.S. Treasury Obligations	73
Cash and Other Cash Equivalents	5,265
Total Fair Value - Level 1	45,917
Fair Value - Level 2	
Mortgage-Backed Securities	7,898
Certificates of Deposit	26,599
Corporate Bonds	3,432
Total Fair Value - Level 2	37,929
Total Cash, Cash Equivalents, and Investments	\$ 83,846

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2014, are summarized as follows:

Table 4.1 - Accounts Receivable
(in thousands)

	2014
Grants and Contracts	\$ 62,576
Federal Appropriations	11,923
State Appropriations and State Bond Funds	431
Student Fees and Other Academic Charges	130,452
Patient Services, Net of Contractual Allowances	116,832
Subtotal	322,214
Less Provisions for Loss:	
Grants & Contracts	1,131
University Health Care Patient Services	20,321
Student Fees and Other Academic Charges	7,908
Subtotal	29,360
Total Accounts Receivable, Net	\$ 292,854

5. NOTES RECEIVABLE

Notes receivable generally consist of resources available for financial loans to students. These resources are provided through Federal loan programs and University loan programs generally funded by external sources. Notes receivable at June 30, 2014, are summarized as follows:

Table 5.1 - Notes Receivable *(in thousands)*

	2014
Federal Health Profession Loans	\$ 17,829
Carl D. Perkins National Loans	31,201
University Loan Programs	17,352
Other	26,474
Subtotal	92,856
Less Provisions for Loss	4,405
Total Notes Receivable, Net	\$ 88,451

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NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

6. CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2014 is summarized as follows:

Table 6.1 - Capital Assets (in thousands)

	2014 Beginning Balance	Additions/ Transfers	Retirements	2014 Ending Balance
Capital Assets, Nondepreciable:				
Land	\$ 80,549	\$ 727	\$ (15)	\$ 81,261
Artwork and Historical Artifacts	13,424	934	-	14,358
Construction in Progress	240,960	(6,011)	-	234,949
Total Capital Assets, Nondepreciable	334,933	(4,350)	(15)	330,568
Capital Assets, Depreciable:				
Buildings and Improvements	3,296,382	171,027	(5,026)	3,462,383
Infrastructure	369,213	84,361	(684)	452,890
Equipment	770,851	57,657	(21,107)	807,401
Library Materials	256,653	6,415	-	263,068
Total Capital Assets, Depreciable	4,693,099	319,460	(26,817)	4,985,742
Less Accumulated Depreciation:				
Buildings and Improvements	1,189,096	98,127	(528)	1,286,695
Infrastructure	154,883	17,442	-	172,325
Equipment	515,611	60,425	(20,108)	555,928
Library Materials	170,934	7,256	-	178,190
Total Accumulated Depreciation	2,030,524	183,250	(20,636)	2,193,138
Total Capital Assets, Depreciable, Net	2,662,575	136,210	(6,181)	2,792,604
Total Capital Assets, Net	\$ 2,997,508	\$ 131,860	\$ (6,196)	\$ 3,123,172

The estimated cost to complete construction in progress at June 30, 2014, is \$727,172,000 of which \$456,858,000 is available from unrestricted net position. The remaining costs are expected to be funded from \$23,558,000 of gifts, \$29,000 of grants, and \$246,727,000 of debt proceeds.

Capital assets include a building facility under a capital lease of \$10,364,000 and related accumulated depreciation of \$6,815,000 at June 30, 2014.

**DISCRETELY PRESENTED COMPONENT UNIT –
MEDICAL ALLIANCE**

Capital assets at June 30, 2014 are summarized as follows:

Table 6.2 - Medical Alliance - Capital Assets
(in thousands)

(in thousands)	2014
Land & Improvements	\$ 7,876
Buildings	115,563
Movable Equipment	78,751
Construction in Progress	4,116
	206,306
Less Accumulated Depreciation	146,650
Total Capital Assets, Net	\$ 59,656

UNIVERSITY OF MISSOURI SYSTEM
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

7. ACCRUED SHORT-TERM LIABILITIES

Accrued liabilities at June 30, 2014 are summarized as follows:

Table 7.1 - Accrued Liabilities *(in thousands)*

	2014
Accrued Salaries, Wages & Benefits	\$ 62,159
Accrued Vacation	47,719
Accrued Self Insurance Claims	36,686
Accrued Interest Payable	12,645
Total Accrued Liabilities	\$ 159,209

8. OTHER NONCURRENT LIABILITIES

Table 8.1 - Other Noncurrent Liabilities *(in thousands)*

Fiscal Year 2014	Beginning of Year	Additions	Payments	Total End of Year	Less Current Portion	Noncurrent End of Year
Accrued Vacation	\$ 64,467	\$ 45,226	\$ (42,580)	\$ 67,113	\$ (47,719)	\$ 19,394
Accrued Self-Insurance Claims	80,665	231,121	(233,842)	77,944	(36,686)	41,258
	\$ 145,132	\$ 276,347	\$ (276,422)	\$ 145,057	\$ (84,405)	\$ 60,652

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For the Year Ended June 30, 2014

9. LONG-TERM DEBT

The University's outstanding debt at June 30, 2014, with corresponding activity, is as follows:

Table 9.1 - Long-Term Debt *(in thousands)*

As of June 30, 2014	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
System Facilities Revenue Bonds - Fixed	\$ 1,085,070	\$ 455,835	\$ (220,380)	\$ 1,320,525	\$ 18,640
System Facilities Revenue Bonds - Variable	100,330	-	(435)	99,895	450
Unamortized Premium	41,612	41,755	(10,811)	72,556	-
Net System Facilities Revenue Bonds	1,227,012	497,590	(231,626)	1,492,976	19,090
Notes Payable	14,130	20,061	(802)	33,389	951
Capital Lease Obligations	5,920	-	(754)	5,166	820
Commercial Paper	177,255	44,989	(150,672)	71,572	71,572
Total Long-Term Debt	\$ 1,424,317	\$ 562,640	\$ (383,854)	\$ 1,603,103	\$ 92,433

System Facilities Revenue Bonds

System Facilities Revenue Bonds have provided financing for capital expansion or renovation of various University facilities. The principal and interest of the bonds are payable from, and secured by a first lien on and pledge of, designated revenues which include the following: a portion of tuition and fees, sales and services from the financed facilities, such as bookstore collections, housing and dining charges, patient services, and parking collections, as well as certain assessed fees, such as the recreational facility fees, stadium surcharges, and student center fees.

On November 26, 2013, the University issued \$11,325,000 and \$150,000,000 in Series 2013A System Facilities Revenue Bonds and Series 2013B Taxable System Facilities Revenue Bonds, respectively. Proceeds from issuance of the Series 2013 Bonds are being used to refund all of Series 2003B bonds in the outstanding principal amount of \$13,035,000, finance construction or renovation of housing facilities on the Columbia and Kansas City campuses, energy management improvements on the Columbia campus, renovations and construction to Memorial Stadium and other athletic projects, construction of a wellness center on the St. Louis campus, construction and renovations of academic buildings on the St. Louis and Missouri S&T campuses, expansion of the Missouri Orthopedic Institute, and paying cost of issuance of the Series 2013 bonds. The all-in-true interest cost of the

Series 2013A and 2013B bonds is 2.2% and 4.9%, respectively.

On May 22, 2014, the University issued \$294,510,000 in Series 2014A System Facilities Revenue Bonds. Proceeds from issuance of the Series 2014A bonds are being used to refund \$183,455,000 principal amount of the Series 2007A Bonds, repaying \$128,600,000 principal amount of the University's outstanding Commercial Paper Notes, and paying the cost of issuance of the Series 2014A bonds. The all-in-true interest cost of the Series 2014A bonds is 3.2%.

Interest expense associated with financing projects during construction, net of any investment income earned on bond proceeds during construction, is capitalized. Total interest expense during the year ended June 30, 2014 was \$67,919,000. Interest expense associated with financing projects during construction, net of any investment income earned on bond proceeds during construction, is capitalized. For the years ended June 30, 2014, capitalization of interest earned on unspent bond proceeds totaled \$8,003,000, resulting in net interest expense of \$59,916,000. For the year ended June 30, 2014, the University earned cash subsidy payments from the United States Treasury totaling \$9,709,000 for designated Build America Bonds outstanding, which was recorded as Federal Appropriations on the Statement of Revenues, Expenses, and Changes in Net Position.

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Table 9.2 - System Facilities Revenue Bonds *(in thousands)*

Series	Type	Weighted Avg. Cost of Capital	Final Maturity	Original Issue	Balance
		at June 30, 2014			June 30, 2014
2003B	Fixed	N/A	11/1/2023	37,085	\$ -
2006A	Fixed	4.22%	11/1/2026	260,975	127,540
2007A	Fixed	4.18%	11/1/2037	262,970	17,480
2009A (1)	Fixed	3.87%	11/1/2039	256,300	256,300
2009B	Fixed	3.02%	11/1/2021	75,760	53,925
2010A (1)	Fixed	3.76%	11/1/2041	252,285	252,285
2011	Fixed	2.66%	11/1/2027	54,125	52,005
2012A	Fixed	1.58%	11/1/2019	105,155	105,155
2013A	Fixed	1.77%	11/1/2023	11,325	11,325
2013B	Fixed	4.87%	11/1/2043	150,000	150,000
2014A	Fixed	3.16%	11/1/2037	294,510	294,510
Total Fixed Rate Bonds				1,760,490	1,320,525
2007B	Variable	0.06% (2)	11/1/2031	102,250	99,895
Total Variable Rate Demand Bonds				102,250	99,895
Total System Facilities Revenue Bonds				\$ 1,862,740	\$ 1,420,420

(1) Taxable issue designated as Build America Bonds under the Internal Revenue Code of 1986, as amended.

(2) As of June 30, 2014; rates are determined daily or weekly by the remarketing agents. The rate is usually within a range at or near the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA Index) rate, which resets weekly.

System Facilities Revenue Bond Series 2007B is a variable rate demand bond with remarketing features which allow bondholders to put debt back to the University. Because the University is the sole source of liquidity should the option to tender be exercised by the bondholder, these variable rate demand bonds are classified in their entirety as current liabilities on the Statement of Net Position, with the balance in excess of actual current principal maturities reported as Long-Term Debt Subject to Remarketing.

In-substance defeased bonds aggregating \$315,230,000 are outstanding at June 30, 2014.

Interest Rate Swap Agreements

With an objective of lowering the University's borrowing costs, when compared against fixed-rate

debt, the University entered into interest rate swap agreements in connection with certain variable-rate System Facilities Revenue Bonds and commercial paper. Under each of the swap agreements, the University pays the swap counterparty a fixed interest rate payment and receives a variable rate interest rate payment that effectively changes a component of the University's variable interest rate debt to fixed rate debt. The University assumed a 2006 interest rate swap with a negative fair market value of \$9,799,000 on March 21, 2012 to which the counterparty was Bank of America, N.A. The 2006 swap was acquired in conjunction with the purchase of a housing and parking facility at the Kansas City campus. Table 9.3 presents the terms of the outstanding swaps and their fair values at June 30, 2014.

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Table 9.3 - Interest Rate Swaps *(in thousands)*

Type	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value	Counterparty Credit Rating
Pay fixed; receive variable	\$ 40,000	7/18/2002	11/1/2032	Pay 3.950%; receive SIFMA Index	\$ (9,977)	Aa3 / A+
Pay fixed; receive variable	50,615	12/14/2006	8/1/2026	Pay 3.902%; receive SIFMA Index	(8,725)	Baa2 / A-
Pay fixed; receive variable	99,895	7/26/2007	11/1/2031	Pay 3.798%; receive 68% of 1-Month LIBOR	(20,869)	Aa3 / A+
Total	\$ 190,510				\$ (39,571)	

The 2002 and 2006 swaps do not specifically hedge any currently outstanding debt; rather, they serve to reduce the overall exposure to interest rate risk on the University's variable rate debt not otherwise specifically hedged. The notional amount of the 2002 swap is fixed over the life of the agreement. The notional amount of the 2006 swap decreases annually over the life of the swap. The 2007 swap specifically hedges System Facilities Revenue Bond Series 2007B, the effectiveness of which has been determined using

the synthetic instrument method. The notional amount of the 2007 swap is equal to the outstanding balance of the Series 2007B bonds.

The University recognizes the fair value and corresponding changes in fair value of the outstanding swaps in the University's financial statements. Changes in fair value of the outstanding swaps, with respective financial statement presentation, are presented in Table 9.4:

Table 9.4 - Interest Rate Swaps - Change in Fair Value *(in thousands)*

Type	Fair Value at June 30, 2014	Fair Value on Acquisition	Change in Fair Value	Presentation of Change in Fair Value
2002 Swap - Investment Derivative	\$ (9,977)	N/A	\$ (365)	Investment and Endowment Income, Net
2006 Swap - Investment Derivative	(8,725)	N/A	(203)	Investment and Endowment Income, Net
2007 Swap - Cash Flow Hedge	(20,869)	N/A	867	Deferred Outflow of Resources
Total	\$ (39,571)	\$ -	\$ 299	

Fair Value. There is a risk that the fair value of a swap could be adversely affected by changing market conditions. The fair values, developed using the zero coupon method with proprietary models, were prepared by the counterparties, JPMorgan Chase Bank, N.A., and Bank of America, N.A., major U.S. financial institutions. The zero coupon method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each net settlement of the swap. The fair value of the interest rate swaps is the estimated amount the University would have either (paid) or received if the swap agreements were terminated on June 30, 2014.

Credit Risk. Although the University has entered into the interest rate swaps with creditworthy financial

institutions, there is credit risk for losses in the event of non-performance by the counterparties. Subject to applicable netting arrangements, swap contracts with positive fair values are exposed to credit risk. The University faces a maximum possible loss equivalent to the amount of the derivative's fair value. Subject to applicable netting arrangements, swaps with negative fair values are not exposed to credit risk. Collateral requirements apply to both parties for the 2002 and 2007 swaps and for the 2006 swap collateral requirements only apply to the counterparty.

UNIVERSITY OF MISSOURI SYSTEM
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The collateral requirements are determined by a combination of credit ratings and the aggregate fair value of swaps outstanding with each counterparty as presented in Table 9.5:

Table 9.5 - Swap Collateral Requirements

Credit Rating (S&P / Moody's)	Fair Value Threshold (in thousands)
AAA/Aaa	\$ 50,000
AA+/Aa1	30,000
AA/Aa2	30,000
AA-/Aa3	20,000
A+/A1	20,000
A/A2	10,000
A-/A3	10,000
BBB+/Baa1	5,000

If the aggregate fair value of swaps outstanding with each counterparty is positive and exceeds the fair value threshold for the applicable credit rating, the counterparties are required to post collateral. If the aggregate fair value of the 2002 and 2007 swaps is negative and exceeds the fair value threshold for the applicable credit rating, the University is required to post collateral. Permitted collateral for either party includes U.S. Treasuries, U.S. government agencies, cash, and commercial paper rated A1/P1 by S&P or Moody's, respectively. As the negative aggregate fair value of the 2002 and 2007 swaps exceeded \$30,000,000 on June 30, 2014, which is the current fair value threshold for the University given a Moody's rating of Aa1, the University had collateral posted with the counterparty as required.

Basis Risk. The variable-rate payments received by the University on the 2007 swap are determined by 68% of one month LIBOR, whereas the interest rates paid by the University on its variable-rate bonds correspond to the SIFMA Index. The University is exposed to basis risk only to the extent that the historical relationship between these variable market rates changes going forward, resulting in a variable-rate payment received on the 2007 swap that is significantly less than the variable-rate interest payment on the bonds.

Termination Risk. The University is exposed to termination risk for the 2002 and 2007 interest rate swaps as the counterparty has the right to terminate the agreements in certain circumstances. For the 2002 swap, the counterparty has a contractual right to terminate the agreement if the daily weighted average of the SIFMA Index for the preceding 30 calendar day period is greater than 7.00%. With regard to the 2007 swap, the counterparty has a contractual right to terminate the agreement if the daily weighted average of the SIFMA Index for the preceding 180 days is greater than 6.00%. The 2006 interest rate swap is not exposed to termination risk. The SIFMA Index was .06% at June 30, 2014.

Debt-Related Items Presented as Deferred Outflows of Resources

As required by GASB, the University recognizes certain debt-related items as deferred outflows of resources. The detail of the debt related items recognized as deferred outflow resources is presented in Table 9.6.

Table 9.6 - Debt-Related Deferred Outflow of Resources (in thousands)

	June 30, 2014
Swaps - Cash Flow Hedge	\$ 20,869
Loss on Bond Defeasance	31,548
Deferred Outflow of Resources	\$ 52,417

For the year ended June 30, 2014, the University increased the Loss on Bond Defeasance by \$16,602,000 for the issuance of the 2014A and 2013A bonds. For fiscal year 2014 the amortization of the Loss on Bond Defeasance totaled \$2,791,000 which reduces interest expense.

UNIVERSITY OF MISSOURI SYSTEM
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For the Year Ended June 30, 2014

Pledged Revenues and Debt Service Requirements

For fiscal year 2014, annual debt service, including net payments on associated interest rate swaps, totaled \$96,606,000. For fiscal year 2014, System Facilities Pledged Revenue was twelve times greater than the annual debt service. Net System Facilities Revenue was 160% of annual debt service. Table 9.7 provides the System Facilities pledged revenues and operating expenses.

Table 9.7 - System Facilities Pledged Revenues and Operating Expenses
(in thousands)

		June 30, 2014
Pledged Revenues:		
Net Patient Revenue	\$	873,638
Housing and Food Service		107,547
Bookstores		54,503
Net Tuition and Fees		23,900
Other Operating Revenue		35,749
Pledged Revenues		1,095,337
Operating Expenses		953,372
Net Revenues	\$	141,965

Table 9.8 provides future debt service requirements for the System Facilities Revenue Bonds, including the impact of both interest rate swap agreements. With respect to the inclusion of variable rate bond interest payments and net payments on swaps, the following data was based upon variable rates in effect at June 30, 2014. As market rates vary, variable rate bond interest payments and net swap payments will vary.

Table 9.8 - Future Debt Service - System Facilities Revenue Bonds *(in thousands)*

Fiscal Year	Principal	Interest	Hedging Derivatives, Net	Total Before Investment Derivatives	Investment Derivatives, Net	Total Future Debt Service
2015	19,090	70,423	3,680	93,193	3,485	96,678
2016	28,015	66,072	3,598	97,685	3,459	101,144
2017	43,440	64,670	3,479	111,589	3,430	115,019
2018	39,370	63,035	3,282	105,687	3,396	109,083
2019	39,485	61,374	3,191	104,050	3,358	107,408
2020-2024	299,500	260,917	14,039	574,456	16,045	590,501
2025-2029	227,870	209,687	8,539	446,096	14,755	460,851
2030-2034	158,230	171,461	1,376	331,067	12,040	343,107
2035-2039	143,780	134,390	-	278,170	6,853	285,023
2040-2044	421,640	55,395	-	477,035	1,828	478,863
	\$ 1,420,420	\$ 1,157,424	\$ 41,184	\$ 2,619,028	\$ 68,649	\$ 2,687,677

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For the Year Ended June 30, 2014

Commercial Paper

During fiscal year 2014, the University issued \$44,989,000 of commercial paper to fund working capital and finance capital projects.

On October 21, 2011, the Board adopted a flexible financing program for the University referred to as the University's Commercial Paper Program ("CP Program"). The CP Program authorizes the periodic issuance of up to an aggregate outstanding principal amount of \$375 million in Commercial Paper Notes. The initial term of the authorization is approximately fifteen years.

The Commercial Paper Notes are limited obligations of the University secured by a pledge of the University's Unrestricted Revenues. "Unrestricted Revenues" includes state appropriations for general operations, student fee revenues, and all other operating revenues of the University other than System Facilities Revenues. The primary objective of the CP Program is to provide flexibility in managing the University's overall debt program to meet its various financial needs including: (a) financing capital projects, (b) allowing for the refunding/refinancing of outstanding debt, and (c) providing a readily accessible source of funds for various working capital purposes.

Notes Payable

Notes payable consist of loans from the state Department of Natural Resources Energy Efficiency Leveraged Loan Program. Interest is payable semiannually and ranges from 2.0% to 3.2%.

Rolla Renewable Energy Company, LLC, a wholly owned subsidiary of MREC, holds Qualified Low-Income Community Investment loan agreements with CCM Community Development LV, LLC (CCM) and Midwest Renewable Capital XIII, LLC (MRC). The proceeds of these notes are to develop, construct, own and lease the geothermal construction project. Interest is payable quarterly at 1.3% on the CCM note and 1.6% on the MRC note.

The future payments on all notes payable at June 30, 2014, are as follows:

Table 9.9 - Future Notes Payable Payments

	Amount
Year Ending June 30	<i>(in thousands)</i>
2015	\$ 1,346
2016	1,354
2017	1,152
2018	1,153
2019	1,082
2020-2024	7,856
2025-2029	7,202
2030-2034	7,202
2035-2039	7,202
2040-2044	5,340
Total Future Notes Payable Payments	40,889
Less: Amount Representing Interest	(7,500)
Future Notes Payable	
Principal Payments	\$ 33,389

Capital Lease Obligations

The University leases various facilities and equipment through capital leases. Facilities and equipment under capitalized leases are recorded at the present value of future minimum lease payments.

The future minimum payments on all capital leases at June 30, 2014, are as follows:

Table 9.10 - Future Capital Lease Payments

	Amount
Year Ending June 30	<i>(in thousands)</i>
2015	1,563
2016	1,563
2017	1,563
2018	1,563
2019	1,563
2020	391
Total Future Minimum Payments	8,206
Less: Amount Representing Interest	(3,040)
Present Value of Future Minimum	
Lease Payments	\$ 5,166

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DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

The Medical Alliance's outstanding debt at June 30, 2014, with corresponding activity, is as follows:

Table 9.11 - Long-Term Debt - Medical Alliance *(in thousands)*

	Beginning			Ending	Current
As of June 30, 2014	Balance	Additions	Reductions	Balance	Portion
Health Facilities Revenue Bonds Series 2011	\$ 31,120	\$ -	\$ (1,740)	\$ 29,380	\$ 1,795
Total Bonds Payable	31,120	-	(1,740)	29,380	1,795
Capital Lease Obligations	325	-	(325)	-	-
Total Long-Term Debt	\$ 31,445	\$ -	\$ (2,065)	\$ 29,380	\$ 1,795

Bonds Payable

Tax-exempt revenue bonds (Series 2011 Bonds) in the principal amount of \$32,835,000 were issued by the Health and Education Facilities Authority of the State of Missouri (the Authority) on behalf of the Medical Alliance dated November 1, 2011. The proceeds were used to refund all of the outstanding Series 1998 and 2004 Bonds and costs of issuance. The premium and the deferred financing costs on the Series 2011 Bonds are amortized on the effective interest method over the life of the respective bonds. The Series 2011 Bonds are secured by the unrestricted receivables of the Medical Alliance. Under the terms of the Master Indenture, the Medical Alliance is required to make payments of principal, premium, if any, and interest on the bonds. In addition, the Master Indenture contains certain restrictions on the operations and activities of the Medical Alliance, including, among other things, covenants restricting the incurrence of additional indebtedness and the creation of liens on property, except as permitted by the Master Indenture.

The Master Indenture has mandatory sinking fund redemption requirements in which funds are required to be set aside beginning in 2021 for the Series 2011 bonds. Interest expense incurred on the bonds during the years ended June 30, 2014 was \$1,145,000, of which \$32,000 in interest was capitalized.

As of June 30, 2014, the total of principal and interest due on bonds during the next five years and in subsequent five-year periods is as follows:

Table 9.12 - Future Debt Service - Medical Alliance *(in thousands)*

Fiscal Year	Principal	Interest	Total
2015	1,795	1,085	2,880
2016	1,840	1,038	2,878
2017	1,885	992	2,877
2018	1,930	939	2,869
2019	1,995	877	2,872
2020-2024	11,085	3,215	14,300
2025-2029	8,850	756	9,606
	\$ 29,380	\$ 8,902	\$ 38,282

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10. RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; natural disasters; and various medically related benefit programs for employees. The University funds these losses through a combination of self-insured retentions and commercially purchased insurance. The amount of self-insurance funds and commercial insurance maintained are based upon analysis of historical information and actuarial estimates. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

The liability for self-insurance claims at June 30, 2014 of \$77,944,000 represents the present value of amounts estimated to have been incurred by those dates, using discount rates ranging from 1.0% to 3.8% for fiscal year 2014, based on expected future investment yield assumptions.

Changes in the self-insurance liability during fiscal year 2014 were as follows:

Table 10.1 - Self-Insurance Claims

Liability (in thousands)				
New Claims				
Fiscal Year	Beginning of Year	Changes in Estimates	Claim Payments	End of Year
2014	80,665	\$ 231,121	\$ (233,842)	\$77,944

11. COMMITMENTS AND CONTINGENCIES

Endowment and Pension Trust Funds

The University Endowment Fund and Pension Trust Funds have made commitments to make investments in certain investment partnerships pursuant to provisions in the various partnership agreements. These commitments totaled \$106,321,000 and \$215,224,000 for the University and the Pension Trust Funds, respectively, at June 30, 2014.

University Operating Leases

The University leases various facilities and equipment under agreements recorded as operating leases. Operating lease expense for the year ended June 30, 2014 was \$22,575,000.

Future minimum payments on all significant operating leases with initial or remaining terms of one year or more at June 30, 2014, are as follows:

Table 11.1 - Future Operating Lease Payments

Fiscal Year	Amount (in thousands)
2015	\$ 7,128
2016	6,339
2017	4,692
2018	2,019
2019	1,262
2020-2024	1,267
Total Future Lease Payments	\$ 22,707

In addition to the above lease obligations, the University has outstanding commitments for the usage and ongoing support of University Health Care's information technology environment. As of January 2010, University Health Care began contracting for software usage and maintenance fees, as well as, labor costs for approximately 100 full-time equivalent employees, with the Cerner Corporation. This agreement, called IT Works, represents the labor and software component of a cooperative relationship between University Health Care and Cerner Corporation referred to as the Tiger Institute for Health Innovation (the Tiger Institute). The Tiger Institute is not a legally separate entity and is included within the financial statements of the University. The Tiger Institute provides continued development of information technology within the clinical areas, as well as developing new technology initiatives in health information systems.

As of June 30, 2014, this contracted commitment totaled \$123,757,000 and will be paid in the following amounts: \$17,516,000 in 2014, \$18,041,000 in 2015, \$18,583,000 in 2016, \$19,140,000 in 2017, \$19,714,000 in 2018 and \$20,306,000 in 2019 and \$10,457,000 in 2020.

Pollution Remediation

The University has been working with the Voluntary Cleanup Program of the Missouri Department of Natural Resources (MDNR) to characterize subsurface contamination on a University owned property. The

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University is awaiting a cost estimate to perform the additional evaluation requested by MDNR. Long term costs will depend on the results of the two-year sampling process that began in 2013. As a result, the University is unable to estimate future costs on cleanup of the site at this time.

Radiology and Other Health Care Matters

Since November 2011, the University has been investigating allegations of improper billings after learning that a federal investigation led by the U.S. Attorney's Office was under way. The University's investigation has identified indications that two radiologists improperly certified that they had performed services that were actually performed by resident physicians. The University is cooperating with the investigation of the U.S. Attorney's Office in an effort to achieve a resolution of the matter. The University has estimated minimum likely exposure including penalties of \$3,929,000. Also, the University has reviewed other potential federal health program reimbursement issues contemporaneous with the radiology investigation noted above. The University is in the process of self-disclosure and has estimated minimum likely exposure including penalties of \$4,862,000 in aggregate for these matters. Because the federal government could assess additional penalties or assert alternative theories or analysis concerning amounts of liability, the potential for additional exposure for these issues exists but cannot be estimated at this time, as these matters have not yet been resolved.

Charitable Gift Annuities

A charitable gift annuity is a contractual agreement between one or two donors (typically husband and wife) and a charity. The donor(s) transfers assets as a gift to the charity, and in return the charity is obligated to pay a fixed annuity to one or two annuitants, of the donor(s)' choosing, for the life of the donor(s). As part of the University's "Planned Giving" program, the University enters into Charitable Gift Annuity contracts with donors. The University's liability related to the annuity obligations was \$6,512,000 at June 30, 2014.

12. RETIREMENT, DISABILITY AND DEATH BENEFIT PLAN

DEFINED BENEFIT PLAN

Plan Description – the Retirement Plan is a single-employer, defined benefit plan for all qualified employees. As authorized by Section 172.300, Revised Statutes of Missouri, the University's Board of Curators administers the Retirement Plan and establishes its terms.

Benefits provided - Full-time employees vest in the Retirement Plan after five years of credited service and become eligible for benefits based on age and years of service. A vested employee who retires at age 65 or older is eligible for a lifetime annuity calculated at a certain rate times the credited service years times the compensation base (average compensation for the five highest consecutive salary years). The rate is 2.2% if the employee was hired before October 1, 2012, or 1.0% if the employee was hired after September 30, 2012. Academic members who provide summer teaching and research service receive additional summer service credit. The Board of Curators may periodically approve increases to the benefits paid to existing pensioners. However, vested members who leave the University prior to eligibility for retirement are not eligible for these pension increases.

Table 12.1 - Retirement Plan Membership

	2014
Active Members	
Vested	11,293
Nonvested	7,038
Pensioners and Beneficiaries	8,410
Former Employees with	
Deferred Pensions	6,259
Total Members	33,000

Vested employees who are at least age 55 and have ten years or more of credited service or age 60 with at least five years of service may choose early retirement with a reduced benefit. However, if the employee retires at age 62 and has at least 25 years of credited service, the benefit is not reduced. Up to 30% of the retirement annuity can be taken in a lump sum payment. In addition, the standard annuity can be exchanged for an actuarially-equivalent annuity selected from an array of options with joint and

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survivor, period certain, and guaranteed annual increase features.

Vested employees who terminate prior to retirement eligibility may elect to transfer the actuarial equivalent of their benefit to an Individual Retirement Account or into another employer's qualified plan that accepts such rollovers. The actuarial equivalent may also be taken in the form of a lump sum payment.

In addition, the Retirement Plan allows vested employees who become disabled to continue accruing service credit until they retire. It also provides a pre-retirement death benefit for vested employees.

The Retirement Plan provides a minimum value feature for vested employees who terminate or retire. The minimum value is calculated as the actuarial equivalent of 5% of the employee's eligible compensation invested at 7.5% per credited service year or the regularly calculated benefit.

Basis of Accounting – The Retirement Plan's accounting records are prepared using the accrual basis of accounting. Employer contributions to the Retirement Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the Retirement Plan. The Retirement Plan does not issue a separate financial report.

Investment Valuation – Investments are reported at fair value.

Contributions – The University's contributions to the Retirement Plan are equal to the actuarially determined employer contribution requirement (ARC). The ARC for those employees hired before October 1, 2012 averaged 10.8% of covered payroll for the year ending June 30, 2014. The ARC for those employees hired after September 30, 2012 averaged 6.8% of covered payroll for the year ended June 30, 2014. Employees are required to contribute 1% of their salary up to \$50,000 in a calendar year and 2% of their salary in excess of \$50,000. An actuarial valuation of the Plan is performed annually and the University's contribution rate is updated at the beginning of the University's fiscal year on July 1, to reflect the actuarially determined funding requirement from the most recent valuation, as of the preceding October 1. This actuarial valuation reflects the adoption of any Retirement Plan amendments during the previous fiscal year.

Net Pension Liability – The Retirement Plan's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2013.

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Table 12.2 Changes in the Net Pension Liability *(In Thousands)*

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a) - (b)
Balances at June 30, 2013	\$3,420,930	\$2,918,556	\$502,374
Changes for the year:			
Service cost	71,995	-	71,995
Interest	263,566	-	263,566
Differences between expected and actual experience	-	-	-
Contributions – employer	-	113,688	(113,688)
Contributions – employee	-	14,113	(14,113)
Net investment income	-	456,330	(456,330)
Benefit payments, including refunds of employee contributions	(169,992)	(169,992)	-
Other changes	-	-	-
Net changes	165,569	414,139	(248,570)
Balances at June 30, 2014	\$3,586,499	\$3,332,695	\$253,804

Actuarial Methods and Assumptions – The October 1, 2013 actuarial valuation utilized the entry age actuarial cost method. Actuarial assumptions included:

Inflation	2.75%
Rate of Investment Return net of administrative expenses (including inflation)	7.75%
Projected salary increases (Including inflation)	4.1- 4.9%
Cost-of-living adjustments	0%

The actuarial value of assets was determined using techniques that spread effects of short-term volatility in the market value of investments over a 5-year period. The underfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis over 30 years from the October 1, 2013 valuation date. Mortality rates were based on the RP-2000 Combined Health Mortality Table projected to 2023 using Scale BB.

The actuarial assumptions used in the October 1, 2013 valuation were based on the results the most recent quinquennial study of the University's own experience covering 2008 to 2012.

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Discount Rate – The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that University contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. For the October 1, 2013 actuarial valuation, a 7.75% discount rate was used.

Table 12.3 Sensitivity of the Net Pension Liability to Changes in the Discount Rate
(In Thousands)

	Rate	Net Pension Liability
1% Decrease	6.75%	\$711,800
Current Discount Rate	7.75%	\$253,804
1% Increase	8.75%	(\$127,799)

Annual Rate of Return- The annual money-weighted rate of return is calculated as the internal rate of return on pension investments, net of pension plan investment expense. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return on pension plan investments for the year ended June 30, 2014 was 15.7%.

Table 12.4 - Asset Class Allocation

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic large cap equity	18%	6.5%
Domestic small cap equity	2%	6.5%
Domestic fixed income	3%	1.7%
International equity	19%	6.7%
Emerging markets equity	6%	9.3%
International fixed income	4%	1.8%
Real estate	6%	4.3%
Private equity	10%	11.6%
Absolute return strategies	8%	4.1%
High yield fixed income	10%	4.1%
Emerging markets fixed income	6%	4.5%
Treasury inflation protection	2%	1.7%
Floating rate bank loans	4%	2.6%
Global inflation-linked bonds	2%	1.7%
	<u>100%</u>	

Pension Expense- For the year ended June 30, 2014, the Retirement Plan recognized pension expense of \$50,979,000. Annual pension expense consists of service cost and interest on the pension liability less employee contributions and projected earnings on pension plan investments. The difference between actual and expected earnings is recorded as a deferred outflow/inflow of resources and recognized in pension expense over a five year period.

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The pension expense for the year ended June 30, 2014 is as follows:

Table 12.5 Pension expense for the year ended June 30, 2014 *(In Thousands)*

Service cost	\$71,995
Interest	263,566
Recognized portion of current-period difference between expected and actual experience	-
Contributions – employee	(14,113)
Projected earnings on pension plan investments	(224,004)
Recognized portion of current-period difference between projected and actual earnings on pension plan investments	(46,465)
Recognition of deferred outflows of resources	-
Recognition of deferred inflows of resources	-
Pension expense for fiscal year ended June 30, 2014	\$50,979

Deferred Outflows/Inflows of Resources- In accordance with GASB Statements No. 67 and 68, the University recognizes differences between actual and expected experience with regard to economic or demographic factors, changes of assumptions about future economic or demographic factors, and the

difference between actual and expected investment returns as Deferred Outflows/Inflows of Resources. At June 30, 2014, the Retirement Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Table 12.6 Deferred outflows/inflows of resources related to pensions *(In Thousands)*

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	--	--
Changes of assumptions	--	--
Changes of benefit terms	--	--
Net difference between projected and actual earnings on pension plan investments	--	185,860
Total	--	185,860

The University recognizes differences between actual and expected investment performance included in deferred outflows/inflows of resources on a straight-line basis over five years. The following table summarizes the future recognition of these items:

Table 12.7 Projected recognition of deferred outflows/(inflows) *(In Thousands)*

Year Ended June 30,	Recognition
2015	(46,465)
2016	(46,465)
2017	(46,465)
2018	(46,465)
2019	--
Thereafter	--

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DEFINED CONTRIBUTION PLAN

Plan Description - Employees hired after September 30, 2012 participate in a single employer, defined contribution plan. Each year the University contributes 2% of each employee's eligible salary to a 401(a) plan. Employees are able to contribute to a 457(b) plan. The University will match up to 3% of that 457(b) plan contribution with those funds going into the 401(a) plan. Employees are immediately 100% vested in their contributions. The University's base contribution and matching contributions vest following three years of consecutive or nonconsecutive service. The defined contribution plan recognized \$4,829,000 of pension expense and \$138,000 of forfeitures for the year ended June 30, 2014.

13. OTHER POSTEMPLOYMENT BENEFITS

Plan Description - In addition to the pension benefits described in Note 12, the University operates a single-employer, defined benefit postemployment plan. The University's Other Postemployment Benefits (OPEB) Plan provides postemployment medical, dental, and life insurance benefits to employees who retire from the University after attaining age 55 and before reaching age 60 with ten or more years of service, or after attaining age 60 with five or more years of service. As of June 30, 2014, 6,764 were receiving benefits, and an estimated 18,319 active University employees may become eligible to receive future benefits under the plan. Postemployment medical, dental and life insurance benefits are also provided to long-term disability claimants who were vested in the University's Retirement Plan at the date the disability began, provided the onset date of the disability was on or after September 1, 1990. As of June 30, 2014, 223 long-term disability claimants met those eligibility requirements.

The terms and conditions governing the postemployment benefits to which employees are entitled are at the sole authority and discretion of the University's Board of Curators.

Basis of Accounting - The OPEB Plan's accounting records are prepared using the accrual basis of accounting, in accordance with GASB Statements No. 43 and No. 45, which established requirements for financial reporting for postemployment benefits other than pension plans. The assets of the OPEB Trust Fund are irrevocable and legally protected from creditors

and dedicated to providing postemployment benefits in accordance with terms of the plan. The OPEB Plan does not issue a separate financial report.

Contributions and Reserves - Contribution requirements of employees and the University are established and may be amended by the University's Board of Curators. For employees retiring prior to September 1, 1990, the University contributes 2/3 of the medical benefits premium and 1/2 of the dental plan premium. For employees who retired on or after September 1, 1990, the University contributes toward premiums based on the employee's length of service and age at retirement.

The University makes available two group term life insurance options. Option A coverage is equal to the retiree's salary at the date of retirement, while Option B is equal to two times that amount. For each Option, graded decreases in coverage are made when the retiree attains specific age levels. The University pays the full cost of Option A and approximately 91% of the cost of Option B coverage. Coverage for group term life insurance ends on January 1 following the retiree's 70th birthday.

For the year ended June 30, 2014, participants contributed \$14,505,000, or approximately 36.6%, of total premiums through their required contributions, which vary depending on the plan and coverage selection.

The University makes available two long-term disability options to its employees. Option A coverage is equal to 60% of the employee's salary on the date the disability began, when integrated with benefits from all other sources. Option B coverage is equal to 66-2/3% of the employee's salary, integrated so that benefits from all sources will not exceed 85% of the employee's salary. Both options have a 149-day waiting period and provide benefits until age 65. The University pays the full cost of the Option A premium, while employees enrolled in Option B pay the additional cost over the Optional A premium.

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The Annual Required Contribution (ARC) represents a level of funding that an employer is projected to need in order to prefund its obligations for postemployment benefits over its employees' years of service. The University has no obligation to make contributions in advance of when insurance premiums or claims are due for payment and currently funds postemployment benefits at a level no less than the pay-as-you-go basis. In fiscal year 2014, the University contributed \$25,094,000, or 41.8% of the ARC, which was \$59,966,000 and represented 5.4% of annual covered payroll.

Table 13.1 presents the OPEB cost for the year, the amount contributed, and changes in the OPEB obligation for fiscal year 2014:

Table 13.1 - Changes in Net OPEB

Obligation <i>(in thousands)</i>	
Annual Required Contribution	\$ 59,966
Interest on Existing Net OPEB Obligation	5,688
ARC Adjustment	(5,729)
Annual OPEB Cost	59,925
Contributions Made	(25,094)
Increase in net OPEB obligation	34,831
Net OPEB obligation - beginning of year	142,209
Net OPEB obligation - June 30, 2014	\$ 177,040

Funding Status and Funding Progress – As of July 1, 2013, the date of the last valuation, the OPEB Plan was 7.4% funded. The actuarial accrued liability (AAL) for postemployment benefits was \$669,836,000, with \$49,284,000 in actuarial value of assets, resulting in an

unfunded actuarial accrued liability (UAAL) of \$620,552,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,103,558,000, and the ratio of UAAL to covered payroll was 56.2%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision of actual results, are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Benefit projections for financial reporting purposes are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and the historical pattern of cost sharing between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the University and plan members in the future.

The University's annual OPEB cost and net OPEB obligation to the OPEB Plan for the current year, along with three-year trend information, were as follows:

Table 13.2 - OPEB Plan Three-Year Trend Information *(in thousands)*

Fiscal Year Ending	Annual Required Contribution	Annual OPEB Cost (AOC)	Contributions Made	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
6/30/2014	\$ 59,966	\$ 59,925	\$ 25,094	41.9%	\$ 177,040
6/30/2013	50,954	51,890	19,177	37.0%	142,209
6/30/2012	50,954	51,667	25,477	49.3%	109,496

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Actuarial Methods and Assumptions - Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The projected unit credit actuarial cost method was used in the July 1, 2013 actuarial valuation. Actuarial assumptions included a

4.0% investment rate of return, net of administrative expenses. The projected annual healthcare trend rate is 5.0% to 8.0% initially, reduced by 0.5% decrements to an ultimate rate of 5.0%. The UAAL is being amortized as a level dollar amount on an open basis, level percent of pay, over a 30-year amortization period.

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14. BLENDED COMPONENT UNIT

Condensed combining information for the University's blended component unit as of and for the year ended June 30, 2014 is presented as follows:

Table 14.1 - Missouri Renewable Energy Corporation Condensed Financial Statements *(in thousands)*

Condensed Statement of Net Position	2014		
	MREC	Eliminations	Total
Assets:			
Current Assets	\$ 25,333	\$ (4,132)	\$ 21,201
Non Current Other Assets	-	20,982	\$ 20,982
Capital Assets, Net	124,894	(13,305)	111,589
Total Assets and Deferred Outflow of Resources	\$150,227	\$ 3,545	\$153,772
Liabilities:			
Current Liabilities	\$ 3,780	\$ (3,422)	\$ 358
Noncurrent Liabilities	131,102	(92,740)	38,362
Total Liabilities	134,882	(96,162)	38,720
Net Position:			
Net Investment in Capital Assets	3,650	75,303	78,953
Restricted -			
Nonexpendable	-	-	-
Expendable	11,695	24,404	36,099
Unrestricted	-	-	-
Total Net Position	15,345	99,707	115,052
Total Liabilities and Net Position	\$150,227	\$ 3,545	\$153,772

Condensed Statement of Revenues, Expenses and Changes in Net Position	2014		
	MREC	Eliminations	Total
Operating Revenues:			
Other Operating Revenue	\$ 2,276	\$ (1,922)	\$ 354
Total Operating Revenues	2,276	(1,922)	354
Operating Expenses:			
Depreciation	1,772	-	1,772
All Other Operating Expenses	2,180	(2,134)	46
Total Operating Expenses	3,952	(2,134)	1,818
Operating Income (Loss)	(1,676)	212	(1,464)
Capital Contribution	7,418	35,084	42,502
Increase in Net Position	5,742	35,296	41,038
Net Position, Beginning of Year	9,603	64,411	74,014
Net Position, End of Year	\$ 15,345	\$ 99,707	\$115,052

(Continued)

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Condensed Statement of Cash Flows	2014		
	MREC	Eliminations	Total
Net Cash Flows Provided by (Used in) Operating Activities	\$ 1,610	\$ (1,662)	\$ (52)
Net Cash Flows Provided by (Used in) Capital and Related Financing Activities	8,447	1,662	10,109
Net Increase in Cash and Cash Equivalents	10,057	-	10,057
Cash and Cash Equivalents, Beginning of Year	660	-	660
Cash and Cash Equivalents, End of Year	\$ 10,717	\$ -	\$ 10,717

15. OPERATING EXPENSES BY FUNCTION

The operating expenses of the University are presented based on natural expenditure classifications. The University's operating expenses by functional classification are as follows:

Table 15.1 - Operating Expenses by Functional and Natural Classifications *(in thousands)*

Fiscal Year Ended June 30, 2014	Salaries and		Supplies,	Scholarships	Depreciation	Total
	Wages	Benefits	Services and Other	and Fellowships		
Instruction	\$ 441,841	\$ 96,041	\$ 84,802	\$ -	\$ -	\$ 622,684
Research	102,064	19,322	69,020	-	-	190,406
Public Service	77,378	18,550	49,701	-	-	145,629
Academic Support	82,559	20,822	35,737	-	-	139,118
Student Services	47,486	10,996	26,305	-	-	84,787
Institutional Support	106,067	32,401	(14,817)	-	-	123,651
Operation and Maintenance of Plant	38,224	10,192	56,267	-	-	104,683
Auxiliary Enterprises	467,830	137,933	526,784	-	-	1,132,547
Scholarships and Fellowships	-	-	-	66,919	-	66,919
Depreciation	-	-	-	-	183,250	183,250
Total Operating Expenses	\$ 1,363,449	\$ 346,257	\$ 833,799	\$ 66,919	\$ 183,250	\$ 2,793,674

UNIVERSITY OF MISSOURI SYSTEM
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

16. FIDUCIARY FUNDS – PENSION TRUST FUNDS COMBINING STATEMENTS

Combining financial statements for the Fiduciary Funds – Pension Trust Funds, which encompass the Retirement Trust and OPEB Trust, are as follows:

Table 16.1 - Statement of Plan Net Position *(in thousands)*

	June 30, 2014		
	Retirement	OPEB	Total
Assets			
Cash and Cash Equivalents	\$ 67,325	\$ 25,187	\$ 92,512
Investment of Cash Collateral	263,048	-	263,048
Investment Settlements Receivable	44,920	-	44,920
Investments:			
Debt Securities	525,129	-	525,129
Equity Securities	707,632	-	707,632
Commingled Funds	1,772,610	66,444	1,839,054
Nonmarketable Alternative Investments	297,450	-	297,450
Total Assets	3,678,114	91,631	3,769,745
Liabilities			
Accounts Payable and			
Accrued Liabilities	279	-	279
Collateral Held for			
Securities Lending	263,048	-	263,048
Investment Settlements Payable	82,092	40,000	122,092
Total Liabilities	345,419	40,000	385,419
Net Position Held in Trust for			
Retirement and OPEB	\$ 3,332,695	\$ 51,631	\$ 3,384,326

UNIVERSITY OF MISSOURI SYSTEM
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

Table 16.2 - Statement of Changes in Plan Net Position *(in thousands)*

	June 30, 2014		
	Retirement	OPEB	Total
Net Revenues and Other Additions			
Investment Income:			
Interest and Dividend Income	\$ 60,721	\$ 643	\$ 61,364
Net Appreciation (Depreciation) in			
Fair Value of Investments	409,250	1,708	410,958
Less Investment Expense	(11,087)	(4)	(11,091)
Net Investment Income	458,884	2,347	461,231
Contributions:			
University	113,688	25,094	138,782
Members	14,113	14,505	28,618
Total Contributions	127,801	39,599	167,400
Total Net Revenues and Other Additions	586,685	41,946	628,631
Expenses and Other Deductions			
Administrative Expenses	2,554	489	3,043
Payments to Retirees and Beneficiaries	169,992	39,110	209,102
Total Expenses and Other Deductions	172,546	39,599	212,145
Increase (decrease) in Net Position Held in Trust for Retirement and OPEB	414,139	2,347	416,486
Net Position Held in Trust for			
Retirement & OPEB, Beginning of Year	2,918,556	49,284	2,967,840
Net Position Held in Trust for Retirement and OPEB, End of Year	\$ 3,332,695	\$ 51,631	\$ 3,384,326

17. SUBSEQUENT EVENTS

On August 11, 2014, University of Missouri Health Care announced the closure of its long-term acute care facility, Missouri Rehabilitation Center (MRC), in Mount Vernon, Missouri. Inpatient services will continue through October 31, 2014, with certain outpatient services continuing through December 31, 2014. MUHC will receive a final appropriation of \$5,014,000 from the State of Missouri related to the normal operations of MRC during fiscal year 2015. MUHC will recognize an estimated loss of \$7,783,000 on the write-down of the facility at the time of closure.

In September of 2014, the University of Missouri, Santarus, Inc., Salix Pharmaceuticals, Inc., and Par Pharmaceutical, Inc. entered into a settlement agreement regarding Santarus, Inc. et al v. Par Pharmaceutical, Inc. (the "Zegerid Patent Litigation"). The Zegerid® Patent Litigation consists of civil actions for infringement of patents covering certain Zegerid® products brought by the University

and Santarus against Par in U.S. District Court. As a part of the Settlement Agreement, Par will make a one-time payment of \$100 million to an escrow account approved by Santarus and the University, and these funds will be allocated between Santarus and the University pursuant to the terms of the Exclusive License Agreement between Santarus and the University. The University has not determined the full amount of the settlement, but expects to receive the funds and recognize a gain during fiscal year 2015.

UNIVERSITY OF MISSOURI SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014
(unaudited)

Schedule of Changes in the Net Pension Liability – Last Ten Fiscal Years *(In Thousands)*

	Fiscal Year End June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total pension liability										
Service cost	\$71,995									
Interest	263,566									
Differences between expected and actual experience	--									
Changes of assumptions	--	(Historical information prior to implementation of GASB 67/68 is not required)								
Changes of benefit terms	--	67/68 is not required)								
Benefit payments, including refunds of employee contributions	(169,992)									
Net change in total pension liability	165,569									
Total pension liability - beginning	3,420,930									
Total pension liability - ending (a)	\$3,586,499									
Plan fiduciary net position										
Contributions - employer	\$113,688									
Contributions - employee	14,113									
Net investment income	456,330									
Benefit payments, including refunds of employee contributions	(169,992)	(Historical information prior to implementation of GASB 67/68 is not required)								
Other	--									
Net change in fiduciary net position	414,139									
Plan fiduciary net position - beginning	2,918,556									
Plan fiduciary net position - ending (b)	\$3,332,695									

UNIVERSITY OF MISSOURI SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014
(unaudited)

Schedule of Changes in the Net Pension Liability – Last Ten Fiscal Years *(In Thousands)*

		Fiscal Year End June 30,									
		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net pension liability – ending: (a)-(b)	\$253,804										
Plan's fiduciary net position as a percentage of the total pension liability	92.92%	(Historical information prior to implementation of GASB 67/68 is not required)									
Covered-employee payroll	\$1,078,347*										
Net pension liability as a percentage of covered-employee payroll	23.54%										

*Covered-employee payroll as reported in the October 1, 2013 funding valuation report

UNIVERSITY OF MISSOURI SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014
(unaudited)

Schedule of Contributions – Last Ten Fiscal Years *(In Thousands)*

Fiscal Year Ended June 30,	Covered Employee Payroll		Contributions as % of covered-employee payroll**		Actuarially determined contribution**		Contributions in relation to the actuarially determined contribution**		Contribution deficiency (excess)	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
2014	\$ 984,787	\$93,560	10.78%	6.77%	10.78%	6.77%	10.78%	6.77%	-	-
2013	1,046,075	-	8.88%	4.87%	8.88%	4.87%	8.88%	4.87%	-	-
2012	1,031,891	-	7.07%	-	7.07%	-	7.07%	-	-	-
2011	979,888	-	5.74%	-	5.74%	-	5.74%	-	-	-
2010	970,060	-	4.88%	-	4.88%	-	4.88%	-	-	-
2009	954,430	-	5.87%	-	5.87%	-	5.87%	-	-	-
2008	891,648	-	7.78%	-	7.78%	-	7.78%	-	-	-
2007	846,884	-	8.69%	-	8.69%	-	8.69%	-	-	-
2006	795,758	-	7.80%	-	7.80%	-	7.80%	-	-	-
2005	753,266	-	6.40%	-	6.40%	-	6.40%	-	-	-

* Covered-employee payroll as reported in the October 1, 2013 funding valuation report

** Net of employee contributions

Schedule of Annual Money-Weighted Rate of Return on Pension Plan Investments - Last Ten Fiscal Years

	Fiscal Year End June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005

Money-Weighted Rate of Return 16.2% (Historical information prior to implementation of GASB 67/68 is not required)

UNIVERSITY OF MISSOURI SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014
(unaudited)

Notes to Required Supplementary Information

Valuation Date	Actuarial determined contribution rates are calculated as of September 30, 21 months prior to the end of the fiscal year in which contributions are reported.
Methods and assumptions used to determine contribution rates:	
Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar, Closed
Amortization Period	30 years
Asset Valuation Method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period. The actuarial value is further adjusted, if necessary, to be within 20% of the market value.
Actuarial Assumptions:	The actuarial assumptions used in the October 1, 2013 actuarial valuation were based on the results of an experience study for the period October 1, 2007 to September 30, 2012. See Section IV of the October 1, 2013 funding valuation report for a full summary of actuarial assumptions.
Investment Rate of Return	7.75%, net of expenses
Inflation	2.75%
Projected Salary Increases	4.9% average (including inflation) for academic and administrative; 4.1% average (including inflation) for clerical and service
Cost-of-living Adjustments	No future retiree ad-hoc increases assumed
Retirement Age	See Section IV of the October 1, 2013 funding valuation report for summary of assumption
Mortality	
Healthy lives	95% of the RP-2000 Combined Health Mortality Table projected to 2023 using Scale BB
Disabled lives	RP-2000 Disabled Retiree Mortality Table projected to 2023 using Scale BB

UNIVERSITY OF MISSOURI SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014
(unaudited)

OPEB Plan - Schedule of Funding Progress *(in thousands)*

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ([b-a] / c)
7/1/2009	37,171	646,655	609,484	5.7%	1,009,800	60.4%
7/1/2011	45,745	542,844	497,099	8.4%	1,041,413	47.7%
7/1/2013 (a)(b)	49,284	669,836	620,552	7.4%	1,103,558	56.2%

(a) The 7/1/2013 Actuarial Valuation was revised based on a change in the discount rate from 5.75% to 4.00%.

(b) Date of last valuation provided

OPEB Plan - Schedule of Employer Contributions *(in thousands)*

Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed	Net Pension Obligation (Asset)
6/30/2012	7/1/2011	50,954	50%	109,496
6/30/2013	7/1/2011	50,954	38%	142,209
6/30/2014	7/1/2013(a)	59,965	42%	177,040

(a) The 7/1/2013 Actuarial Valuation was revised based on a change in the discount rate from 5.75% to 4.00%.



University of Missouri System
COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS

STATISTICAL SECTION

STATEMENT OF NET POSITION

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 90,750	\$ 177,722	\$ 228,639	\$ 44,249	\$ 149,515
Restricted Cash and Cash Equivalents	56,185	80,730	134,141	177,038	177,798
Short-Term Investments	217,758	272,839	126,054	151,070	40,268
Restricted Short-Term Investments	36,176	43,087	32,092	49,264	30,619
Investment of Cash Collateral	113,477	24,428	32,032	101,047	111,557
Accounts Receivable, Net	292,854	255,081	274,100	255,589	249,460
Pledges Receivable, Net	15,930	14,803	11,898	12,374	14,505
Investment Settlements Receivable	224,423	16,176	37,316	15,634	6,200
Notes Receivable, Net	8,490	8,068	8,151	8,532	9,046
Due To Component Units	(8,107)	(7,826)	(7,029)	(6,658)	(5,285)
Inventories	35,354	37,398	36,022	35,193	28,401
Prepaid Expenses and Other Current Assets	26,884	27,533	27,332	25,759	25,604
Total Current Assets	1,110,174	950,039	940,748	869,091	837,688
Noncurrent Assets					
Pledges Receivable, Net	40,004	43,911	41,708	14,895	16,256
Notes Receivable, Net	79,961	62,829	54,698	54,015	50,635
Deferred Charges and Other Assets	2,243	9,735	10,253	13,218	12,374
Long-Term Investments	1,526,603	1,338,894	1,363,827	1,357,918	1,171,998
Restricted Long-Term Investments	1,300,481	1,103,616	1,066,915	1,161,184	891,067
Capital Assets, Net	3,123,172	2,997,508	2,848,993	2,642,196	2,534,365
Total Noncurrent Assets	6,072,464	5,556,493	5,386,394	5,243,426	4,676,695
Deferred Outflow of Resources	52,417	39,859	51,214	28,185	31,947
Total Assets and Deferred Outflow of Resources	\$ 7,235,055	\$ 6,546,391	\$ 6,378,356	\$ 6,140,702	\$ 5,546,330
Liabilities					
Current Liabilities					
Accounts Payable	\$ 137,956	\$ 131,410	\$ 140,274	\$ 130,803	\$ 123,809
Accrued Liabilities	159,209	162,779	150,971	143,347	138,309
Deferred Revenue	89,318	85,323	84,923	78,209	78,200
Funds Held for Others	78,787	71,169	65,643	62,951	53,245
Investment Settlements Payable	191,449	107,183	177,988	47,319	41,931
Collateral Held for Securities Lending	113,477	24,428	32,032	101,047	111,557
Commercial Paper and Current Portion of Long-Term Debt	92,433	203,295	183,226	29,107	30,139
Long-Term Debt Subject to Remarketing	99,445	99,895	100,330	220,885	223,680
Total Current Liabilities	962,074	885,482	935,387	813,668	800,870
Noncurrent Liabilities					
Unearned Revenue	9,859	-	-	-	-
Long-Term Debt	1,411,225	1,121,127	1,143,111	1,150,096	925,661
Deferred Revenue	39,571	-	-	1,519	1,925
Derivative Instrument Liability	177,040	39,869	57,856	26,702	30,680
Other Postemployment Benefits Liability	253,804	142,209	109,496	83,306	52,613
Other Noncurrent Liabilities	60,652	56,765	47,889	49,167	53,845
Total Noncurrent Liabilities	1,952,151	1,359,970	1,358,352	1,310,790	1,064,724
Deferred Inflow Resources	185,860				
Total Liabilities and Deferred Inflow of Resources	\$ 3,100,085	\$ 2,245,452	\$ 2,293,739	\$ 2,124,458	\$ 1,865,594
Net Position					
Net Investment in Capital Assets	1,626,371	1,636,334	1,545,227	1,516,095	1,485,090
Restricted					
Nonexpendable -					
Endowment	998,947	858,820	771,146	788,876	679,494
Expendable -					
Scholarship, Research, Instruction & Other	349,560	323,473	299,789	264,605	244,226
Loans	81,805	80,436	79,091	77,300	75,637
Capital Projects	46,363	42,357	29,063	18,438	32,373
Unrestricted	1,031,924	1,359,519	1,360,301	1,350,930	1,163,916
Total Net Position	4,134,970	4,300,939	4,084,617	4,016,244	3,680,736
Total Liabilities & Net Position	\$ 7,235,055	\$ 6,546,391	\$ 6,378,356	\$ 6,140,702	\$ 5,546,330

CHANGES IN NET POSITION

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Operating Revenues					
Tuition and Fees, Net	\$ 829,920	\$ 791,319	\$ 736,074	\$ 671,419	\$ 630,498
Less: Scholarship Allowances	202,647	198,514	190,798	175,917	164,187
Net Tuition and Fees	627,273	592,805	545,276	495,502	466,311
Federal Grants and Contracts	160,582	183,654	184,882	196,122	183,885
State and Local Grants and Contracts	49,538	54,298	55,837	57,375	66,194
Private Grants and Contracts	76,867	71,731	71,023	67,025	68,044
Sales and Services of Educational Activities	24,137	24,129	23,106	21,671	22,560
Auxiliary Enterprises -					
Patient Medical Services, Net	873,638	847,681	795,302	741,626	720,050
Housing and Dining Services, Net	106,818	105,794	99,667	93,724	89,743
Bookstores	54,444	55,582	57,566	58,591	59,288
Other Auxiliary Enterprises, Net	247,922	250,975	217,590	238,270	215,497
Other Operating Revenues	64,037	58,179	55,312	55,811	49,250
Total Operating Revenues	2,285,256	2,244,828	2,105,561	2,025,717	1,940,822
Operating Expenses					
Salaries and Wages	1,363,449	1,343,889	1,318,349	1,272,226	1,236,965
Benefits	346,257	385,767	359,595	328,340	303,300
Supplies, Services and Other Operating Expenses	833,799	766,624	762,700	716,044	676,362
Scholarships and Fellowships	66,919	62,461	60,380	58,790	55,469
Depreciation	183,250	167,796	160,915	155,103	146,753
Total Operating Expenses	2,793,674	2,726,537	2,661,939	2,530,503	2,418,849
Operating Loss before State Appropriations	(508,418)	(481,709)	(556,378)	(504,786)	(478,027)
State Appropriations	412,650	401,400	397,629	437,631	498,358
Operating Income (Loss) after State Appropriations, Before Nonoperating Revenues (Expenses)	(95,768)	(80,309)	(158,749)	(67,155)	20,331
Nonoperating Revenues (Expenses)					
Federal Appropriations	27,675	29,154	28,222	28,416	21,455
Federal Pell Grants	59,776	59,917	62,311	57,951	48,281
Investment and Endowment Income (Losses), Net	281,837	147,433	30,855	266,633	172,833
Private Gifts	66,780	64,103	90,346	52,564	48,695
Interest Expense	(59,916)	(55,256)	(53,923)	(49,507)	(46,103)
Other Nonoperating Revenues (Expenses)	1,477	(4,822)	(10,214)	(3,279)	(1,659)
Net Nonoperating Revenues (Expenses)	377,629	240,529	147,597	352,778	243,502
Income (Loss) before Capital Contributions, Additions to Permanent Endowments, Extraordinary and Special Items	281,861	160,220	(11,152)	285,623	263,833
State Capital Appropriations	-	745	937	8,043	14,205
Capital Gifts and Grants	14,727	20,244	11,788	15,466	19,381
Private Gifts for Endowment Purposes	47,390	35,113	24,484	26,376	24,703
Extraordinary Item:					
Special Item	-	-	42,316	-	-
Increase (Decrease) in Net Position	343,978	216,322	68,373	335,508	322,122
Net Position, Beginning of Year	4,300,939	4,084,617	4,016,244	3,680,736	3,364,777
Cumulative Effect of Change in Accounting Principle	(509,947)	-	-	-	(6,163)
Net Position, Beginning of Year, as Adjusted	3,790,992	4,084,617	4,016,244	3,680,736	3,358,614
Net Position, End of Year	\$ 4,134,970	\$ 4,300,939	\$ 4,084,617	\$ 4,016,244	\$ 3,680,736

CHANGES IN NET POSITION

(% increase / decrease from prior year)

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Operating Revenues					
Tuition and Fees, Net	4.9%	7.5%	9.6%	6.5%	4.8%
Less: Scholarship Allowances	2.1%	4.0%	8.5%	7.1%	10.5%
Net Tuition and Fees	5.8%	8.7%	10.0%	6.3%	2.9%
Federal Grants and Contracts	-12.6%	-0.7%	-5.7%	6.7%	6.5%
State and Local Grants and Contracts	-8.8%	-2.8%	-2.7%	-13.3%	24.8%
Private Grants and Contracts	7.2%	1.0%	6.0%	-1.5%	-4.2%
Sales and Services of Educational Activities	0.0%	4.4%	6.6%	-3.9%	2.1%
Auxiliary Enterprises -					
Patient Medical Services, Net	3.1%	6.6%	7.2%	3.0%	5.1%
Housing and Dining Services, Net	1.0%	6.1%	6.3%	4.4%	9.5%
Bookstores	-2.0%	-3.4%	-1.7%	-1.2%	-4.5%
Other Auxiliary Enterprises, Net	-1.2%	15.3%	-8.7%	10.6%	3.9%
Other Operating Revenues	10.1%	5.2%	-0.9%	13.3%	-8.3%
Total Operating Revenues	1.8%	6.6%	3.9%	4.4%	4.2%
Operating Expenses					
Salaries and Wages	1.5%	1.9%	3.6%	2.9%	1.9%
Benefits	-10.2%	7.3%	9.5%	8.3%	1.2%
Supplies, Services and Other Operating Expenses	8.8%	0.5%	6.5%	5.9%	0.5%
Scholarships and Fellowships	7.1%	3.4%	2.7%	6.0%	14.5%
Depreciation	9.2%	4.3%	3.7%	5.7%	11.9%
Total Operating Expenses	2.5%	2.4%	5.2%	4.6%	2.2%
Operating Loss before State Appropriations	-5.5%	13.4%	-10.2%	-5.6%	5.0%
State Appropriations	2.8%	0.9%	-9.1%	-12.2%	3.9%
Operating Income (Loss) after State Appropriations, Before Nonoperating Revenues (Expenses)	-19.2%	49.4%	-136.4%	430.3%	185.4%
Nonoperating Revenues (Expenses)					
Federal Appropriations	-5.1%	3.3%	-0.7%	32.4%	44.4%
Federal Pell Grants	-0.2%	-3.8%	7.5%	20.0%	52.6%
Investment and Endowment Income (Losses), Net	91.2%	377.8%	-88.4%	54.3%	199.7%
Private Gifts	4.2%	-29.0%	71.9%	7.9%	-7.3%
Interest Expense	8.4%	2.5%	8.9%	7.4%	46.7%
Other Nonoperating Revenues (Expenses)	130.6%	52.8%	-211.5%	-97.6%	57.8%
Net Nonoperating Revenues (Expenses)	57.0%	63.0%	-58.2%	44.9%	322.1%
Income (Loss) before Capital Contributions, Additions to Permanent Endowments and Extraordinary Item	-75.9%	1536.7%	-103.9%	8.3%	297.7%
State Capital Appropriations	-100.0%	-20.5%	-88.4%	-43.4%	-20.3%
Capital Gifts and Grants	-27.3%	71.7%	-23.8%	-20.2%	49.0%
Private Gifts for Endowment Purposes	35.0%	43.4%	-7.2%	6.8%	17.1%
Extraordinary Item:					
Special Item	-	-	-	-	-
Increase (Decrease) in Net Position	59.0%	216.4%	-79.6%	4.2%	507.8%
Net Position, Beginning of Year	5.3%	1.7%	9.1%	9.4%	-1.9%
Cumulative Effect of Change in Accounting Principle	0.0%	0.0%	0.0%	100.0%	-146.2%
Net Position, Beginning of Year, as Adjusted	-7.2%	1.7%	9.1%	9.6%	-2.5%
Net Position, End of Year	-3.9%	5.3%	1.7%	9.1%	9.4%

COMPOSITE FINANCIAL INDEX

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
+ Primary Reserve Ratio	0.525	0.65	0.65	0.67	0.62
/ Conversion Factor	0.133	0.133	0.133	0.133	0.133
= Strength Factor	3.95	4.88	4.92	5.05	4.63
x Weighting Factor	35%	35%	35%	35%	35%
= Ratio Subtotal	1.38	1.71	1.72	1.77	1.62

Primary Reserve Ratio - measures the financial strength of the institution by indicating how long the institution could function using its expendable reserves to cover operations should additional net position not be available. A positive ratio and an increasing amount over time denotes strength.

+ Return on Assets Ratio	8.7%	5.2%	1.7%	8.7%	9.2%
/ Conversion Factor	0.020	0.020	0.020	0.020	0.020
= Strength Factor	4.34	2.58	0.84	4.36	4.58
x Weighting Factor	20%	20%	20%	20%	20%
= Ratio Subtotal	0.87	0.52	0.17	0.87	0.92

Return on Assets Ratio - measures total economic return. While an increasing trend reflects strength, a decline may be appropriate and even warranted if it represents a strategy on the part of the institution to fulfill its mission.

+ Net Operating Revenues Ratio	5.1%	5.6%	3.5%	5.1%	7.7%
/ Conversion Factor	0.013	0.013	0.013	0.013	0.013
= Strength Factor	3.92	4.30	2.68	3.96	5.89
x Weighting Factor	10%	10%	10%	10%	10%
= Ratio Subtotal	0.39	0.43	0.27	0.40	0.59

Net Operating Revenues Ratio - measures whether the institution is living within available resources. A positive ratio and an increasing amount over time generally reflects strength.

+ Viability Ratio	0.91	1.24	1.22	1.21	1.26
/ Conversion Factor	0.417	0.417	0.417	0.417	0.417
= Strength Factor	2.19	2.97	2.92	2.90	3.02
x Weighting Factor	35%	35%	35%	35%	35%
= Ratio Subtotal	0.77	1.04	1.02	1.01	1.06

Viability Ratio - measures the ability of the institution to cover its debt as of the balance sheet date, should the institution need to do so. A positive ratio greater than 1.00 generally denotes strength.

Composite Financial Index	3.41	3.69	3.18	4.05	4.18
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Composite Financial Index - Three Year Average	3.43	3.64	3.80	3.65	3.38
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Composite Financial Index (CFI) - provides a methodology for a single overall financial measurement of the institution's health based on the four core ratios. The CFI uses a reasonable weighting plan and allows for a weakness or strength in a specific ratio to be offset by another ratio result, which provides a more balanced measure. The CFI provides a more holistic approach to understanding the financial health of the institution. The CFI scores are not intended to be precise measures; they are indicators of ranges of financial health that can be indicators of overall institutional well-being when combined with non-financial indicators.

MARKET RATIOS**Statistical Section***Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report***Net Tuition per Student**

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Gross Tuition and Fees	\$ 829,920	\$ 791,319	\$ 736,074	\$ 671,419	\$ 630,498
Less: Scholarship Discounts / Allowances	(202,647)	(198,514)	(190,798)	(175,917)	(164,187)
Less: Scholarship / Fellowship Expenses	(66,919)	(62,461)	(60,380)	(58,790)	(55,469)
Net Tuition	\$ 560,354	\$ 530,344	\$ 484,896	\$ 436,712	\$ 410,842
Net Tuition	\$ 560,354	\$ 530,344	\$ 484,896	\$ 436,712	\$ 410,842
Number of Students - Fall Semester (FTEs)	58,163	57,806	56,843	55,272	53,292
Net Tuition per Student	\$ 9,634	\$ 9,175	\$ 8,530	\$ 7,901	\$ 7,709

State Appropriations per Student

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
State Appropriations	\$ 412,650	\$ 401,400	\$ 397,629	\$ 437,631	\$ 498,358
Number of Students - Fall Semester (FTEs)	58,163	57,806	56,843	55,272	53,292
State Appropriations per Student	\$ 7,095	\$ 6,944	\$ 6,995	\$ 7,918	\$ 9,351

Educational Expenses per Student

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Total Operating Expenses	\$ 2,793,674	\$ 2,726,537	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849
Less: Scholarships / Fellowships Expense	(66,919)	(62,461)	(60,380)	(58,790)	(55,469)
Less: Auxiliary Operating Expenses	(1,132,915)	(1,109,157)	(1,067,820)	(1,028,491)	(956,455)
Less: Grants and Contracts Expenses	(286,987)	(309,683)	(311,742)	(320,522)	(318,123)
Interest Expense	59,916	55,256	53,923	49,507	46,103
Less: Auxiliary Interest Expense	(12,538)	(9,753)	(8,427)	(9,006)	(9,197)
Net Educational Expenses	\$ 1,354,231	\$ 1,290,739	\$ 1,267,493	\$ 1,163,201	\$ 1,125,708
Net Educational Expenses	\$ 1,354,231	\$ 1,290,739	\$ 1,267,493	\$ 1,163,201	\$ 1,125,708
Number of Students - Fall Semester (FTEs)	58,163	57,806	56,843	55,272	53,292
Educational Expenses per Student	\$ 23,283	\$ 22,329	\$ 22,298	\$ 21,045	\$ 21,123

Total Tuition Discount

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Scholarship Allowances	\$ 202,647	\$ 198,514	\$ 190,798	\$ 175,917	\$ 164,187
Scholarships / Fellowships Expense	66,919	62,461	60,380	58,790	55,469
Total Tuition Discounts (\$)	\$ 269,566	\$ 260,975	\$ 251,178	\$ 234,707	\$ 219,656
Total Tuition Discounts (\$)	\$ 269,566	\$ 260,975	\$ 251,178	\$ 234,707	\$ 219,656
Gross Tuition and Fees	\$ 829,920	\$ 791,319	\$ 736,074	\$ 671,419	\$ 630,498
Total Tuition Discount (%)	32.5%	33.0%	34.1%	35.0%	34.8%

CAPITAL RATIOS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Unrestricted Financial Resources to Direct Debt

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Current Portion of Long-Term Debt	\$ 92,433	\$ 203,295	\$ 183,226	\$ 29,107	\$ 30,139
Long-Term Debt Subject to Remarketing	99,445	99,895	100,330	220,885	223,680
Long-Term Debt	1,411,225	1,121,127	1,143,111	1,150,096	925,661
Total Direct Debt	\$ 1,603,103	\$ 1,424,317	\$ 1,426,667	\$ 1,400,088	\$ 1,179,480
Net Position - Unrestricted	\$ 1,031,924	\$ 1,359,519	\$ 1,360,301	\$ 1,350,930	\$ 1,163,916
Total Direct Debt	\$ 1,603,103	\$ 1,424,317	\$ 1,426,667	\$ 1,400,088	\$ 1,179,480

Unrestricted Financial Resources to Direct Debt

0.64 0.95 0.95 0.96 0.99

Expendable Financial Resources to Direct Debt (Viability Ratio)

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Net Position - Unrestricted	\$ 1,031,924	\$ 1,359,519	\$ 1,360,301	\$ 1,350,930	\$ 1,163,916
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	349,560	323,473	299,789	264,605	244,226
Net Position - Restricted Expendable - Loans	81,805	80,436	79,091	77,300	75,637
Expendable Net Position	\$ 1,463,289	\$ 1,763,428	\$ 1,739,181	\$ 1,692,835	\$ 1,483,779
Expendable Net Position	\$ 1,463,289	\$ 1,763,428	\$ 1,739,181	\$ 1,692,835	\$ 1,483,779
Total Direct Debt	\$ 1,603,103	\$ 1,424,317	\$ 1,426,667	\$ 1,400,088	\$ 1,179,480

Viability Ratio

0.91 1.24 1.22 1.21 1.26

Total Financial Resources to Direct Debt

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Net Position - Unrestricted	\$ 1,031,924	\$ 1,359,519	\$ 1,360,301	\$ 1,350,930	\$ 1,163,916
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	349,560	323,473	299,789	264,605	244,226
Net Position - Restricted Expendable - Loans	81,805	80,436	79,091	77,300	75,637
Net Position - Restricted Nonexpendable	998,947	858,820	771,146	788,876	679,494
Total Financial Resources	\$ 2,462,236	\$ 2,622,248	\$ 2,510,327	\$ 2,481,711	\$ 2,163,273
Total Financial Resources	\$ 2,462,236	\$ 2,622,248	\$ 2,510,327	\$ 2,481,711	\$ 2,163,273
Total Direct Debt	\$ 1,603,103	\$ 1,424,317	\$ 1,426,667	\$ 1,400,088	\$ 1,179,480

Total Financial Resources to Direct Debt

1.54 1.84 1.76 1.77 1.83

Direct Debt per Student

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Total Direct Debt	\$ 1,603,103	\$ 1,424,317	\$ 1,426,667	\$ 1,400,088	\$ 1,179,480
Number of Students - End of Fiscal Year (FTEs)	59,582	58,163	57,806	56,843	55,272
Direct Debt per Student	\$ 26,906	\$ 24,488	\$ 24,680	\$ 24,631	\$ 21,340

CAPITAL RATIOS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Actual Debt Service to Operations

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Debt Service - Principal	\$ 24,325	\$ 24,849	\$ 26,393	\$ 29,010	\$ 24,922
Debt Service - Interest	59,916	55,256	53,923	49,507	46,103
Total Debt Service	\$ 84,241	\$ 80,105	\$ 80,316	\$ 78,517	\$ 71,025
Operating Expenses	\$ 2,793,674	\$ 2,726,537	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849
Less: Scholarships & Fellowships Expense	(66,919)	(62,461)	(60,380)	(58,790)	(55,469)
Interest Expense	59,916	55,256	53,923	49,507	46,103
Adjusted Total Operating Expense	\$ 2,786,671	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483
Total Debt Service	\$ 84,241	\$ 80,105	\$ 80,316	\$ 78,517	\$ 71,025
Adjusted Total Operating Expense	\$ 2,786,671	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483
Actual Debt Service to Operations	3.0%	2.9%	3.0%	3.1%	2.9%

Capital Expense to Operations

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Depreciation Expense	\$ 183,250	\$ 167,796	\$ 160,915	\$ 155,103	\$ 146,753
Interest Expense	59,916	55,256	53,923	49,507	46,103
Total Capital Expense	\$ 243,166	\$ 223,052	\$ 214,838	\$ 204,610	\$ 192,856
Operating Expenses	\$ 2,793,674	\$ 2,726,537	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849
Less: Scholarships & Fellowships Expense	(66,919)	(62,461)	(60,380)	(58,790)	(55,469)
Interest Expense	59,916	55,256	53,923	49,507	46,103
Adjusted Total Operating Expense	\$ 2,786,671	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483
Total Capital Expense	\$ 243,166	\$ 223,052	\$ 214,838	\$ 204,610	\$ 192,856
Adjusted Total Operating Expense	\$ 2,786,671	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483
Capital Expense to Operations	8.7%	8.2%	8.1%	8.1%	8.0%

BALANCE SHEET RATIOS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Unrestricted Financial Resources to Operations

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Net Position - Unrestricted	\$ 1,031,924	\$ 1,359,519	\$ 1,360,301	\$ 1,350,930	\$ 1,163,916
Operating Expenses	\$ 2,793,674	\$ 2,726,537	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849
Less: Scholarships & Fellowships Expense	(66,919)	(62,461)	(60,380)	(58,790)	(55,469)
Interest Expense	59,916	55,256	53,923	49,507	46,103
Adjusted Total Operating Expense	\$ 2,786,671	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483
Net Position - Unrestricted	\$ 1,031,924	\$ 1,359,519	\$ 1,360,301	\$ 1,350,930	\$ 1,163,916
Adjusted Total Operating Expense	\$ 2,786,671	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483

Unrestricted Financial Resources to Operations

0.37 0.50 0.51 0.54 0.48

Expendable Financial Resources to Operations (Primary Reserve Ratio)

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Net Position - Unrestricted	\$ 1,031,924	\$ 1,359,519	\$ 1,360,301	\$ 1,350,930	\$ 1,163,916
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	349,560	323,473	299,789	264,605	244,226
Net Position - Restricted Expendable - Loans	81,805	80,436	79,091	77,300	75,637
Expendable Net Position	\$ 1,463,289	\$ 1,763,428	\$ 1,739,181	\$ 1,692,835	\$ 1,483,779
Operating Expenses	\$ 2,793,674	\$ 2,726,537	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849
Less: Scholarships & Fellowships Expense	(66,919)	(62,461)	(60,380)	(58,790)	(55,469)
Interest Expense	59,916	55,256	53,923	49,507	46,103
Adjusted Total Operating Expense	\$ 2,786,671	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483
Expendable Net Position	\$ 1,463,289	\$ 1,763,428	\$ 1,739,181	\$ 1,692,835	\$ 1,483,779
Adjusted Total Operating Expense	\$ 2,786,671	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483
Primary Reserve Ratio	0.53	0.65	0.65	0.67	0.62

Total Financial Resources per Student

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Net Position - Unrestricted	\$ 1,031,924	\$ 1,359,519	\$ 1,360,301	\$ 1,350,930	\$ 1,163,916
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	349,560	323,473	299,789	264,605	244,226
Net Position - Restricted Expendable - Loans	81,805	80,436	79,091	77,300	75,637
Net Position - Restricted Nonexpendable	998,947	858,820	771,146	788,876	679,494
Total Financial Resources	\$ 2,462,236	\$ 2,622,248	\$ 2,510,327	\$ 2,481,711	\$ 2,163,273
Total Financial Resources	\$ 2,462,236	\$ 2,622,248	\$ 2,510,327	\$ 2,481,711	\$ 2,163,273
Number of Students - End of Fiscal Year (FTE)	59,582	58,163	57,806	56,843	55,272
Total Financial Resources per Student	\$ 41,325	\$ 45,084	\$ 43,427	\$ 43,659	\$ 39,139

OPERATING RATIOS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Annual Operating Margin (Net Operating Revenues Ratio)

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Operating Inc (Loss) After State Appropriations	\$ (95,768)	\$ (80,309)	\$ (158,749)	\$ (67,155)	\$ 20,331
Federal Appropriations	27,675	29,154	28,222	28,416	21,455
Federal Pell Grants	59,776	59,917	62,311	57,951	48,281
Normalized Investment Income	151,113	143,305	127,497	114,592	107,236
Private Gifts	66,780	64,103	90,346	52,564	48,695
Interest Expense	(59,916)	(55,256)	(53,923)	(49,507)	(46,103)
Net Operating Surplus (Deficit)	\$ 149,660	\$ 160,914	\$ 95,704	\$ 136,861	\$ 199,895
Total Operating Revenues	\$ 2,285,256	\$ 2,244,828	\$ 2,105,561	\$ 2,025,717	\$ 1,940,822
Less: Scholarship & Fellowships Expense	(66,919)	(62,461)	(60,380)	(58,790)	(55,469)
State Appropriations	412,650	401,400	397,629	437,631	498,358
Federal Appropriations	27,675	29,154	28,222	28,416	21,455
Federal Pell Grants	59,776	59,917	62,311	57,951	48,281
Normalized Investment Income (a)	151,113	143,305	127,497	114,592	107,236
Private Gifts	66,780	64,103	90,346	52,564	48,695
Total Operating Revenues	\$ 2,936,331	\$ 2,880,246	\$ 2,751,186	\$ 2,658,081	\$ 2,609,378

(a) Normalized investment income is equal to 5% of the rolling average balance of total cash and investments over the previous three fiscal years.

Net Operating Surplus (Deficit)	\$ 149,660	\$ 160,914	\$ 95,704	\$ 136,861	\$ 199,895
Total Operating Revenues	\$ 2,936,331	\$ 2,880,246	\$ 2,751,186	\$ 2,658,081	\$ 2,609,378

Net Operating Revenues Ratio **5.1%** **5.6%** **3.5%** **5.1%** **7.7%**

Debt Service Coverage

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Total Debt Service	\$ 84,241	\$ 80,105	\$ 80,316	\$ 78,517	\$ 71,025
Net Operating Surplus (Deficit)	\$ 149,660	\$ 160,914	\$ 95,704	\$ 136,861	\$ 199,895
Add Back: Interest Expense	59,916	55,256	53,923	49,507	46,103
Add Back: Depreciation Expense	183,250	167,796	160,915	155,103	146,753
Adjusted Net Operating Surplus (Deficit)	\$ 392,826	\$ 383,966	\$ 310,542	\$ 341,471	\$ 392,751
Adjusted Net Operating Surplus (Deficit)	\$ 392,826	\$ 383,966	\$ 310,542	\$ 341,471	\$ 392,751
Total Debt Service	\$ 84,241	\$ 80,105	\$ 80,316	\$ 78,517	\$ 71,025
Debt Service Coverage	4.66	4.79	3.87	4.35	5.53

Return on Net Position

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Change in Net Position	\$ 343,978	\$ 216,322	\$ 68,373	\$ 335,508	\$ 322,122
Average Net Position	\$ 3,962,981	\$ 4,192,778	\$ 4,050,431	\$ 3,848,490	\$ 3,519,675
Return on Net Position Ratio	8.7%	5.2%	1.7%	8.7%	9.2%

CONTRIBUTION RATIOS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Contribution Ratios

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
State Appropriations	\$ 412,650	\$ 401,400	\$ 397,629	\$ 437,631	\$ 498,358
Tuition and Fees, Net of Scholarship Allow/Exp	560,354	530,344	484,896	436,712	410,842
Auxiliary Enterprises	409,184	412,351	374,823	390,585	364,528
Grants and Contracts	286,987	309,683	311,742	320,522	318,123
Federal Pell Grants	59,776	59,917	62,311	57,951	48,281
Gifts	66,780	64,103	90,346	52,564	48,695
Normalized Investment Income (a)	151,113	143,305	127,497	114,592	107,236
Patient Care	873,638	847,681	795,302	741,626	720,050
Other	115,849	111,462	106,640	105,898	93,265
Total	\$ 2,936,331	\$ 2,880,246	\$ 2,751,186	\$ 2,658,081	\$ 2,609,378
State Appropriations	14.1%	13.9%	14.5%	16.5%	19.1%
Tuition and Fees, Net of Scholarship Allow/Exp	19.1%	18.4%	17.6%	16.4%	15.7%
Auxiliary Enterprises	13.9%	14.3%	13.6%	14.7%	14.0%
Grants and Contracts	9.8%	10.8%	11.3%	12.1%	12.2%
Federal Pell Grants	2.0%	2.1%	2.3%	2.2%	1.9%
Gifts	2.3%	2.2%	3.3%	2.0%	1.9%
Normalized Investment Income (a)	5.1%	5.0%	4.6%	4.3%	4.1%
Patient Care	29.8%	29.4%	28.9%	27.9%	27.6%
Other	3.9%	3.9%	3.9%	4.0%	3.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

(a) Normalized investment income is equal to 5% of the rolling average balance of total cash and investments over the previous three fiscal years.

Operating Expenses by Functional Classifications

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Instruction	\$ 622,684	\$ 623,843	\$ 604,695	\$ 557,081	\$ 537,813
Research	190,406	205,970	210,418	219,903	214,540
Public Service	145,629	148,755	147,308	143,546	146,719
Academic Support	139,118	139,413	133,742	127,856	124,119
Student Services	84,787	77,025	75,207	69,992	70,671
Institutional Support	123,651	100,453	102,565	97,934	109,493
Operation and Maintenance of Plant	104,683	89,385	97,114	69,982	55,878
Auxiliary Enterprises	1,132,547	1,111,436	1,069,595	1,030,316	957,394
Scholarships and Fellowships	66,919	62,461	60,380	58,790	55,469
Depreciation	183,250	167,796	160,915	155,103	146,753
Total Operating Expenses	\$ 2,793,674	\$ 2,726,537	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849
Instruction	22.3%	22.9%	22.7%	22.0%	22.2%
Research	6.8%	7.6%	7.9%	8.7%	8.9%
Public Service	5.2%	5.5%	5.5%	5.7%	6.1%
Academic Support	5.0%	5.1%	5.0%	5.1%	5.1%
Student Services	3.0%	2.8%	2.8%	2.8%	2.9%
Institutional Support	4.4%	3.7%	3.9%	3.9%	4.5%
Operation and Maintenance of Plant	3.7%	3.3%	3.6%	2.8%	2.3%
Auxiliary Enterprises	40.5%	40.8%	40.2%	40.7%	39.6%
Scholarships and Fellowships	2.4%	2.3%	2.3%	2.3%	2.3%
Depreciation	6.6%	6.2%	6.0%	6.1%	6.1%
Total Operating Expenses	100.0%	100.0%	100.0%	100.0%	100.0%

STUDENT INFORMATION - CONSOLIDATED**Statistical Section***Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report***Enrollment**

Fall Semester	2013	2012	2011	2010	2009
Undergraduate Students (Head Count)	56,869	56,750	54,936	53,358	51,352
Graduate Students (Head Count)	15,224	15,130	15,562	15,232	15,080
Professional Students (Head Count)	3,179	3,164	3,067	3,006	2,952
Total Students (Head Count)	75,272	75,044	73,565	71,596	69,384
Undergraduate Students (FTE)	46,334	46,107	44,940	43,737	41,974
Graduate Students (FTE)	8,696	8,576	8,877	8,571	8,401
Professional Students (FTE)	3,133	3,123	3,026	2,964	2,917
Total Students (FTE)	58,163	57,806	56,843	55,272	53,292
Acceptance Rate - First-time Freshmen	76%	78%	79%	80%	80%
Acceptance Rate - Undergraduate Transfers	68%	71%	73%	73%	72%
Matriculation - First-time Freshmen	39%	39%	41%	42%	41%
Matriculation - Undergraduate Transfers	66%	66%	66%	67%	68%

Demographics

Fall Semester	2013	2012	2011	2010	2009
Male	48%	48%	47%	47%	47%
Female	52%	52%	53%	53%	53%
Undergraduate Residence - Missouri	79%	80%	82%	83%	84%
Undergraduate Residence - Out of State	21%	20%	18%	17%	16%
Undergraduate Full-Time	77%	76%	77%	77%	77%
Undergraduate Part-Time	23%	24%	23%	23%	23%
Graduate Full-Time	47%	46%	45%	45%	40%
Graduate Part-Time	53%	54%	55%	55%	60%
White	73.7%	74.7%	75.4%	76.5%	77.1%
Black or African American	9.7%	9.9%	10.0%	9.8%	9.9%
Non-Resident Alien	7.1%	6.5%	6.4%	6.2%	6.1%
Asian / Pacific Is.	3.7%	3.6%	3.6%	3.5%	3.5%
Hispanic	3.4%	3.2%	3.0%	2.8%	2.6%
Other	2.4%	2.1%	1.6%	1.2%	0.8%

Degrees Awarded

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Baccalaureate	10,733	10,545	10,319	9,703	9,605
Graduate Certificate	740	781	623	539	520
Master's	4,013	3,919	4,069	3,870	3,608
Educational Specialist	113	115	104	100	123
Doctoral	640	660	610	557	519
First Professional Degree	837	847	790	818	800
Total	17,076	16,867	16,515	15,587	15,175

STUDENT INFORMATION - COLUMBIA**Statistical Section***Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report***Enrollment**

Fall Semester	2013	2012	2011	2010	2009
Undergraduate Students (Head Count)	26,928	26,960	25,992	24,834	23,799
Graduate Students (Head Count)	6,434	6,473	6,534	6,310	6,288
Professional Students (Head Count)	1,254	1,271	1,236	1,197	1,150
Total Students (Head Count)	34,616	34,704	33,762	32,341	31,237
Undergraduate Students (FTE)	24,753	24,677	23,840	22,899	21,943
Graduate Students (FTE)	3,894	3,921	3,966	3,765	3,721
Professional Students (FTE)	1,228	1,248	1,215	1,174	1,134
Total Students (FTE)	29,875	29,846	29,021	27,838	26,798
Acceptance Rate - First-time Freshmen	79%	81%	82%	83%	83%
Acceptance Rate - Undergraduate Transfers	66%	67%	67%	67%	69%
Matriculation - First-time Freshmen	38%	39%	41%	42%	41%
Matriculation - Undergraduate Transfers	59%	61%	62%	66%	66%

Demographics

Fall Semester	2013	2012	2011	2010	2009
Male	47%	47%	47%	47%	46%
Female	53%	53%	53%	53%	54%
Undergraduate Residence - Missouri	75%	77%	79%	81%	83%
Undergraduate Residence - Out of State	25%	23%	21%	19%	17%
Undergraduate Full-Time	94%	93%	94%	94%	94%
Undergraduate Part-Time	6%	7%	6%	6%	6%
Graduate Full-Time	60%	60%	58%	58%	48%
Graduate Part-Time	40%	40%	42%	42%	52%
White	78.2%	79.0%	80.3%	81.8%	82.9%
Black or African American	7.2%	7.2%	6.9%	6.6%	6.4%
Non-Resident Alien	6.6%	6.3%	5.9%	5.4%	5.4%
Asian / Pacific Is.	2.2%	2.3%	2.4%	2.4%	2.5%
Hispanic	3.1%	2.9%	2.7%	2.5%	2.2%
Other	2.6%	2.3%	1.8%	1.3%	0.6%

Degrees Awarded

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Baccalaureate	5,769	5,692	5,528	5,087	4,963
Graduate Certificate	226	225	179	162	142
Master's	1,580	1,515	1,631	1,513	1,515
Educational Specialist	65	63	43	53	59
Doctoral	390	411	367	365	322
First Professional Degree	339	332	299	306	304
Total	8,369	8,238	8,047	7,486	7,305

STUDENT INFORMATION - KANSAS CITY**Statistical Section***Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report***Enrollment**

Fall Semester	2013	2012	2011	2010	2009
Undergraduate Students (Head Count)	10,227	10,614	10,122	9,850	9,381
Graduate Students (Head Count)	3,738	3,651	3,692	3,771	3,795
Professional Students (Head Count)	1,753	1,725	1,659	1,638	1,623
Total Students (Head Count)	15,718	15,990	15,473	15,259	14,799
Undergraduate Students (FTE)	7,590	7,715	7,586	7,395	6,972
Graduate Students (FTE)	2,069	1,965	2,032	2,030	2,021
Professional Students (FTE)	1,733	1,707	1,638	1,618	1,604
Total Students (FTE)	11,392	11,387	11,256	11,043	10,597
Acceptance Rate - First-time Freshmen	65%	68%	71%	71%	72%
Acceptance Rate - Undergraduate Transfers	66%	72%	80%	72%	70%
Matriculation - First-time Freshmen	37%	37%	39%	39%	40%
Matriculation - Undergraduate Transfers	68%	63%	64%	65%	68%

Demographics

Fall Semester	2013	2012	2011	2010	2009
Male	44%	42%	43%	43%	43%
Female	56%	58%	57%	57%	57%
Undergraduate Residence - Missouri	73%	75%	74%	75%	75%
Undergraduate Residence - Out of State	27%	25%	26%	25%	25%
Undergraduate Full-Time	67%	65%	68%	68%	67%
Undergraduate Part-Time	33%	35%	32%	32%	33%
Graduate Full-Time	37%	33%	34%	33%	33%
Graduate Part-Time	63%	67%	66%	67%	67%
White	64.6%	67.2%	67.9%	67.7%	67.6%
Black or African American	12.2%	12.4%	12.6%	12.6%	12.7%
Non-Resident Alien	7.5%	6.3%	6.5%	7.1%	7.4%
Asian / Pacific Is.	6.8%	6.4%	6.5%	6.4%	6.5%
Hispanic	5.7%	5.2%	4.7%	4.7%	4.3%
Other	3.1%	2.5%	1.8%	1.5%	1.4%

Degrees Awarded

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Baccalaureate	1,803	1,759	1,749	1,523	1,633
Graduate Certificate	33	33	29	24	18
Master's	1,028	954	999	972	911
Educational Specialist	35	24	35	25	33
Doctoral	116	93	99	77	83
First Professional Degree	459	475	444	468	455
Total	3,474	3,338	3,355	3,089	3,133

STUDENT INFORMATION - MISSOURI S&T

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2013	2012	2011	2010	2009
Undergraduate Students (Head Count)	6,145	5,841	5,671	5,503	5,206
Graduate Students (Head Count)	1,984	1,804	1,850	1,702	1,608
Professional Students (Head Count)	-	-	-	-	-
Total Students (Head Count)	8,129	7,645	7,521	7,205	6,814
Undergraduate Students (FTE)	5,559	5,352	5,236	5,127	4,886
Graduate Students (FTE)	1,234	1,101	1,141	1,036	979
Professional Students (FTE)	-	-	-	-	-
Total Students (FTE)	6,793	6,453	6,377	6,163	5,865
Acceptance Rate - First-time Freshmen	87%	88%	88%	87%	89%
Acceptance Rate - Undergraduate Transfers	70%	65%	67%	67%	74%
Matriculation - First-time Freshmen	48%	44%	44%	47%	47%
Matriculation - Undergraduate Transfers	76%	76%	72%	80%	71%

Note: Rolla's pre-application advising process encourages unqualified students to apply elsewhere, thereby producing misleading acceptance rate figures.

Demographics

Fall Semester	2013	2012	2011	2010	2009
Male	77%	77%	78%	78%	78%
Female	23%	23%	22%	22%	22%
Undergraduate Residence - Missouri	79%	79%	79%	80%	81%
Undergraduate Residence - Out of State	21%	21%	21%	20%	19%
Undergraduate Full-Time	89%	90%	91%	91%	92%
Undergraduate Part-Time	11%	10%	9%	9%	8%
Graduate Full-Time	60%	58%	59%	59%	59%
Graduate Part-Time	40%	42%	41%	41%	41%
White	72.4%	74.8%	74.6%	75.7%	76.4%
Black or African American	4.1%	4.3%	4.9%	4.6%	5.4%
Non-Resident Alien	16.3%	14.3%	14.4%	13.9%	12.6%
Asian / Pacific Is.	2.6%	2.4%	2.4%	2.5%	2.7%
Hispanic	2.5%	2.5%	2.5%	2.4%	2.3%
Other	2.0%	1.7%	1.2%	0.9%	0.6%

Degrees Awarded

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Baccalaureate	1,141	1,118	1,079	1,001	998
Graduate Certificate	401	435	319	282	278
Master's	551	579	567	517	411
Educational Specialist	-	-	-	-	-
Doctoral	70	95	70	65	51
First Professional Degree	-	-	-	-	-
Total	2,163	2,227	2,035	1,865	1,738

STUDENT INFORMATION - ST. LOUIS**Statistical Section***Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report***Enrollment**

Fall Semester	2013	2012	2011	2010	2009
Undergraduate Students (Head Count)	13,569	13,335	13,151	13,171	12,966
Graduate Students (Head Count)	3,068	3,202	3,486	3,449	3,389
Professional Students (Head Count)	172	168	172	171	179
Total Students (Head Count)	16,809	16,705	16,809	16,791	16,534
Undergraduate Students (FTE)	8,432	8,364	8,279	8,317	8,172
Graduate Students (FTE)	1,499	1,589	1,738	1,740	1,681
Professional Students (FTE)	172	168	172	171	179
Total Students (FTE)	10,103	10,121	10,189	10,228	10,032
Acceptance Rate - First-time Freshmen	55%	54%	54%	58%	60%
Acceptance Rate - Undergraduate Transfers	69%	73%	75%	78%	77%
Matriculation - First-time Freshmen	37%	41%	41%	37%	39%
Matriculation - Undergraduate Transfers	69%	70%	71%	66%	69%

Demographics

Fall Semester	2013	2012	2011	2010	2009
Male	40%	40%	40%	39%	38%
Female	60%	60%	60%	61%	62%
Undergraduate Residence - Missouri	93%	93%	93%	93%	93%
Undergraduate Residence - Out of State	7%	7%	7%	7%	7%
Undergraduate Full-Time	44%	46%	46%	46%	46%
Undergraduate Part-Time	56%	54%	54%	54%	54%
Graduate Full-Time	25%	26%	26%	28%	23%
Graduate Part-Time	75%	74%	74%	72%	77%
White	73.1%	72.6%	72.3%	73.7%	74.2%
Black or African American	15.2%	15.8%	16.7%	16.4%	16.6%
Non-Resident Alien	3.5%	3.6%	3.8%	3.7%	3.6%
Asian / Pacific Is.	4.3%	4.3%	3.9%	3.2%	3.2%
Hispanic	2.4%	2.4%	2.3%	2.1%	1.9%
Other	1.5%	1.3%	1.0%	0.9%	0.5%

Degrees Awarded

Fiscal Year Ended June 30,	2014	2013	2012	2011	2010
Baccalaureate	2,020	1,976	1,963	2,092	2,011
Graduate Certificate	80	88	96	71	82
Master's	854	871	872	868	771
Educational Specialist	13	28	26	22	31
Doctoral	64	61	74	50	63
First Professional Degree	39	40	47	44	41
Total	3,070	3,064	3,078	3,147	2,999



University of Missouri System
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2013 FINANCIAL INFORMATION

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University of Missouri System
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2013 FINANCIAL REPORT

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Message from the President

We educate the state's workforce. We are your doctors, dentists, pharmacists and medical researchers. We drive innovation and help small businesses thrive. We deliver technology, health care to the underserved and experts in nearly every subject.

As the state's premier public four-year research university and a vital driving force of the state's economic health, we are committed to improving the well-being of all Missourians.

It is our responsibility to be good stewards of state resources. As you'll note in the following pages, our fiscal position and health remains strong and sound. Despite the challenges generated by relatively flat state funding and limited tuition increases, the university has been able to maintain its strong financial position due to diversified revenue sources, systemwide cost containment measures and historically low borrowing costs.

At the same time, we recognize the challenges before us: uncertainty in state funding, enrollment growth, limited tuition increases and decreased investment returns. We know that in order to continue to thrive, we must chart a course that helps ensure our financial vitality well into the future. This requires strategic thinking about the university's areas of focus and how to apply precious resources to those endeavors.

Earlier this year we announced substantial savings through efficiencies and increased effectiveness. With our strategic planning efforts fully implemented, we plan to continue to look for ways to be more efficient and effective in meeting our mission of teaching, research, service and economic development.

This information and more is available on our website at www.umsystem.edu. We invite you to peruse our successes, review our strategic priorities and interact with us online or through any number of social media channels.

Sincerely,

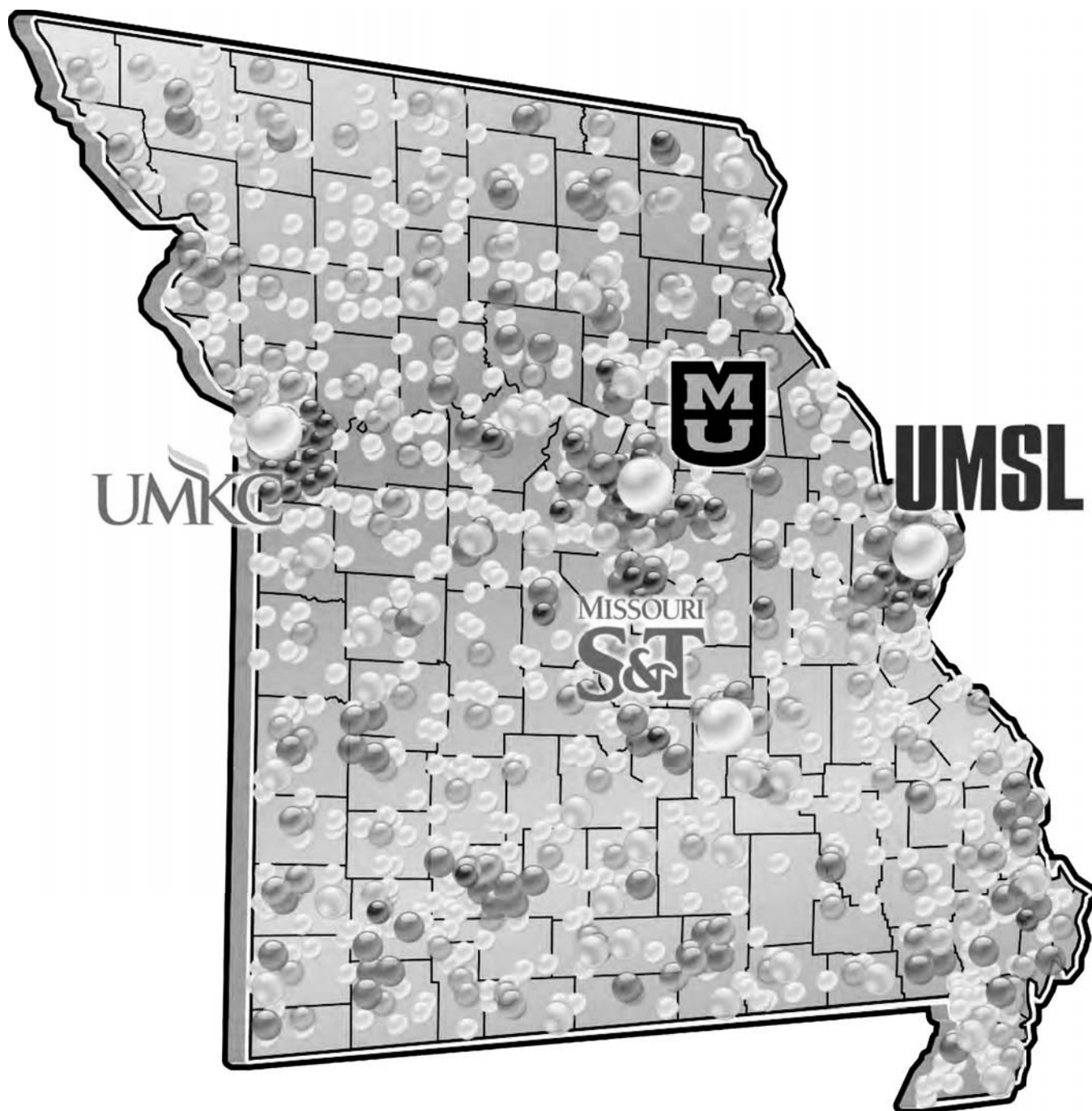


Timothy M. Wolfe

President, University of Missouri System



University of Missouri System Statewide Reach



4 UM System Campuses

10 Research Parks /
Business Incubators

22 Agricultural Research Stations

38 School Districts Served by
eMINTS Investing in
Innovation (i3) Project

39 Small Business & Technology
Development Centers

56 Health Centers & Affiliates

787 MOREnet Sites

200 Missouri Telehealth
Network Sites

114 Counties Served by
Extension Centers

Curators of the University of Missouri

The University of Missouri is governed by a nine-member board of curators, appointed by the Governor and confirmed by the Senate. Curators serve six-year terms. The student representative to the board of curators is appointed by the Governor and confirmed by the Senate. Student representatives serve two-year terms. No more than two curators shall be appointed from each congressional district, and no person shall be appointed a curator who shall not be a citizen of the United States, and who shall not have been a resident of the state of Missouri two years prior to his or her appointment. No more than five curators shall belong to any one political party.



Wayne Goode
St. Louis, Chairman
Term expires: Jan. 1, 2015



Don M. Downing
Webster Groves, Vice Chairman
Term expires: Jan. 1, 2015



David R. Bradley
St. Joseph
Term expires: Jan. 1, 2015



Ann Covington
Columbia
Term Expires: Jan. 1, 2019



Donald L. Cupps
Cassville
Term expires: Jan. 1, 2017



Pamela Quigg Henrickson
Jefferson City
Term expires: Jan. 1, 2017



John R. Phillips
Kansas City
Term expires: Jan. 1, 2019



J. Michael Ponder
Cape Girardeau
Term expires: Jan. 1, 2019



David L. Steward
St. Louis
Term expires: Jan. 1, 2017



Amy G. Johnson
Student Representative
to the Board of Curators, UMKC
Term expires: Jan. 1, 2014

University of Missouri System General Officers



Timothy M. Wolfe
President



Stephen J. Owens, JD
General Counsel



Gary K. Allen, DVM, PhD
Vice President for
Information Technology



Henry C. Foley, PhD
Executive Vice President for
Academic Affairs



Stephen C. Knorr
Vice President for
University Relations



Thomas Richards
Interim Vice President for
Finance & Treasurer



Elizabeth "Betsy" Rodriguez, PhD
Vice President for
Human Resources



Brady J. Deaton, PhD
Chancellor, University of Missouri-
Columbia



Thomas F. George, PhD
Chancellor, University of Missouri-
St. Louis



Leo E. Morton
Chancellor, University of Missouri-
Kansas City



Cheryl B. Schrader, PhD
Chancellor, Missouri University of
Science and Technology

University of Missouri System Finance Staff

Thomas Richards, Interim Vice President for Finance & Treasurer

Jane E. Closterman, Controller

Cuba Plain, Assistant Vice President for Budget Planning and Development



University of Missouri-Columbia

Considered one of the nation's top-tier institutions, the University of Missouri-Columbia has a reputation of excellence in teaching and research. It is one of only 34 public universities and the only public institution in Missouri to be selected for membership in the Association of American Universities. MU is one of only five universities nationwide with programs in law, medicine, veterinary medicine and a nuclear research reactor on one campus. The university is nationally recognized for its collaborative strengths in Food for the Future, Sustainable Energy, One Health/One Medicine, and Media of the Future.



University of Missouri-Kansas City

The University of Missouri-Kansas City celebrated its 80th anniversary in 2013. It is home to the nationally-ranked Institute for Entrepreneurship and Innovation in the Bloch School of Management and is ranked number one in the world for innovation management research. The university is widely known for KCSOURCELINK, a program that supports small business development. UMKC has long been at the heart of nurturing culture in the Kansas City region through renowned programs in music and dance, theater and visual arts. In addition, UMKC has four health science schools on one campus that provide outreach for community health needs and hands-on experience for students.



Missouri University of Science and Technology

Missouri University of Science and Technology in Rolla is one of the nation's most focused technological research universities. With 15 accredited undergraduate engineering programs, Missouri S&T provides more engineering degree options than MIT, Purdue, Illinois or Michigan. Missouri S&T graduates are highly sought by the business community, with the fifth highest starting salaries among all public universities in the nation. Missouri S&T is consistently ranked as a best investment university by numerous collegiate publications throughout the country.



UMSL

University of Missouri-St. Louis

The University of Missouri-St. Louis, the largest university in the St. Louis region, celebrated its 50th anniversary in 2013. UMSL boasts several nationally-ranked departments and programs, including the Department of Criminology and Criminal Justice and the International Business program. With the largest university alumni population in the region, UMSL is ranked 14th nationally in a survey of "Best College and University Civic Partnerships," which measures the economic, social and cultural impact of academic institutions on metropolitan regions.



University of Missouri Health Care

University of Missouri Health Care

University of Missouri Health Care touches the lives of Missourians across the state in myriad

ways - through the quality care provided at its hospitals and clinics, the education of future health professionals offered by its health sciences schools, the specialty services delivered by University Physicians, and the life-saving research conducted. University of Missouri Health Care's state-of-the-art patient care tower implements technology developed in partnership with the Tiger Institute for Health Innovation. These advances earned the hospital recognition as one of the top ten hospitals in the nation for health care information technology. University of Missouri Health Care was the only hospital in central Missouri and one of only three hospitals in the state to make *U.S. News & World Report's* prestigious Most Connected Hospitals 2012-13 list.



University of Missouri System

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FINANCIAL INFORMATION

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

October 10, 2013

The management of the University of Missouri System (the "University") is responsible for the preparation, integrity, and fair presentation of the financial statements. The financial statements, presented on pages 30 to 70, have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on judgments and estimates by management.

The financial statements have been audited by the independent accounting firm KPMG LLP, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Curators. The University believes that all representations made to the independent auditors during their audit were valid and appropriate. KPMG's audit opinion is presented on pages 28-29.

The University maintains a system of internal controls over financial reporting, which is designed to provide reasonable assurance to the University's management and Board of Curators regarding the preparation of reliable published financial statements. Such controls are maintained by the establishment and communication of accounting and financial policies and procedures, by the selection and training of qualified personnel, and by an internal audit program designed to identify internal control weaknesses in order to permit management to take appropriate corrective action on a timely basis. There are, however, inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention of controls.

The Board of Curators, through its Audit Committee, is responsible for engaging the independent auditors and meeting regularly with management, internal auditors, and the independent auditors to ensure that each is carrying out their responsibilities and to discuss auditing, internal control, and financial reporting matters. Both internal auditors and the independent auditors have full and free access to the Audit Committee.

Based on the above, I certify that the information contained in the accompanying financial statements fairly presents, in all material respects, the financial condition, changes in net position and cash flows of the University.



Thomas F. Richards
Interim Vice President for Finance & Treasurer

University of Missouri System COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS
215 University Hall • Columbia, MO 65211 • 573-882-3611 www.umsystem.edu



MISSOURI

UNIVERSITY OF MISSOURI SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012 (unaudited)

Management's Discussion and Analysis provides an overview of the financial position and activities of the University of Missouri System (the "University") for the fiscal years ended June 30, 2013 and 2012, and should be read in conjunction with the financial statements and notes. The University is a component unit of the state of Missouri and an integral part of the state's Comprehensive Annual Financial Report.

This report includes five financial statements:

- The three financial statements for the University of Missouri and its Discretely Presented and its Blended Component Units include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows, where applicable.
- The two financial statements for the University's fiduciary fund, which includes the Retirement and the Other Postemployment Benefits Trust Funds, are the Statement of Plan Net Position and the Statement of Changes in Plan Net Position.

The University's financial statements are prepared in accordance with U.S. generally accepted accounting

principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes financial reporting standards for public colleges and universities. The University's significant accounting policies are summarized in Note 1 to the financial statements of this report, including further information on the financial reporting entity. In addition, a more detailed unaudited financial report that includes campus-level financial statements is available at the University of Missouri, 1000 W Nifong, Building 7, Suite 300, Columbia, MO 65211, and at www.umsystem.edu.

FINANCIAL HIGHLIGHTS

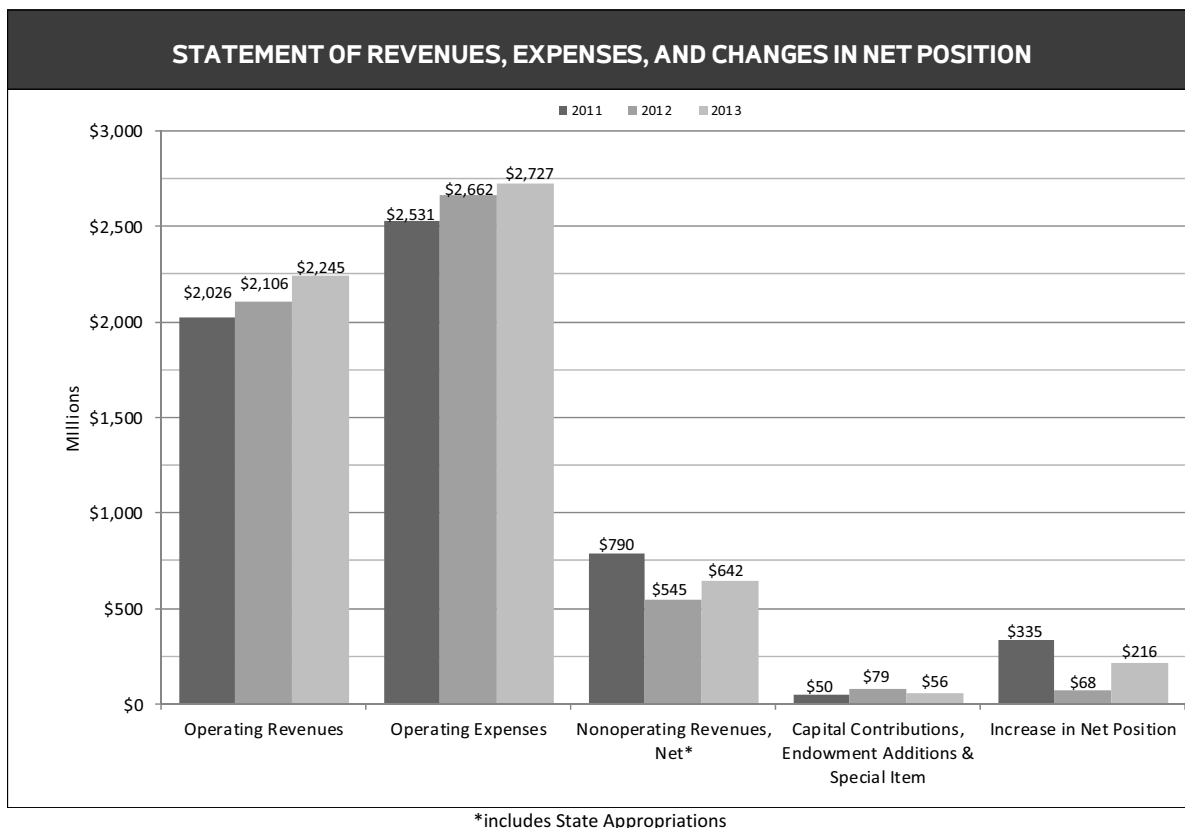
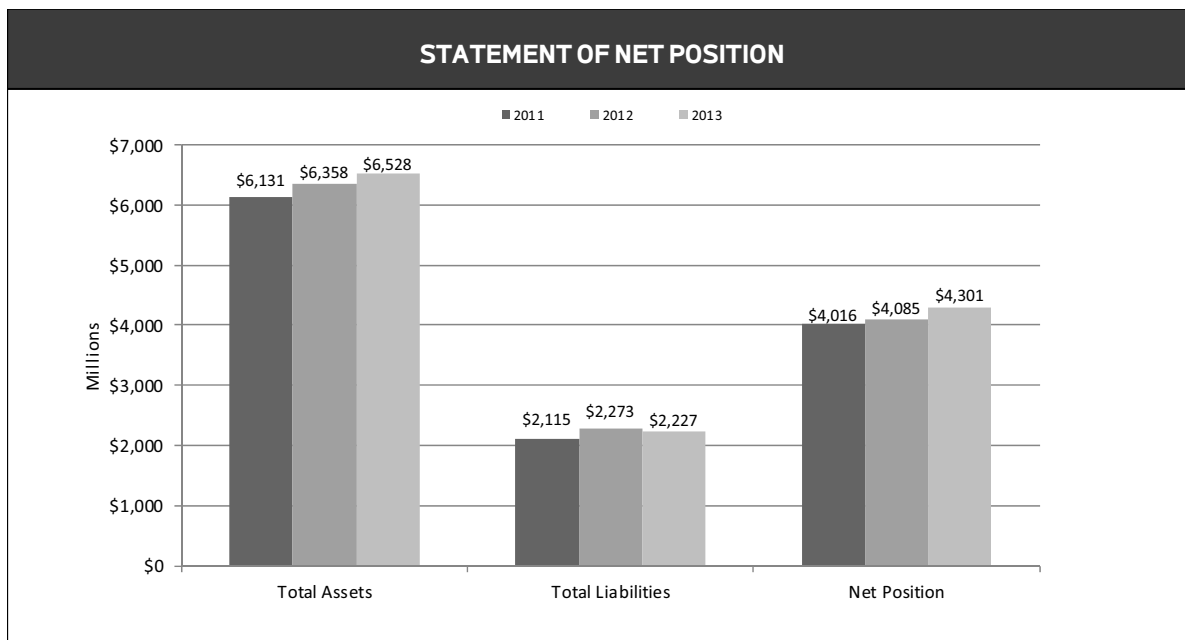
At June 30, 2013, the University's financial position remained solid, with Total Assets of \$6.5 billion. Net Position, which represents the residual value of the University's assets after deducting liabilities, totaled \$4.3 billion. When operating, non-operating, and other changes are included, Net Position increased by approximately \$216.3 million in fiscal year (FY) 2013, driven primarily by Investment and Endowment Income Net of Fees due to improved market conditions and increases in Patient Medical Services Revenue and Other Auxiliary Operations as compared to FY 2012.

UNIVERSITY OF MISSOURI SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012 (unaudited)

The following charts compare Total Assets, Liabilities, and Net Position at June 30, 2013, 2012 and 2011, and the major components of changes in Net Position for the years ended June 30, 2013, 2012 and 2011:



UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013 and 2012 (unaudited)

CONDENSED STATEMENT OF NET POSITION

The Statement of Net Position presents the University's financial position at the end of the fiscal year, including all assets and liabilities of the University and segregating them into current and noncurrent components. Total Net Position is an indicator of financial condition and changes in Total Net Position

indicate if the overall financial condition has improved or worsened. Assets and liabilities are generally measured using current values with certain exceptions, such as capital assets which are stated at cost less accumulated depreciation, and long-term debt which is stated at cost.

The following table summarizes the University's assets, liabilities and net position at June 30, 2013, 2012 and 2011:

CONDENSED STATEMENT OF NET POSITION (in thousands of dollars)			
As of June 30,	2013	2012	2011
Assets			
Current Assets	\$ 950,039	\$ 940,748	\$ 869,091
Noncurrent Assets			
Endowment and Other Long-Term Investments	2,442,510	2,430,742	2,519,102
Capital Assets, Net	2,997,508	2,848,993	2,642,196
Other	116,475	106,659	82,128
Deferred Outflow of Resources	21,736	30,415	19,023
Total Assets and Deferred Outflow of Resources	\$ 6,528,268	\$ 6,357,557	\$ 6,131,540
Liabilities			
Current Liabilities			
Commercial Paper and Current Portion of Long-Term Debt	\$ 203,295	\$ 183,226	\$ 29,107
Long-Term Debt Subject to Remarketing Agreements	99,895	100,330	220,885
Other	582,292	651,831	563,676
Noncurrent Liabilities			
Long-Term Debt	1,103,004	1,122,312	1,140,934
Other	238,843	215,241	160,694
Total Liabilities	2,227,329	2,272,940	2,115,296
Net Position			
Net Investment in Capital Assets	1,636,334	1,545,227	1,516,095
Restricted -			
Nonexpendable	858,820	771,146	788,876
Expendable	415,128	389,029	360,343
Unrestricted	1,390,657	1,379,215	1,350,930
Total Net Position	4,300,939	4,084,617	4,016,244
Total Liabilities and Net Position	\$ 6,528,268	\$ 6,357,557	\$ 6,131,540

ASSETS

Total Assets increased by \$170.7 million, or 2.7%, to \$6.5 billion as of June 30, 2013 compared to the prior year. The increase during FY 2013 was driven primarily by the University continuing to expand **Capital Assets** across all of its campuses to meet housing, educational, and patient care needs. From FY 2012 to FY 2013, Total Assets increased by 2.7%, primarily due to strong performance of Investments and expansion of Capital Assets.

At June 30, 2013, the University's working capital, which is current assets less current liabilities, was \$64.6 million, an increase of \$59.2 million from the previous year. The largest driver of the increase was a \$70.8 million decrease in **Investment Settlements Payable** for purchases of investments occurring on or before June 30, but settling after June 30.

As a measurement of actual liquidity, working capital is adversely impacted by the inclusion, per accounting

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guidelines, of Long-Term Debt Subject to Remarketing. would be \$164.5 million at June 30, 2013, also
If Long-Term Debt Subject to Remarketing were expressed as Current Assets of 1.21 times Current
excluded from Current Liabilities, working capital Liabilities.

The following table illustrates actual working capital, as well as working capital adjusted for Long-Term Debt Subject to Remarketing:

SUMMARY OF WORKING CAPITAL (in thousands of dollars)			
As of June 30,	2013	2012	2011
Current Assets	\$ 950,039	\$ 940,748	\$ 869,091
Current Liabilities	885,482	935,387	813,668
Working Capital	\$ 64,557	\$ 5,361	\$ 55,423
Ratio of Current Assets to Current Liabilities	1.07	1.01	1.07
Current Assets	950,039	940,748	869,091
Current Liabilities	885,482	935,387	813,668
Less: Long-Term Debt Subject to Remarketing	(99,895)	(100,330)	(220,885)
Current Liabilities, As Adjusted	785,587	835,057	592,783
Working Capital, As Adjusted	\$ 164,452	\$ 105,691	\$ 276,308
Ratio of Current Assets to Current Liabilities (As Adjusted)	1.21	1.13	1.47

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At June 30, 2013, the University held \$258.5 million in **Cash and Cash Equivalents**, a decrease of \$104.3 million from June 30, 2012. The June 30, 2012 cash balances of \$362.8 million were \$141.5 million higher than June 30, 2011. The decrease in cash at June 30, 2013 is largely due to timing differences as more working capital was invested at June 30, 2013 as compared to June 30, 2012. **Short-Term and Long-Term Investments** totaled \$2.8 billion as of June 30, 2013, representing an increase of 6.5% over the prior year as compared to a 4.8% decrease from FY 2011 to

FY 2012. The increase in investment balances during FY 2013 is primarily offset by decreases in cash and cash equivalents due to an increased investment of working capital. The financial markets improved during FY 2013; net realized and unrealized gains and losses increased by \$124.0 million, going from a net loss of \$27.5 million in FY 2012 to a net gain of \$96.5 million in FY 2013. The overall change in investment returns was most evident in the Endowment Pool, which experienced a net gain of 12.6% in FY 2013 as compared to a net loss of (0.9%) in FY 2012.

Composition and returns of the University's various investment pools for the years ended June 30, 2013 and 2012 were as follows:

CASH, CASH EQUIVALENTS AND INVESTMENTS (in thousands of dollars)							
	June 30, 2013					June 30, 2012	
	Cash and Cash Equivalents	Short-Term and Long-Term Investments	Total	Total Return	Benchmark Index Return (A)	Total	Total Return
General Pool	\$ 218,911	\$ 1,463,805	\$ 1,682,716	-0.9%	0.9%	\$ 1,712,662	2.4%
Endowment Funds							
Endowment Pool	27,077	1,108,448	1,135,525	12.6%	12.4%	1,043,965	-0.9%
Fixed Income Pool	595	72,774	73,369	3.5%	1.7%	77,785	5.1%
Other	11,869	113,409	125,278	N/A	N/A	117,256	N/A
Total	\$ 258,452	\$ 2,758,436	\$ 3,016,888			\$ 2,951,668	

(A) Benchmark index returns are calculated by independent investment consultants based on returns of market indices.

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At June 30, 2013, the University's investment in **Capital Assets** totaled \$3.0 billion compared to \$2.8 billion at June 30, 2012. The University added \$316.3 million in capital assets, net of retirements, during FY 2013,

offset by depreciation of \$167.8 million for the year. FY 2012 capital asset additions of \$367.7 million, net of retirements, were offset by \$160.9 million in depreciation.

Note 6 presents additional information on changes by asset classification. Major capital projects either substantially completed in FY 2013 or ongoing are shown in the following table:

SELECTED CAPITAL PROJECTS (Fiscal Year Ended June 30, 2013)			
Campus	Project Budget	Expenditures Through June 30, 2013	Source of Funding
Columbia:			
Renovation of Mark Twain Hall	\$ 21,700,000	\$ 19,500,000	Revenue Bonds
Renovation of Johnston and Wolpers Halls	42,800,000	6,500,000	Revenue Bonds, Campus Reserves
Memorial Stadium	55,300,000	13,900,000	Revenue Bonds
Dobbs Dining Replacement Project	119,603,000	96,000	Revenue Bonds, Campus Reserves
Kansas City:			
Hospital Hill	24,800,000	4,960,000	Revenue Bonds
Missouri S&T:			
Geothermal Energy Project	32,400,000	17,900,000	Revenue Bonds
St. Louis:			
Wellness Center	36,000,000	980,000	Revenue Bonds
Benton Science Learning Building	30,000,000	970,000	Revenue Bonds, Campus Reserves

Total Liabilities were \$45.6 million lower at June 30, 2013 as compared to June 30, 2012, and \$157.6 million higher at June 30, 2012 as compared to June 30, 2011. Significant changes in **Current Liabilities** at June 30, 2013 include a \$70.8 million decrease in **Investment Settlements Payable** for purchases of investments occurring on or before June 30, but settling after June 30; and a \$20.1 million increase in **Commercial Paper and Current Portion of Long-Term Debt**.

Current Liabilities include long-term variable rate demand bonds subject to remarketing agreements totaling \$99.9 million, \$100.3 million and \$220.9 million at June 30, 2013, 2012 and 2011, respectively. The variable rate demand bond has a final contractual maturity in fiscal year 2032. Despite contractual maturities beyond one year, this variable rate demand bond is classified as a current liability because the University is ultimately the sole source of liquidity should the option to tender be exercised by the bondholder.

On October 21, 2011, the Board of Curators approved the University's Commercial Paper Program, which authorizes the periodic issuance of up to an aggregate outstanding principal amount of \$375 million. During fiscal year 2013, the University issued \$18.9 million of Commercial Paper to finance capital projects. During fiscal year 2012, the University issued \$160.9 million of Commercial Paper to fund the purchase of a housing and parking facility on the Kansas City campus and refund System Facilities Revenue Bonds, Series 2000B, Series 2001A, and Series 2006B.

Noncurrent Liabilities represent those commitments beyond one year. No new bonds were issued in 2013. On May 2, 2012, the University issued \$105.2 million in Series 2012A System Facilities Revenue Bonds. Proceeds from issuance of the Series 2012A Bonds were used to refund all or a portion of Series 2003A bonds, Series 2006A bonds, Series 2007A bonds, and paying cost of issuance of the Series 2012A bonds. The all-in-true interest cost of the Series 2012A bonds is 1.7%.

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On August 3, 2011, the University issued \$54.1 million in Series 2011 System Facilities Revenue Bonds. Proceeds from issuance of the Series 2011 bonds were used to refund all or a portion of Series 1998A bonds,

2001B bonds, Series 2003B Bonds, and paying the cost of issuance of the Series 2011 bonds. The all-in-true interest cost of the Series 2011 bonds is 3.2%.

The following is a summary of long-term debt by type of debt instrument:

LONG-TERM DEBT (in thousands of dollars)			
As of June 30,	2013	2012	2011
System Facilities Revenue Bonds	\$ 1,185,400	\$ 1,206,695	\$ 1,367,925
Unamortized Premium and Loss on Defeasance	23,489	26,661	14,300
Total Bonds Payable	1,208,889	1,233,356	1,382,225
Notes Payable	14,130	4,961	1,296
Capital Lease Obligations	5,920	6,616	7,405
Commercial Paper	177,255	160,935	-
Total Long-Term Debt	\$ 1,406,194	\$ 1,405,868	\$ 1,390,926
Contractual Maturities Within One Year			
Bonds Payable - Fixed Rate	\$ 23,890	\$ 20,875	\$ 25,195
Bonds Payable - Variable Rate Demand	435	420	2,795
Notes Payable	960	300	328
Capital Lease Obligations	755	696	789
Commercial Paper	177,255	160,935	-
Total Contractual Maturities Within One Year	\$ 203,295	\$ 183,226	\$ 29,107

The following is a summary of outstanding revenue bonds and commercial paper by campus and project type:

Revenue Bonds and Commercial Paper (in thousands of dollars)							
	June 30, 2013						
	Missouri				University		Total
	MU	UMKC	UMLS	S&T	Health Care	Unallocated	
Athletics	\$ 40,084	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,084
Campus Utilities	140,926	12,301	-	31,525	-	-	184,752
Classroom & Research	57,720	26,883	3,967	3,093	-	-	91,663
Critical Repairs/Maintenance	17,657	7,525	4,645	5,230	-	-	35,057
Housing	249,037	81,827	21,753	60,617	-	-	413,234
Health Care	-	-	-	-	315,218	-	315,218
Student Centers	28,443	41,149	18,172	10,198	-	-	97,962
Parking	47,484	45,657	21,516	-	-	-	114,657
Recreational Facilities	40,633	7,359	1,711	1,172	-	-	50,875
Other	882	1,085	-	-	-	17,186	19,153
Unamortized Premium	-	-	-	-	-	41,612	41,612
Unamortized Loss on Defeasance	-	-	-	-	-	(18,123)	(18,123)
Total	\$ 622,866	\$ 223,786	\$ 71,764	\$ 111,835	\$ 315,218	\$ 40,675	\$ 1,386,144

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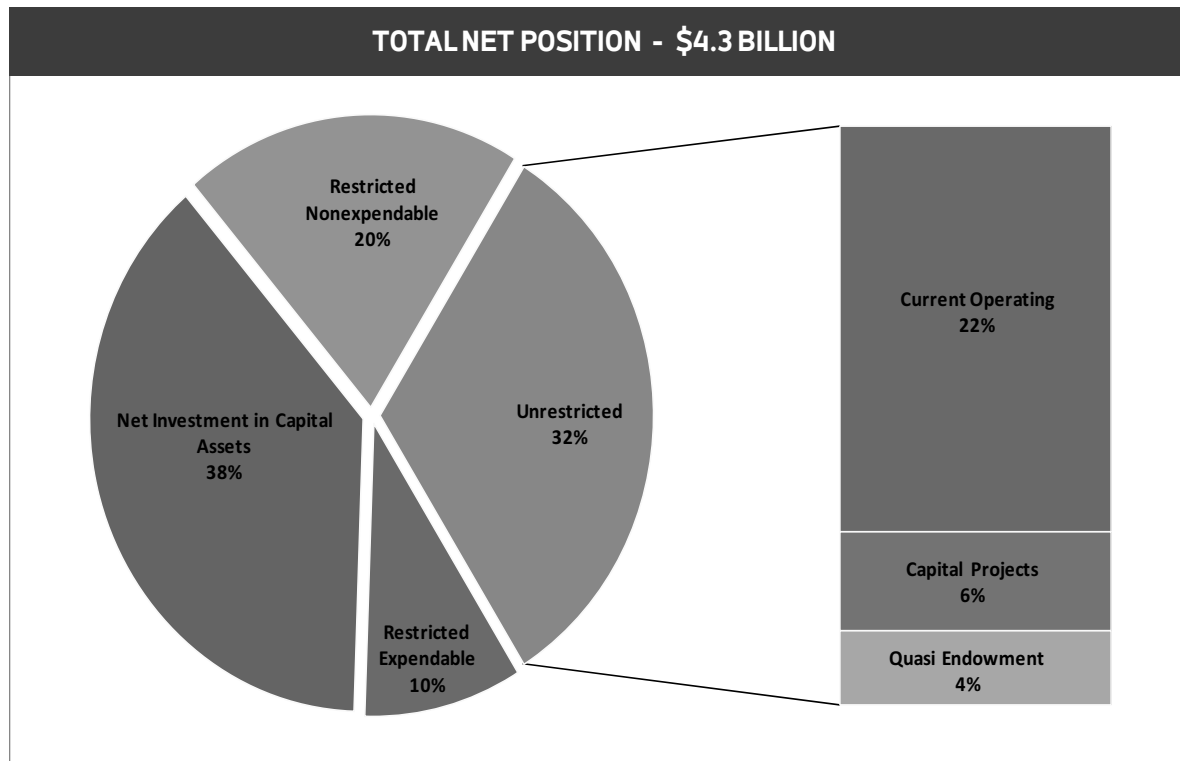
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NET POSITION

Net Position represents the value of the University's assets after liabilities are deducted. The University's

total **Net Position** increased by \$216.3 million during the year ended June 30, 2013, after increasing by \$68.4 million in the year ended June 30, 2012.

The distribution of the Net Position balances, including additional details on unrestricted net position by fund type, as of June 30, 2013, are as follows:



Total **Net Position** is reflected in the four component categories as follows:

Net Investment in Capital Assets, represents the University's investment in capital assets, net of accumulated depreciation and outstanding debt related to acquisition, construction or improvement of those assets. This category increased by \$91.1 million in FY 2013 and \$29.1 million in FY 2012. This increase is largely driven by construction of the new Patient Tower for University Health Care that is being partially funded with Unrestricted Net Position.

Restricted Nonexpendable Net Position includes endowment and similar assets that are subject to externally imposed stipulations for the principal to be maintained in perpetuity by the University. Favorable market conditions contributed to an \$87.7 million, or

11.4%, increase in Restricted Nonexpendable Net Position during FY 2013. Unrealized market losses were largely responsible for a \$17.7 million, or 2.2%, decrease during FY 2012.

Restricted Expendable Net Position represents resources that are subject to externally imposed stipulations regarding their use, but are not required to be maintained in perpetuity. This category increased by \$26.1 million, or 6.7%, during FY 2013 and \$28.7 million, or 8.0%, in FY 2012. As of June 30, 2013, this category includes:

- \$323.5 million of net position restricted for operations and giving purposes compared to \$299.8 million at June 30, 2012;

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- \$80.4 million for student loan programs compared to \$79.1 million at June 30, 2012; and
- \$11.2 million for facilities compared to \$10.1 million at June 30, 2012.

Unrestricted Net Position is not subject to externally imposed stipulations although these resources may be designated for specific purposes by the University's management or Board of Curators. This category increased by \$11.4 million, or 0.8%, to \$1.4 billion at June 30, 2013 and \$28.3 million, or 2.1%, in FY 2012. Maintaining adequate levels of unrestricted net position is one of several key factors that have enabled

the University to maintain its Aa1 credit rating. As of June 30, 2013 and 2012, University Health Care designated funds totaled \$309.5 million and \$339.5 million, respectively; capital project-designated funds totaled \$238.2 million and \$224.3 million, respectively; student loan program-designated funds totaled \$8.7 million and \$8.5 million, respectively; and unrestricted funds functioning as endowments totaled \$177.9 million and \$161.8 million, respectively. The remaining Unrestricted Net Position is available for the University's instructional and public service missions and its general operations totaled \$656.4 million and \$645.1 million at June 30, 2013 and 2012, respectively.

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STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's results of operations. The Statement distinguishes revenues and expenses between operating and non-operating categories, and provides a view of the University's operating margin.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
(in thousands of dollars)

Fiscal Year Ended June 30,	2013	2012	2011
Operating Revenues			
Net Tuition and Fees	\$ 592,805	\$ 545,276	\$ 495,502
Grants and Contracts	309,683	311,742	320,522
Patient Medical Services, Net	847,681	795,302	741,626
Other Auxiliary Enterprises	412,351	374,823	390,585
Other Operating Revenues	82,308	78,418	77,482
Total Operating Revenues	2,244,828	2,105,561	2,025,717
Operating Expenses			
Salaries, Wages and Benefits	1,729,656	1,677,944	1,600,566
Supplies, Services and Other Operating Expenses	766,624	762,700	716,044
Other Operating Expenses	230,257	221,295	213,893
Total Operating Expenses	2,726,537	2,661,939	2,530,503
Operating Loss Before State Appropriations	(481,709)	(556,378)	(504,786)
State Appropriations	401,400	397,629	437,631
Loss after State Appropriations, before			
Nonoperating Revenues (Expenses)	(80,309)	(158,749)	(67,155)
Nonoperating Revenues (Expenses)			
Investment and Endowment Income, Net of Fees	147,433	30,855	266,633
Private Gifts	64,103	90,346	52,564
Interest Expense	(55,256)	(53,923)	(49,507)
Other Nonoperating Revenues, Net	84,249	80,319	83,088
Net Nonoperating Revenues (Expenses)	240,529	147,597	352,778
Income (Loss) before Capital Contributions, Additions to Permanent Endowments and Special Item	160,220	(11,152)	285,623
State Capital Appropriations	745	937	8,043
Capital Gifts and Grants	20,244	11,788	15,466
Private Gifts for Endowment Purposes	35,113	24,484	26,376
Special Item	-	42,316	-
Increase in Net Position	216,322	68,373	335,508
Net Position, Beginning of Year	4,084,617	4,016,244	3,680,736
Net Position, End of Year	\$ 4,300,939	\$ 4,084,617	\$ 4,016,244

REVENUES

Operating Revenues represent resources generated by the University in fulfilling its instruction, research, and public service missions. Total **Operating Revenues** increased \$139.3 million, or 6.6%, in FY 2013, and

\$79.8 million, or 3.9%, in FY 2012. **Net Tuition and Fees, Patient Medical Services** and **Other Auxiliary Enterprises** contributed most significantly to the increased operating revenue in FY 2013 while **Net Tuition and Fees** and **Patient Medical Services** had the largest increases in the previous year.

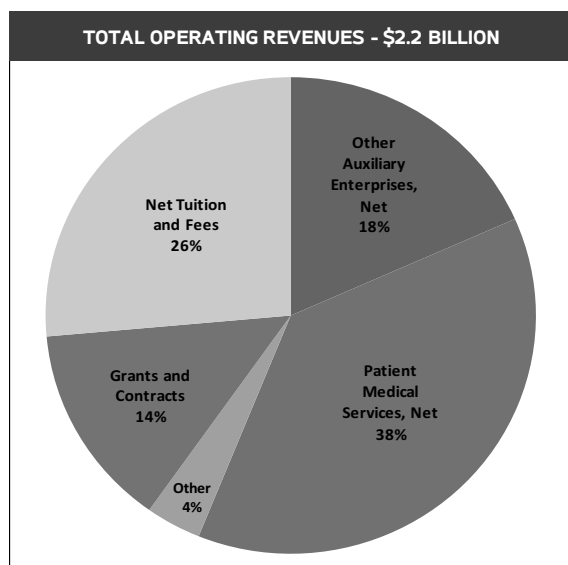
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Nonoperating Revenues are those not generated by the University's core missions and include such funding sources as State and Federal Appropriations, Pell Grants, Private Gifts and Investment and Endowment Income.

The following is a graphic illustration of operating revenues by source for FY 2013:



Operating Revenues

Tuition and Fees, net of **Scholarship Allowances**, increased by \$47.5 million, or 8.7%, in FY 2013 and by \$49.8 million, or 10.0%, in FY 2012. The increase in FY 2013 was driven by a 2% growth in full-time equivalent enrollment and increases of 3% in resident and between 3% and 8.5% in non-resident tuition rates varying by campus. The FY 2012 increase was primarily driven by increased student enrollment and an average increase of 5.5% in tuition and fee rates.

As a research institution, the University receives a substantial amount of funding through **Federal, State and Private Grants and Contracts**. Overall, sponsored funding decreased by \$2.1 million, or 0.7%, in FY 2013 compared to a decrease of 2.7% in FY 2012.

The University's auxiliary enterprises include University Health Care, Housing and Dining Services, campus Bookstores, and other such supplemental activities. Total operating revenues generated by these auxiliary enterprises increased by \$89.9 million, or 7.7% in FY

2013 as compared to an increase of \$37.9 million, or 3.3%, in FY 2012. **Patient Medical Services**, which includes fees for services provided by University Health Care, had the largest increase in both FY 2013 and FY 2012 at \$52.4 million, or 6.6%, and \$53.7 million, or 7.2%, respectively. This was largely driven by growth in both inpatient and outpatient areas with increases in discharges, patient days, clinic visits and emergency room visits.

Nonoperating Revenues

Total **State Appropriations** received for University operations, University Health Care operations, and other special programs increased by \$3.8 million, or 0.9%, in FY 2013, and decreased by \$40.0 million, or 9.1%, in FY 2012. Although state appropriations (gross) were slightly higher in FY 2012, a decrease in withholdings from 5.2% in FY 2012 to 3% in FY 2013 resulted in an increase in net state appropriations received in FY 2013.

As one of the more volatile sources of nonoperating revenues, **Investment and Endowment Income** includes interest and dividend income as well as realized and unrealized gains and losses. Realized and unrealized market value gains, losses and other activity affecting **Investment and Endowment Income** resulted in a net gain of \$147.4 million in FY 2013 as compared to a net gain of \$30.9 million in FY 2012, an increase of \$116.5 million for the year ended June 30, 2013, as compared to a \$235.8 million decrease for the year ended June 30, 2012.

Gift income is reflected in three categories: **Private Gifts, Capital Gifts and Grants** (which are restricted for adding or improving capital assets) and **Private Gifts for Endowments** (which are restricted for establishing endowments). Private Gifts and Grants can fluctuate significantly from year to year due to the voluntary nature of donors' gifts. In FY 2013, the University received gifts totaling \$119.5 million, as compared to \$126.6 million and \$94.4 million for FY 2012 and FY 2011, respectively.

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Total **Interest Expense** for both years ended June 30, 2013 and 2012 was \$64.5 million. Interest expense associated with financing projects during construction, net of any investment income earned on bond proceeds during construction, is capitalized. For the

years ended June 30, 2013 and 2012, capitalization of interest earned on unspent bond proceeds totaled \$9.2 million and \$10.6 million, respectively, resulting in net interest expense of \$55.3 million and \$53.9 million, respectively.

The following is a summary of interest expense associated with Long-Term Debt:

INTEREST EXPENSE (in thousands of dollars)			
Fiscal Year Ended June 30,	2013	2012	2011
System Facilities Revenue Bonds	\$ 56,208	\$ 57,746	\$ 53,563
Net Payment on Interest Rate Swaps	7,104	5,754	5,129
Total System Facilities Revenue Bonds	63,312	63,500	58,692
Capitalized Lease Obligations	867	929	986
Notes Payable	35	34	45
Commercial Paper	255	71	-
Total Interest Expense Before Capitalization of Interest	64,469	64,534	59,723
Capitalization of Interest, Net of Interest Earned on Unspent Bond Proceeds	(9,213)	(10,611)	(10,216)
Total Interest Expense	\$ 55,256	\$ 53,923	\$ 49,507

In FY 2013, **Other Nonoperating Revenues, Net** of \$84.2 million increased \$3.9 million over FY 2012. The increase is primarily due to a \$9.8 million loss on 2006 swap related to the purchase of a housing and parking facility on the Kansas City campus in FY 2012. In FY 2013 and FY 2012, Federal Appropriations include cash

subsidy payments from the United States Treasury totaling \$10.5 million for both years, for designated Build America Bonds outstanding. Pell Grants decreased by \$2.4 million and were largely driven by eligibility changes enacted for fiscal year 2013.

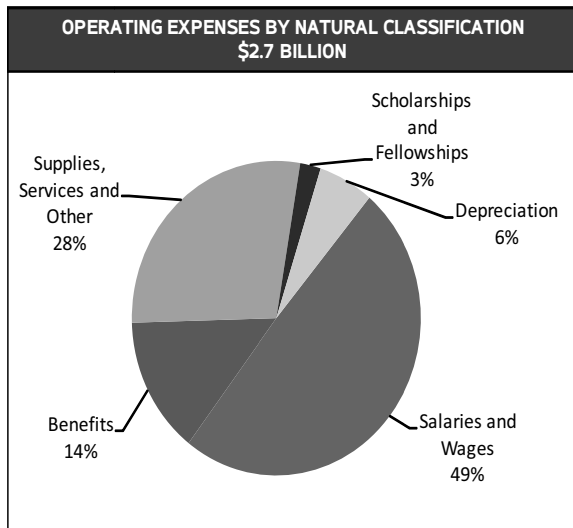
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OPERATING EXPENSES

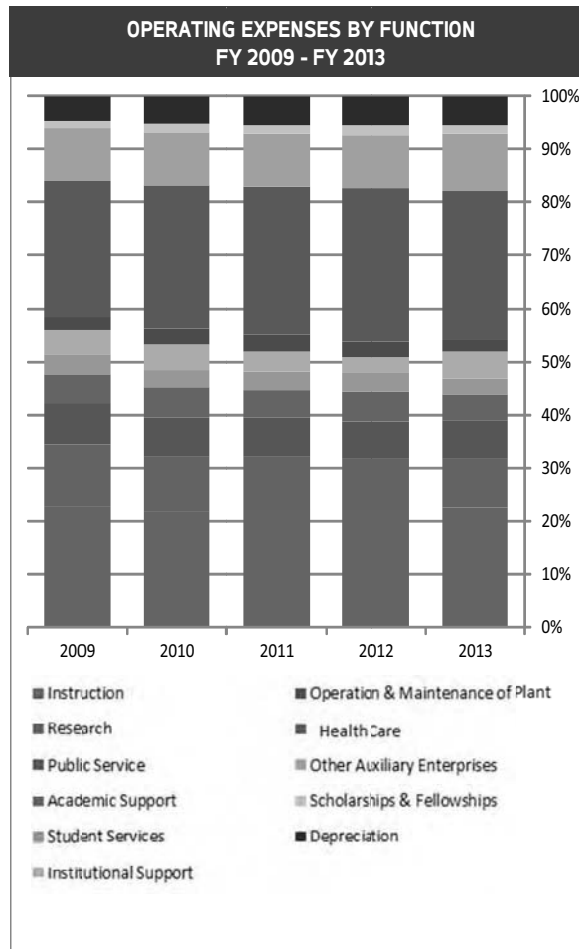
Total Operating Expenses increased by \$64.6 million, or 2.4%, in FY 2013 compared to an increase of \$131.4 million, or 5.1%, in FY 2012. The following graph illustrates the University's operating expenses by natural classification for FY 2013:



During FY 2013 and FY 2012, **Salaries, Wages and Benefits** increased approximately 3.1% and 4.8%, respectively, over the prior fiscal year. Salaries and Wages increased by \$25.5 million, or 1.9%, driven by merit increases. Staff Benefits in FY 2013 increased \$26.2 million, or 7.3%, over FY 2012 primarily due to an increase in the employer contributions rate for the retirement plan.

In FY 2013 and FY 2012, the University's **Supplies, Services, and Other Operating** expenses of \$766.6 million and \$762.7 million increased by \$3.9 million, or 0.5%, and \$46.7 million, or 6.5%, respectively, over the prior fiscal year. The reduction in growth for FY 2013 was due to cost containment measures.

The following illustrates the University's operating expenses by function for FY 2009 through FY 2013:



The core missions of instruction, research, and public service account for the largest proportion of Operating Expenses at 35.9% for FY 2013. University Health Care constitutes the next highest proportion at 24.7% of expenses for FY 2013. Excluding University Health Care, instruction, research, and public service account for 47.6% of Operating Expenses for FY 2013. Institutional support, which represents the core administrative operations of the University, was less than 5 cents of each dollar spent during this 5-year period.

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STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about the University's sources and uses of cash and cash equivalents during the fiscal year. The following summarizes sources and uses of cash and cash equivalents for the three years ended June 30, 2013, 2012 and 2011:

CONDENSED STATEMENT OF CASH FLOWS (in thousands of dollars)			
Fiscal Year Ended June 30,	2013	2012	2011
Net Cash Used in Operating Activities	\$ (251,188)	\$ (369,270)	\$ (332,797)
Net Cash Provided by Noncapital Financing Activities	581,032	620,913	617,306
Net Cash Used in Capital and Related Financing Activities	(356,843)	(388,389)	(64,886)
Net Cash Provided by (Used in) Investing Activities	(77,329)	278,239	(325,649)
Net Increase (Decrease) in Cash and Cash Equivalents	(104,328)	141,493	(106,026)
Cash and Cash Equivalents, Beginning of Year	362,780	221,287	327,313
Cash and Cash Equivalents, End of Year	\$ 258,452	\$ 362,780	\$ 221,287

Net Cash Used in Operating Activities reflects the continued need for funding from the state of Missouri, as funding received from tuition and fees and related sales and services of auxiliary and educational activities are not sufficient to cover operational needs. In FY 2013, cash used in operating activities decreased by \$118.1 million as compared to FY 2012 due primarily to increased cash inflows from tuition and fees and patient care receipts. In FY 2012, cash used in operating activities increased by \$36.5 million over FY 2011.

The University's most significant source of cash, **Net Cash Provided by Noncapital Financing Activities**, includes funding from State and Federal appropriations, Pell grants and noncapital private gifts. Cash from these sources totaling \$581.0 million, \$620.9 million and \$617.3 million in FY 2013, FY 2012 and FY 2011, respectively, directly offset the additional cash needs resulting from operations.

Net Cash Used In Capital and Related Financing Activities decreased slightly by \$31.5 million in FY 2013 due largely to a decrease in the cash outflows for capital asset purchases. Net Cash Used in Capital and Related Financing Activities of \$388.4 million in FY 2012 was due largely to the spend down of bond proceeds for capital projects.

Net Cash Provided by (Used In) Investing Activities reflects a net cash outflow of \$77.3 million in FY 2013

as to a net cash inflow of \$278.2 million in FY 2012. This is largely driven by unsettled investment trades at the end of FY 2012.

ECONOMIC OUTLOOK

The University of Missouri is the state's premier public research university contributing to the economic development and vitality of the state through groundbreaking research, educating more than 75,000 students, delivering quality healthcare to the citizens of Missouri, and providing extension services throughout the state.

The University has experienced 23% enrollment growth over the past 10 years and is now educating 14,000 more students each year. Approximately 70% of the state's growth in undergraduate enrollment among four-year institutions over the last 10 years has occurred within the University of Missouri System. This growth has occurred during the challenging economy of the past decade without any growth in state support and modest annual average increases in tuition. In FY 2013 growth in Operating Revenue exceeded the growth in Operating Expense for the first time since FY 2010, indicating that the University is managing its costs while continuing to make strategic investments in its future, all within the constraints of relatively modest revenue growth over the past several years.

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State appropriations for operations increased only slightly by 0.9% in FY 2013 and will likely increase by 4.9% in FY 2014. Without significant increases in general revenues, the state will continue to be challenged to increase funding for higher education for FY 2015 and beyond.

Despite the challenges generated by relatively flat state funding and limited tuition increases, the University has been able to maintain its strong financial position due to diversified revenue sources, system-wide cost containment measures and historically low borrowing costs.

The University is aware of its fiduciary responsibility to control costs in order to provide an affordable education for Missourians. The University has continued to implement shared services and business process redesign to achieve cost savings and efficiencies and to identify resources for strategic investment. This is an on-going process critical to future performance.

The University continues to maintain its strong research base. Research expenditures have continued to decline as the funding provided by the American Recovery and Reinvestment Act began to wane and the impacts of sequestration are felt. To offset these decreases the University is looking for other opportunities to stimulate research and economic development. This includes increased partnerships with private industry.

For FY 2013, University Health Care continues focus on advancing the health of all people, especially

Missourians. For the future, University Health Care continues to pursue growth and its academic mission. During FY 2013, University Health Care completed an eight-story, 90 bed patient care tower, which includes a replacement of the Ellis Fischel Cancer Center. University Health Care has also begun construction on a new replacement outpatient facility in Columbia, with expected completion in FY 2015. The capital investments assist in providing quality care to patients, including a significant increase in private rooms, and enhanced facilities for physician recruitments.

The University continues to monitor the changing environment surrounding State and Federal health care programs and the corresponding legislation, including the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act, collectively referred to as 'Health Care Reform.' This legislation will significantly impact the future of healthcare. University Health Care management continues to review the effect that the legislation will have on the organization, but has not determined the full financial statement effect of this new Health Care Reform legislation.

Strong student demand, highly successful capital campaigns, robust research funding, economic development programs and a financially stable and growing healthcare system are all factors in the positive outlook for the University of Missouri. However, the state economy, limited increases in tuition, and flat state support will continue to pose budgetary challenges for the University in the future.



INDEPENDENT AUDITORS' REPORT

KPMG LLP
Suite 900
10 South Broadway
St. Louis, MO 63102-1761

The Board of Curators
University of Missouri System:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the University of Missouri System, a component unit of the State of Missouri, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the University of Missouri 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 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.

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.



INDEPENDENT AUDITORS' REPORT

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the University of Missouri System as of June 30, 2013 and 2012, and the respective changes in financial position, and where applicable, cash flows thereof 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 13 through 27, and the schedules of employer contributions and the schedules of funding progress on pages 69 and 70 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.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University of Missouri System's basic financial statements. The introductory section and the statistical section presented on pages 2 through 12 and 72 through 86, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2013 on our consideration of the University of Missouri 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University of Missouri System's internal control over financial reporting and compliance.

/s/ KPMG LLP

St. Louis, Missouri
October 10, 2013

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF NET POSITION

As of June 30, 2013 and 2012 (in thousands)

	University		Discretely Presented Component Unit	
	2013	2012	2013	2012
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 177,722	\$ 228,639	\$ 6,956	\$ 10,301
Restricted Cash and Cash Equivalents	80,730	134,141	-	-
Short-Term Investments	272,839	126,054	-	-
Restricted Short-Term Investments	43,087	32,092	-	-
Investment of Cash Collateral	24,428	32,032	-	-
Accounts Receivable, Net	255,081	274,100	17,631	17,417
Pledges Receivable, Net	14,803	11,898	-	-
Investment Settlements Receivable	16,176	37,316	-	-
Notes Receivable, Net	8,068	8,151	-	-
Due (To) From Component Unit	(7,826)	(7,029)	7,826	7,029
Inventories	37,398	36,022	3,322	3,486
Prepaid Expenses and Other Current Assets	27,533	27,332	2,184	1,837
Total Current Assets	950,039	940,748	37,919	40,070
Noncurrent Assets				
Restricted Cash and Cash Equivalents	-	-	4,540	4,318
Pledges Receivable, Net	43,911	41,708	-	-
Notes Receivable, Net	62,829	54,698	-	-
Deferred Charges and Other Assets	9,735	10,253	4,242	3,679
Restricted Other Assets	-	-	3,232	3,151
Long-Term Investments	1,338,894	1,363,827	71,924	63,522
Restricted Long-Term Investments	1,103,616	1,066,915	-	-
Capital Assets, Net	2,997,508	2,848,993	58,310	63,866
Total Noncurrent Assets	5,556,493	5,386,394	142,248	138,536
Deferred Outflow of Resources	21,736	30,415	-	-
Total Assets and Deferred Outflow of Resources	\$ 6,528,268	\$ 6,357,557	\$ 180,167	\$ 178,606
Liabilities				
Current Liabilities				
Accounts Payable	\$ 131,410	\$ 140,274	\$ 3,766	\$ 4,037
Accrued Liabilities	162,779	150,971	14,011	15,505
Deferred Revenue	85,323	84,923	-	-
Funds Held for Others	71,169	65,643	-	-
Investment Settlements Payable	107,183	177,988	-	-
Collateral Held for Securities Lending	24,428	32,032	-	-
Commercial Paper and Current Portion of Long-Term Debt	203,295	183,226	2,065	2,917
Long-Term Debt Subject to Remarketing Agreements	99,895	100,330	-	-
Total Current Liabilities	885,482	935,387	19,842	22,459

(continued)

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF NET POSITION

As of June 30, 2013 and 2012 (in thousands)

	University		Discretely Presented Component Unit	
	2013	2012	2013	2012
Liabilities, Continued				
Noncurrent Liabilities				
Long-Term Debt	1,103,004	1,122,312	29,380	31,445
Derivative Instrument Liability	39,869	57,856	-	-
Other Postemployment Benefits Liability	142,209	109,496	-	-
Other Noncurrent Liabilities	56,765	47,889	3,782	3,209
Total Noncurrent Liabilities	1,341,847	1,337,553	33,162	34,654
Total Liabilities	2,227,329	2,272,940	53,004	57,113
Net Position				
Net Investment in Capital Assets	1,636,334	1,545,227	27,023	29,715
Restricted				
Nonexpendable -				
Endowment	858,820	771,146	-	-
Expendable -				
Scholarship, Research, Instruction and Other	323,473	299,789	3,232	3,151
Loans	80,436	79,091	-	-
Capital Projects	11,219	10,149	-	-
Unrestricted	1,390,657	1,379,215	96,908	88,627
Total Net Position	4,300,939	4,084,617	127,163	121,493
Total Liabilities and Net Position	\$ 6,528,268	\$ 6,357,557	\$ 180,167	\$ 178,606

See notes to the financial statements.

UNIVERSITY OF MISSOURI SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2013 and 2012 (in thousands)

	University		Discretely Presented Component Unit	
	2013	2012	2013	2012
Operating Revenues				
Tuition and Fees (Net of Provision for Doubtful Accounts of \$7,324 in 2013 and \$6,935 in 2012)	\$ 791,319	\$ 736,074	\$ -	\$ -
Less Scholarship Allowances	198,514	190,798	-	-
Net Tuition and Fees	592,805	545,276	-	-
Federal Grants and Contracts	183,654	184,882	-	-
State and Local Grants and Contracts	54,298	55,837	-	-
Private Grants and Contracts	71,731	71,023	-	-
Sales and Services of Educational Activities	24,129	23,106	-	-
Auxiliary Enterprises -				
Patient Medical Services, Net	847,681	795,302	159,885	168,311
Housing and Dining Services (Net of Scholarship Allowance of \$670 in 2013 and \$617 in 2012)	105,794	99,667	-	-
Bookstores	55,582	57,566	-	-
Other Auxiliary Enterprises (Net of Scholarship Allowance of \$8,337 in 2013 and \$8,339 in 2012)	250,975	217,590	-	-
Other Operating Revenues	58,179	55,312	-	-
Total Operating Revenues	2,244,828	2,105,561	159,885	168,311
Operating Expenses				
Salaries and Wages	1,343,889	1,318,349	67,231	70,227
Benefits	385,767	359,595	15,891	15,050
Supplies, Services and Other Operating Expenses	766,624	762,700	60,380	63,490
Scholarships and Fellowships	62,461	60,380	-	-
Depreciation	167,796	160,915	10,433	10,559
Total Operating Expenses	2,726,537	2,661,939	153,935	159,326
Operating Income (Loss) before State Appropriations	(481,709)	(556,378)	5,950	8,985
State Appropriations	401,400	397,629	-	-
Operating Income (Loss) after State Appropriations, before Nonoperating Revenues (Expenses)	(80,309)	(158,749)	5,950	8,985
Nonoperating Revenues (Expenses)				
Federal Appropriations	29,154	28,222	-	-
Federal Pell Grants	59,917	62,311	-	-
Investment and Endowment Income, Net of Fees	147,433	30,855	581	602
Private Gifts	64,103	90,346	-	-
Interest Expense	(55,256)	(53,923)	(1,218)	(1,519)
Other Nonoperating Revenues (Expenses)	(4,822)	(10,214)	357	(445)
Net Nonoperating Revenues (Expenses)	240,529	147,597	(280)	(1,362)

(continued)

UNIVERSITY OF MISSOURI SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2013 and 2012 (in thousands)

	University		Discretely Presented Component Unit	
	2013	2012	2013	2012
Income (Loss) before Capital Contributions, Additions				
to Permanent Endowments and Special Item	160,220	(11,152)	5,670	7,623
State Capital Appropriations	745	937	-	-
Capital Gifts and Grants	20,244	11,788	-	-
Private Gifts for Endowment Purposes	35,113	24,484	-	-
Special Item	-	42,316	-	-
Increase in Net Position	216,322	68,373	5,670	7,623
Net Position, Beginning of Year	4,084,617	4,016,244	121,493	113,870
Net Position, End of Year	\$ 4,300,939	\$ 4,084,617	\$ 127,163	\$ 121,493

See notes to the financial statements.

UNIVERSITY OF MISSOURI SYSTEM
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2013 and 2012 (in thousands)

	2013	2012
Cash Flows from Operating Activities		
Tuition and Fees	\$ 599,737	\$ 541,629
Federal, State and Private Grants and Contracts	303,007	307,097
Sales and Services of Educational Activities and Other Auxiliaries	248,249	227,249
Patient Care Revenues	869,536	804,903
Student Housing Fees	105,806	99,775
Bookstore Collections	55,781	58,085
Payments to Suppliers	(747,534)	(760,592)
Payments to Employees	(1,335,113)	(1,309,080)
Payments for Benefits	(346,090)	(333,405)
Payments for Scholarships and Fellowships	(62,461)	(60,380)
Student Loans Issued	(9,441)	(8,711)
Student Loans Collected	8,706	8,559
Student Loan Interest and Fees	1,640	1,538
Other Receipts, Net	56,989	54,063
Net Cash Used in Operating Activities	(251,188)	(369,270)
Cash Flows from Noncapital Financing Activities		
State Appropriations	401,400	397,629
Federal Appropriations and Pell Grants	83,602	90,369
Private Gifts	58,995	64,009
Endowment and Similar Funds Gifts	35,113	24,484
Direct Lending Receipts	344,842	356,718
Direct Lending Disbursements	(344,842)	(356,718)
PLUS Loan Receipts	85,682	92,509
PLUS Loan Disbursements	(85,682)	(92,509)
Other Receipts, Net	(3,604)	41,730
Deposits (Receipts) of Affiliates	5,526	2,692
Net Cash Provided by Noncapital Financing Activities	581,032	620,913
Cash Flows from Capital and Related Financing Activities		
Capital State Appropriations	780	1,475
Capital Gifts and Grants	17,240	5,491
Proceeds from Sales of Capital Assets	1,282	4,035
Purchase of Capital Assets	(315,953)	(362,015)
Proceeds from Issuance of Capital Debt, Net	28,404	355,472
Principal Payments on Capital Debt	(24,210)	(25,603)
Payments on Capital Lease	(696)	(789)
Payments on Debt Defeasance	-	(310,911)
Payments of Bond Issuance Costs	(20)	(1,226)
Interest Payments on Capital Debt	(57,069)	(54,318)
Other Receipts, Net	(6,601)	-
Net Cash Used in Capital and Related Financing Activities	(356,843)	(388,389)

(continued)

UNIVERSITY OF MISSOURI SYSTEM
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2013 and 2012 (in thousands)

	2013	2012
Cash Flows from Investing Activities		
Interest and Dividends on Investments, Net	54,049	58,325
Purchase of Investments, Net of Sales and Maturities	(132,065)	221,535
Other Investing Activities	687	(1,621)
Net Cash Provided by (Used in) Investing Activities	(77,329)	278,239
Net Increase (Decrease) in Cash and Cash Equivalents	(104,328)	141,493
Cash and Cash Equivalents, Beginning of Year	362,780	221,287
Cash and Cash Equivalents, End of Year	\$ 258,452	\$ 362,780
 Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating Loss	\$ (481,709)	\$ (556,378)
Adjustments to Net Cash Used in Operating Activities		
Depreciation Expense	167,796	160,915
Changes in Assets and Liabilities:		
Accounts Receivable, Net	20,533	(18,682)
Inventory, Prepaid Expenses and Other Assets	(1,589)	(2,103)
Notes Receivable	(47)	411
Accounts Payable	(9,257)	7,575
Accrued Liabilities	52,685	31,979
Deferred Revenue	400	7,013
Net Cash Used in Operating Activities	\$ (251,188)	\$ (369,270)
 Supplemental Disclosure of Noncash Activities		
Net Increase (Decrease) in Fair Value of Investments	\$ 33,865	\$ (105,689)
Noncash Gifts	12,758	12,878

See notes to the financial statements.

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF PLAN NET POSITION As of June 30, 2013 and 2012 (in thousands)

	2013	2012
Assets		
Cash and Cash Equivalents	\$ 128,593	\$ 106,033
Investment of Cash Collateral	48,560	50,023
Investment Settlements Receivable	41,450	83,396
Investments:		
Debt Securities	457,001	933,561
Equity Securities	715,580	505,512
Commingled Funds	1,429,374	1,085,669
Nonmarketable Alternative Investments	255,082	212,993
Other	-	11,895
Total Assets	3,075,640	2,989,082
Liabilities		
Accounts Payable and Accrued Liabilities	224	169
Collateral Held for Securities Lending	48,560	50,023
Investment Settlements Payable	59,016	206,980
Total Liabilities	107,800	257,172
Net Position Held in Trust for Retirement and OPEB	\$2,967,840	\$2,731,910

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF CHANGES IN PLAN NET POSITION For the Years Ended June 30, 2013 and 2012 (in thousands)

	2013	2012
Net Revenues and Other Additions		
Investment Income:		
Interest & Dividend Income, Net of Fees	\$ 51,890	\$ 58,589
Net Appreciation (Depreciation) in Fair Value of Investments	237,192	(31,548)
Net Investment Income	289,082	27,041
Contributions:		
University	113,353	100,095
Members	28,558	27,320
Total Contributions	141,911	127,415
Other Revenues	-	1,218
Total Net Revenues and Other Additions	430,993	155,674
Expenses and Other Deductions		
Administrative Expenses	2,652	2,630
Payments to Retirees and Beneficiaries	192,411	180,316
Total Expenses and Other Deductions	195,063	182,946
Increase (Decrease) in Net Position Held in Trust for Retirement and OPEB	235,930	(27,272)
Net Position Held in Trust for Retirement and OPEB, Beginning of Year	2,731,910	2,759,182
Net Position Held in Trust for Retirement and OPEB, End of Year	\$2,967,840	\$2,731,910

See notes to the financial statements.

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

UNIVERSITY OF MISSOURI SYSTEM

Organization – The University of Missouri System (the “University”), a Federal land grant institution, conducts education, research, public service, and related activities, which includes University Health Care and related facilities, principally at its four campuses in Columbia, Kansas City, Rolla and St. Louis. The University also administers a statewide cooperative extension service with centers located in each county in the State. The University is a component unit of the state of Missouri (the “State”) and is governed by a nine-member Board of Curators appointed by the state’s Governor.

The income generated by the University, as an instrumentality unit of the State, is generally excluded from federal income taxes under Section 115 of the Internal Revenue Code. However, the University remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it is exempt. No income tax provision has been recorded as the net income, if any, from unrelated trade or business income, is not material to the financial statements.

Reporting Entity – As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (“GASB”), the financial reporting entity consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or the nature and significance of their relationships with the primary government are such that exclusion would cause the primary government’s financial statements to be misleading or incomplete.

The University of Missouri-Columbia Medical Alliance (the “Medical Alliance”) is considered a component unit of the University according to the criteria in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*, and is discretely presented in the University’s financial statements. The Medical Alliance, a not-for-profit corporation, provides an integrated health care delivery system for mid-

Missouri by establishing affiliations with various medical facilities. The purpose of the Medical Alliance is to develop a network of health care providers to support the missions of University Health Care. The Capital Region Medical Center (“CRMC”) in Jefferson City, Missouri, operates as an affiliate of the Medical Alliance and provides inpatient, outpatient, and emergency care services to the surrounding community. CRMC, a not-for-profit organization that follows generally accepted accounting principles under the Financial Accounting Standards Board (“FASB”), is a discretely presented component unit of the Medical Alliance. The University appoints the Board of Directors of the Medical Alliance and can impose its will on the organization. Financial statements for the Medical Alliance are not available.

The Missouri Renewable Energy Corporation (MREC) is considered a component unit of the University, for financial reporting purposes, according to the criteria in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*, and is included in the University’s financial statements using the blended method. MREC is a for-profit corporation and the University holds the majority equity interest. MREC provides green energy facilities exclusively to the University. At June 30, 2013, the University was the majority owner of MREC. Financial statements for MREC are not available. Condensed combining information regarding MREC is provided in Note 14.

The University operates the University of Missouri Retirement, Disability, and Death Benefit Plan (the “Retirement Plan”) and the University of Missouri Other Postemployment Benefits Plan (the “OPEB Plan,” which collectively with the Retirement Plan represent the “Pension Trust Funds”), which are single employer, defined benefit plans. The assets of the Retirement Plan and OPEB Plan are held in the Retirement Trust and OPEB Trust, respectively.

Financial Statement Presentation –University follows all applicable GASB pronouncements. Pursuant to GASB Statement No. 35, *Basic Financial Statement-and Management’s Discussion and Analysis-for Public Colleges and Universities*, the University’s activities are considered to be a single business-type activity and accordingly, are reported in a single column in the financial statements. Business-type activities are those

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2012 and 2011

that are financed in whole or part by funds received by external parties for goods or services.

Basis of Accounting – The University's financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, regardless of the timing of cash flows.

On the Statement of Revenues, Expenses and Changes in Net Position, the University defines operating activities as those generally resulting from an exchange transaction. Nearly all of the University's expenses are from exchange transactions, which involve the exchange of equivalent values such as payments for goods or services. Non-operating revenues or expenses are those in which the University receives or gives value without directly giving or receiving equal value, such as State and Federal appropriations, Federal Pell grants, private gifts, and investment income.

The financial statements for the Pension Trust Funds have been prepared using the accrual basis of accounting. Benefits and refunds are recognized when due and payable. Investments are reported at fair value. Combining financial statements for these funds are presented in Note 16.

Cash, Cash Equivalents and Investments – Cash and cash equivalents consist of the University's bank deposits, repurchase agreements, money market funds, and other investments with original maturities of three months or less. Investment assets are carried at fair value based primarily on market quotations. Purchases and sales of investments are accounted for on the trade date basis. Investment settlements receivable and investment settlements payable represent investment transactions occurring on or before June 30, which settle after that date. Investment income is recorded on the accrual basis. Net unrealized gains (losses) are included in investment and endowment income in the Statement of Revenues, Expenses and Changes in Net Position.

Nonmarketable alternative investments and certain commingled funds are recorded based on valuations provided by the general partners of the respective partnerships. The University believes that the carrying

value of these investments is a reasonable estimate of fair value. Because alternative investments are not readily marketable, the estimated value is subject to uncertainty and therefore may differ materially from the value that would have been used had a ready market for investments existed.

Derivative instruments such as forward foreign currency contracts are recorded at fair value. The University enters into forward foreign currency contracts to reduce the foreign exchange rate exposure of its international investments. These contracts are marked to market, with the changes in market value being reported in investment and endowment income on the Statement of Revenues, Expenses, and Changes in Net Position.

Pledges Receivable – The University receives unconditional promises to give through private donations (pledges) from corporations, alumni and various other supporters of the University. Revenue is recognized when a pledge is received and all eligibility requirements, including time requirements, are met. These pledges have been recorded as pledges receivable on the Statement of Net Position and as private or capital gift revenues on the Statement of Revenues, Expenses, and Changes in Net Position, at the present value of the estimated future cash flows. An allowance of \$8,242,000 and \$10,444,000 as of June 30, 2013 and 2012, respectively, has been made for uncollectible pledges based upon management's expectations regarding the collection of the pledges and the University's historical collection experience.

Inventories – These assets are stated at the lower of cost or market. Cost is determined on an average cost basis except for University Health Care's inventories, for which cost is determined using the first-in, first-out method.

Capital Assets – If purchased, these assets are carried at cost or, if donated, at fair value at the date of gift. Depreciation expense is computed using the straight-line method over the assets' estimated useful lives – generally ten to forty years for buildings and improvements, eight to twenty-five years for infrastructure, three to fifteen years for equipment and twenty years for library materials. Net interest expense incurred during the construction of debt-financed facilities is included when capitalizing resulting assets. The University capitalizes works of

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

art as these collections generally consist of historical artifacts and artworks, they are considered inexhaustible and not subject to depreciation. The University does not capitalize collections of historical treasures held for public exhibition, education, research, and public service. These collections are not disposed of for financial gain and, accordingly, are not capitalized for financial statement purposes. Proceeds from the sale, exchange, or other disposal of such items must be used to acquire additional items for the same collection. Land is considered inexhaustible and is not subject to depreciation.

Deferred Revenue – Deferred revenues are recognized for amounts received prior to the end of the fiscal year but related to the subsequent period, including certain tuition, fees, and auxiliary revenues. Deferred revenues also include grant and contract amounts that have been received but not yet earned.

Net Position – The University's net position is classified as follows:

Net Investment in Capital Assets represents capital assets, net of accumulated depreciation and outstanding principal debt balances related to the acquisition, construction or improvement of those assets.

Restricted Nonexpendable net position is subject to externally imposed stipulations that the principal be maintained in perpetuity, such as the University's permanent endowment funds. The University's policy permits any realized and unrealized appreciation to remain with these endowments after the spending distribution discussed in Note 3.

Restricted Expendable net position is subject to externally imposed stipulations on the University's use of the resources.

Unrestricted net position is not subject to externally imposed stipulations, but may be designated for specific purposes by the University's management or the Board of Curators. Unrestricted net position derived from tuition and fees, sales and services, unrestricted gifts, investment income, and other such sources, and are used for academics and the general

operation of the University. When both restricted and unrestricted resources are available for expenditure, the University's policy is to first apply restricted resources, and then the unrestricted resources.

Tuition and Fees, Net of Scholarship Allowances – Student tuition and fees, housing, dining, and other similar auxiliary revenues are reported net of any related scholarships and fellowships applied to student accounts. However, scholarships and fellowships paid directly to students are separately reported as scholarship and fellowship expenses.

Patient Medical Services, Net – Patient medical services are primarily provided through University of Missouri Hospitals and Clinics, Ellis Fischel Cancer Research Center, Women's and Children's Hospital, Missouri Rehabilitation Center and University Physicians. The University has agreements with third-party payors that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discount charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as estimates are refined and final settlements are determined. Net patient service revenue is also shown net of estimated uncollectible accounts.

Amounts receivable under Medicare and Tricare/Champus reimbursement agreements are subject to examination and certain retroactive adjustments by the related programs. These adjustments increased net patient services revenues by \$934,000 and \$320,000 for the years ended June 30, 2013, and 2012, respectively.

The Medicaid program reimburses inpatient services on a prospective established per diem rate. The Medicaid program reimburses outpatient services under a combination of prospective and fee schedule amounts.

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For the Years Ended June 30, 2013 and 2012

For the years ended June 30, 2013 and 2012, the University Health Care's percentage of gross patient accounts receivable classified by major payor is as follows:

Table 1.1 - Percentage of Gross Patient Accounts Receivable (by Major Payor)

	2013	2012
Medicare	27%	24%
Commercial Insurance	10%	12%
Medicaid	23%	22%
Self Pay & Other	18%	18%
Managed Care Agreements	22%	24%
	100%	100%

Patient services revenue includes the State of Missouri Federal Reimbursement Allowance Program (FRA Program) for uncompensated care. University Health Care recognizes FRA Program revenue in the period earned.

The Statement of Revenues, Expenses and Changes in Net Position reflect the gross to net patient medical services revenue as follows:

Table 1.2 - Gross to Net Patient Medical Services Revenue (in thousands)

	2013	2012
Patient Medical Services		
Revenue, Gross	\$1,937,965	\$ 1,797,072
Deductions for Contractuals	(1,011,128)	(922,418)
Deductions for Bad Debt	(79,156)	(79,352)
Patient Medical Services		
Revenue, Net	\$ 847,681	\$ 795,302

Uncompensated Care - The University provides some services to patients without regard to their ability to pay for those services. For some of its patient services, the University receives no payment or payment that is less than the full cost of providing the services. The estimated costs of providing these services are as follows:

Table 1.3 - Uncompensated Care Revenue (in thousands)

	2013	2012
Cost of Charity Care	\$ 20,459	\$ 14,158
Unreimbursed cost under state and local government assistance programs, net of Medicaid disproportionate share funding, less Medicaid provider taxes	(5,077)	446
Cost of uncollectible accounts	35,291	36,866
Patient Medical Services		
Revenue, Net	\$ 50,673	\$ 51,470

New Accounting Pronouncements – Effective for fiscal year 2013, the University adopted GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which applies to service concession arrangements (SCAs) defined as public-private partnerships where the public institution retains specific control criteria. The University has evaluated this statement and does not currently have any SCAs that meet the criteria set forth. Adoption of GASB Statement No. 60 had no effect on the University's financial statements.

Effective for fiscal year 2013, the University adopted GASB Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*, which intends to improve financial reporting for a governmental financial reporting entity. The Statement amends the requirements of Statement No. 14. Adoption of GASB Statement No. 61 requires MREC to be presented as a blended component unit and requires a condensed combining schedule be presented that is provided in Note 14.

Effective for fiscal year 2013, the University adopted GASB Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which addresses how to report elements of financial statements that are deferrals, and explains that net position is the residual of all other elements presented in a statement of net position. Adoption of GASB Statement No. 63 has no effect on the University's financial statements other than renaming various report titles and certain line items. These changes have been incorporated in the University's financial statements presented.

In March 2012, GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which intends to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reports. The University has not yet determined the effect that adoption of GASB Statement No. 65 will have on its financial statements.

In June 2012, GASB issued GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which intends to improve financial reporting by state and local governmental pension plans. Also, in June 2012, GASB issued GASB Statement No. 68, *Accounting and Financial Reporting*

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For the Years Ended June 30, 2013 and 2012

for Pensions – an amendment to GASB Statement No. 27, which will enhance accounting and financial reporting by state and local governments for pensions and improves information about financial support for pensions that is provided by other entities. The adoption of Statements No. 67 and No. 68 will require the University to record a Net Pension Liability on its Statement of Net Position. The University has determined adoption will have a significant impact on its financial statements and reduce its unrestricted net position when implemented.

Effective for fiscal year 2012, the University adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. Adoption of GASB Statement No. 62 had no effect on the University's financial statements.

Effective for fiscal year 2012, the University adopted GASB Statement No. 64, *Derivative Instruments: application of Hedge Accounting Termination Provisions – an amendment to GASB No. 53*, which provided clarification on determining if an effective hedging relationship still exists for derivative instruments. Adoption of GASB Statement No. 64 had no effect on the University's financial statements.

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.

Reclassifications – Certain prior year amounts have been reclassified to conform to current year amounts.

DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

Nature of Operations – The Curators of the University of Missouri, for and on behalf of University Health

Care, and CRMC entered into an Affiliation Agreement dated August 5, 1997. Pursuant to the Affiliation Agreement, the University created the Medical Alliance. The Medical Alliance then became the sole member of CRMC. The Medical Alliance's purpose is to develop a network of healthcare providers to support the missions of University Health Care.

CRMC operates as a two-hospital system, which consists of the Southwest Campus and Madison Campus complemented by community medical clinics. CRMC primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in Jefferson City, Missouri. It also operates medical clinics in the surrounding communities. The operating results of the facilities and clinics are included in these financial statements. CRMC is served by a group of admitting physicians that account for a significant portion of CRMC's net revenues. Additionally, CRMC is also associated with the Capital Region Medical Foundation, which is intended to support the interest of CRMC through its fundraising activities.

Net Position – As a not-for-profit organization, the Medical Alliance records its net position in accordance with Financial Accounting Standards Board Accounting Standards Codification 958-205, *Not-for-Profit Entities Presentation of Financial Statements*. For presentation within the accompanying basic financial statements, the net position is redistributed amongst the net position components defined by GASB Statement No. 63.

Capital Assets – Capital Assets are recorded at cost and depreciated on a straight-line basis over the estimated useful life of each asset following guidelines of the American Hospital Association. Equipment under capital lease obligations is amortized on the straight-line basis over the shorter period of the lease term or the estimated useful life of the equipment. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a cost of acquiring those assets.

Net Patient Medical Service Revenue – Net patient medical service revenue is reported at the net amounts to be realized from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments for reimbursement agreements with third-party payers. Retroactive adjustments are estimated and accrued in the period

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the related services are provided, and these amounts are adjusted in future periods as final settlements are determined.

2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk – The custodial credit risk for deposits is the risk that in the event of bank failure, the University's deposits may not be recovered. State law requires collateralization of all deposits with federal depository insurance, bonds and other obligations of the U.S. Treasury, U.S. Agencies and instrumentalities of the state of Missouri; bonds of any city, county, school district or special road district of the state of Missouri; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits. The University's cash deposits were fully insured or collateralized at June 30, 2013 and 2012, respectively.

3. INVESTMENTS

Investment policies are established by the Board of Curators ("the Board"). The policies ensure that funds are managed in accordance with Section 105.688 of the Revised Statutes of Missouri and prudent investment practices. Additionally, investment policies established by the Board with respect to the Retirement Trust and Other Postemployment Benefit ("OPEB") Trust (collectively referred to as "Pension Trust Funds") and the Endowment Funds specifically recognize the fiduciary duties set forth in Section 105.688 of the Revised Statutes of Missouri. The use of external investment managers has been authorized by the Board.

Substantially all University cash and investments are managed centrally, generally in the following investment pools:

General Pool – General Pool contains short-term University funds, including but not limited to cash and reserves, operating funds, bond funds, and plant funds. Subject to various limitations contained within the corresponding investment policy, the University's internally managed component of the General Pool may be invested in the following instruments: U.S. Government securities; U.S. Government Agency securities; U.S. Government guaranteed securities;

money market funds; certificates of deposit; repurchase agreements; commercial paper; and other similar short-term investment instruments of like or better quality. The externally managed component of the General Pool is allowed to invest in the following asset sectors: fixed income, absolute return and risk parity strategies. The General Pool's total return (loss), including unrealized gains and losses, was (0.9%) and 2.4% for the years ended June 30, 2013 and 2012, respectively.

Endowment Funds – When appropriate and permissible, endowment and similar funds are pooled for investment purposes, with the objective of achieving long-term returns sufficient to preserve principal by protecting against inflation and to meet endowment spending targets.

The Endowment Pool, which is externally managed, is the primary investment vehicle for endowment funds. Subject to various limitations contained within the corresponding investment policy, the Endowment Pool is allowed to invest in the following asset sectors: global equity, absolute return strategies, private equity, real estate, global fixed income, high-yield fixed income, floating rate bank loans, global inflation-linked bonds, emerging markets debt, and risk parity strategies. The Endowment Pool's total return (loss), including unrealized gains and losses, was 12.6% and (0.9%) for the years ended June 30, 2013 and 2012, respectively.

The Fixed Income Pool is an additional investment vehicle for endowment funds. The Fixed Income Pool, as required by investment policy, is invested in externally managed U.S. core plus bond funds. The Fixed Income Pool's total return, including unrealized gains and losses, was 3.5% and 5.1% for the years ended June 30, 2013 and 2012, respectively.

If a donor has not provided specific restrictions, state law permits the Board to appropriate an amount of the Endowment Funds' net appreciation, realized and unrealized, as the Board considers to be prudent. In establishing this amount, the Board is required to consider the University's long- and short-term needs, present and anticipated financial requirements, expected total return on investments, price level trends, and general economic conditions. Further, any expenditure of net appreciation is required to be for the purposes for which the endowment was

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established. Inclusive of both realized and unrealized gains and losses on investments, donor-restricted endowments experienced net appreciation of approximately \$74,893,000 in fiscal year 2013, as compared to net depreciation of approximately \$19,271,000 in fiscal year 2012.

The Board has adopted the total return concept (yield plus change in market value) in determining the spendable return for endowments and similar funds. The spending formula was revised in fiscal year 2012 to distribute 4.5% of a trailing 28-quarter average of the endowment's total market value, with the understanding that this spending rate over the long term will not exceed the total real return (net of inflation). However, the change from 5% to 4.5% is being phased in over several years to ensure a decrease in distributions year over year is not due solely to the lower rate. In addition, the University distributes 1% of the trailing 28-quarter average of the endowment's total market value to support internal endowment and development administration.

PENSION TRUST FUNDS

The Retirement Trust and the OPEB Trust hold the assets of the Retirement Plan and OPEB Plan, respectively. Subject to various limitations contained within the corresponding investment policy, the externally-managed Retirement Trust is allowed to invest in the following asset sectors: global equity, absolute return strategies, private equity, real estate, global fixed income, high-yield fixed income, floating rate bank loans, global inflation-like bonds, emerging markets debt and risk parity strategies. The Retirement Trust's total return, including unrealized gains and losses, was 10.6% and 1.1% for the years ended June 30, 2013 and 2012, respectively.

The OPEB Trust held \$49,284,000 and \$50,212,000 of assets at June 30, 2013 and 2012, respectively. Subject to various limitations contained within the corresponding investment policy, the externally-managed OPEB Trust is allowed to invest in the following asset sectors: global fixed income, global equity, and absolute return strategies.

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For the Years Ended June 30, 2013 and 2012

At June 30, 2013 and 2012, the University and Pension Trust Funds held the following types of investments:

Table 3.1 - Investments by Type (in thousands)

As of June 30,	University of Missouri		University of Missouri Pension Trust Funds	
	2013	2012	2013	2012
Debt Securities:				
U.S. Treasury Obligations	\$ 189,011	\$ 144,576	\$ 29,292	\$ 311,985
U.S. Agency Obligations	497,980	483,020	931	4,775
Asset-Backed Securities	159,085	542,545	47,043	110,024
Government - Foreign	34,443	126,409	127,304	154,885
Corporate - Domestic	248,894	153,815	163,158	202,649
Corporate - Foreign	120,650	115,155	89,273	149,243
Equity Securities:				
Domestic	196,146	189,488	392,647	278,584
Foreign	97,804	107,913	322,933	226,928
Commingled Funds:				
Absolute Return	149,216	60,359	244,847	133,702
Risk Parity	357,638	-	-	-
Debt Securities - Global	38,191	-	17,948	18,038
Debt Securities - Domestic	88,597	100,541	222,595	183,545
Debt Securities - Foreign	73,802	67,711	160,576	150,892
Equity Securities - Domestic	34,233	44,395	-	5,224
Equity Securities - Foreign	101,688	110,359	249,824	196,169
Equity Securities - Global	213,620	201,968	501,961	358,372
Real Estate	14,731	14,033	31,623	39,727
Nonmarketable Alternative Investments:				
Real Estate	44,970	43,430	155,423	91,243
Private Equity	67,639	52,413	99,659	121,750
Other	30,098	30,758	-	11,895
Total Investments	2,758,436	2,588,888	2,857,037	2,749,630
Money Market Funds	111,668	124,648	113,848	94,534
Commercial Paper	76,900	213,300	-	-
Other	69,884	24,832	14,745	11,499
Total Cash and Cash Equivalents	258,452	362,780	128,593	106,033
Total Investments and Cash and Cash Equivalents	\$ 3,016,888	\$ 2,951,668	\$ 2,985,630	\$ 2,855,663

Custodial Credit Risk - For investments, custodial credit risk is the risk that in the event of failure of the counterparty to a transaction, the University will not be able to recover the value of the investments held by an outside party. In accordance with its policy, the University minimizes custodial credit risk by establishing limitations on the types of instruments held with qualifying institutions. Repurchase agreements must be collateralized by U.S. Government issues and/or U.S. Government Agency issues. All University and Pension Trust Fund investments are

insured or registered and are held by the University, the Pension Trust Funds or an agent in its name.

Concentration of Credit Risk - Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments. The investment policies for the General Pool, Endowment Funds, and Retirement Trust

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all specify diversification requirements across asset sectors. The investment policy for the General Pool has specific single issuer limits in place for corporate bonds and commercial paper.

As of June 30, 2013, of the University's total investments and cash and cash equivalents, 7.7% are issues of the Federal Home Loan Bank (FHLB); and 6.8% are issues of Federal National Mortgage Association (FNMA). As of June 30, 2012, of the University's total investments and cash and cash equivalents, 14.5% are issues of FHLB, 10.2% are issues of FNMA and 5.5% are issues of Government National Mortgage Association.

At June 30, 2013 and 2012, the Pension Trust Funds did not contain investments from any single issuer that exceeded 5% of the total portfolio.

Investments issued or guaranteed by the U.S. government as well as investments in mutual funds and other pooled investments are excluded from consideration when evaluating concentration risk.

Credit Risk – Debt securities are subject to credit risk, which is the chance that an issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy,

litigation and/or adverse political developments. Certain debt securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk.

Nationally recognized statistical rating organizations, such as Moody's and Standard & Poor's (S&P), assign credit ratings to security issues and issuers that indicate a measure of potential credit risk to investors. Debt securities considered investment grade are those rated at least Baa by Moody's and BBB by S&P. For General Pool investments, the following minimum credit ratings have been established to manage credit risk: minimum long-term rating of A or better by S&P, with minimum rating of A-1/P-1 for commercial paper and other short-term securities. For Endowment Funds and Retirement Trust investments, the respective investment policies allow for a blend of different credit ratings, subject to certain restrictions by asset sector. In all cases, disposition of securities whose ratings have been downgraded after purchase is generally left to the discretion of the respective investment manager after consideration of individual facts and circumstances.

All holdings of commercial paper were rated A-1/P-1 or better at June 30, 2013 and 2012. All holdings of money market funds were rated AAA at June 30, 2013 and 2012.

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Based on investment ratings provided by Moody's or S&P, the University's and Pension Trust Funds' credit risk exposure as of June 30, 2013 and 2012, is as follows:

Table 3.2 - Debt Securities by Type and Credit Rating *(in thousands)*

As of June 30,	University of Missouri		University of Missouri Pension Trust Funds	
	2013	2012	2013	2012
U.S. Treasury Obligations	\$ 189,011	\$ 144,576	\$ 29,292	\$ 311,985
U.S. Agency Obligations	497,980	483,020	931	4,775
Asset-Backed Securities				
Mortgage Backed Securities				
Guaranteed by U.S. Agencies	63,580	506,241	21,597	90,536
Aaa/AAA	3,069	3,256	5,807	1,256
Aa/AA	3,031	2,299	12,491	11,819
A/A	1,591	727	2,104	1,513
Baa/BBB	2,835	6,270	157	163
Ba/BB and lower	83,278	21,690	2,206	2,255
Unrated	1,701	2,062	2,681	2,482
Government - Foreign				
Aaa/AAA	6,037	37,988	40,913	50,348
Aa/AA	5,959	15,454	19,742	26,613
A/A	13,786	14,334	32,447	18,391
Baa/BBB	1,383	11,361	4,591	5,416
Ba/BB and lower	-	129	-	-
Unrated	7,278	47,143	29,611	54,117
Corporate - Domestic				
Aaa/AAA	4,730	22,954	1,605	4,088
Aa/AA	2,769	12,650	51	6,411
A/A	13,952	31,813	2,175	15,111
Baa/BBB	41,424	34,806	4,315	17,432
Ba/BB and lower	138,394	47,159	143,969	148,387
Unrated	47,625	4,433	11,043	11,220
Corporate - Foreign				
Aaa/AAA	9,094	35,952	23,715	61,443
Aa/AA	6,265	9,946	11,256	16,149
A/A	19,365	26,767	13,192	31,381
Baa/BBB	33,197	20,043	15,496	11,316
Ba/BB and lower	38,422	4,151	16,170	10,229
Unrated	14,307	18,296	9,444	18,725
Total	\$ 1,250,063	\$ 1,565,520	\$ 457,001	\$ 933,561

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. Debt securities with longer maturities are likely to be subject to more variability in their fair values as a result of future changes in interest rates. Neither the University nor the Pension Trust Funds have a formal policy that addresses interest rate risk; rather, such risk is managed by each individual investment manager, as applicable.

The University and Pension Trust Funds have investments in asset-backed securities, which consist primarily of mortgage-backed securities guaranteed by U.S. agencies and corporate collateralized mortgage obligations. These securities are based on cash flows from principal and interest payments on the underlying securities. An asset-backed security may have repayments that vary significantly with changes in market interest rates.

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Table 3.3 presents the modified durations of the University's and Pension Trust Funds' debt securities as of June 30, 2013 and 2012, respectively:

Table 3.3 - Debt Securities by Type and Modified Duration (in thousands)

As of June 30,	University of Missouri			
	Duration (in years)			
	2013		2012	
U.S. Treasury Obligations	\$ 189,011	7.1	\$ 144,576	7.8
U.S. Agency Obligations	497,980	2.2	483,020	1.4
Asset-Backed Securities	159,085	6.0	542,545	5.6
Government - Foreign	34,443	7.7	126,409	6.3
Corporate - Domestic	248,894	4.3	153,815	5.4
Corporate - Foreign	120,650	4.6	115,155	4.3
Total Debt Securities	\$ 1,250,063	4.2	\$ 1,565,520	4.4

As of June 30,	University of Missouri Pension Trust			
	Funds Duration (in years)			
	2013		2012	
U.S. Treasury Obligations	\$ 29,292	12.9	\$ 311,985	7.8
U.S. Agency Obligations	931	3.9	4,775	4.6
Asset-Backed Securities	47,043	4.5	110,024	3.8
Government - Foreign	127,304	7.9	154,885	7.1
Corporate - Domestic	163,158	4.9	202,649	5.3
Corporate - Foreign	89,273	4.2	149,243	3.8
Total Debt Securities	\$ 457,001	6.1	\$ 933,561	6.0

Foreign Exchange Risk – Foreign exchange risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies.

University and Retirement Trust investment policies allow for exposure to non-U.S. dollar denominated equities and fixed income securities, which may be fully or partially hedged using forward foreign currency exchange contracts.

At June 30, 2013 and 2012, 19.3% and 21.5%, respectively, of the University's total investments and cash and cash equivalents were denominated in foreign currencies. Forward foreign currency contracts with notional amounts totaling \$295,382,000 and \$330,216,000 were in place at June 30, 2013 and 2012, respectively. At June 30, 2013 and 2012, 45.3% and 40.5%, respectively, of the Pension Trust Funds' total investments and cash equivalents were denominated in foreign currencies. Forward foreign currency contracts with notional amounts totaling \$234,792,000 and \$363,003,000 were in place at June 30, 2013 and 2012, respectively.

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NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2013 and 2012

The University's and Pension Trust Funds' exposure to foreign exchange risk as of June 30, 2013 and 2012:

Table 3.4 - Foreign Exchange Risk (in thousands)

As of June 30,	University of Missouri		University of Missouri Pension Trust Funds	
	2013	2012	2013	2012
Debt Securities				
Euro	\$ 39,794	\$ 70,071	\$ 63,385	\$ 118,207
Australian Dollar	584	11,082	14,950	19,878
Canadian Dollar	2,789	11,630	11,535	7,522
British Pound Sterling	23,981	24,968	23,403	32,625
Japanese Yen	2,951	10,835	(1,342)	19,353
Danish Krone	877	1,028	4,286	1,783
New Zealand Dollar	2,037	3,955	8,295	9,113
South Korean Won	-	1,226	-	2,118
Singapore Dollar	-	1,934	-	3,723
Mexican New Peso	1,602	14,460	8,598	7,739
Swedish Krona	237	2,811	1,231	5,413
Other	4,078	6,409	16,885	9,806
	78,930	160,409	151,226	237,280
Equity Securities				
Euro	7,749	11,827	37,726	32,732
Japanese Yen	14,847	15,547	54,538	36,148
British Pound Sterling	17,555	17,741	63,488	40,774
Australian Dollar	2,637	4,264	11,514	10,931
Canadian Dollar	881	1,019	2,609	2,040
Swiss Franc	11,222	12,384	33,694	24,206
Hong Kong Dollar	6,367	6,375	19,032	12,417
Swedish Krona	4,132	3,954	12,547	7,888
Other	8,569	11,636	26,402	21,728
	73,959	84,747	261,550	188,864
Commingled Funds				
Various currency denominations:				
Debt Securities - Global	38,191	-	17,948	18,039
Debt Securities - Foreign	73,802	67,711	160,576	150,892
Equity Securities - Global	213,620	201,968	501,961	358,372
Equity Securities - Foreign	101,688	110,359	249,824	196,169
	427,301	380,038	930,309	723,472
Cash and Cash Equivalents				
Euro	352	733	732	732
Hong Kong Dollar	-	251	2	422
Mexican New Peso	190	7,689	2,113	16,893
Japanese Yen	330	100	222	253
British Pound Sterling	492	90	2,153	20
Other	2,277	412	2,773	717
	3,641	9,275	7,995	19,037
Total Exposure to Foreign Exchange Risk	\$ 583,831	\$ 634,469	\$ 1,351,080	\$ 1,168,653

Commingled Funds - Includes Securities and Exchange Commission regulated mutual funds and externally managed funds, limited partnerships, and corporate structures which are generally unrated and

unregulated. Certain commingled funds may use derivatives, short positions and leverage as part of their investment strategy. These investments are structured to limit risk exposure to the amount of

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invested capital. Commingled funds have liquidity (redemption) provisions, which enable the University and Pension Trust Funds to make full or partial withdrawals with notice, subject to restrictions on the timing and amount.

Of the University's and Pension Trust Funds' commingled funds at June 30, 2013, approximately 90% and 82%, respectively, are redeemable within 90 days, with the remaining redeemable within one year.

Nonmarketable Alternative Investments - Consists of limited partnerships involving an advance commitment of capital called by the general partner as needed and distributions of capital and return on invested capital as underlying strategies are concluded during the life of the partnership. The committed but unpaid obligation to these limited partnerships is further discussed in Note 11.

Securities Lending Transactions – The University and Pension Trust Funds each participate in an external investment pool securities lending program to augment income. The program is administered by the custodial agent bank, which lends equity, government and corporate securities for a predetermined period of time to an independent broker/dealer (borrower) in exchange for collateral. Collateral may be cash, U.S. Government securities, defined letters of credit or other collateral approved by the University or Pension Trust Funds. Loaned domestic securities are initially collateralized at 102% of their fair value, while loaned international securities are collateralized at 105% of fair value. Exposure to credit risk from borrower default has been minimized by having the custodial agent bank determine daily that required collateral meets a minimum of 100% of the fair value of loaned domestic securities and 105% for loaned international securities.

For the University, at June 30, 2013 and 2012, there were a total of \$25,489,000 and \$62,168,000, respectively, of securities out on loan to borrowers. The value of collateral received from the borrower for these securities consisted of \$24,428,000 cash and \$1,803,000 noncash collateral at June 30, 2013 and \$32,032,000 cash and \$30,785,000 noncash collateral at June 30, 2012.

For the Pension Trust Funds, at June 30, 2013 and 2012, there were a total of \$54,622,000 and

\$195,236,000, respectively, of securities out on loan to borrowers. The value of collateral received from the borrower for these securities consisted of \$48,560,000 cash and \$7,855,000 noncash collateral at June 30, 2013 and \$50,023,000 cash and \$151,320,000 noncash collateral at June 30, 2012.

Cash collateral received from the borrower is invested by the custodial agent bank in commingled collateral investment pools in the name of the University and Pension Trust Funds, with guidelines approved by each. These investments are shown as Investment of Cash Collateral in the Statement of Net Position and reported at fair value, with changes in market value recorded in Investment and Endowment Income on the Statement of Revenues, Expenses, and Changes in Net Position. Noncash collateral received for securities lending activities is not recorded as an asset because the University and Pension Trust Funds do not have the ability to pledge or sell such collateral unless the borrower defaults.

The University and Pension Trust Funds continue to receive interest and dividends during the loan period. The maturities of the investments made with the cash collateral generally match the maturities of the securities lent. At June 30, 2013 and 2012, neither the University nor the Pension Trust Funds have any credit risk exposure arising from the actual securities lending transactions since the collateral received from the borrower exceeds the value of the securities lent. Further, the University and Pension Trust Funds are fully indemnified by the custodial bank against any losses incurred as a result of borrower default.

UNIVERSITY OF MISSOURI SYSTEM

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DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

Investments – The investment policies of Medical Alliance are established by its board of directors. The policies are established to ensure that Medical Alliance funds are managed in accordance with the “Prudent Man Rule.”

Medical Alliance investments are presented at fair value in accordance with FASB Accounting Standards Codification 820, which 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 and the lowest priority to measurements involving significant unobservable inputs. The three levels of the fair value hierarchy are as follows: Level 1 - Quoted prices in active markets for identical assets that the Medical Alliance has the ability to access at the measurement date; Level 2 - Inputs other than quoted market prices included in Level 1, that are observable for the asset, either directly or indirectly; and, Level 3 - Inputs that are unobservable for the asset. 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.

At June 30, 2013 and 2012, Medical Alliance held the following investments:

Table 3.5 - Medical Alliance Cash, Cash Equivalents, and Investments

As of June 30, (in thousands)	2013	2012
Fair Value - Level 1		
Money Market Accounts	\$ 38,401	\$ 21,830
U.S. Treasury Obligations	73	73
Cash and Other Cash Equivalents	5,019	8,379
Total Fair Value - Level 1	43,493	30,282
Fair Value - Level 2		
Mortgage-Backed Securities	12,995	14,001
Certificates of Deposit	21,478	28,368
Corporate Bonds	5,454	5,490
Total Fair Value - Level 2	39,927	47,859
Total Cash, Cash Equivalents, and Investments	\$ 83,420	\$ 78,141

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2013 and 2012, are summarized as follows:

Table 4.1 - Accounts Receivable (in thousands)

	2013	2012
Grants and Contracts	\$ 65,933	\$ 60,858
Federal Appropriations	10,910	5,441
State Appropriations and State Bond Funds	-	35
Student Fees and Other Academic Charges	99,742	98,611
Patient Services, Net of Contractual Allowances	106,253	106,689
Medical Resident FICA Refund and Related Income	-	31,355
Subtotal	282,838	302,989
Less Provisions for Loss:		
Grants & Contracts	579	516
University Health Care Patient Services	19,854	21,438
Student Fees and Other Academic Charges	7,324	6,935
Subtotal	27,757	28,889
Total Accounts Receivable, Net	\$255,081	\$274,100

5. NOTES RECEIVABLE

Notes receivable generally consist of resources available for financial loans to students. These resources are provided through Federal loan programs and University loan programs generally funded by external sources. Notes receivable at June 30, 2013 and 2012, are summarized as follows:

Table 5.1 - Notes Receivable (in thousands)

	2013	2012
Federal Health Profession Loans	\$ 15,757	\$ 15,994
Carl D. Perkins National Loans	29,572	28,662
University Loan Programs	18,283	18,680
Other	11,327	3,327
Subtotal	74,939	66,663
Less Provisions for Loss	4,042	3,814
Total Notes Receivable, Net	\$ 70,897	\$ 62,849

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

6. CAPITAL ASSETS

UNIVERSITY OF MISSOURI

Capital assets activity for the years ended June 30, 2013 and 2012, is summarized as follows:

Table 6.1 - Capital Assets (in thousands)

	2013 Beginning Balance	Additions/ Transfers	Retirements	2013 Ending Balance
Capital Assets, Nondepreciable:				
Land	\$ 80,415	\$ 134	\$ -	\$ 80,549
Artwork and Historical Artifacts	12,884	540	-	13,424
Construction in Progress	280,529	(39,569)	-	240,960
Total Capital Assets, Nondepreciable	373,828	(38,895)	-	334,933
Capital Assets, Depreciable:				
Buildings and Improvements	3,055,892	240,613	(123)	3,296,382
Infrastructure	327,588	41,636	(11)	369,213
Equipment	725,181	69,699	(24,029)	770,851
Library Materials	252,136	4,517	-	256,653
Total Capital Assets, Depreciable	4,360,797	356,465	(24,163)	4,693,099
Less Accumulated Depreciation:				
Buildings and Improvements	1,098,653	90,497	(54)	1,189,096
Infrastructure	140,158	14,730	(5)	154,883
Equipment	481,868	56,588	(22,845)	515,611
Library Materials	164,953	5,981	-	170,934
Total Accumulated Depreciation	1,885,632	167,796	(22,904)	2,030,524
Total Capital Assets, Depreciable, Net	2,475,165	188,669	(1,259)	2,662,575
Total Capital Assets, Net	\$ 2,848,993	\$ 149,774	\$ (1,259)	\$ 2,997,508

	2012 Beginning Balance	Additions/ Transfers	Retirements	2012 Ending Balance
Capital Assets, Nondepreciable:				
Land	\$ 75,088	\$ 5,462	\$ (135)	\$ 80,415
Artwork and Historical Artifacts	12,740	144	-	12,884
Construction in Progress	130,216	150,313	-	280,529
Total Capital Assets, Nondepreciable	218,044	155,919	(135)	373,828
Capital Assets, Depreciable:				
Buildings and Improvements	2,919,468	138,205	(1,781)	3,055,892
Infrastructure	317,551	10,037	-	327,588
Equipment	680,322	61,818	(16,959)	725,181
Library Materials	247,939	4,197	-	252,136
Total Capital Assets, Depreciable	4,165,280	214,257	(18,740)	4,360,797
Less Accumulated Depreciation:				
Buildings and Improvements	1,015,562	84,320	(1,229)	1,098,653
Infrastructure	125,944	14,214	-	140,158
Equipment	441,014	56,036	(15,182)	481,868
Library Materials	158,608	6,345	-	164,953
Total Accumulated Depreciation	1,741,128	160,915	(16,411)	1,885,632
Total Capital Assets, Depreciable, Net	2,424,152	53,342	(2,329)	2,475,165
Total Capital Assets, Net	\$ 2,642,196	\$ 209,261	\$ (2,464)	\$ 2,848,993

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For the Years Ended June 30, 2013 and 2012

The estimated cost to complete construction in progress at June 30, 2013, is \$685,623,000 of which \$384,116,000 is available from unrestricted net position. The remaining costs are expected to be funded from \$27,878,000 of gifts, \$12,000 of grants, and \$273,617,000 of debt proceeds.

Capital assets include a building facility under a capital lease of \$10,364,000 and \$8,332,000 and related accumulated depreciation of \$6,139,000 and \$5,312,000 at June 30, 2013 and 2012, respectively.

DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

Capital assets at June 30, 2013 and 2012 are summarized as follows:

Table 6.2 - Medical Alliance - Capital Assets

<i>(in thousands)</i>	2013	2012
Land & Improvements	\$ 7,374	\$ 6,779
Buildings	115,032	114,905
Movable Equipment	73,870	75,697
Construction in Progress	245	103
	196,521	197,484
Less Accumulated Depreciation	138,211	133,618
Total Capital Assets, Net	\$ 58,310	\$ 63,866

7. ACCRUED SHORT-TERM LIABILITIES

Accrued liabilities at June 30, 2013 and 2012, are summarized as follows:

Table 7.1 - Accrued Liabilities *(in thousands)*

	2013	2012
Accrued Salaries, Wages & Benefits	\$ 63,095	\$ 58,183
Accrued Vacation	47,280	45,862
Accrued Self Insurance Claims	41,087	36,322
Accrued Interest Payable	11,317	10,604
Total Accrued Liabilities	\$ 162,779	\$ 150,971

8. OTHER NONCURRENT LIABILITIES

Table 8.1 - Other Noncurrent Liabilities *(in thousands)*

	Beginning of			Total End of	Less Current	Noncurrent
Fiscal Year 2013	Year	Additions	Payments	Year	Portion	End of Year
Accrued Vacation	\$ 60,604	\$ 45,151	\$ (41,288)	\$ 64,467	\$ (47,280)	\$ 17,187
Accrued Self-Insurance Claims	69,469	210,872	(199,676)	80,665	(41,087)	39,578
	\$ 130,073	\$ 256,023	\$ (240,964)	\$ 145,132	\$ (88,367)	\$ 56,765

	Beginning of			Total End of	Less Current	Noncurrent
Fiscal Year 2012	Year	Additions	Payments	Year	Portion	End of Year
Accrued Vacation	\$ 56,687	\$ 43,766	\$ (39,849)	\$ 60,604	\$ (45,862)	\$ 14,742
Accrued Self-Insurance Claims	72,949	213,357	(216,837)	69,469	(36,322)	33,147
	\$ 129,636	\$ 257,123	\$ (256,686)	\$ 130,073	\$ (82,184)	\$ 47,889

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NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2013 and 2012

9. LONG-TERM DEBT

The University's outstanding debt at June 30, 2013 and 2012, with corresponding activity, is as follows:

Table 9.1 - Long-Term Debt (in thousands)

As of June 30, 2013	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
System Facilities Revenue Bonds - Fixed	\$ 1,105,945	\$ -	\$ (20,875)	\$ 1,085,070	\$ 23,890
System Facilities Revenue Bonds - Variable	100,750	-	(420)	100,330	435
Unamortized Premium	47,460	-	(5,848)	41,612	-
Unamortized Loss on Defeasance	(20,799)	-	2,676	(18,123)	-
Net System Facilities Revenue Bonds	1,233,356	-	(24,467)	1,208,889	24,325
Notes Payable	4,961	9,553	(384)	14,130	960
Capital Lease Obligations	6,616	-	(696)	5,920	755
Commercial Paper	160,935	18,850	(2,530)	177,255	177,255
Total Long-Term Debt	\$ 1,405,868	\$ 28,403	\$ (28,077)	\$ 1,406,194	\$ 203,295

As of June 30, 2012	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
System Facilities Revenue Bonds - Fixed	\$ 1,144,245	\$ 159,280	\$ (197,580)	\$ 1,105,945	\$ 20,875
System Facilities Revenue Bonds - Variable	223,680	-	(122,930)	100,750	420
Unamortized Premium	23,462	31,264	(7,266)	47,460	-
Unamortized Loss on Defeasance	(9,162)	-	(11,637)	(20,799)	-
Net System Facilities Revenue Bonds	1,382,225	190,544	(339,413)	1,233,356	21,295
Notes Payable	1,296	3,993	(328)	4,961	300
Capital Lease Obligations	7,405	-	(789)	6,616	696
Commercial Paper	-	160,935	-	160,935	160,935
Total Long-Term Debt	\$ 1,390,926	\$ 355,472	\$ (340,530)	\$ 1,405,868	\$ 183,226

System Facilities Revenue Bonds

System Facilities Revenue Bonds have provided financing for capital expansion or renovation of various University facilities. The principal and interest of the bonds are payable from, and secured by a first lien on and pledge of, designated revenues which include the following: a portion of tuition and fees, sales and services from the financed facilities, such as bookstore collections, housing and dining charges, patient services, and parking collections, as well as certain assessed fees, such as the recreational facility fees, stadium surcharges, and student center fees.

On May 2, 2012, the University issued \$105,155,000 in Series 2012A System Facilities Revenue Bonds. Proceeds from issuance of the Series 2012A Bonds are being used to refund all of Series 2003A bonds, \$75,065,000 principal amount of the Series 2006A bonds, \$33,085,000 principal amount of the Series 2007A bonds, and paying cost of issuance of the Series 2012A bonds. The all-in-true interest cost of the Series 2012A bonds is 1.7%.

On August 3, 2011, the University issued \$54,125,000 in Series 2011 System Facilities Revenue Bonds. Proceeds from issuance of the Series 2011 bonds are being used to refund all of Series 1998A bonds, all of Series 2001B bonds, \$9,035,000 principal amount of the Series 2003B Bonds, and paying the cost of issuance of the Series 2011 bonds. The all-in-true interest cost of the Series 2011 bonds is 3.2%.

Interest expense associated with financing projects during construction, net of any investment income earned on bond proceeds during construction, is capitalized. Total interest expense during the years ended June 30, 2013 and 2012 was \$64,469,000 and \$64,534,000, respectively. Interest expense associated with financing projects during construction, net of any investment income earned on bond proceeds during construction, is capitalized. For the years ended June 30, 2013 and 2012, capitalization of interest earned on unspent bond proceeds totaled \$9,213,000 and \$10,611,000, respectively, resulting in net interest

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expense of \$55,256,000 and \$53,923,000, respectively. For the years ended June 30, 2013 and 2012, the University earned cash subsidy payments from the United States Treasury totaling \$10,461,000 for

designated Build America Bonds outstanding, which was recorded as Federal Appropriations on the Statement of Revenues, Expenses, and Changes in Net Position.

Table 9.2 - System Facilities Revenue Bonds (in thousands)

Series	Type	Weighted Avg. Cost of Capital at June 30, 2013	Final Maturity	Original Issue	Balance June 30,	
					2013	2012
2003B	Fixed	4.37%	11/1/2023	37,085	\$ 14,750	\$ 16,400
2006A	Fixed	4.19%	11/1/2026	260,975	136,060	144,150
2007A	Fixed	4.60%	11/1/2037	262,970	206,665	212,135
2009A (1)	Fixed	3.87%	11/1/2039	256,300	256,300	256,300
2009B	Fixed	2.89%	11/1/2021	75,760	59,730	65,395
2010A (1)	Fixed	3.76%	11/1/2041	252,285	252,285	252,285
2011	Fixed	2.59%	11/1/2027	54,125	54,125	54,125
2012A	Fixed	1.58%	11/1/2019	105,155	105,155	105,155
Total Fixed Rate Bonds				1,304,655	1,085,070	1,105,945
2007B	Variable	0.04% (2)	11/1/2031	102,250	100,330	100,750
Total Variable Rate Demand Bonds				102,250	100,330	100,750
Total System Facilities Revenue Bonds				\$ 1,406,905	\$ 1,185,400	\$ 1,206,695

(1) Taxable issue designated as Build America Bonds under the Internal Revenue Code of 1986, as amended.

(2) As of June 30, 2013; rates are determined daily or weekly by the remarketing agents. The rate is usually within a range at or near the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA Index) rate, which resets weekly.

System Facilities Revenue Bond Series 2007B is a variable rate demand bond with remarketing features which allow bondholders to put debt back to the University. Because the University is the sole source of liquidity should the option to tender be exercised by the bondholder, these variable rate demand bonds are classified in their entirety as current liabilities on the Statement of Net Position, with the balance in excess of actual current principal maturities reported as Long-Term Debt Subject to Remarketing.

In-substance defeased bonds aggregating \$218,645,000 and \$221,465,000 are outstanding at June 30, 2013 and 2012, respectively.

Interest Rate Swap Agreements

With an objective of lowering the University's borrowing costs, when compared against fixed-rate

debt, the University entered into interest rate swap agreements in connection with certain variable-rate System Facilities Revenue Bonds and commercial paper. Under each of the swap agreements, the University pays the swap counterparty a fixed interest rate payment and receives a variable rate interest rate payment that effectively changes a component of the University's variable interest rate debt to fixed rate debt. The University assumed a 2006 interest rate swap with a negative fair market value of \$9,799,000 on March 21, 2012 to which the counterparty was Bank of America, N.A. The 2006 swap was acquired in conjunction with the purchase of a housing and parking facility at the Kansas City campus. The initial loss related to the 2006 swap is included in Other Non-Operating Revenues (Expenses). Table 9.3 presents the terms of the outstanding swaps and their fair values at June 30, 2013.

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

Table 9.3 - Interest Rate Swaps (in thousands)

Type	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value	Counterparty Credit Rating
Pay fixed; receive variable	\$ 40,000	7/18/2002	11/1/2032	Pay 3.950%; receive SIFMA Index	\$ (9,611)	Aa3 / A+
Pay fixed; receive variable	51,135	12/14/2006	8/3/2026	Pay 3.902%; receive SIFMA Index	(8,522)	Baa2 / A-
Pay fixed; receive variable	100,330	7/26/2007	11/1/2031	Pay 3.798%; receive 68% of 1-Month LIBOR	(21,736)	Aa3 / A+
Total	\$ 191,465				\$ (39,869)	

The 2002 and 2006 swaps do not specifically hedge any currently outstanding debt; rather, they serve to reduce the overall exposure to interest rate risk on the University's variable rate debt not otherwise specifically hedged. The notional amount of the 2002 swap is fixed over the life of the agreement. The notional amount of the 2006 swap decreases annually over the life of the swap. The 2007 swap specifically hedges System Facilities Revenue Bond Series 2007B, the effectiveness of which has been determined using

the synthetic instrument method. The notional amount of the 2007 swap is equal to the outstanding balance of the Series 2007B bonds.

The University recognizes the fair value and corresponding changes in fair value of the outstanding swaps in the University's financial statements. Changes in fair value of the outstanding swaps, with respective financial statement presentation, are presented in Table 9.4:

Table 9.4 - Interest Rate Swaps - Change in Fair Value (in thousands)

Type	Fair Value at June 30,		Fair Value on Acquisition	Change in	
	2013	2012		Fair Value	Presentation of Change in Fair Value
2002 Swap - Investment Derivative	\$ (9,611)	\$ (14,608)	N/A	\$ 4,997	Investment and Endowment Income, Net
2006 Swap - Investment Derivative	(8,522)	(12,833)	N/A	4,311	Investment and Endowment Income, Net
2007 Swap - Cash Flow Hedge	(21,736)	(30,415)	N/A	8,679	Deferred Outflow of Resources
Total	\$ (39,869)	\$ (57,856)	\$ -	\$ 17,987	

Fair Value. There is a risk that the fair value of a swap could be adversely affected by changing market conditions. The fair values, developed using the zero coupon method with proprietary models, were prepared by the counterparties, JPMorgan Chase Bank, N.A., and Bank of America, N.A., major U.S. financial institutions. The zero coupon method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each net settlement of the swap. The fair value of the interest rate swaps is the estimated amount the University would have either (paid) or received if the swap agreements were terminated on June 30, 2013.

Credit Risk. Although the University has entered into the interest rate swaps with creditworthy financial institutions, there is credit risk for losses in the event of non-performance by the counterparties. Subject to applicable netting arrangements, swap contracts with positive fair values are exposed to credit risk. The University faces a maximum possible loss equivalent to the amount of the derivative's fair value. Subject to applicable netting arrangements, swaps with negative fair values are not exposed to credit risk. Collateral requirements apply to both parties for the 2002 and 2007 swaps and for the 2006 swap collateral requirements only apply to the counterparty. The collateral requirements are determined by a combination of credit ratings and the aggregate fair value of swaps outstanding with each counterparty as presented in Table 9.5:

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Table 9.5 - Swap Collateral Requirements

Credit Rating (S&P / Moody's)	Fair Value Threshold (in thousands)
AAA/Aaa	\$ 50,000
AA+/Aa1	30,000
AA/Aa2	30,000
AA-/Aa3	20,000
A+/A1	20,000
A/A2	10,000
A-/A3	10,000
BBB+/Baa1	5,000

If the aggregate fair value of swaps outstanding with each counterparty is positive and exceeds the fair value threshold for the applicable credit rating, the counterparties are required to post collateral. If the aggregate fair value of the 2002 and 2007 swaps is negative and exceeds the fair value threshold for the applicable credit rating, the University is required to post collateral. Permitted collateral for either party includes U.S. Treasuries, U.S. government agencies, cash, and commercial paper rated A1/P1 by S&P or Moody's, respectively. As the negative aggregate fair value of the 2002 and 2007 swaps exceeded \$30,000,000 on June 30, 2013, which is the current fair value threshold for the University given a Moody's rating of Aa1, the University had collateral posted with the counterparty as required.

Basis Risk. The variable-rate payments received by the University on the 2007 swap are determined by 68% of one month LIBOR, whereas the interest rates paid by the University on its variable-rate bonds correspond to the SIFMA Index. The University is exposed to basis risk only to the extent that the historical relationship between these variable market rates changes going forward, resulting in a variable-rate payment received on the 2007 swap that is significantly less than the variable-rate interest payment on the bonds.

Termination Risk. The University is exposed to termination risk for the 2002 and 2007 interest rate swaps as the counterparty has the right to terminate the agreements in certain circumstances. For the 2002 swap, the counterparty has a contractual right to

terminate the agreement if the daily weighted average of the SIFMA Index for the preceding 30 calendar day period is greater than 7.00%. With regard to the 2007 swap, the counterparty has a contractual right to terminate the agreement if the daily weighted average of the SIFMA Index for the preceding 180 days is greater than 6.00%. The 2006 interest rate swap is not exposed to termination risk. The SIFMA Index was .06% at June 30, 2013.

Pledged Revenues and Debt Service Requirements

For fiscal years 2013 and 2012, annual debt service, including net payments on associated interest rate swaps, totaled \$89,062,000 and \$89,717,000, respectively. For fiscal years 2013 and 2012, System Facilities Pledged Revenue was twelve and eleven times greater than the annual debt service. Net System Facilities Revenue was 165% and 133% of annual debt service, respectively. Table 9.6 provides the System Facilities pledged revenues and operating expenses.

Table 9.6 - System Facilities Pledged Revenues and Operating Expenses (in thousands)

	2013	2012
Pledged Revenues:		
Net Patient Revenue	\$ 844,747	\$ 793,876
Housing and Related Food Service	106,435	100,284
Bookstores	55,645	57,634
Net Tuition and Fees	26,670	26,117
Other Operating Revenue	39,381	35,208
Pledged Revenues	1,072,878	1,013,119
Operating Expenses	925,493	893,540
Net Revenues	\$ 147,385	\$ 119,579

Table 9.7 provides future debt service requirements for the System Facilities Revenue Bonds, including the impact of both interest rate swap agreements. With respect to the inclusion of variable rate bond interest payments and net payments on swaps, the following data was based upon variable rates in effect at June 30, 2013. As market rates vary, variable rate bond interest payments and net swap payments will vary.

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Table 9.7 - Future Debt Service - System Facilities Revenue Bonds (in thousands)

Fiscal Year	Principal	Interest	Hedging Derivatives, Net	Total Before Investment Derivatives	Investment Derivatives, Net	Total Future Debt Service
2014	24,325	56,938	3,606	84,869	3,216	88,085
2015	26,145	55,890	3,590	85,625	3,193	88,818
2016	30,945	54,686	3,509	89,140	3,168	92,308
2017	32,095	53,378	3,393	88,866	3,138	92,004
2018	30,550	52,083	3,201	85,834	3,104	88,938
2019-2023	248,065	224,153	14,358	486,576	14,853	501,429
2024-2028	190,430	181,149	9,688	381,267	13,461	394,728
2029-2033	159,205	143,875	2,431	305,511	12,332	317,843
2034-2038	153,375	105,844	-	259,219	6,853	266,072
2039-2042	290,265	38,816	-	329,081	3,198	332,279
\$	1,185,400	\$ 966,812	\$ 43,776	\$ 2,195,988	\$ 66,516	\$ 2,262,504

Commercial Paper

During fiscal year 2013, the University issued \$18,850,000 of commercial paper to finance capital projects.

During fiscal year 2012, the University issued \$160,935,000 of commercial paper to fund the purchase of a housing and parking facility and refund System Facilities Revenue Bonds, Series 2000B, Series 2001A, and Series 2006B.

On October 21, 2011, the Board adopted a flexible financing program for the University referred to as the University's Commercial Paper Program ("CP Program"). The CP Program authorizes the periodic issuance of up to an aggregate outstanding principal amount of \$375 million in Commercial Paper Notes. The initial term of the authorization is approximately fifteen years.

The Commercial Paper Notes are limited obligations of the University secured by a pledge of the University's Unrestricted Revenues. "Unrestricted Revenues" includes state appropriations for general operations, student fee revenues, and all other operating revenues of the University other than System Facilities Revenues. The primary objective of the CP Program is to provide flexibility in managing the University's overall debt program to meet its various financial needs including: (a) financing capital projects, (b) allowing for the refunding/refinancing of outstanding debt, and (c) providing a readily accessible source of funds for various working capital purposes.

Notes Payable

Notes payable consist of loans from the state Department of Natural Resources Energy Efficiency Leveraged Loan Program. Interest is payable semiannually and ranges from 2.0% to 3.2%.

During fiscal year 2013, Rolla Renewable Energy Company, LLC, a wholly owned subsidiary of MREC entered into a Qualified Low-Income Community Investment loan agreement with Midwest Renewable Capital XIII, LLC. The proceeds of this note are to develop, construct, own and lease the geothermal construction project. Interest is payable quarterly at 1.6%.

The future payments on all notes payable at June 30, 2013, are as follows:

Table 9.8 - Future Notes Payable Payments

Year Ending June 30	Amount (in thousands)
2014	\$ 1,189
2015	1,162
2016	1,088
2017	887
2018	887
2019-2023	3,373
2024-2028	2,216
2029-2033	2,209
2034-2038	2,202
2039-2043	1,792
Total Future Notes Payable Payments	17,005
Less: Amount Representing Interest	(2,876)
Future Notes Payable	
Principal Payments	\$ 14,129

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Capital Lease Obligations

The University leases various facilities and equipment through capital leases. Facilities and equipment under capitalized leases are recorded at the present value of future minimum lease payments.

The future minimum payments on all capital leases at June 30, 2013, are as follows:

Table 9.9 - Future Capital Lease Payments

	Amount
Year Ending June 30	(in thousands)
2014	1,563
2015	1,563
2016	1,563
2017	1,563
2018	1,563
2019-2020	1,952
Total Future Minimum Payments	9,767
Less: Amount Representing Interest	(3,847)
Present Value of Future Minimum Lease Payments	\$ 5,920

DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

The Medical Alliance's outstanding debt at June 30, 2013 and 2012, with corresponding activity, is as follows:

Table 9.10 - Long-Term Debt - Medical Alliance (in thousands)

As of June 30, 2013	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Health Facilities Revenue Bonds Series 2011	\$ 32,835	\$ -	\$ (1,715)	\$ 31,120	\$ 1,740
Total Bonds Payable	32,835	-	(1,715)	31,120	1,740
Capital Lease Obligations	1,527	-	(1,202)	325	325
Total Long-Term Debt	\$ 34,362	\$ -	\$ (2,917)	\$ 31,445	\$ 2,065

As of June 30, 2012	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Health Facilities Revenue Bonds Series 1998	\$ 18,875	\$ -	\$ (18,875)	\$ -	\$ -
Health Facilities Revenue Bonds Series 2004	15,150	-	(15,150)	-	-
Health Facilities Revenue Bonds Series 2011	-	32,835	-	32,835	1,715
Total Bonds Payable	34,025	32,835	(34,025)	32,835	1,715
Capital Lease Obligations	2,685	-	(1,158)	1,527	1,202
Total Long-Term Debt	\$ 36,710	\$ 32,835	\$ (35,183)	\$ 34,362	\$ 2,917

Bonds Payable

Tax-exempt revenue bonds (Series 2011 Bonds) in the principal amount of \$32,835,000 were issued by the Health and Education Facilities Authority of the State of Missouri (the Authority) on behalf of the Medical Alliance dated November 1, 2011. The proceeds were used to refund all of the outstanding Series 1998 and 2004 Bonds and costs of issuance. The premium and the deferred financing costs on the Series 2011 Bonds are amortized on the straight-line method over the life of the respective bonds. The Series 2011 Bonds are secured by the unrestricted receivables of the Medical

Alliance. Under the terms of the Master Indenture, the Medical Alliance is required to make payments of principal, premium, if any, and interest on the bonds. In addition, the Master Indenture contains certain restrictions on the operations and activities of the Medical Alliance, including, among other things, covenants restricting the incurrence of additional indebtedness and the creation of liens on property, except as permitted by the Master Indenture.

The Master Indenture has mandatory sinking fund redemption requirements in which funds are required to be set aside beginning in 2021 for the Series 2011 bonds.

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Interest expense incurred on the bonds during the years ended June 30, 2013 and 2012 was \$1,169,000 and \$1,433,000, respectively, of which no interest was capitalized.

As of June 30, 2013, the total of principal and interest due on bonds during the next five years and in subsequent five-year periods is as follows:

Table 9.11 - Future Debt Service - Medical Alliance (in thousands)

Fiscal Year	Principal	Interest	Total
2014	1,740	1,139	2,879
2015	1,795	1,085	2,880
2016	1,840	1,038	2,878
2017	1,885	992	2,877
2018	1,930	939	2,869
2019-2023	10,690	3,627	14,317
2024-2028	11,240	1,221	12,461
	\$ 31,120	\$ 10,041	\$ 41,161

Capital Leases

The Medical Alliance leases certain equipment through capital leases. Equipment under capitalized leases is recorded at the present value of future minimum lease payments.

The future minimum payments on all capital leases at June 30, 2013, are as follows:

Table 9.12 - Future Capital Lease Payments Medical Alliance (in thousands)

Year Ending June 30	Amount
2014	328
Total Future Minimum Payments	328
Less: Amount Representing Interest	(3)
Present Value of Future Minimum Lease Payments	\$ 325

10. RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; natural disasters; and various medically related benefit programs for employees. The University funds these losses through a combination of self-insured retentions and

commercially purchased insurance. The amount of self-insurance funds and commercial insurance maintained are based upon analysis of historical information and actuarial estimates. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

The liability for self-insurance claims at June 30, 2013 and 2012 of \$80,665,000 and \$69,469,000, respectively, represents the present value of amounts estimated to have been incurred by those dates, using discount rates ranging from 1.0% to 2.2% for fiscal year 2013 and 1.5% to 2.7% for fiscal year 2012, based on expected future investment yield assumptions.

Changes in the self-insurance liability during fiscal years 2013, 2012, and 2011 were as follows:

Table 10.1 - Self-Insurance Claims Liability (in thousands)

Fiscal Year	New Claims			End of Year
	Beginning of Year	and Changes in Estimates	Claim Payments	
2013	\$ 69,469	\$ 210,872	\$(199,676)	\$ 80,665
2012	72,949	213,357	(216,837)	69,469
2011	77,501	194,051	(198,603)	72,949

11. COMMITMENTS AND CONTINGENCIES

Endowment and Pension Trust Funds

The University Endowment Fund and Pension Trust Funds have made commitments to make investments in certain investment partnerships pursuant to provisions in the various partnership agreements. These commitments totaled \$68,889,000 and \$149,968,000 for the University and the Pension Trust Funds, respectively, at June 30, 2013.

University Operating Leases

The University leases various facilities and equipment under agreements recorded as operating leases. Operating lease expenses for the years ended June 30, 2013 and 2012 were \$21,969,000 and \$20,247,000, respectively.

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Future minimum payments on all significant operating leases with initial or remaining terms of one year or more at June 30, 2013, are as follows:

Table 11.1 - Future Operating Lease Payments

Fiscal Year	Amount <i>(in thousands)</i>
2014	\$ 4,709
2015	3,878
2016	3,098
2017	2,326
2018	462
Total Future Lease Payments	\$ 14,473

In addition to the above lease obligations, the University has outstanding commitments for the usage and ongoing support of University Health Care's information technology environment. As of January 2010, University Health Care began contracting for software usage and maintenance fees, as well as, labor costs for approximately 100 full-time equivalent employees, with the Cerner Corporation. This agreement, called IT Works, represents the labor and software component of a cooperative relationship between University Health Care and Cerner Corporation referred to as the Tiger Institute for Health Innovation (the Tiger Institute). The Tiger Institute is not a legally separate entity and is included within the financial statements of the University. The Tiger Institute provides continued development of information technology within the clinical areas, as well as developing new technology initiatives in health information systems.

As of June 30, 2013, this contracted commitment totaled \$123,757,000 and will be paid in the following amounts: \$17,516,000 in 2014, \$18,041,000 in 2015, \$18,583,000 in 2016, \$19,140,000 in 2017, \$19,714,000 in 2018 and \$30,763,000 thereafter.

Pollution Remediation

The University has been working with the Voluntary Cleanup Program of the Missouri Department of Natural Resources (MDNR) to characterize subsurface contamination on a University owned property. The University is awaiting a cost estimate to perform the additional evaluation requested by MDNR. Long term costs will depend on the results of the two-year

sampling process. As a result, the University is unable to estimate future costs on cleanup of the site at this time.

Radiology and Other Health Care Matters

Since November 2011, the University has been investigating allegations of improper billings after learning that a federal investigation led by the U.S Attorney's Office was under way. The University's investigation has identified indications that two radiologists improperly certified that they had performed services that were actually performed by resident physicians. The University is cooperating with the investigation of the U.S. Attorney's Office in an effort to achieve a resolution of the matter. The University has estimated minimum likely exposure of \$1,965,000. Also, the University has reviewed other potential federal health program reimbursement issues contemporaneous with the radiology investigation noted above. The University is in process of self-disclosure and has estimated minimum likely exposure of \$2,462,000 in aggregate for these matters. Because the federal government could assess penalties or assert alternative theories or analyses concerning amounts of liability, the potential for additional exposure for these issues exists but cannot be estimated at this time, as these matters have not yet been resolved.

Charitable Gift Annuities

A charitable gift annuity is a contractual agreement between one or two donors (typically husband and wife) and a charity. The donor(s) transfers assets as a gift to the charity and in return the charity is obligated to pay a fixed annuity to one or two annuitants, of the donor(s)' choosing, for the life of the donor(s). As part of the University's "Planned Giving" program, the University enters into Charitable Gift Annuity contracts with donors. The University's liability related to the annuity obligations was \$7,202,000 and \$6,470,000 at June 30, 2013 and 2012, respectively.

Medical Resident FICA Refunds

In March 2010, the United State Internal Revenue Service (IRS) accepted the position that medical residents are exempted from FICA taxes based upon the "student exception" for tax periods ending before April 1, 2005 when new regulations became effective.

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In December 2010, the University of Missouri perfected its claims for the refund of taxes withheld for the relevant periods. During fiscal year 2013 the University received payment for all outstanding claims and related interest from the IRS.

12. RETIREMENT, DISABILITY AND DEATH BENEFIT PLAN

Plan Description – the Retirement Plan is a single-employer, defined benefit plan for all qualified employees. As authorized by Section 172.300, Revised Statutes of Missouri, the University's Board of Curators administers the Retirement Plan and establishes its terms. Full-time employees vest in the Retirement Plan after five years of credited service and become eligible for benefits based on age and years of service. A vested employee who retires at age 65 or older is eligible for a lifetime annuity calculated at a certain rate times the credited service years times the compensation base (average compensation for the five highest consecutive salary years). The rate is 2.2% if the employee was hired before October 1, 2012, or 1.0% if the employee was hired after September 30, 2012. Academic members who provide summer teaching and research service receive additional summer service credit. The Board of Curators may periodically approve increases to the benefits paid to existing pensioners. However, vested members who leave the University prior to eligibility for retirement are not eligible for these pension increases.

Table 12.1 - Retirement Plan Membership

	2013	2012
Active Members		
Vested	11,223	11,000
Nonvested	7,106	7,274
Pensioners and Beneficiaries	7,661	7,644
Former Employees with		
Deferred Pensions	5,992	5,447
Total Members	31,982	31,365

Vested employees who are at least age 55 and have ten years or more of credited service or age 60 with at least five years of service may choose early retirement with a reduced benefit. However, if the employee retires at age 62 and has at least 25 years of credited service, the benefit is not reduced. Up to 30% of the retirement annuity can be taken in a lump sum

payment. In addition, the standard annuity can be exchanged for an actuarially-equivalent annuity selected from an array of options with joint and survivor, period certain, and guaranteed annual increase features.

Vested employees who terminate prior to retirement eligibility may elect to transfer the actuarial equivalent of their benefit to an Individual Retirement Account or into another employer's qualified plan that accepts such rollovers. If the actuarial equivalent is less than \$20,000, it may instead be taken in the form of a lump sum payment.

In addition, the Retirement Plan allows vested employees who become disabled to continue accruing service credit until they retire. It also provides a pre-retirement death benefit for vested employees.

The Retirement Plan provides a minimum value feature for vested employees who terminate or retire. The minimum value is calculated as the actuarial equivalent of 5% of the employee's eligible compensation invested at 7.5% per credited service year or the regularly calculated benefit.

Contributions – The University's contributions to the Retirement Plan are equal to the actuarially determined employer contribution requirement (ARC). The ARC for those employees hired before October 1, 2012 averaged 8.9% and 7.2% of covered payroll for the years ending June 30, 2013 and 2012, respectively. The ARC for those employees hired after September 30, 2013 averaged 4.9% of covered payroll for the year ended June 30, 2013. Employees are required to contribute 1% of their salary up to \$50,000 in a calendar year and 2% of their salary in excess of \$50,000. An actuarial valuation of the Plan is performed annually and the University's contribution rate is updated at the beginning of the University's fiscal year on July 1, to reflect the actuarially determined funding requirement from the most recent valuation, as of the preceding October 1. This actuarial valuation reflects the adoption of any Retirement Plan amendments during the previous fiscal year.

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The University's annual pension cost and net pension obligation to the Retirement Plan for the current year, excluding the impact of employee contributions, along with three-year trend information, were as follows:

Table 12.2 - Three-Year Trend Information (in thousands)

Fiscal Year Ending	Annual Required Contribution (ARC)	Annual Pension Cost (APC)	Contributions Made	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	\$ 57,541	\$ 57,541	\$ 57,541	100%	-
6/30/2012	74,618	74,618	74,618	100%	-
6/30/2013	94,176	94,176	94,176	100%	-

Basis of Accounting – The Retirement Plan's accounting records are prepared using the accrual basis of accounting. Employer contributions to the Retirement Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the Retirement Plan. The Retirement Plan does not issue a separate financial report.

Investment Valuation – Investments are reported at fair value.

Funded Status – As of the most recent actuarial valuation date, October 1, 2012, the Retirement Plan was 84.3% funded. The actuarial accrued liability (AAL) for benefits was \$3,308,967,000 and the actuarial value of the assets was \$2,790,622,000, resulting in unfunded AAL of funding of \$518,345,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,046,075,000 and the ratio of unfunded AAL funding to covered payroll was 49.6%.

The Schedule of Funding Progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions – In the October 1, 2012 actuarial valuation, the entry age actuarial cost method was used. Actuarial assumptions included (1) an 8% rate of investment return net of administrative expenses, and (2) projected salary increases ranging from 4.5% to 5.3% per year. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using techniques that

spread effects of short-term volatility in the market value of investments over a 5-year period. The underfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 20 years from the October 1, 2012 valuation date.

13. OTHER POSTEMPLOYMENT BENEFITS

Plan Description – In addition to the pension benefits described in Note 12, the University operates a single-employer, defined benefit postemployment plan. The University's Other Postemployment Benefits (OPEB) Plan provides postemployment medical, dental, and life insurance benefits to employees who retire from the University after attaining age 55 and before reaching age 60 with ten or more years of service, or after attaining age 60 with five or more years of service. As of June 30, 2013 and 2012, 6,522 and 6,319 retirees, respectively, were receiving benefits, and an estimated 18,379 active University employees may become eligible to receive future benefits under the plan. Postemployment medical, dental and life insurance benefits are also provided to long-term disability claimants who were vested in the University's Retirement Plan at the date the disability began, provided the onset date of the disability was on or after September 1, 1990. As of June 30, 2013 and 2012, 227 and 233 long-term disability claimants, respectively, met those eligibility requirements.

The terms and conditions governing the postemployment benefits to which employees are entitled are at the sole authority and discretion of the University's Board of Curators.

Basis of Accounting – The OPEB Plan's accounting records are prepared using the accrual basis of accounting, in accordance with GASB Statements No. 43 and No. 45, which established requirements for

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financial reporting for postemployment benefits other than pension plans. The assets of the OPEB Trust Fund are irrevocable and legally protected from creditors and dedicated to providing postemployment benefits in accordance with terms of the plan. The OPEB Plan does not issue a separate financial report.

Contributions and Reserves – Contribution requirements of employees and the University are established and may be amended by the University's Board of Curators. For employees retiring prior to September 1, 1990, the University contributes 2/3 of the medical benefits premium and 1/2 of the dental plan premium. For employees who retired on or after September 1, 1990, the University contributes toward premiums based on the employee's length of service and age at retirement.

The University makes available two group term life insurance options. Option A coverage is equal to the retiree's salary at the date of retirement, while Option B is equal to two times that amount. For each Option, graded decreases in coverage are made when the retiree attains specific age levels. The University pays the full cost of Option A and approximately 91% of the cost of Option B coverage. Coverage for group term life insurance ends on January 1 following the retiree's 70th birthday.

For the year ended June 30, 2013, participants contributed \$14,458,000, or approximately 47.6%, of total premiums through their required contributions, which vary depending on the plan and coverage selection.

The University makes available two long-term disability options to its employees. Option A coverage is equal to 60% of the employee's salary on the date the disability began, when integrated with benefits from all other sources. Option B coverage is equal to 66-2/3% of the employee's salary, integrated so that benefits from all sources will not exceed 85% of the employee's salary. Both options have a 149-day waiting period and provide benefits until age 65. The University pays the full cost of the Option A premium, while employees enrolled in Option B pay the additional cost over the Optional A premium.

The Annual Required Contribution (ARC) represents a level of funding that an employer is projected to need in order to prefund its obligations for postemployment

benefits over its employees' years of service. The University has no obligation to make contributions in advance of when insurance premiums or claims are due for payment and currently funds postemployment benefits at a level no less than the pay-as-you-go basis. In fiscal years 2013 and 2012, the University contributed \$19,177,000 and \$25,477,000, or 37.6% and 50.0% of the ARC, respectively. The ARC, which was \$50,954,000 for fiscal years 2013 and 2012, represented 4.9% of annual covered payroll.

Table 13.1 presents the OPEB cost for the year, the amount contributed, and changes in the OPEB obligation for fiscal year 2013:

Table 13.1 - Changes in Net OPEB

Obligation <i>(in thousands)</i>	
Annual Required Contribution	\$ 50,954
Interest on Existing Net OPEB Obligation	6,296
ARC Adjustment	(5,360)
Annual OPEB Cost	51,890
Contributions Made	(19,177)
Increase in net OPEB obligation	32,713
Net OPEB obligation - beginning of year	109,496
Net OPEB obligation - June 30, 2013	\$ 142,209

Funding Status and Funding Progress – As of July 1, 2011, the date of the last valuation, the OPEB Plan was 8.4% funded. The actuarial accrued liability (AAL) for postemployment benefits was \$542,844,000, with \$45,745,000 in actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$497,099,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,041,413,000, and the ratio of UAAL to covered payroll was 47.7%.

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Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision of actual results, are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Benefit projections for financial reporting purposes are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and the historical pattern of cost sharing between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the University and plan members in the future.

The University's annual OPEB cost and net OPEB obligation to the OPEB Plan for the current year, along with three-year trend information, were as follows:

Table 13.2 - OPEB Plan Three-Year Trend Information *(in thousands)*

Fiscal Year Ending	Annual Required Contribution	Annual OPEB Cost (AOC)	Contributions Made	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
6/30/2011	\$ 60,485	\$ 60,935	\$ 30,242	49.6%	\$ 83,306
6/30/2012	50,954	51,667	25,477	49.3%	109,496
6/30/2013	50,954	51,890	19,177	37.0%	142,209

Actuarial Methods and Assumptions - Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The projected unit credit actuarial cost method was used in the July 1, 2011 actuarial valuation. Actuarial assumptions included a

5.75% investment rate of return, net of administrative expenses. The projected annual healthcare trend rate is 5.0% to 9.0% initially, reduced by 0.5% decrements to an ultimate rate of 5.0%. The UAAL is being amortized as a level dollar amount on an open basis, level percent of pay, over a 30-year amortization period.

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NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2013 and 2012

14. BLENDED COMPONENT UNIT

Condensed combining information for the University's blended component unit for the years ended June 30, 2013 and 2012 is presented as follows:

Table 14.1 - Missouri Renewable Energy Corporation Condensed Financial Statements (in thousands)

Condensed Statement of Net Position	2013			2012		
	MREC	Eliminations	Total	MREC	Eliminations	Total
Assets:						
Current Assets	\$ 660	\$ -	\$ 660	\$ -	\$ -	\$ -
Capital Assets, Net	95,058	(13,245)	81,813	16,150	-	16,150
Total Assets and Deferred Outflow of Resources	\$ 95,718	\$ (13,245)	\$ 82,473	\$ 16,150	\$ -	\$ 16,150
Liabilities:						
Current Liabilities	\$ 2,509	\$ (2,494)	\$ 15	\$ 285	\$ (285)	\$ -
Noncurrent Liabilities	83,606	(75,162)	8,444	14,278	(14,278)	-
Total Liabilities	86,115	(77,656)	8,459	14,563	(14,563)	-
Net Position:						
Net Investment in Capital Assets	11,452	61,917	73,369	1,872	14,278	16,150
Restricted -						
Nonexpendable	-	-	-	-	-	-
Expendable	(1,849)	2,494	645	(285)	285	-
Unrestricted	-	-	-	-	-	-
Total Net Position	9,603	64,411	74,014	1,587	14,563	16,150
Total Liabilities and Net Position	\$ 95,718	\$ (13,245)	\$ 82,473	\$ 16,150	\$ -	\$ 16,150

Condensed Statement of Revenues, Expenses and Changes in Net Position	2013			2012		
	MREC	Eliminations	Total	MREC	Eliminations	Total
Operating Revenues:						
Other Operating Revenue	\$ 172	\$ (77)	\$ 95	\$ -	\$ -	\$ -
Total Operating Revenues	172	(77)	95	-	-	-
Operating Expenses:						
Depreciation	17	-	17	-	-	-
All Other Operating Expenses	164	(56)	108	-	-	-
Total Operating Expenses	181	(56)	125	-	-	-
Operating Income (Loss)	(9)	(21)	(30)	-	-	-
Capital Contribution	8,025	49,869	57,894	1,587	14,563	16,150
Increase in Net Position	8,016	49,848	57,864	1,587	14,563	16,150
Net Position, Beginning of Year	1,587	14,563	16,150	-	-	-
Net Position, End of Year	\$ 9,603	\$ 64,411	\$ 74,014	\$ 1,587	\$ 14,563	\$ 16,150

Condensed Statement of Cash Flows	2013			2012		
	MREC	Eliminations	Total	MREC	Eliminations	Total
Net Cash Flows Provided by (Used in) Operating Activities	\$ (58)	\$ 35	\$ (23)	\$ -	\$ -	\$ -
Net Cash Flows Provided by (Used in) Capital and Related Financing Activities	718	(35)	683	-	-	-
Net Increase in Cash and Cash Equivalents	660	-	660	-	-	-
Cash and Cash Equivalents, Beginning of Year	-	-	-	-	-	-
Cash and Cash Equivalents, End of Year	\$ 660	\$ -	\$ 660	\$ -	\$ -	\$ -

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15. OPERATING EXPENSES BY FUNCTION

The operating expenses of the University are presented based on natural expenditure classifications. The University's operating expenses by functional classification are as follows:

Table 15.1 - Operating Expenses by Functional and Natural Classifications *(in thousands)*

Fiscal Year Ended June 30, 2013	Salaries and Wages	Benefits	Supplies, Services and Other	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 432,119	\$ 121,774	\$ 69,950	\$ -	\$ -	\$ 623,843
Research	105,449	25,995	74,526	-	-	205,970
Public Service	77,153	22,953	48,649	-	-	148,755
Academic Support	79,445	25,272	34,696	-	-	139,413
Student Services	42,516	12,939	21,570	-	-	77,025
Institutional Support	100,650	32,870	(33,067)	-	-	100,453
Operation and Maintenance of Plant	36,594	12,236	40,555	-	-	89,385
Auxiliary Enterprises	469,963	131,728	509,745	-	-	1,111,436
Scholarships and Fellowships	-	-	-	62,461	-	62,461
Depreciation	-	-	-	-	167,796	167,796
Total Operating Expenses	\$ 1,343,889	\$ 385,767	\$ 766,624	\$ 62,461	\$ 167,796	\$ 2,726,537

Fiscal Year Ended June 30, 2012	Salaries and Wages	Benefits	Supplies, Services and Other	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 417,895	\$ 113,406	\$ 73,394	\$ -	\$ -	\$ 604,695
Research	108,266	24,756	77,396	-	-	210,418
Public Service	74,601	21,076	51,631	-	-	147,308
Academic Support	78,044	23,708	31,990	-	-	133,742
Student Services	41,117	11,974	22,115	-	-	75,206
Institutional Support	98,278	30,703	(26,417)	-	-	102,564
Operation and Maintenance of Plant	35,245	1,503	50,366	-	-	87,114
Auxiliary Enterprises	464,903	112,469	482,225	-	-	1,059,597
Scholarships and Fellowships	-	-	-	60,380	-	60,380
Depreciation	-	-	-	-	160,915	160,915
Total Operating Expenses	\$ 1,318,349	\$ 339,595	\$ 762,700	\$ 60,380	\$ 160,915	\$ 2,641,939

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

16. FIDUCIARY FUNDS – PENSION TRUST FUNDS COMBINING STATEMENTS

Combining financial statements for the Fiduciary Funds – Pension Trust Funds, which encompass the Retirement Trust and OPEB Trust, are as follows:

Table 16.1 - Statement of Plan Net Position (in thousands)

	2013			2012		
	Retirement	OPEB	Total	Retirement	OPEB	Total
Assets						
Cash and Cash Equivalents	\$ 103,119	\$ 25,474	\$ 128,593	\$ 79,083	\$ 26,950	\$ 106,033
Investment of Cash Collateral	48,560	-	48,560	50,023	-	50,023
Investment Settlements Receivable	41,450	-	41,450	83,396	-	83,396
Investments:						
Debt Securities	457,001	-	457,001	933,561	-	933,561
Equity Securities	715,580	-	715,580	505,512	-	505,512
Commingled Funds	1,405,564	23,810	1,429,374	1,062,406	23,263	1,085,669
Nonmarketable Alternative Investments	255,082	-	255,082	212,993	-	212,993
Other	-	-	-	11,895	-	11,895
Total Assets	3,026,356	49,284	3,075,640	2,938,869	50,213	2,989,082
Liabilities						
Accounts Payable and						
Accrued Liabilities	224	-	224	169	-	169
Collateral Held for						
Securities Lending	48,560	-	48,560	50,023	-	50,023
Investment Settlements Payable	59,016	-	59,016	206,980	-	206,980
Total Liabilities	107,800	-	107,800	257,172	-	257,172
Net Position Held in Trust for Retirement and OPEB	\$ 2,918,556	\$ 49,284	\$ 2,967,840	\$ 2,681,697	\$ 50,213	\$ 2,731,910

Table 16.2 - Statement of Changes in Plan Net Position (in thousands)

	2013			2012		
	Retirement	OPEB	Total	Retirement	OPEB	Total
Net Revenues and Other Additions						
Investment Income:						
Interest and Dividend Income, Net of Fees	\$ 51,521	\$ 369	\$ 51,890	\$ 57,947	\$ 642	\$ 58,589
Net Appreciation (Depreciation) in Fair Value of Investments	237,014	178	237,192	(31,357)	(191)	(31,548)
Net Investment Income	288,535	547	289,082	26,590	451	27,041
Contributions:						
University Members	94,176	19,177	113,353	74,618	25,477	100,095
	13,694	14,864	28,558	13,232	14,088	27,320
Total Contributions	107,870	34,041	141,911	87,850	39,565	127,415
Other Revenues	-	-	-	-	1,218	1,218
Total Net Revenues and Other Additions	396,405	34,588	430,993	114,440	41,234	155,674
Expenses and Other Deductions						
Administrative Expenses	2,233	419	2,652	2,263	367	2,630
Payments to Retirees and Beneficiaries	157,313	35,098	192,411	143,917	36,399	180,316
Total Expenses and Other Deductions	159,546	35,517	195,063	146,180	36,766	182,946
Increase (decrease) in Net Position Held in Trust for Retirement and OPEB	236,859	(929)	235,930	(31,740)	4,468	(27,272)
Net Position Held in Trust for Retirement & OPEB, Beginning of Year	2,681,697	50,213	2,731,910	2,713,437	45,745	2,759,182
Net Position Held in Trust for Retirement and OPEB, End of Year	\$ 2,918,556	\$ 49,284	\$ 2,967,840	\$ 2,681,697	\$ 50,213	\$ 2,731,910

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

17. SPECIAL ITEM

On November 7, 2011, IDEXX Reference Laboratories, Incorporated purchased certain assets of a research and diagnostic lab on the Columbia campus and assumed certain liabilities as part of the sales agreement. The University received net proceeds of \$43,000,000 of which \$42,316,000 was recorded as a special item in the Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2012.

18. SUBSEQUENT EVENT

On September 27, 2013 the Rolla Renewable Energy Company, LLC, a wholly owned subsidiary of MREC, entered into a Qualified Low-Income Community Investment loan agreement with CCM Community Development LV LLC. The loan agreement was in the amount of \$20,000,000 and had two notes. Note A was in the amount of \$14,980,000 with a stated interest rate of 1.3081% per annum. Note B was in the amount of \$5,020,000 with a stated interest rate of 1.3081% per annum. The notes will be used to fund construction cost for the Geothermal project.

On September 27, 2013 the University executed a promissory note as the lender with RREC 2 Investment Fund, LLC as part of the financing for the Geothermal project being completed by Rolla Renewable Energy Company, LLC, a wholly owned subsidiary of MREC. The University's note receivable was in the amount of \$14,380,000 and carried a stated interest rate of 1%.

UNIVERSITY OF MISSOURI SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
(unaudited)

Retirement Plan - Schedule of Funding Progress *(in thousands)*

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL/(Excess Funding) (b-a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	UAAL (Excess) as a % of Covered Payroll ((b-a) / c)
10/1/2007	2,651,535	2,555,592	(95,943)	103.8%	891,648	-10.8%
10/1/2008	2,808,126	2,733,032	(75,094)	102.7%	954,430	-7.9%
10/1/2009	2,843,422	2,819,524	(23,898)	100.8%	970,060	-2.5%
10/1/2010	2,851,957	2,960,832	108,875	96.3%	979,888	11.1%
10/1/2011	2,828,697	3,138,190	309,493	90.1%	1,031,891	30.0%
10/1/2012	2,790,622	3,308,967	518,345	84.3%	1,046,075	49.6%

Retirement Plan - Schedule of Employer Contributions *(in thousands)*

Year Ended	Actuarial Valuation Date	Annual Required Contribution	Annual Pension Cost	Contributions Made	Percentage Contributed	Net Pension Obligation (Asset)
6/30/2008	10/1/2006	72,284	72,284	72,284	100%	-
6/30/2009	10/1/2007	56,663	56,663	56,663	100%	-
6/30/2010	10/1/2008	48,040	48,040	48,040	100%	-
6/30/2011	10/1/2009	57,541	57,541	57,541	100%	-
6/30/2012	10/1/2010	74,618	74,618	74,618	100%	-
6/30/2013	10/1/2011	94,176	94,176	94,176	100%	-

See independent auditors' report.

UNIVERSITY OF MISSOURI SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
(unaudited)

OPEB Plan - Schedule of Funding Progress *(in thousands)*

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ([b-a] / c)
7/1/2007 (a)	-	560,340	560,340	0.0%	930,365	60.2%
7/1/2009	37,171	646,655	609,484	5.7%	1,009,800	60.4%
7/1/2011 (b)	45,745	542,844	497,099	8.4%	1,041,413	47.7%

(a) The 7/1/2007 Actuarial Valuation was revised based on a change in the discount rate from 6.75% to 5.75%.

(b) Date of last valuation provided

OPEB Plan - Schedule of Employer Contributions *(in thousands)*

Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed	Net Pension Obligation (Asset)
6/30/2011	7/1/2009	60,485	50%	83,306
6/30/2012	7/1/2011	50,954	50%	109,496
6/30/2013	7/1/2011	50,954	38%	142,209

(a) The 7/1/2007 Actuarial Valuation was revised based on a change in the discount rate from 6.75% to 5.75%.

See independent auditors' report.



University of Missouri System

COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS

STATISTICAL SECTION

STATEMENT OF NET POSITION

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 177,722	\$ 228,639	\$ 44,249	\$ 149,515	\$ 115,919
Restricted Cash and Cash Equivalents	80,730	134,141	177,038	177,798	137,022
Short-Term Investments	272,839	126,054	151,070	40,268	124,609
Restricted Short-Term Investments	43,087	32,092	49,264	30,619	25,882
Investment of Cash Collateral	24,428	32,032	101,047	111,557	111,719
Accounts Receivable, Net	255,081	274,100	255,589	249,460	241,325
Pledges Receivable, Net	14,803	11,898	12,374	14,505	13,382
Investment Settlements Receivable	16,176	37,316	15,634	6,200	15,800
Notes Receivable, Net	8,068	8,151	8,532	9,046	12,564
Due To Component Units	(7,826)	(7,029)	(6,658)	(5,285)	(3,900)
Inventories	37,398	36,022	35,193	28,401	33,009
Prepaid Expenses and Other Current Assets	27,533	27,332	25,759	25,604	21,618
Total Current Assets	950,039	940,748	869,091	837,688	848,949
Noncurrent Assets					
Pledges Receivable, Net	43,911	41,708	14,895	16,256	17,231
Notes Receivable, Net	62,829	54,698	54,015	50,635	47,524
Deferred Charges and Other Assets	9,735	10,253	13,218	12,374	9,836
Long-Term Investments	1,338,894	1,363,827	1,357,918	1,171,998	778,538
Restricted Long-Term Investments	1,103,616	1,066,915	1,161,184	891,067	741,556
Capital Assets, Net	2,997,508	2,848,993	2,642,196	2,534,365	2,392,852
Total Noncurrent Assets	5,556,493	5,386,394	5,243,426	4,676,695	3,987,537
Deferred Outflow of Resources	21,736	30,415	19,023	22,192	-
Total Assets and Deferred Outflow of Resources	\$ 6,528,268	\$ 6,357,557	\$ 6,131,540	\$ 5,536,575	\$ 4,836,486
Liabilities					
Current Liabilities					
Accounts Payable	\$ 131,410	\$ 140,274	\$ 130,803	\$ 123,809	\$ 94,531
Accrued Liabilities	162,779	150,971	143,347	138,309	130,837
Deferred Revenue	85,323	84,923	78,209	78,200	80,703
Funds Held for Others	71,169	65,643	62,951	53,245	66,403
Investment Settlements Payable	107,183	177,988	47,319	41,931	50,318
Collateral Held for Securities Lending	24,428	32,032	101,047	111,557	115,291
Commercial Paper and Current Portion of Long-Term Debt	203,295	183,226	29,107	30,139	24,922
Long-Term Debt Subject to Remarketing	99,895	100,330	220,885	223,680	224,925
Total Current Liabilities	885,482	935,387	813,668	800,870	787,930
Noncurrent Liabilities					
Long-Term Debt	1,103,004	1,122,312	1,140,934	915,906	608,114
Deferred Revenue	-	-	1,519	1,925	1,603
Derivative Instrument Liability	39,869	57,856	26,702	30,680	-
Other Postemployment Benefits Liability	142,209	109,496	83,306	52,613	23,639
Other Noncurrent Liabilities	56,765	47,889	49,167	53,845	50,423
Total Noncurrent Liabilities	1,341,847	1,337,553	1,301,628	1,054,969	683,779
Total Liabilities	2,227,329	2,272,940	2,115,296	1,855,839	1,471,709
Net Position					
Net Investment in Capital Assets	1,636,334	1,545,227	1,516,095	1,485,090	1,540,654
Restricted					
Nonexpendable -					
Endowment	858,820	771,146	788,876	679,494	612,119
Expendable -					
Scholarship, Research, Instruction & Other	323,473	299,789	264,605	244,226	235,405
Loans	80,436	79,091	77,300	75,637	78,357
Capital Projects	11,219	10,149	18,438	32,373	30,043
Unrestricted	1,390,657	1,379,215	1,350,930	1,163,916	868,199
Total Net Position	4,300,939	4,084,617	4,016,244	3,680,736	3,364,777
Total Liabilities & Net Position	\$ 6,528,268	\$ 6,357,557	\$ 6,131,540	\$ 5,536,575	\$ 4,836,486

CHANGES IN NET POSITION

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Operating Revenues					
Tuition and Fees, Net	\$ 791,319	\$ 736,074	\$ 671,419	\$ 630,498	\$ 601,742
Less: Scholarship Allowances	198,514	190,798	175,917	164,187	148,578
Net Tuition and Fees	592,805	545,276	495,502	466,311	453,164
Federal Grants and Contracts	183,654	184,882	196,122	183,885	172,669
State and Local Grants and Contracts	54,298	55,837	57,375	66,194	53,042
Private Grants and Contracts	71,731	71,023	67,025	68,044	71,034
Sales and Services of Educational Activities	24,129	23,106	21,671	22,560	22,088
Auxiliary Enterprises -					
Patient Medical Services, Net	847,681	795,302	741,626	720,050	685,404
Housing and Dining Services, Net	105,794	99,667	93,724	89,743	81,939
Bookstores	55,582	57,566	58,591	59,288	62,113
Other Auxiliary Enterprises, Net	250,975	217,590	238,270	215,497	207,335
Other Operating Revenues	58,179	55,312	55,811	49,250	53,681
Total Operating Revenues	2,244,828	2,105,561	2,025,717	1,940,822	1,862,469
Operating Expenses					
Salaries and Wages	1,343,889	1,318,349	1,272,226	1,236,965	1,213,837
Benefits	385,767	359,595	328,340	303,300	299,586
Supplies, Services and Other Operating Expenses	766,624	762,700	716,044	676,362	672,711
Scholarships and Fellowships	62,461	60,380	58,790	55,469	48,456
Depreciation	167,796	160,915	155,103	146,753	131,167
Total Operating Expenses	2,726,537	2,661,939	2,530,503	2,418,849	2,365,757
Operating Loss before State Appropriations	(481,709)	(556,378)	(504,786)	(478,027)	(503,288)
State Appropriations	401,400	397,629	437,631	498,358	479,478
Operating Income (Loss) after State Appropriations, Before Nonoperating Revenues (Expenses)	(80,309)	(158,749)	(67,155)	20,331	(23,810)
Nonoperating Revenues (Expenses)					
Federal Appropriations	29,154	28,222	28,416	21,455	14,858
Federal Pell Grants	59,917	62,311	57,951	48,281	31,649
Investment and Endowment Income (Losses), Net	147,433	30,855	266,633	172,833	(173,355)
Private Gifts	64,103	90,346	52,564	48,695	52,552
Interest Expense	(55,256)	(53,923)	(49,507)	(46,103)	(31,432)
Other Nonoperating Revenues (Expenses)	(4,822)	(10,214)	(3,279)	(1,659)	(3,930)
Net Nonoperating Revenues (Expenses)	240,529	147,597	352,778	243,502	(109,658)
Income (Loss) before Capital Contributions, Additions to Permanent Endowments, Extraordinary and Special Items	160,220	(11,152)	285,623	263,833	(133,468)
State Capital Appropriations	745	937	8,043	14,205	17,817
Capital Gifts and Grants	20,244	11,788	15,466	19,381	13,009
Private Gifts for Endowment Purposes	35,113	24,484	26,376	24,703	21,093
Extraordinary Item:					
Net Proceeds from Sale of Missouri Care	-	-	-	-	2,550
Special Item	-	42,316	-	-	-
Increase (Decrease) in Net Position	216,322	68,373	335,508	322,122	(78,999)
Net Position, Beginning of Year	4,084,617	4,016,244	3,680,736	3,364,777	3,430,442
Cumulative Effect of Change in Accounting Principles	-	-	-	(6,163)	13,334
Net Position, Beginning of Year, as Adjusted	4,084,617	4,016,244	3,680,736	3,358,614	3,443,776
Net Position, End of Year	\$ 4,300,939	\$ 4,084,617	\$ 4,016,244	\$ 3,680,736	\$ 3,364,777

CHANGES IN NET POSITION (% increase / decrease from prior year)

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Operating Revenues					
Tuition and Fees, Net	7.5%	9.6%	6.5%	4.8%	8.0%
Less: Scholarship Allowances	4.0%	8.5%	7.1%	10.5%	6.2%
Net Tuition and Fees	8.7%	10.0%	6.3%	2.9%	8.6%
Federal Grants and Contracts	-0.7%	-5.7%	6.7%	6.5%	-6.4%
State and Local Grants and Contracts	-2.8%	-2.7%	-13.3%	24.8%	-2.5%
Private Grants and Contracts	1.0%	6.0%	-1.5%	-4.2%	17.8%
Sales and Services of Educational Activities	4.4%	6.6%	-3.9%	2.1%	12.9%
Auxiliary Enterprises -					
Patient Medical Services, Net	6.6%	7.2%	3.0%	5.1%	0.6%
Housing and Dining Services, Net	6.1%	6.3%	4.4%	9.5%	13.0%
Bookstores	-3.4%	-1.7%	-1.2%	-4.5%	1.1%
Other Auxiliary Enterprises, Net	15.3%	-8.7%	10.6%	3.9%	14.0%
Other Operating Revenues	5.2%	-0.9%	13.3%	-8.3%	14.3%
Total Operating Revenues	6.6%	3.9%	4.4%	4.2%	4.6%
Operating Expenses					
Salaries and Wages	1.9%	3.6%	2.9%	1.9%	5.2%
Benefits	7.3%	9.5%	8.3%	1.2%	-3.5%
Supplies, Services and Other Operating Expenses	0.5%	6.5%	5.9%	0.5%	1.6%
Scholarships and Fellowships	3.4%	2.7%	6.0%	14.5%	22.7%
Depreciation	4.3%	3.7%	5.7%	11.9%	4.1%
Total Operating Expenses	2.4%	5.2%	4.6%	2.2%	3.2%
Operating Loss before State Appropriations	13.4%	-10.2%	-5.6%	5.0%	1.7%
State Appropriations	0.9%	-9.1%	-12.2%	3.9%	3.7%
Operating Income (Loss) after State Appropriations, Before Nonoperating Revenues (Expenses)	49.4%	-136.4%	-430.3%	185.4%	52.0%
Nonoperating Revenues (Expenses)					
Federal Appropriations	3.3%	-0.7%	32.4%	44.4%	4.1%
Federal Pell Grants	-3.8%	7.5%	20.0%	52.6%	16.2%
Investment and Endowment Income (Losses), Net	377.8%	-88.4%	54.3%	199.7%	-479.9%
Private Gifts	-29.0%	71.9%	7.9%	-7.3%	1.7%
Interest Expense	2.5%	8.9%	7.4%	46.7%	-27.0%
Other Nonoperating Revenues (Expenses)	52.8%	-211.5%	-97.6%	57.8%	17.3%
Net Nonoperating Revenues (Expenses)	63.0%	-58.2%	44.9%	322.1%	-220.5%
Income (Loss) before Capital Contributions, Additions to Permanent Endowments and Extraordinary Item	1536.7%	-103.9%	8.3%	297.7%	-422.0%
State Capital Appropriations	-20.5%	-88.4%	-43.4%	-20.3%	14.7%
Capital Gifts and Grants	71.7%	-23.8%	-20.2%	49.0%	-25.0%
Private Gifts for Endowment Purposes	43.4%	-7.2%	6.8%	17.1%	-36.1%
Extraordinary Item:					
Net Proceeds from Sale of Missouri Care	-	-	-	-	-
Special Item	-	-	-	-	-
Increase (Decrease) in Net Position	216.4%	-79.6%	4.2%	507.8%	-173.6%
Net Position, Beginning of Year	1.7%	9.1%	9.4%	-1.9%	3.9%
Cumulative Effect of Change in Accounting Principles	0.0%	0.0%	100.0%	-146.2%	-33.0%
Net Position, Beginning of Year, as Adjusted	1.7%	9.1%	9.6%	-2.5%	3.6%
Net Position, End of Year	5.3%	1.7%	9.1%	9.4%	-1.9%

COMPOSITE FINANCIAL INDEX

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
+ Primary Reserve Ratio	0.66	0.66	0.67	0.62	0.50
/ Conversion Factor	0.133	0.133	0.133	0.133	0.133
= Strength Factor	4.96	4.98	5.05	4.63	3.78
x Weighting Factor	35%	35%	35%	35%	35%
= Ratio Subtotal	1.74	1.74	1.77	1.62	1.32

Primary Reserve Ratio - measures the financial strength of the institution by indicating how long the institution could function using its expendable reserves to cover operations should additional net position not be available. A positive ratio and an increasing amount over time denotes strength.

+ Return on Assets Ratio	5.2%	1.7%	8.7%	9.2%	-2.3%
/ Conversion Factor	0.020	0.020	0.020	0.020	0.020
= Strength Factor	2.58	0.84	4.36	4.58	(1.16)
x Weighting Factor	20%	20%	20%	20%	20%
= Ratio Subtotal	0.52	0.17	0.87	0.92	(0.23)

Return on Assets Ratio - measures total economic return. While an increasing trend reflects strength, a decline may be appropriate and even warranted if it represents a strategy on the part of the institution to fulfill its mission.

+ Net Operating Revenues Ratio	5.6%	3.5%	5.1%	7.7%	6.0%
/ Conversion Factor	0.013	0.013	0.013	0.013	0.013
= Strength Factor	4.30	2.68	3.96	5.89	4.60
x Weighting Factor	10%	10%	10%	10%	10%
= Ratio Subtotal	0.43	0.27	0.40	0.59	0.46

Net Operating Revenues Ratio - measures whether the institution is living within available resources. A positive ratio and an increasing amount over time generally reflects strength.

+ Viability Ratio	1.28	1.25	1.22	1.27	1.38
/ Conversion Factor	0.417	0.417	0.417	0.417	0.417
= Strength Factor	3.06	3.00	2.92	3.04	3.30
x Weighting Factor	35%	35%	35%	35%	35%
= Ratio Subtotal	1.07	1.05	1.02	1.06	1.16

Viability Ratio - measures the ability of the institution to cover its debt as of the balance sheet date, should the institution need to do so. A positive ratio greater than 1.00 generally denotes strength.

Composite Financial Index	3.75	3.23	4.06	4.19	2.71
Composite Financial Index - Three Year Average	3.68	3.82	3.65	3.38	3.41

Composite Financial Index (CFI) - provides a methodology for a single overall financial measurement of the institution's health based on the four core ratios. The CFI uses a reasonable weighting plan and allows for a weakness or strength in a specific ratio to be offset by another ratio result, which provides a more balanced measure. The CFI provides a more holistic approach to understanding the financial health of the institution. The CFI scores are not intended to be precise measures; they are indicators of ranges of financial health that can be indicators of overall institutional well-being when combined with non-financial indicators.

MARKET RATIOS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Net Tuition per Student

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Gross Tuition and Fees	\$ 791,319	\$ 736,074	\$ 671,419	\$ 630,498	\$ 601,742
Less: Scholarship Discounts / Allowances	(198,514)	(190,798)	(175,917)	(164,187)	(148,578)
Less: Scholarship / Fellowship Expenses	(62,461)	(60,380)	(58,790)	(55,469)	(48,456)
Net Tuition	\$ 530,344	\$ 484,896	\$ 436,712	\$ 410,842	\$ 404,708
Net Tuition	\$ 530,344	\$ 484,896	\$ 436,712	\$ 410,842	\$ 404,708
Number of Students - Fall Semester (FTEs)	57,806	56,843	55,272	53,292	51,025
Net Tuition per Student	\$ 9,175	\$ 8,530	\$ 7,901	\$ 7,709	\$ 7,932

State Appropriations per Student

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
State Appropriations	\$ 401,400	\$ 397,629	\$ 437,631	\$ 498,358	\$ 479,478
Number of Students - Fall Semester (FTEs)	57,806	56,843	55,272	53,292	51,025
State Appropriations per Student	\$ 6,944	\$ 6,995	\$ 7,918	\$ 9,351	\$ 9,397

Educational Expenses per Student

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Total Operating Expenses	\$ 2,726,537	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849	\$ 2,365,757
Less: Scholarships / Fellowships Expense	(62,461)	(60,380)	(58,790)	(55,469)	(48,456)
Less: Auxiliary Operating Expenses	(1,109,157)	(1,067,820)	(1,028,491)	(956,455)	(901,089)
Less: Grants and Contracts Expenses	(309,683)	(311,742)	(320,522)	(318,123)	(296,745)
Interest Expense	55,256	53,923	49,507	46,103	31,432
Less: Auxiliary Interest Expense	(9,753)	(8,427)	(9,006)	(9,197)	(7,437)
Net Educational Expenses	\$ 1,290,739	\$ 1,267,493	\$ 1,163,201	\$ 1,125,708	\$ 1,143,462
Net Educational Expenses	\$ 1,290,739	\$ 1,267,493	\$ 1,163,201	\$ 1,125,708	\$ 1,143,462
Number of Students - Fall Semester (FTEs)	57,806	56,843	55,272	53,292	51,025
Educational Expenses per Student	\$ 22,329	\$ 22,298	\$ 21,045	\$ 21,123	\$ 22,410

Total Tuition Discount

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Scholarship Allowances	\$ 198,514	\$ 190,798	\$ 175,917	\$ 164,187	\$ 148,578
Scholarships / Fellowships Expense	62,461	60,380	58,790	55,469	48,456
Total Tuition Discounts (\$)	\$ 260,975	\$ 251,178	\$ 234,707	\$ 219,656	\$ 197,034
Total Tuition Discounts (\$)	\$ 260,975	\$ 251,178	\$ 234,707	\$ 219,656	\$ 197,034
Gross Tuition and Fees	\$ 791,319	\$ 736,074	\$ 671,419	\$ 630,498	\$ 601,742
Total Tuition Discount (%)	33.0%	34.1%	35.0%	34.8%	32.7%

CAPITAL RATIOS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Unrestricted Financial Resources to Direct Debt

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Current Portion of Long-Term Debt	\$ 203,295	\$ 183,226	\$ 29,107	\$ 30,139	\$ 24,922
Long-Term Debt Subject to Remarketing	99,895	100,330	220,885	223,680	224,925
Long-Term Debt	1,103,004	1,122,312	1,140,934	915,906	608,114
Total Direct Debt	\$ 1,406,194	\$ 1,405,868	\$ 1,390,926	\$ 1,169,725	\$ 857,961
Net Position - Unrestricted	\$ 1,390,657	\$ 1,379,215	\$ 1,350,930	\$ 1,163,916	\$ 868,199
Total Direct Debt	\$ 1,406,194	\$ 1,405,868	\$ 1,390,926	\$ 1,169,725	\$ 857,961

Unrestricted Financial Resources to Direct Debt

0.99 0.98 0.97 1.00 1.01

Expendable Financial Resources to Direct Debt (Viability Ratio)

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Net Position - Unrestricted	\$ 1,390,657	\$ 1,379,215	\$ 1,350,930	\$ 1,163,916	\$ 868,199
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	323,473	299,789	264,605	244,226	235,405
Net Position - Restricted Expendable - Loans	80,436	79,091	77,300	75,637	78,357
Expendable Net Position	\$ 1,794,566	\$ 1,758,095	\$ 1,692,835	\$ 1,483,779	\$ 1,181,961
Expendable Net Position	\$ 1,794,566	\$ 1,758,095	\$ 1,692,835	\$ 1,483,779	\$ 1,181,961
Total Direct Debt	\$ 1,406,194	\$ 1,405,868	\$ 1,390,926	\$ 1,169,725	\$ 857,961

Viability Ratio 1.28 1.25 1.22 1.27 1.38

Total Financial Resources to Direct Debt

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Net Position - Unrestricted	\$ 1,390,657	\$ 1,379,215	\$ 1,350,930	\$ 1,163,916	\$ 868,199
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	323,473	299,789	264,605	244,226	235,405
Net Position - Restricted Expendable - Loans	80,436	79,091	77,300	75,637	78,357
Net Position - Restricted Nonexpendable	858,820	771,146	788,876	679,494	612,119
Total Financial Resources	\$ 2,653,386	\$ 2,529,241	\$ 2,481,711	\$ 2,163,273	\$ 1,794,080
Total Financial Resources	\$ 2,653,386	\$ 2,529,241	\$ 2,481,711	\$ 2,163,273	\$ 1,794,080
Total Direct Debt	\$ 1,406,194	\$ 1,405,868	\$ 1,390,926	\$ 1,169,725	\$ 857,961

Total Financial Resources to Direct Debt

1.89 1.80 1.78 1.85 2.09

Direct Debt per Student

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Total Direct Debt	\$ 1,406,194	\$ 1,405,868	\$ 1,390,926	\$ 1,169,725	\$ 857,961
Number of Students - End of Fiscal Year (FTEs)	58,163	57,806	56,843	55,272	53,292

Direct Debt per Student \$ 24,177 \$ 24,320 \$ 24,470 \$ 21,163 \$ 16,099

CAPITAL RATIOS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Actual Debt Service to Operations

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Debt Service - Principal	\$ 24,849	\$ 26,393	\$ 29,010	\$ 24,922	\$ 21,987
Debt Service - Interest	55,256	53,923	49,507	46,103	31,432
Total Debt Service	\$ 80,105	\$ 80,316	\$ 78,517	\$ 71,025	\$ 53,419
Operating Expenses	\$ 2,726,537	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849	\$ 2,365,757
Less: Scholarships & Fellowships Expense	(62,461)	(60,380)	(58,790)	(55,469)	(48,456)
Interest Expense	55,256	53,923	49,507	46,103	31,432
Adjusted Total Operating Expense	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483	\$ 2,348,733
Total Debt Service	\$ 80,105	\$ 80,316	\$ 78,517	\$ 71,025	\$ 53,419
Adjusted Total Operating Expense	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483	\$ 2,348,733
Actual Debt Service to Operations	2.9%	3.0%	3.1%	2.9%	2.3%

Capital Expense to Operations

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Depreciation Expense	\$ 167,796	\$ 160,915	\$ 155,103	\$ 146,753	\$ 131,167
Interest Expense	55,256	53,923	49,507	46,103	31,432
Total Capital Expense	\$ 223,052	\$ 214,838	\$ 204,610	\$ 192,856	\$ 162,599
Operating Expenses	\$ 2,726,537	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849	\$ 2,365,757
Less: Scholarships & Fellowships Expense	(62,461)	(60,380)	(58,790)	(55,469)	(48,456)
Interest Expense	55,256	53,923	49,507	46,103	31,432
Adjusted Total Operating Expense	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483	\$ 2,348,733
Total Capital Expense	\$ 223,052	\$ 214,838	\$ 204,610	\$ 192,856	\$ 162,599
Adjusted Total Operating Expense	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483	\$ 2,348,733
Capital Expense to Operations	8.2%	8.1%	8.1%	8.0%	6.9%

BALANCE SHEET RATIOS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Unrestricted Financial Resources to Operations

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Net Position - Unrestricted	\$ 1,390,657	\$ 1,379,215	\$ 1,350,930	\$ 1,163,916	\$ 868,199
Operating Expenses	\$ 2,726,537	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849	\$ 2,365,757
Less: Scholarships & Fellowships Expense	(62,461)	(60,380)	(58,790)	(55,469)	(48,456)
Interest Expense	55,256	53,923	49,507	46,103	31,432
Adjusted Total Operating Expense	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483	\$ 2,348,733
Net Position - Unrestricted	\$ 1,390,657	\$ 1,379,215	\$ 1,350,930	\$ 1,163,916	\$ 868,199
Adjusted Total Operating Expense	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483	\$ 2,348,733

Unrestricted Financial Resources to Operations

0.51 0.52 0.54 0.48 0.37

Expendable Financial Resources to Operations (Primary Reserve Ratio)

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Net Position - Unrestricted	\$ 1,390,657	\$ 1,379,215	\$ 1,350,930	\$ 1,163,916	\$ 868,199
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	323,473	299,789	264,605	244,226	235,405
Net Position - Restricted Expendable - Loans	80,436	79,091	77,300	75,637	78,357
Expendable Net Position	\$ 1,794,566	\$ 1,758,095	\$ 1,692,835	\$ 1,483,779	\$ 1,181,961
Operating Expenses	\$ 2,726,537	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849	\$ 2,365,757
Less: Scholarships & Fellowships Expense	(62,461)	(60,380)	(58,790)	(55,469)	(48,456)
Interest Expense	55,256	53,923	49,507	46,103	31,432
Adjusted Total Operating Expense	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483	\$ 2,348,733
Expendable Net Position	\$ 1,794,566	\$ 1,758,095	\$ 1,692,835	\$ 1,483,779	\$ 1,181,961
Adjusted Total Operating Expense	\$ 2,719,332	\$ 2,655,482	\$ 2,521,220	\$ 2,409,483	\$ 2,348,733

Primary Reserve Ratio

0.66 0.66 0.67 0.62 0.50

Total Financial Resources per Student

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Net Position - Unrestricted	\$ 1,390,657	\$ 1,379,215	\$ 1,350,930	\$ 1,163,916	\$ 868,199
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	323,473	299,789	264,605	244,226	235,405
Net Position - Restricted Expendable - Loans	80,436	79,091	77,300	75,637	78,357
Net Position - Restricted Nonexpendable	858,820	771,146	788,876	679,494	612,119
Total Financial Resources	\$ 2,653,386	\$ 2,529,241	\$ 2,481,711	\$ 2,163,273	\$ 1,794,080
Total Financial Resources	\$ 2,653,386	\$ 2,529,241	\$ 2,481,711	\$ 2,163,273	\$ 1,794,080
Number of Students - End of Fiscal Year (FTE)	58,163	57,806	56,843	55,272	53,292
Total Financial Resources per Student	\$ 45,620	\$ 43,754	\$ 43,659	\$ 39,139	\$ 33,665

OPERATING RATIOS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Annual Operating Margin (Net Operating Revenues Ratio)

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Operating Inc (Loss) After State Appropriations	\$ (80,309)	\$ (158,749)	\$ (67,155)	\$ 20,331	\$ (23,810)
Federal Appropriations	29,154	28,222	28,416	21,455	14,858
Federal Pell Grants	59,917	62,311	57,951	48,281	31,649
Normalized Investment Income	143,305	127,497	114,592	107,236	105,498
Private Gifts	64,103	90,346	52,564	48,695	52,552
Interest Expense	(55,256)	(53,923)	(49,507)	(46,103)	(31,432)
Net Operating Surplus (Deficit)	\$ 160,914	\$ 95,704	\$ 136,861	\$ 199,895	\$ 149,315
Total Operating Revenues	\$ 2,244,828	\$ 2,105,561	\$ 2,025,717	\$ 1,940,822	\$ 1,862,469
Less: Scholarship & Fellowships Expense	(62,461)	(60,380)	(58,790)	(55,469)	(48,456)
State Appropriations	401,400	397,629	437,631	498,358	479,478
Federal Appropriations	29,154	28,222	28,416	21,455	14,858
Federal Pell Grants	59,917	62,311	57,951	48,281	31,649
Normalized Investment Income (a)	143,305	127,497	114,592	107,236	105,498
Private Gifts	64,103	90,346	52,564	48,695	52,552
Total Operating Revenues	\$ 2,880,246	\$ 2,751,186	\$ 2,658,081	\$ 2,609,378	\$ 2,498,048

(a) Normalized investment income is equal to 5% of the rolling average balance of total cash and investments over the previous three fiscal years.

Net Operating Surplus (Deficit)	\$ 160,914	\$ 95,704	\$ 136,861	\$ 199,895	\$ 149,315
Total Operating Revenues	\$ 2,880,246	\$ 2,751,186	\$ 2,658,081	\$ 2,609,378	\$ 2,498,048

Net Operating Revenues Ratio	5.6%	3.5%	5.1%	7.7%	6.0%
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Debt Service Coverage

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Total Debt Service	\$ 80,105	\$ 80,316	\$ 78,517	\$ 71,025	\$ 53,419
Net Operating Surplus (Deficit)	\$ 160,914	\$ 95,704	\$ 136,861	\$ 199,895	\$ 149,315
Add Back: Interest Expense	55,256	53,923	49,507	46,103	31,432
Add Back: Depreciation Expense	167,796	160,915	155,103	146,753	131,167
Adjusted Net Operating Surplus (Deficit)	\$ 383,966	\$ 310,542	\$ 341,471	\$ 392,751	\$ 311,914
Adjusted Net Operating Surplus (Deficit)	\$ 383,966	\$ 310,542	\$ 341,471	\$ 392,751	\$ 311,914
Total Debt Service	\$ 80,105	\$ 80,316	\$ 78,517	\$ 71,025	\$ 53,419
Debt Service Coverage	4.79	3.87	4.35	5.53	5.84

Return on Net Position

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Change in Net Position	\$ 216,322	\$ 68,373	\$ 335,508	\$ 322,122	\$ (78,999)
Average Net Position	\$ 4,192,778	\$ 4,050,431	\$ 3,848,490	\$ 3,519,675	\$ 3,404,277
Return on Net Position Ratio	5.2%	1.7%	8.7%	9.2%	-2.3%

CONTRIBUTION RATIOS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Contribution Ratios

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
State Appropriations	\$ 401,400	\$ 397,629	\$ 437,631	\$ 498,358	\$ 479,478
Tuition and Fees, Net of Scholarship Allow/Exp	530,344	484,896	436,712	410,842	404,708
Auxiliary Enterprises	412,351	374,823	390,585	364,528	351,387
Grants and Contracts	309,683	311,742	320,522	318,123	296,745
Federal Pell Grants	59,917	62,311	57,951	48,281	31,649
Gifts	64,103	90,346	52,564	48,695	52,552
Normalized Investment Income (a)	143,305	127,497	114,592	107,236	105,498
Patient Care	847,681	795,302	741,626	720,050	685,404
Other	111,462	106,640	105,898	93,265	90,627
Total	\$ 2,880,246	\$ 2,751,186	\$ 2,658,081	\$ 2,609,378	\$ 2,498,048
State Appropriations	13.9%	14.5%	16.5%	19.1%	19.2%
Tuition and Fees, Net of Scholarship Allow/Exp	18.4%	17.6%	16.4%	15.7%	16.2%
Auxiliary Enterprises	14.3%	13.6%	14.7%	14.0%	14.1%
Grants and Contracts	10.8%	11.3%	12.1%	12.2%	11.9%
Federal Pell Grants	2.1%	2.3%	2.2%	1.9%	1.3%
Gifts	2.2%	3.3%	2.0%	1.9%	2.1%
Normalized Investment Income (a)	5.0%	4.6%	4.3%	4.1%	4.2%
Patient Care	29.4%	28.9%	27.9%	27.6%	27.4%
Other	3.9%	3.9%	4.0%	3.6%	3.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

(a) Normalized investment income is equal to 5% of the rolling average balance of total cash and investments over the previous three fiscal year

Operating Expenses by Functional Classifications

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Instruction	\$ 623,843	\$ 604,695	\$ 557,081	\$ 537,813	\$ 544,025
Research	205,970	210,418	219,903	214,540	214,491
Public Service	148,755	147,308	143,546	146,719	173,627
Academic Support	139,413	133,742	127,856	124,119	108,626
Student Services	77,025	75,207	69,992	70,671	69,234
Institutional Support	100,453	102,565	97,934	109,493	104,198
Operation and Maintenance of Plant	89,385	97,114	69,982	55,878	70,002
Auxiliary Enterprises	1,111,436	1,069,595	1,030,316	957,394	901,931
Scholarships and Fellowships	62,461	60,380	58,790	55,469	48,456
Depreciation	167,796	160,915	155,103	146,753	131,167
Total Operating Expenses	\$ 2,726,537	\$ 2,661,939	\$ 2,530,503	\$ 2,418,849	\$ 2,365,757
Instruction	22.9%	22.7%	22.0%	22.2%	23.0%
Research	7.6%	7.9%	8.7%	8.9%	9.1%
Public Service	5.5%	5.5%	5.7%	6.1%	7.3%
Academic Support	5.1%	5.0%	5.1%	5.1%	4.6%
Student Services	2.8%	2.8%	2.8%	2.9%	2.9%
Institutional Support	3.7%	3.9%	3.9%	4.5%	4.4%
Operation and Maintenance of Plant	3.3%	3.6%	2.8%	2.3%	3.0%
Auxiliary Enterprises	40.8%	40.2%	40.7%	39.6%	38.1%
Scholarships and Fellowships	2.3%	2.3%	2.3%	2.3%	2.0%
Depreciation	6.2%	6.0%	6.1%	6.1%	5.5%
Total Operating Expenses	100.0%	100.0%	100.0%	100.0%	100.0%

STUDENT INFORMATION - CONSOLIDATED

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2012	2011	2010	2009	2008
Undergraduate Students (Head Count)	56,750	54,936	53,358	51,352	49,510
Graduate Students (Head Count)	15,130	15,562	15,232	15,080	14,336
Professional Students (Head Count)	3,164	3,067	3,006	2,952	2,873
Total Students (Head Count)	75,044	73,565	71,596	69,384	66,719
Undergraduate Students (FTE)	46,107	44,940	43,737	41,974	40,294
Graduate Students (FTE)	8,576	8,877	8,571	8,401	7,890
Professional Students (FTE)	3,123	3,026	2,964	2,917	2,841
Total Students (FTE)	57,806	56,843	55,272	53,292	51,025
Acceptance Rate - First-time Freshmen	78%	79%	80%	80%	81%
Acceptance Rate - Undergraduate Transfers	71%	73%	73%	72%	72%
Matriculation - First-time Freshmen	39%	41%	42%	41%	46%
Matriculation - Undergraduate Transfers	66%	66%	67%	68%	68%

Demographics

Fall Semester	2012	2011	2010	2009	2008
Male	48%	47%	47%	47%	46%
Female	52%	53%	53%	53%	54%
Undergraduate Residence - Missouri	80%	82%	83%	84%	84%
Undergraduate Residence - Out of State	20%	18%	17%	16%	16%
Undergraduate Full-Time	76%	77%	77%	77%	76%
Undergraduate Part-Time	24%	23%	23%	23%	24%
Graduate Full-Time	46%	45%	45%	40%	38%
Graduate Part-Time	54%	55%	55%	60%	62%
White	74.7%	75.4%	76.5%	77.1%	78.2%
Black or African American	9.9%	10.0%	9.8%	9.9%	9.3%
Non-Resident Alien	6.5%	6.4%	6.2%	6.1%	6.0%
Asian / Pacific Is.	3.6%	3.6%	3.5%	3.5%	3.4%
Hispanic	3.2%	3.0%	2.8%	2.6%	2.5%
Other	2.1%	1.6%	1.2%	0.8%	0.6%

Degrees Awarded

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Baccalaureate	10,545	10,319	9,703	9,605	9,291
Graduate Certificate	781	623	539	520	438
Master's	3,919	4,069	3,870	3,608	3,620
Educational Specialist	115	104	100	123	148
Doctoral	660	610	557	519	487
First Professional Degree	847	790	818	800	763
Total	16,867	16,515	15,587	15,175	14,747

STUDENT INFORMATION - COLUMBIA

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2012	2011	2010	2009	2008
Undergraduate Students (Head Count)	26,960	25,992	24,834	23,799	22,980
Graduate Students (Head Count)	6,473	6,534	6,310	6,288	6,024
Professional Students (Head Count)	1,271	1,236	1,197	1,150	1,126
Total Students (Head Count)	34,704	33,762	32,341	31,237	30,130
Undergraduate Students (FTE)	24,677	23,840	22,899	21,943	21,197
Graduate Students (FTE)	3,921	3,966	3,765	3,721	3,536
Professional Students (FTE)	1,248	1,215	1,174	1,134	1,108
Total Students (FTE)	29,846	29,021	27,838	26,798	25,841
Acceptance Rate - First-time Freshmen	81%	82%	83%	83%	85%
Acceptance Rate - Undergraduate Transfers	67%	67%	67%	69%	71%
Matriculation - First-time Freshmen	39%	41%	42%	41%	47%
Matriculation - Undergraduate Transfers	61%	62%	66%	66%	68%

Demographics

Fall Semester	2012	2011	2010	2009	2008
Male	47%	47%	47%	46%	46%
Female	53%	53%	53%	54%	54%
Undergraduate Residence - Missouri	77%	79%	81%	83%	84%
Undergraduate Residence - Out of State	23%	21%	19%	17%	16%
Undergraduate Full-Time	93%	94%	94%	94%	94%
Undergraduate Part-Time	7%	6%	6%	6%	6%
Graduate Full-Time	60%	58%	58%	48%	46%
Graduate Part-Time	40%	42%	42%	52%	54%
White	79.0%	80.3%	81.8%	82.9%	83.6%
Black or African American	7.2%	6.9%	6.6%	6.4%	5.9%
Non-Resident Alien	6.3%	5.9%	5.4%	5.4%	5.4%
Asian / Pacific Is.	2.3%	2.4%	2.4%	2.5%	2.5%
Hispanic	2.9%	2.7%	2.5%	2.2%	2.0%
Other	2.3%	1.8%	1.3%	0.6%	0.6%

Degrees Awarded

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Baccalaureate	5,692	5,528	5,087	4,963	4,855
Graduate Certificate	225	179	162	142	88
Master's	1,515	1,631	1,513	1,515	1,506
Educational Specialist	63	43	53	59	57
Doctoral	411	367	365	322	306
First Professional Degree	332	299	306	304	307
Total	8,238	8,047	7,486	7,305	7,119

STUDENT INFORMATION - KANSAS CITY

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2012	2011	2010	2009	2008
Undergraduate Students (Head Count)	10,614	10,122	9,850	9,381	9,261
Graduate Students (Head Count)	3,651	3,692	3,771	3,795	3,651
Professional Students (Head Count)	1,725	1,659	1,638	1,623	1,569
Total Students (Head Count)	15,990	15,473	15,259	14,799	14,481
Undergraduate Students (FTE)	7,715	7,586	7,395	6,972	6,662
Graduate Students (FTE)	1,965	2,032	2,030	2,021	1,936
Professional Students (FTE)	1,707	1,638	1,618	1,604	1,555
Total Students (FTE)	11,387	11,256	11,043	10,597	10,153
Acceptance Rate - First-time Freshmen	68%	71%	71%	72%	73%
Acceptance Rate - Undergraduate Transfers	72%	80%	72%	70%	66%
Matriculation - First-time Freshmen	37%	39%	39%	40%	42%
Matriculation - Undergraduate Transfers	63%	64%	65%	68%	67%

Demographics

Fall Semester	2012	2011	2010	2009	2008
Male	42%	43%	43%	43%	43%
Female	58%	57%	57%	57%	57%
Undergraduate Residence - Missouri	75%	74%	75%	75%	77%
Undergraduate Residence - Out of State	25%	26%	25%	25%	23%
Undergraduate Full-Time	65%	68%	68%	67%	63%
Undergraduate Part-Time	35%	32%	32%	33%	37%
Graduate Full-Time	33%	34%	33%	33%	33%
Graduate Part-Time	67%	66%	67%	67%	67%
White	67.2%	67.9%	67.7%	67.6%	68.9%
Black or African American	12.4%	12.6%	12.6%	12.7%	12.5%
Non-Resident Alien	6.3%	6.5%	7.1%	7.4%	7.3%
Asian / Pacific Is.	6.4%	6.5%	6.4%	6.5%	6.2%
Hispanic	5.2%	4.7%	4.7%	4.3%	4.4%
Other	2.5%	1.8%	1.5%	1.4%	0.7%

Degrees Awarded

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Baccalaureate	1,759	1,749	1,523	1,633	1,496
Graduate Certificate	33	29	24	18	20
Master's	954	999	972	911	917
Educational Specialist	24	35	25	33	49
Doctoral	93	99	77	83	68
First Professional Degree	475	444	468	455	412
Total	3,338	3,355	3,089	3,133	2,962

STUDENT INFORMATION - MISSOURI S&T

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2012	2011	2010	2009	2008
Undergraduate Students (Head Count)	5,841	5,671	5,503	5,206	4,911
Graduate Students (Head Count)	1,804	1,850	1,702	1,608	1,456
Professional Students (Head Count)	-	-	-	-	-
Total Students (Head Count)	7,645	7,521	7,205	6,814	6,367
Undergraduate Students (FTE)	5,352	5,236	5,127	4,886	4,622
Graduate Students (FTE)	1,101	1,141	1,036	979	831
Professional Students (FTE)	-	-	-	-	-
Total Students (FTE)	6,453	6,377	6,163	5,865	5,453
Acceptance Rate - First-time Freshmen	88%	88%	87%	89%	88%
Acceptance Rate - Undergraduate Transfers	65%	67%	67%	74%	74%
Matriculation - First-time Freshmen	44%	44%	47%	47%	49%
Matriculation - Undergraduate Transfers	76%	72%	80%	71%	67%

Note: Rolla's pre-application advising process encourages unqualified students to apply elsewhere, thereby producing misleading acceptance rate figures.

Demographics

Fall Semester	2012	2011	2010	2009	2008
Male	77%	78%	78%	78%	78%
Female	23%	22%	22%	22%	22%
Undergraduate Residence - Missouri	79%	79%	80%	81%	81%
Undergraduate Residence - Out of State	21%	21%	20%	19%	19%
Undergraduate Full-Time	90%	91%	91%	92%	93%
Undergraduate Part-Time	10%	9%	9%	8%	7%
Graduate Full-Time	58%	59%	59%	59%	52%
Graduate Part-Time	42%	41%	41%	41%	48%
White	74.8%	74.6%	75.7%	76.4%	78.3%
Black or African American	4.3%	4.9%	4.6%	5.4%	4.9%
Non-Resident Alien	14.3%	14.4%	13.9%	12.6%	11.0%
Asian / Pacific Is.	2.4%	2.4%	2.5%	2.7%	3.1%
Hispanic	2.5%	2.5%	2.4%	2.3%	2.2%
Other	1.7%	1.2%	0.9%	0.6%	0.5%

Degrees Awarded

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Baccalaureate	1,118	1,079	1,001	998	922
Graduate Certificate	435	319	282	278	250
Master's	579	567	517	411	426
Educational Specialist	-	-	-	-	-
Doctoral	95	70	65	51	50
First Professional Degree	-	-	-	-	-
Total	2,227	2,035	1,865	1,738	1,648

STUDENT INFORMATION - ST. LOUIS

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2012	2011	2010	2009	2008
Undergraduate Students (Head Count)	13,335	13,151	13,171	12,966	12,358
Graduate Students (Head Count)	3,202	3,486	3,449	3,389	3,205
Professional Students (Head Count)	168	172	171	179	178
Total Students (Head Count)	16,705	16,809	16,791	16,534	15,741
Undergraduate Students (FTE)	8,364	8,279	8,317	8,172	7,814
Graduate Students (FTE)	1,589	1,738	1,740	1,681	1,587
Professional Students (FTE)	168	172	171	179	178
Total Students (FTE)	10,121	10,189	10,228	10,032	9,579
Acceptance Rate - First-time Freshmen	54%	54%	58%	60%	59%
Acceptance Rate - Undergraduate Transfers	73%	75%	78%	77%	79%
Matriculation - First-time Freshmen	41%	41%	37%	39%	38%
Matriculation - Undergraduate Transfers	70%	71%	66%	69%	69%

Demographics

Fall Semester	2012	2011	2010	2009	2008
Male	40%	40%	39%	38%	35%
Female	60%	60%	61%	62%	65%
Undergraduate Residence - Missouri	93%	93%	93%	93%	93%
Undergraduate Residence - Out of State	7%	7%	7%	7%	7%
Undergraduate Full-Time	46%	46%	46%	46%	47%
Undergraduate Part-Time	54%	54%	54%	54%	53%
Graduate Full-Time	26%	26%	28%	23%	23%
Graduate Part-Time	74%	74%	72%	77%	77%
White	72.6%	72.3%	73.7%	74.2%	75.4%
Black or African American	15.8%	16.7%	16.4%	16.6%	15.6%
Non-Resident Alien	3.6%	3.8%	3.7%	3.6%	3.9%
Asian / Pacific Is.	4.3%	3.9%	3.2%	3.2%	3.0%
Hispanic	2.4%	2.3%	2.1%	1.9%	1.7%
Other	1.3%	1.0%	0.9%	0.5%	0.4%

Degrees Awarded

Fiscal Year Ended June 30,	2013	2012	2011	2010	2009
Baccalaureate	1,976	1,963	2,092	2,011	2,018
Graduate Certificate	88	96	71	82	80
Master's	871	872	868	771	771
Educational Specialist	28	26	22	31	42
Doctoral	61	74	50	63	63
First Professional Degree	40	47	44	41	44
Total	3,064	3,078	3,147	2,999	3,018

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University of Missouri System

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APPENDIX C

BOOK-ENTRY ONLY SYSTEM

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BOOK-ENTRY ONLY SYSTEM

The following information concerning DTC and its book-entry system has been furnished for use in this Official Statement by DTC. None of the University, the Paying Agent and Bond Registrar, or the Underwriters take any responsibility for the accuracy or completeness of such information.

DTC acts as securities depository for the Series 2014B Bonds. The Series 2014B Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Series 2014B Bonds in the aggregate principal amount of such maturity and will be deposited with the Paying Agent and Bond Registrar on behalf of DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2014B Bonds under the DTC system must be made by or through Direct Participants, which receive a credit for the Series 2014B Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "**Beneficial Owner**") is in turn recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2014B Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2014B Bonds, except in the event that use of the Book-Entry system for the Series 2014B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014B Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2014B Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2014B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2014B Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2014B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2014B Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Resolution. For example, Beneficial Owners of the Series 2014B Bonds may wish to ascertain that the nominee holding the Series 2014B Bonds for their benefit has agreed to obtain and transmit notices to Beneficial owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them. Redemption notices shall be sent to DTC. If less than all of the Series 2014B Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2014B Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the University as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2014B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest and redemption price on the Series 2014B Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the University or the Paying Agent and Bond Registrar on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the University or the Paying Agent and Bond Registrar, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the Series 2014B Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the University and the Paying Agent and Bond Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2014B Bonds at any time by giving reasonable notice to the University and the Paying Agent and Bond Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered as described in the Resolution.

The University may decide to discontinue use of the system of Book-Entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered as described in the Resolution.

APPENDIX D

DEFINITIONS AND SUMMARY OF THE RESOLUTION

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DEFINITIONS AND SUMMARY OF THE RESOLUTION

I. DEFINITIONS

The following words and terms as used in this Appendix shall have the following meanings unless some other meaning is plainly intended:

“Additional Bonds” means any additional bonds or other indebtedness authorized to be issued by the University pursuant to the Resolution and standing on a parity and equality with the Series 2014B Bonds with respect to the payment of principal and interest from the System Revenues.

“Annual Debt Service” means, in any Fiscal Year, an amount equal to the principal payable in such Fiscal Year on the Bonds together with interest thereon. For purposes of the various calculations under the Resolution and the Prior System Facilities Resolutions, the amortization schedule of such Bonds and the Annual Debt Service with respect to such Bonds shall be calculated in accordance with the actual amortization schedule for such Bonds, except as follows:

(a) *Variable Rate Bonds.* In determining the Annual Debt Service on any Bonds which provide for interest to be payable thereon at a rate per annum that may vary from time to time over the term thereof in accordance with procedures provided in the instrument creating such Bonds and which for any future period of time is not susceptible of precise determination, the interest rate on such Bonds for any period prior to the date of calculation or for which the interest rate has been determined shall be the actual interest payable during such period, and for each year in which such Bonds are Outstanding and for which the actual interest rate cannot be determined, the interest rate on such Bonds for the period of determination shall be deemed to be the average annual rate of interest payable on such Bonds during the 12 months immediately preceding the date of calculation, or if such Bonds are to be incurred or were issued less than 12 months preceding such date, the initial rate or the average annual rate of interest payable on such Bonds during such period immediately preceding the date of calculation.

(b) *Interest Rate Exchange Agreements.* In the case of any interest rate exchange agreements or comparable agreements entered into by the University for a term exceeding one year, pursuant to which the University is obligated to make interest-like payments to or on behalf of another Person and that Person is obligated to make similar interest-like payments to or on behalf of the University (based on a different rate of, or formula for, interest), with neither party obligated to repay any principal, the net amount to be paid by the University (computed in accordance with this sentence) shall be taken into account in calculating Annual Debt Service; if such net amount is less than zero, such net amount may be credited against other interest coming due in so calculating Annual Debt Service so long as the swap counterparty (or any guarantor thereof) is rated in one of the three highest rating categories (without regard to modifiers) by a nationally recognized rating agency. If the swap counterparty is not so rated, then the higher of the swap rate and the actual rate of interest on the Bonds shall be taken into account in calculating Annual Debt Service.

(c) *Balloon Indebtedness.* In determining the Annual Debt Service on any Bonds with respect to which 25% or more of the original principal amount of which becomes due and payable (either by maturity or scheduled mandatory redemption) during any consecutive 12-month period, if such maturing principal amount is not required to be amortized below such percentage by mandatory redemption or prepayment prior to such 12-month period, the debt service requirements on such Bonds shall be calculated by assuming that such Bond indebtedness matures over 25 years from the date of issuance of such Bond indebtedness and is payable on a level annual debt service basis over a period of no more than 25 years.

(d) *Build America Bonds.* In determining the Annual Debt Service on any Bonds with respect to which the University has elected to have Code Section 54AA apply, and to have Code Section 54AA(g) apply so that such Bonds may be designated as “Build America Bonds (Direct

Payment),” the Annual Debt Service on any such Bonds for any period shall be determined by taking into account (i.e., deducting) the cash subsidy payments received or expected to be received by the University with respect to interest on such Bonds for such period.

“Beneficial Owner” means, whenever used with respect to a Series 2014B Bond, the person in whose name such Series 2014B Bond is recorded as the beneficial owner of such Series 2014B Bond by a Participant on the records of such Participant, or such person’s subrogee.

“Board” means the Board of Curators of the University of the State of Missouri, the governing body of the University, and any successor body.

“Bond Purchase Agreement” means the Bond Purchase Agreement relating to the Series 2014B Bonds, between the University and the Original Purchaser.

“Bonds” means the Series 2014B Bonds, the Prior System Bonds and all Additional Bonds authenticated and delivered pursuant to the terms of the Resolution and the Prior System Facilities Resolutions.

“Business Day” means a day other than (i) a Saturday or Sunday or legal holiday or a day on which banks located in any city in which the principal corporate trust office or payment office of the Paying Agent and Bond Registrar or the Tender Agent or the primary office of the Remarketing Agent is located or in New York, New York, are required or authorized by law to remain closed or (ii) a day on which the New York Stock Exchange is closed.

“Cede & Co.” means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series 2014B Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, or any corresponding provisions of succeeding law, and the applicable temporary, proposed and final regulations and procedures related thereto.

“Continuing Disclosure Agreement” means that certain Omnibus Continuing Disclosure and Disclosure Dissemination Agent Agreement dated as of August 1, 2011, between the University and Digital Assurance Certification L.L.C., as dissemination agent, as originally executed, as heretofore amended to the date of the Resolution and as the same may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance Account” means the System Facilities Costs of Issuance Account ratified and confirmed pursuant to the Resolution, including subaccounts established thereunder.

“DTC” means The Depository Trust Company of New York, New York.

“Electronic” means notice transmitted through a time-sharing terminal or facsimile machine, if operative as between any two parties, or if not operative, in writing or by telephone (promptly confirmed in writing); provided, however, that such term does not include electronic mail transmitted via the internet.

“Executive Committee” means the Executive Committee of the Board, and any successor body.

“Fiscal Year” means the period commencing July 1 and ending June 30 of each succeeding calendar year, or such other temporal period of one year in length as the University shall hereafter designate as its Fiscal Year.

“Initial System Facilities Resolution” means, collectively, the resolution adopted by the Board on October 28, 1993 and the resolution adopted by the Executive Committee on November 11, 1993, as from time to time amended in accordance with the terms thereof.

“Interest Payment Date” means, with respect to the Series 2014B Bonds, May 1 and November 1 of each year, commencing May 1, 2015.

“Interest Rate” means, as to any Series 2014B Bond, the stated interest rate of such Series 2014B Bond.

“Maturity Date” means, with respect to any Series 2014B Bond, the stated maturity date of such Series 2014B Bond.

“Maximum Annual Debt Service” means the maximum Annual Debt Service payable in any future Fiscal Year.

“Minimum Authorized Denominations” means for the Series 2014B Bonds \$5,000 or any integral multiple thereof.

“Moody’s” means Moody’s Investors Service, Inc., and its successors and assigns, and, if such firm shall be dissolved or liquidated or shall no longer perform the functions of a securities rating service, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating service designated by the University, with notice to the Paying Agent and Bond Registrar.

“Official Statement” means the Official Statement with respect to the Series 2014B Bonds, as the same may be amended or supplemented.

“Opinion of Bond Counsel” means a written opinion of any legal counsel acceptable to the University and the Paying Agent and Bond Registrar who shall be nationally recognized as expert in matters pertaining to the validity of obligations of governmental issuers and the exemption from federal income taxation of interest on such obligations.

“Opinion of Counsel” means a written opinion of any legal counsel acceptable to the University and the Paying Agent and Bond Registrar, who may be an employee of or counsel to the University.

“Original Purchaser” means the original purchasers of the Series 2014B Bonds pursuant to the Bond Purchase Agreement, for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated, the senior managing underwriter, acts as representative under the Bond Purchase Agreement.

“Outstanding” means, when used with reference to Series 2014B Bonds, as of any particular date, all Series 2014B Bonds theretofore authenticated and delivered under the Resolution, except:

- (a) Series 2014B Bonds theretofore cancelled by the Paying Agent and Bond Registrar or delivered to the Paying Agent and Bond Registrar for cancellation;

- (b) Series 2014B Bonds deemed paid in accordance with the provisions of the Resolution; and

- (c) Series 2014B Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Resolution.

“Owner” or “Bondowner” means the person or persons in whose name or names a Bond shall be registered on the books of the Paying Agent and Bond Registrar kept for that purpose in accordance with the provisions of the Resolution.

“Participant” means any broker-dealer, bank or other financial institution for which DTC holds Series 2014B Bonds as securities depository.

“Paying Agent” and “Bond Registrar” means Commerce Bank, Kansas City, Missouri, and its successors and assigns.

“Person” means any natural person, firm, joint venture, association, partnership, business trust, corporation, public body, agency or political subdivision thereof or any other similar entity

“Principal and Interest Account” means the System Facilities Principal and Interest Account ratified and confirmed pursuant to the Resolution, including subaccounts established thereunder.

“Prior System Bonds” means, collectively, the Outstanding portions of the system facilities revenue bonds previously issued by the University, currently consisting of the Outstanding portions of the following series of system facilities revenue bonds (not taking into account the refunding and redemption of the Refunded Obligations pursuant to the Resolution):

- (a) The Series 2006A Bonds;
- (b) The Series 2007A Bonds;
- (c) The Series 2007B Bonds;
- (d) The Series 2009A Bonds;
- (e) The Series 2009B Bonds;
- (f) The Series 2010A Bonds;
- (g) The Series 2011 Bonds;
- (h) The Series 2012A Bonds;
- (i) The Series 2013A Bonds;
- (j) The Series 2013B Bonds; and
- (k) The Series 2014A Bonds.

“Prior System Facilities Resolutions” means, collectively, the resolutions of the Board and the Executive Committee authorizing and directing the establishment of the financing program for the System Facilities and the issuance of the Prior System Bonds, including the Initial System Facilities Resolution, the Series 1997 Resolution, the Series 1998 Resolution, the Series 2000 Resolution, the Series 2001 Resolution, the Series 2002 Resolution, the Series 2003 Resolution, the Series 2006 Resolution, the Series 2007 Resolution, the Series 2009 Resolution, the Series 2010 Resolution, the Series 2011 Resolution, the Series 2012 Resolution, the Series 2013 Resolution and the Series 2014A Resolution.

“Projects” means, collectively, the additions and improvements to the System Facilities to be financed or refinanced with the proceeds of the Series 2014B Bonds, and the additions and improvements to the System Facilities financed or refinanced with the proceeds of the Refunded Obligations, if any, all as described in the Resolution.

“Projects Account” means the System Facilities Projects Account ratified and confirmed pursuant to the Resolution, including subaccounts established thereunder.

“Rating Service” means Moody’s, if the Series 2014B Bonds are rated by Moody’s at the time, and S&P, if the Series 2014B Bonds are rated by S&P at the time, or any other nationally recognized securities rating service acceptable to the Paying Agent and Bond Registrar and the University that maintains a rating on the Series 2014B Bonds.

“Record Date” means, with respect to any Series 2014B Bond, the fifteenth day (whether or not a Business Day) of the calendar month next preceding an Interest Payment Date.

“Representation Letter” means the Representation Letter from the University and the Paying Agent and Bond Registrar to DTC with respect to the Series 2014B Bonds, substantially in the form required by DTC.

“Resolution” means the Resolution adopted by the Board on October 21, 2014, authorizing the Series 2014B Bonds, as from time to time amended in accordance with the terms thereof.

“Revenue Account” means the System Facilities Revenue Account ratified and confirmed pursuant to the Resolution.

“Series 1993 Bonds” means the \$45,385,000 original principal amount University of Missouri System Facilities Revenue Bonds, Series 1993 of the University authorized and issued pursuant to the Initial System Facilities Resolution.

“Series 1997 Bonds” means the \$52,215,000 original principal amount of System Facilities Revenue Bonds, Series 1997, of the University authorized and issued pursuant to the Series 1997 Resolution.

“Series 1997 Resolution” means, collectively, the resolution adopted by the Board on March 20, 1997 and the resolution adopted by the Executive Committee on April 22, 1997 authorizing the issuance of the Series 1997 Bonds, as from time to time amended in accordance with the terms thereof.

“Series 1998A Bonds” means the \$65,010,000 original principal amount of System Facilities Revenue Bonds, Series 1998A, of the University authorized and issued pursuant to the Series 1998 Resolution.

“Series 1998 Resolution” means, collectively, the resolution adopted by the Board on March 26, 1998 and the resolution adopted by the Executive Committee on April 9, 1998 authorizing the issuance of the Series 1998A Bonds, as from time to time amended in accordance with the terms thereof.

“Series 2000 Bonds” means, collectively, the Series 2000A Bonds and the Series 2000B Bonds.

“Series 2000 Resolution” means, collectively, the resolution adopted by the Board on January 28, 2000 and the resolution adopted by the Executive Committee on March 15, 2000 authorizing the issuance of the Series 2000 Bonds, as from time to time amended in accordance with the terms thereof.

“Series 2000A Bonds” means the \$28,950,000 original principal amount of System Facilities Revenue Bonds, Series 2000A, of the University authorized and issued pursuant to the Series 2000 Resolution.

“Series 2000B Bonds” means the \$50,000,000 original principal amount of Variable Rate Demand System Facilities Revenue Bonds, Series 2000B, of the University authorized and issued pursuant to the Series 2000 Resolution.

“Series 2001 Bonds” means, collectively, the Series 2001A Bonds and the Series 2001B Bonds.

“Series 2001 Resolution” means, collectively, the resolution adopted by the Board on March 22, 2001 and the resolution adopted by the Executive Committee on August 8, 2001 authorizing the issuance of the Series 2001 Bonds, as from time to time amended in accordance with the terms thereof.

“Series 2001A Bonds” means the \$39,225,000 original principal amount of Variable Rate Demand System Facilities Revenue Bonds, Series 2001A, of the University authorized and issued pursuant to the Series 2001 Resolution.

“Series 2001B Bonds” means the \$44,975,000 original principal amount of System Facilities Refunding Revenue Bonds, Series 2001B, of the University authorized and issued pursuant to the Series 2001 Resolution.

“Series 2002 Resolution” means, collectively, the resolution adopted by the Board on November 29, 2001 and the resolution adopted by the Executive Committee on May 31, 2002 authorizing the issuance of the Series 2002 Bonds, as from time to time amended in accordance with the terms thereof.

“Series 2002A Bonds” means the \$40,000,000 original principal amount of Variable Rate Demand System Facilities Revenue Bonds, Series 2002A, of the University authorized and issued pursuant to the Series 2002 Resolution.

“Series 2003 Bonds” means, collectively, the Series 2003A Bonds and the Series 2003B Bonds.

“Series 2003 Resolution” means, collectively, the resolution adopted by the Board on September 18, 2003 and the resolution adopted by the Executive Committee on October 30, 2003 authorizing the issuance of the Series 2003 Bonds, as from time to time amended in accordance with the terms thereof.

“Series 2003A Bonds” means the \$118,080,000 original principal amount of System Facilities Revenue Bonds, Series 2003A, of the University authorized and issued pursuant to the Series 2003 Resolution.

“Series 2003B Bonds” means the \$37,085,000 original principal amount of System Facilities Revenue Bonds, Series 2003B, of the University authorized and issued pursuant to the Series 2003 Resolution.

“Series 2006 Bonds” means, collectively, the Series 2006A Bonds and the Series 2006B Bonds.

“Series 2006 Resolution” means, collectively, the resolution adopted by the Board on October 7, 2005 and the resolution adopted by the Executive Committee on January 19, 2006 authorizing the issuance of the Series 2006 Bonds, as from time to time amended in accordance with the terms thereof.

“Series 2006A Bonds” means the \$260,975,000 original principal amount of System Facilities Revenue Bonds, Series 2006A, of the University authorized and issued pursuant to the Series 2006 Resolution.

“Series 2006B Bonds” means the \$39,705,000 original principal amount of Variable Rate Demand System Facilities Revenue Bonds, Series 2006B, of the University authorized and issued pursuant to the Series 2006 Resolution.

“Series 2007 Bonds” means, collectively, the Series 2007A Bonds and the Series 2007B Bonds.

“Series 2007 Resolution” means, collectively, the resolution adopted by the Board on June 1, 2007 and the resolution adopted by the Executive Committee on July 12, 2007 authorizing the issuance of the Series 2007 Bonds, as from time to time amended in accordance with the terms thereof.

“Series 2007A Bonds” means the \$262,970,000 original principal amount of System Facilities Revenue Bonds, Series 2007A, of the University authorized and issued pursuant to the Series 2007 Resolution.

“Series 2007B Bonds” means the \$102,250,000 original principal amount of Variable Rate Demand System Facilities Refunding Revenue Bonds, Series 2007B, of the University authorized and issued pursuant to the Series 2007 Resolution.

“Series 2009 Bonds” means, collectively, the Series 2009A Bonds and the Series 2009B Bonds.

“Series 2009 Resolution” means, collectively, the Series 2009A Resolution and the Series 2009B Resolution.

“Series 2009A Bonds” means the \$256,300,000 original principal amount of Taxable System Facilities Revenue Bonds, Series 2009A (Build America Bonds), of the University authorized and issued pursuant to the Series 2009A Resolution.

“Series 2009A Resolution” means, collectively, the resolution adopted by the Board on June 5, 2009 and the resolution adopted by the Executive Committee on July 16, 2009, authorizing the issuance of the Series 2009A Bonds, as from time to time amended in accordance with the terms thereof.

“Series 2009B Bonds” means the \$75,760,000 original principal amount of System Facilities Revenue Bonds, Series 2009B, of the University authorized and issued pursuant to the Series 2009B Resolution.

“Series 2009B Resolution” means, collectively, the resolution adopted by the Board on June 5, 2009 and the resolution adopted by the Executive Committee on July 16, 2009 authorizing the issuance of the Series 2009B Bonds, as from time to time amended in accordance with the terms thereof.

“Series 2010 Resolution” means, collectively, the resolution adopted by the Board on November 22, 2010 and the resolution adopted by the Executive Committee on December 8, 2010 authorizing the issuance of the Series 2010A Bonds, as from time to time amended in accordance with the terms thereof.

“Series 2010A Bond” or “Series 2010A Bonds” means any bond or bonds of the series of \$252,285,000 original principal amount of Taxable System Facilities Revenue Bonds, Series 2010A (Build America Bonds - Direct Payment), of the University authorized and issued pursuant to the Series 2010 Resolution.

“Series 2011 Bonds” means the \$54,125,000 original principal amount of System Facilities Revenue Bonds, Series 2011, of the University authorized and issued pursuant to the Series 2011 Resolution.

“Series 2011 Resolution” means, collectively, the resolution adopted by the Board on June 17, 2011 and the resolution adopted by the Executive Committee on June 29, 2011 authorizing the issuance of the Series 2011 Bonds, as from time to time amended in accordance with the terms thereof.

“Series 2012 Bonds” means the \$105,155,000 original principal amount of System Facilities Revenue Bonds, Series 2012A, of the University authorized and issued pursuant to the Series 2012 Resolution.

“Series 2012 Resolution” means, collectively, the resolution adopted by the Board on April 5, 2012 and the resolution adopted by the Executive Committee on April 18, 2012 authorizing the issuance of the Series 2012 Bonds, as from time to time amended in accordance with the terms thereof.

“Series 2013 Bonds” means, collectively, the Series 2013A Bonds and the Series 2013B Bonds.

“Series 2013 Resolution” means, collectively, the resolution adopted by the Board on October 23, 2013 and the resolution adopted by the Executive Committee on November 12, 2013 authorizing the issuance of the Series 2013 Bonds, as from time to time amended in accordance with the terms thereof.

“Series 2013A Bonds” means the \$11,325,000 original principal amount of System Facilities Revenue Bonds, Series 2013A, of the University authorized and issued pursuant to the Series 2013 Resolution.

“Series 2013B Bonds” means the \$150,000,000 original principal amount of Taxable System Facilities Revenue Bonds, Series 2013B, of the University authorized and issued pursuant to the Series 2013 Resolution.

“Series 2014A Bonds” means the \$294,510,000 original principal amount of System Facilities Revenue Bonds, Series 2014A, of the University authorized and issued pursuant to the Series 2014A Resolution.

“Series 2014A Resolution” means the resolution adopted by the Board on May 1, 2014 authorizing the issuance of the Series 2014A Bonds, as from time to time amended in accordance with the terms thereof.

“Series 2014B Bond” or “Series 2014B Bonds” means any bond or bonds of the series of Taxable System Facilities Revenue Bonds, Series 2014B, of the University authorized and issued pursuant to the Resolution, the form of which is attached to the Resolution.

“S&P” means Standard & Poor’s Ratings Services, a division of Standard & Poor’s Financial Services LLC, a part of McGraw Hill Financial, Inc., and its successors and assigns, and, if such firm shall be dissolved or liquidated or shall no longer perform the functions of a securities rating service, S&P shall be deemed to refer to any other nationally recognized securities rating service designated by the University, with notice to the Paying Agent and Bond Registrar.

“Student System Facilities Fee” means the portion of the Tuition and Fees established or designated by the Board for the use of the System Facilities pursuant to the Initial System Facilities Resolution and ratified and confirmed in the Prior System Facilities Resolutions and in the Resolution and which are included in the System Revenues; provided, however, that such moneys do not include any funds realized from tax revenues.

“System Facilities” means, collectively, the systems and facilities included in that term as it was defined in the Initial System Facilities Resolution, as modified, amended and restated in the Prior System Facilities Resolutions and as modified, amended, and restated in Exhibit A to the Resolution and described under the caption “SECURITY FOR THE SERIES 2014B BONDS” in this Official Statement, and also includes any improvements, extensions and additions thereto and all related systems and facilities hereafter acquired, owned or operated by the University as part of the systems and facilities described in the Resolution, plus such other systems and facilities as at some future date may be added to any of the described systems or facilities by University action.

“System Facilities Additions” means all additions, improvements, extensions, alterations, expansions, or modifications of the System Facilities or of any other “Project,” or any part thereof financed with the proceeds of Additional Bonds.

“System Revenues” means the gross income and revenues derived from (a) the ownership and/or operation of the systems and facilities and the imposition and collection of the fees and other matters described on Exhibit B to the Resolution and described under the caption “SECURITY FOR THE SERIES 2014B BONDS” in this Official Statement; (b) the ownership and/or operation of such systems and facilities, or the imposition and collection of such fees, as may at some future date be added to the System Revenues by University action as further described in Article XV of the Resolution; and (c) the Student System Facilities Fee; provided, however, that such moneys do not include any funds realized from tax revenues.

“Transcript of Proceedings” means the transcript of the executed documentation, approvals and other proceedings compiled relating to the University’s issuance of the Series 2014B Bonds.

“Tuition and Fees” means the basic fee or fees for course enrollment paid by all students enrolled at the University.

“United States Government Obligations” means bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to timely payment of principal and interest by, the United States of America, including evidences of a direct ownership interest in future interest or principal payments on obligations issued or guaranteed by the United States of America, or securities which represent an undivided interest in such obligations or securities to the extent that the Treasury of the United States of America is ultimately responsible for payment thereof such as stripped interest components of obligations of the Resolution Funding Corporation (established by Section 511 of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, P.L. 101-73), its successors and assigns.

“University” means The Curators of the University of Missouri, a body politic and state educational institution organized and existing under the Constitution and laws of the State of Missouri, and any successors and assigns.

II. SUMMARY OF THE RESOLUTION

The following is a summary of certain provisions and covenants contained in the Resolution. Such summary does not purport to be a complete statement of the terms of the Resolution and accordingly is qualified in its entirety by reference thereto and is subject to the full text thereof.

Authorization of the Bonds

Authorization of the Series 2014B Bonds. The University has authorized and directed to be issued, sold and delivered additional system facilities revenue bonds of the University, consisting of Taxable System Facilities Revenue Bonds, Series 2014B (the “Series 2014B Bonds”), for the purpose of paying a portion of the costs of acquiring, constructing, improving, renovating, furnishing and equipping the Projects and costs of issuance of the Series 2014B Bonds. The Series 2014B Bonds authorized in the Resolution shall be issued pursuant to the provisions of the Constitution and laws of the State of Missouri.

Security for the Series 2014B Bonds. The Series 2014B Bonds shall be special obligations of the University payable solely from, and secured as to the payment of principal of, redemption premium, if any, and interest on the Series 2014B Bonds by a first lien on and pledge of the System Revenues and such obligations shall not constitute an indebtedness or general obligation of the State of Missouri, the University, the Board or of the individual members of the Board. The University has no power of taxation.

The Series 2014B Bonds shall stand on a parity and be equally and ratably secured with respect to the payment of principal and interest from the System Revenues derived by the University from the operation of the System Facilities and in all other respects with the Prior System Bonds. The Series 2014B Bonds shall constitute “Additional Bonds” within the meaning of the Prior System Facilities Resolutions. The Projects shall constitute “System Facilities Additions” within the meaning of the Prior System Facilities Resolutions and, to the extent not already included in the System Facilities, shall be added to and included in the System Facilities. The gross income and revenues derived from the ownership and/or operation of the Projects shall be included in the System Revenues.

The University has designated and set aside a portion of the Tuition and Fees collected from all students enrolled at the University in an amount equal to the Maximum Annual Debt Service in any Fiscal Year, as a Student System Facilities Fee (the “Student System Facilities Fee”) for the use of the System Facilities by all students of the University; provided, however, that once the deposits required by the Resolution for payment of principal and interest on the Bonds have been made in any Fiscal Year the University may expend the Tuition and Fees which constitute the Student System Facilities Fee for any lawful purpose; provided further that the University may increase, but may not decrease, the amount of such Student System Facilities Fee by future resolution.

The covenants and agreements of the University contained in the Resolution and in the Bonds shall be for the equal benefit, protection, and security of the Owners of any or all of the Bonds, all of which Bonds shall be of equal rank and without preference or priority of one Bond over any other Bond in the application of the revenues pledged in the Resolution to the payment of the principal of and the interest on the Bonds, or otherwise, except as to date of maturity and right of prior redemption as provided in the Resolution. The Series 2014B Bonds shall stand on a parity and be equally and ratably secured with respect to the payment of principal and interest from the System Revenues derived by the University from the operation of the System Facilities and in all other respects with the Prior System Bonds and any Additional Bonds issued pursuant to the Resolution. The Series 2014B Bonds shall not have any priority with respect to the payment of principal or interest from such System Revenues or otherwise over the Prior System Bonds or any Additional Bonds issued pursuant to the Resolution, and the Prior System Bonds or any such Additional Bonds shall not have any

priority with respect to the payment of principal or interest from such System Revenues or otherwise over the Series 2014B Bonds.

The security for the Bonds and the bonds and obligations which may be secured on a parity with the Bonds may be modified as set forth in Article XV of the Resolution.

Mutilated, Lost, Stolen or Destroyed Series 2014B Bonds. In the event any Series 2014B Bond is mutilated, lost, stolen, or destroyed, the University shall execute and the Paying Agent and Bond Registrar shall authenticate a new Series 2014B Bond of like series, date and denomination as that mutilated, lost, stolen or destroyed, provided that, in the case of any mutilated Series 2014B Bond, such mutilated Series 2014B Bond shall first be surrendered to the University or the Paying Agent and Bond Registrar, and in the case of any lost, stolen, or destroyed Series 2014B Bond, there first shall be furnished to the University and the Paying Agent and Bond Registrar evidence of such loss, theft or destruction satisfactory to the University and the Paying Agent and Bond Registrar, together with an indemnity satisfactory to them which indemnity shall, in any event, name the Paying Agent and Bond Registrar as a beneficiary. In the event any such Series 2014B Bond shall have matured, the University may direct the Paying Agent and Bond Registrar, instead of issuing a duplicate Series 2014B Bond, to pay the same without surrender thereof, making such requirements as it deems fit for its protection, including a lost instrument bond. The University and the Paying Agent and Bond Registrar may charge the Owner of such Series 2014B Bond with their reasonable fees and expenses for such service. In executing a new Series 2014B Bond, the University may rely conclusively upon a representation by the Paying Agent and Bond Registrar that the Paying Agent and Bond Registrar is satisfied with the adequacy of the evidence presented concerning the mutilation, loss, theft or destruction of any Series 2014B Bond.

Payments Due on Non-Business Days. In any case where the date of maturity of principal of, redemption premium, if any, or interest on the Bonds or the date fixed for redemption of any Bonds shall be a day other than a Business Day, then payment of principal, redemption premium, if any, or interest need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

Nonpresentment of Series 2014B Bonds. In the event any Series 2014B Bond shall not be presented for payment when the principal thereof becomes due, either at its maturity or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay such Series 2014B Bond shall have been made available to the Paying Agent and Bond Registrar, all liability of the University to the Owner thereof for the payment of such Series 2014B Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Paying Agent and Bond Registrar to hold such fund or funds, uninvested and without liability for interest thereon, for the benefit of the Owner of such Series 2014B Bond who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his part under the Resolution or on, or with respect to, such Series 2014B Bond. If any Series 2014B Bond shall not be presented for payment within twenty-four (24) months following the date when such Series 2014B Bond becomes due, whether by maturity or otherwise, the funds theretofore held by the Paying Agent and Bond Registrar for payment of such Series 2014B Bond shall be paid to the University and such Series 2014B Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the University, and the Owner thereof shall be entitled to look only to the University for payment, and then only to the extent of the amount so repaid, and the University shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Ratification and Creation of Accounts

Ratification and Creation of Accounts. The following accounts were created in the Initial System Facilities Resolution and ordered to be established in the accounting records of the University and have been ratified and confirmed, or have been created and ordered to be established in the accounting records of the University, in connection with the issuance of the Series 2014B Bonds:

- (a) System Facilities Revenue Account;

- (b) System Facilities Principal and Interest Account; and
- (c) System Facilities Projects Account (the “Projects Account”)
- (d) System Facilities Costs of Issuance Account (the “Costs of Issuance Account”).

Administration of Accounts. The accounts confirmed pursuant to the Resolution shall be maintained and administered by the University solely for the purposes and in the manner as provided in the Prior System Facilities Resolutions and the Resolution so long as any of the Bonds remain Outstanding and unpaid.

Application of Bond Proceeds and Other Moneys

Disposition of Series 2014B Bond Proceeds and Other Moneys. The proceeds received from the sale of the Series 2014B Bonds, including any accrued interest thereon, together with certain other moneys of the University, shall be deposited simultaneously with the delivery of the Series 2014B Bonds as follows:

- (a) The accrued interest, if any, received from the sale of the Series 2014B Bonds shall be deposited in the Principal and Interest Account;
- (b) The sum of \$691,240.00 received from the proceeds of the sale of the Series 2014B Bonds shall be deposited in the Costs of Issuance Account; and
- (c) The sum of \$148,948,005.28 received from the proceeds of the sale of the Series 2014B Bonds shall be deposited in the Projects Account.

Application of Moneys in the Costs of Issuance Account. Moneys in the Costs of Issuance Account shall be used by the University for the purpose of payment of the costs and expenses incidental to the issuance of the Series 2014B Bonds and otherwise as set forth in the Resolution.

Surplus in Costs of Issuance Account. Upon the earlier of (a) completion of the payment of the costs and expenses incidental to the issuance of the Series 2014B Bonds as provided in the Resolution, or (b) the date which is ninety (90) days following the issuance of the Series 2014B Bonds, any funds remaining in the Costs of Issuance Account shall be transferred to the Principal and Interest Account.

Application of Moneys in the Projects Account. Moneys in the Projects Account shall be used by the University for the purpose of payment of the cost of acquisition, construction, improvement, renovation, furnishing or equipping of System Facilities as described in the Resolution (collectively, the “Projects”).

Withdrawals from Projects Account. Withdrawals from the Projects Account shall be made only (except as otherwise provided in the Resolution) for such purposes as described in the Resolution upon the execution of approved documentation in accordance with University disbursement procedures.

Surplus in Projects Account. Upon payment of the cost of the Projects, any surplus remaining in the Projects Account shall be deposited in the Principal and Interest Account.

Application of Revenues

Revenue Account. The University covenants and agrees that from and after the delivery of the Series 2014B Bonds, and continuing as long as any of the Series 2014B Bonds remain Outstanding and unpaid, all System Revenues other than the Student System Facilities Fee will be credited to the Revenue Account. The Revenue Account shall be administered and applied solely for the purposes and in the manner provided in the Resolution.

Application of Moneys in Accounts. The University covenants and agrees that from and after the delivery of the Series 2014B Bonds, and continuing so long as any of the Bonds shall remain Outstanding and

unpaid, the University will administer and allocate all of the moneys then held in the Revenue Account as follows:

(a) There shall be paid and credited prior to any date in a Fiscal Year on which principal or interest is due on any of the Bonds from the Revenue Account to the Principal and Interest Account (and to any subaccounts in the Principal and Interest Account or any separate principal and interest accounts established with respect to Additional Bonds), to the extent necessary to meet at maturity or mandatory redemption thereof, the payment of all principal of and interest on the Bonds the following sums: (i) the amount of principal and/or interest that will become due on the Bonds on such payment date; and (ii) the amount of any fees of the respective paying agent and bond registrars in connection with the Bonds.

All amounts paid and credited to the Principal and Interest Account shall be expended and used by the University for the sole purpose of paying the interest on and principal of the Bonds as and when the same become due and the payment of any fees of the respective paying agent and bond registrars in connection with the Bonds.

If at any time the moneys in the Revenue Account shall be insufficient to make in full the payments and credits at the time required to be made by the University to the Principal and Interest Account (and any subaccounts in the Principal and Interest Account or separate principal and interest accounts established with respect to Additional Bonds established by the University) to pay the principal of and interest on the Bonds, the available moneys in the Revenue Account shall be divided among the Principal and Interest Account and such subaccount or separate principal and interest accounts in proportion to the respective principal amounts of each series of said Bonds at the time outstanding which are payable from the moneys in the Principal and Interest Account (or said subaccounts or separate principal and interest accounts).

(b) Subject to making the foregoing maximum deposits on the dates indicated, the University may at any time use the balance of excess funds in the Revenue Account on or before the final day of each Fiscal Year (i) to redeem outstanding Bonds as permitted pursuant to the Resolution, or (ii) for any expenditures, including the payment of debt service, incurred in acquiring, constructing, improving, renovating, furnishing or equipping the existing System Facilities or acquiring, constructing, improving, renovating, furnishing or equipping any additional System Facilities, or (iii) for operation and maintenance of the System Facilities, or (iv) for any other lawful purpose.

(c) The money in the Principal and Interest Account shall be used solely for the payment of the principal of and interest on the Bonds and any fees of the Paying Agent and Bond Registrar in connection with the Bonds. In the event Additional Bonds are issued after the date of the Resolution on a parity with Series 2014B Bonds, as provided in the Resolution, the bond resolution authorizing such Additional Bonds shall provide (i) for an identical flow of funds as heretofore prescribed, and (ii) that payments of principal be payable on November 1, of the appropriate year or years.

Deficiency of Payments into Accounts. If at any time the System Revenues derived by the University from the operation of the System Facilities shall be insufficient to make any payment on the date or dates specified in the Resolution, the University will make good the amount of such deficiency by making additional payments or credits out of the first available System Revenues thereafter received by the University, such payments and credits being made and applied in the order specified in the Resolution.

If at any time the moneys in the Principal and Interest Account are not sufficient to pay the principal of and interest on the Bonds as and when the same become due, then the amount of such deficiency shall be made up by the transfer of funds from the Revenue Account.

Transfer of Funds to Paying Agent and Bond Registrars. The officers of the University or of the Board are authorized and directed to withdraw from the Principal and Interest Account, and, to the extent necessary to prevent a default in the payment of either principal of or interest on the Bonds, from the Revenue Account as provided in the Resolution, sums sufficient to pay the principal of the Bonds, at maturity or by

mandatory redemption, and interest on the Bonds and the fees of the respective paying agent and bond registrars, as and when the same become due, and to forward such sums to the respective paying agent and bond registrar in available funds prior to dates when such principal, interest and fees of the respective paying agent and bond registrar will become due. All moneys deposited with the Paying Agent and Bond Registrar shall be deemed to be deposited in accordance with and subject to all of the provisions contained in the Resolution.

Deposit and Investment of Funds

Deposits of Moneys. Cash moneys in each of the accounts ratified and confirmed by and referred to in the Resolution shall be deposited in a bank or banks or other financial institution located in the State of Missouri which are members of the Federal Deposit Insurance Corporation, and all such bank deposits shall be continuously and adequately secured by the banks holding such deposits as provided by the laws of the State of Missouri.

Investment of Funds. Moneys held in any account referred to in the Resolution may be invested by the University in direct obligations of, obligations of agencies of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, certificates of deposit collateralized by the foregoing or in such other obligations as may be permitted by law including, without limiting the generality of the foregoing, perfected repurchase agreements and obligations of agencies or instrumentalities of the United States of America; provided, however, that no such investment shall be made for a period extending longer than to the date when the moneys invested may be needed for the purpose for which such account was created or other than as permitted by state statute. All interest on any investments held in any account shall accrue to and become a part of such account. In determining the amount held in any account under any of the provisions of the Resolution, obligations shall be valued as of the final day of each Fiscal Year at the cost thereof. If and when the amount held in any account shall be in excess of the amount required by the provision of the Resolution, the University shall direct that such excess be paid and credited to the Principal and Interest Account.

Particular Covenants of the University

The University covenants and agrees as follows with each of Owners of any of the Series 2014B Bonds that so long as any of the Series 2014B Bonds remain Outstanding and unpaid:

Performance of Duties. The University will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in the Resolution and in each and every Series 2014B Bond executed and delivered under the Resolution; that it will promptly pay or cause to be paid from the System Revenues pledged in the Resolution the principal of and interest on every Series 2014B Bond issued under the Resolution, on the dates and in the places and manner prescribed in such Series 2014B Bonds, and that it will, prior to the maturity of each installment of interest and prior to the maturity of each such Series 2014B Bond, at the times and in the manner prescribed in the Resolution, deposit or cause to be deposited, from the System Revenues pledged, the amounts of money specified in the Resolution. All Series 2014B Bonds, when paid, shall be cancelled and destroyed by the Paying Agent and Bond Registrar.

Legal Authority. The University is duly authorized under the constitution and laws of the State of Missouri to create and issue the Series 2014B Bonds, it is lawfully qualified to pledge the System Revenues in the manner prescribed in the Resolution and has lawfully exercised such rights, all action on its part for the creation and issuance of the Series 2014B Bonds has been duly and effectively taken, and that the Series 2014B Bonds in the hands of the Owners thereof are and will be valid and enforceable special obligations of the University in accordance with their terms.

Rate Covenant.

(a) *System Facilities.* The University will continuously operate and maintain the System Facilities (except as otherwise provided in the Resolution) and will continue to fix and maintain such reasonable rates and charges for the use of the System Facilities as will allow it to collect System

Revenues sufficient to (i) provide and maintain the Revenue Account and the Principal and Interest Account in amounts adequate to promptly pay the principal of and interest on the Bonds as and when the same become due; and (ii) enable the University to have in each Fiscal Year System Revenues (excluding the Student System Facilities Fee) in an amount that will be not less than two hundred percent (200%) of the Annual Debt Service required to be paid by the University in such Fiscal Year on account of both principal of and interest on all Bonds at the time Outstanding.

(b) *Student System Facilities Fee.* The University will continuously maintain the Student System Facilities Fee in an amount at least equal to Maximum Annual Debt Service.

(c) *Miscellaneous.* Nothing contained in the Resolution shall be construed to prevent the continuous collection of reasonable rates, charges, and fees for the use of said System Facilities and facilities during the time the Series 2014B Bonds are outstanding or after the Series 2014B Bonds issued pursuant to the Resolution shall have been paid and redeemed, together with all interest thereon, nor to prevent at that time the pledge and application of said revenues to the payment of other bonds which may be issued by the University as otherwise allowed in the Resolution.

(d) *Modification.* The terms of this Section may be modified to include additional revenues and payment on other bonds or obligations and otherwise as set forth in Article XV of the Resolution and summarized herein under the caption "Potential Modification of: (1) Security for Bonds; (2) Bonds as to which System Revenues Provide Security; and (3) Parity Lien Bond Test."

Restrictions on Mortgage, Sale or Disposition of the System Facilities. The University will not mortgage, sell or otherwise dispose of the System Facilities or any material part thereof, or any extension or improvement thereof; provided, however, the University may permanently abandon the use of, or sell at fair market value, any of the System Facilities, provided that;

(a) It is in full compliance with all covenants and undertakings in connection with all of its Bonds then outstanding and payable from the System Revenues, or any part thereof;

(b) It certifies that the continued occupation or possession of any portion of the property to be abandoned or sold is no longer in the best interest of the University; and

(c) It certifies that the estimated System Revenues for the then next succeeding Fiscal Year satisfy the earnings test provided for in the Resolution governing the issuance of Additional Bonds.

Operation of the System Facilities and Reserves. From and after the date when the Series 2014B Bonds shall be issued and delivered, the System Facilities shall be maintained by the University so long as any of the Series 2014B Bonds remain Outstanding. The University will not do or suffer any act or thing whereby the System Facilities or any part thereof might or could be impaired, and at all times it will, out of System Revenues prior to the date needed pursuant to the Resolution, maintain, preserve, and keep the real and tangible property constituting the System Facilities and every part thereof in good condition, repair, and working order and maintain, preserve, and keep all structures and equipment pertaining thereto and every part and parcel thereof in good condition, repair, and working order, reasonable wear and tear and replacement for obsolescence excepted. The System Facilities and the facilities thereof and therein shall be operated and maintained, out of System Revenues prior to the date needed pursuant to the Resolution, under the direction and supervision of the Vice President for Finance and Chief Financial Officer (or such other officer as is selected by the Board or the Executive Committee), subject to the direction of the University, and all System Revenues shall be collected by said officer, through agents or employees thereunto duly authorized.

The University shall maintain, out of System Revenues prior to the date needed pursuant to the Resolution, such reserves for repair and replacement of the System Facilities as it deems appropriate and shall review the sufficiency of such reserves on a reasonable basis from time to time. The University represents that there is no reasonable expectation that payments of principal or interest on the Bonds will be paid out of funds held in such reserves.

Use, Operation and Maintenance. Subject to the provisions of the Resolution, the Board will adopt and maintain, so long as any Bonds are Outstanding against the System Facilities, such rules, rental rates, fees, and charges for the use of the System Facilities as may be necessary to (a) assure maximum use and occupancy of said System Facilities, and (b) pay the cost of maintenance and operation, out of System Revenues prior to the date needed pursuant to the Resolution, and, together with other pledged revenues, provide for the payment of the principal of and interest on the Bonds outstanding against the System Facilities.

Insurance. The University will carry and maintain fire and extended coverage insurance upon all of the properties forming a part of the System Facilities insofar as the same are of an insurable nature, such insurance to be in an amount at least equal to the amount of the Bonds then outstanding. In the event of loss or damage, the University, with reasonable dispatch, will use the proceeds of such insurance in reconstructing and replacing the property damaged or destroyed, or, if such reconstruction or replacement be unnecessary, then the University will pay and deposit the proceeds of such insurance into the Revenue Account. The University in operating the System Facilities will carry and maintain public liability insurance, either commercial or self-insured, with respect to the System Facilities. In operating the System Facilities, the University shall maintain worker's compensation coverage, either commercial or self-insured, on all personnel that work on the System Facilities. The proceeds derived from such insurance shall be used in paying the claims on account of which such proceeds were received.

Books, Records and Accounts. The University will keep accurate financial records and proper books and accounts in which complete and correct entries will be made of all dealings and transactions of or in relation to the System Facilities. Such accounts shall show the amount of revenues received from the System Facilities, the application of such revenues, and all financial transactions in connection therewith. Said books shall be kept by the University in accordance with generally accepted accounting principles.

Annual Audit. Annually, within one hundred eighty (180) days after the end of the Fiscal Year, the University will cause an audit to be made of the System Facilities for the preceding Fiscal Year by a certified public accountant or firm of certified public accountants to be employed by the University for that purpose, reflecting in reasonable detail the financial condition and results of operation of the University, the System Facilities and any other pledged revenue sources; provided that such audit may be satisfied by including information regarding the revenues and expenses related to the System Facilities in the general audited financial statements of the University, with such explanatory information set forth in the notes to the audited financial statements as the University may deem appropriate.

As soon as possible after the completion of such annual audit, the University shall review such audit, and if any audit shall disclose that proper provision has not been made for all of the requirements of the Resolution and the law under which the Bonds are issued, the University covenants and agrees that it will promptly cure such deficiency and will promptly proceed to increase the rates, fees and charges to be charged for the use and services furnished by the System Facilities as may be necessary to adequately provide for such requirements.

Owner's Right of Inspection. The Owner of at least ten percent (10%) of the Bonds Outstanding shall have the right at all reasonable times to a reasonable inspection of the System Facilities and all records, accounts and data relating thereto, and any such Owner shall be furnished all such information concerning said System Facilities and the operation thereof which he may reasonably request.

Default and Remedies

Acceleration of Maturity in Event of Default. The University covenants and agrees that if it shall default in the payment of the principal of or interest on any of the Bonds as the same becomes due, or if the University or its governing body or any of the officers, agents or employees thereof shall fail or refuse to comply with any of the provisions of the Resolution and such default shall continue for a period of thirty (30) days after written notice thereof to the University (unless such default cannot be cured with thirty (30) days, in which event the University shall have a reasonable time in which to cure such default) at any time thereafter and while such default shall continue, the Owners of twenty-five percent (25%) in principal amount of the Bonds then Outstanding may, by written notice to the University filed in the office of the Secretary of the

Board or delivered in person to said Secretary, declare the principal of all Bonds then Outstanding to be due and payable immediately, and upon any such declaration given as aforesaid, all of said Bonds shall become and be immediately due and payable, anything in the Resolution or in the Bonds contained to the contrary notwithstanding. This provision, however, is subject to the condition that if at any time after the principal of said Outstanding Bonds shall have been so declared to be due and payable, all arrears of interest upon all of said Bonds, except interest accrued but not yet due on such Bonds, and all arrears of principal upon all of said Bonds shall have been paid in full, and all other defaults, if any, by the University under the provisions of the Resolution and under the provisions of the statutes of the State of Missouri shall have been cured, then and in every such case the Owners of fifty percent (50%) in principal amount of the Bonds then Outstanding, by written notice to the University given as specified in the Resolution, may rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any rights consequent thereon.

Remedies. The provisions of the Resolution, including the covenants and agreements contained in the Resolution, shall constitute a contract between the University and the Owners of the Bonds, and the Owner or Owners of not less than ten percent (10%) in principal amount of the Bonds at the time Outstanding shall have the right, for the equal benefit and protection of all Owners of Bonds similarly situated to:

(a) By mandamus or other suit, action or proceedings at law or in equity to enforce his or their rights against the University and its officers, agents and employees, and to require and compel duties and obligations required by the provisions of the Resolution or by the Constitution and laws of the State of Missouri;

(b) By suit, action or other proceedings in equity or at law to require the University, its officers, agents and employees to account as if they were the trustees of an express trust; and

(c) By suit, action or other proceedings in equity or at law to enjoin any acts or things which may be unlawful or in violation of the rights of any Owner of the Bonds.

Limitation on Rights of Bondowners. No one or more Owners of the Bonds secured under the Resolution shall have any right in any manner whatever by his, her or their action to affect, disturb or prejudice the security granted and provided for in the Resolution, or to enforce any right under the Resolution, except in the manner provided in the Resolution, and all proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all Owners of such Outstanding Bonds.

Remedies Cumulative. No remedy conferred in the Resolution upon the Owners of Bonds is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred in the Resolution. No waiver of any default or breach of duty or contract by the Owner of any Bond shall extend to or affect any subsequent default or breach of duty or contract or shall impair any rights or remedies thereon. No delay or omission of any Bondowner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein. Every substantive right and every remedy conferred upon the Owners of the Bonds by the Resolution may be enforced and exercised from time to time and as often as may be deemed expedient. In case any suit, action or proceedings taken by any Bondowner on account of any default or to enforce any right or exercise any remedy shall have been discontinued or abandoned for any reason, or shall have been determined adversely to such Bondowner, then, and in every such case, the University and the Owners of the Bonds shall be restored to their former positions and rights under the Resolution, respectively, and all rights, remedies, powers and duties of the Bondowners shall continue as if no such suit, action or other proceedings had been brought or taken.

No Obligation to Levy Taxes. The University does not have taxing power and nothing contained in the Resolution shall be construed as imposing on the University or the State any duty or obligation to levy any taxes either to meet any obligation incurred in the Resolution or to pay the principal of or interest on the Bonds.

Paying Agent and Bond Registrar

Designation of Paying Agent and Bond Registrar. Commerce Bank, Kansas City, Missouri, is designated as the University's paying agent for the payment of principal of, redemption premium, if any, and interest on the Bonds and bond registrar with respect to the registration, transfer and exchange of Bonds. The Paying Agent and Bond Registrar shall be paid the fees for its services in connection therewith that it has agreed to in writing with the University prior to the date of the Series 2014B Bonds, which fees shall be paid as other current expenses of the System Facilities are paid.

Successor Paying Agent and Bond Registrar.

(a) Any corporation or association into which the Paying Agent and Bond Registrar may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, provided that such surviving corporation or association shall maintain an office in the State of Missouri, shall be and become the successor Paying Agent and Bond Registrar under the Resolution, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereof, anything in the Resolution to the contrary notwithstanding.

(b) The Paying Agent and Bond Registrar may resign at any time by giving thirty (30) days' notice to the University. Such resignation shall not take effect until the appointment of a successor Paying Agent and Bond Registrar.

(c) The Paying Agent and Bond Registrar may be removed at any time by an instrument in writing delivered to the Paying Agent and Bond Registrar by the University. In no event, however, shall any removal of the Paying Agent and Bond Registrar take effect until a successor Paying Agent and Bond Registrar shall have been appointed.

(d) In case the Paying Agent and Bond Registrar shall resign or be removed, or be dissolved, or shall be in the course of dissolution or liquidation, or otherwise become incapable of acting as Paying Agent and Bond Registrar, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor shall be appointed by the University. Every successor Paying Agent and Bond Registrar appointed pursuant to the provisions of this Section shall be, if there be such an institution willing, qualified and able to accept the duties of the Paying Agent and Bond Registrar upon customary terms, a bank or trust company within the State of Missouri, in good standing and having or being wholly owned by an entity having reported capital and surplus of not less than \$25,000,000. Written notice of such appointment shall immediately be given by the University to the Owners of the Series 2014B Bonds. Any successor Paying Agent and Bond Registrar shall execute and deliver an instrument accepting such appointment and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all rights, powers, duties and obligations of its predecessor, with like effect as if originally named as Paying Agent and Bond Registrar, but such predecessor shall nevertheless, on the written request of the University, or of the successor, execute and deliver such instruments and do such other things as may reasonably be required to more fully and certainly vest and confirm in such successor all rights, powers, duties and obligations of such predecessor. If no successor Paying Agent and Bond Registrar has accepted appointment in the manner provided above within ninety (90) days after the Paying Agent and Bond Registrar has given notice of its resignation as provided above, the Paying Agent and Bond Registrar may petition any court of competent jurisdiction for the appointment of a temporary successor Paying Agent and Bond Registrar; provided that any Paying Agent and Bond Registrar so appointed shall immediately and without further act be superseded by a Paying Agent and Bond Registrar appointed by the University.

Defeasance

Defeasance. When all of the Series 2014B Bonds shall have been paid and discharged, then the requirements contained in the Resolution, except as otherwise provided in the Resolution and subject to the Resolution, and the pledge of System Revenues made under the Resolution and all other rights granted under the Resolution shall terminate. Bonds shall be deemed to have been paid and discharged within the meaning of the Resolution or the Prior System Facilities Resolution under which such series of Bonds were issued, as the case may be, if the University shall have paid or provided for the payment of such Bonds in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on such Bonds, as and when the same become due and payable;
- (b) by delivering such Bonds to the Paying Agent and Bond Registrar for cancellation; or
- (c) by depositing with the Paying Agent and Bond Registrar, or other bank located in the State of Missouri and having full trust powers, at or prior to the maturity or redemption date of said Bonds, in trust for and irrevocably appropriated thereto, cash and/or United States Government Obligations in an amount which, together with other moneys deposited therein, and with the interest to be earned thereon, without consideration of any reinvestment thereof, will be sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such Bonds (including the payment of the principal of said Bonds, the redemption premium thereon, if any, and interest accrued to the date of maturity or redemption, as the case may be); provided that, if any such Bonds are to be redeemed prior to the maturity thereof, the University shall have elected to redeem such Bonds and notice of such redemption shall have been given in accordance with the requirements of the Resolution or the Prior System Facilities Resolution under which such series of Bonds were issued, as the case may be, or provision satisfactory to the Paying Agent and Bond Registrar is made for the giving of such notice.

Bonds may be defeased in advance of their maturity or redemption dates only with cash or United States Government Obligations pursuant to subsection (c) above, provided, however, that, if the final payment or redemption date with respect to such Bonds is more than 90 days after such deposit, such Bonds may only be considered defeased upon receipt by the Paying Agent and Bond Registrar of (a) a verification report prepared by independent certified public accountants, or other verification agent, satisfactory to the Paying Agent and Bond Registrar and the University, and (b) an Opinion of Bond Counsel addressed and delivered to the Paying Agent and Bond Registrar and the University to the effect that the payment of the principal of and redemption premium, if any, and interest on all of the Bonds of such series then Outstanding and any and all other amounts required to be paid under the provisions of the Resolution has been provided for in the manner set forth in the Resolution or the Prior System Facilities Resolution under which such series of Bonds were issued, as the case may be.

Any moneys and obligations which at any time shall be deposited with the Paying Agent and Bond Registrar or other bank by or on behalf of the University, for the purpose of paying and discharging any of the Bonds, shall be and are assigned, transferred and set over to the Paying Agent and Bond Registrar or other bank in trust for the respective Owners of such Bonds, and such moneys shall be and are irrevocably appropriated to the payment and discharge thereof. All moneys deposited with the Paying Agent and Bond Registrar or other bank shall be deemed to be deposited in accordance with and subject to all of the provisions contained in the Resolution or the Prior System Facilities Resolution under which such series of Bonds were issued, as the case may be.

Amendments

Amendments Not Requiring Consent of Bondowners. The Board may from time to time, without the consent of or notice to any of the Bondowners, amend the Resolution as shall not be inconsistent with the terms and provisions of the Resolution, for any one or more of the following purposes:

(a) to cure any ambiguity or formal defect or omission in the Resolution or to make any other change not prejudicial to the Bondowners;

(b) to grant to or confer upon the Paying Agent and Bond Registrar or the Bondowners any additional rights, remedies, powers or authority that may be lawfully granted to or conferred upon the Bondowners or the Paying Agent and Bond Registrar or either of them;

(c) to more precisely identify the System Revenues or the System Facilities or to substitute or add property thereto or release property therefrom;

(d) to subject to the Resolution additional revenues, properties or collateral;

(e) to issue Additional Bonds as provided in the Resolution;

(f) to provide for the refunding or advance refunding of any Bond;

(g) to evidence the appointment of a successor paying agent or bond registrar;

(h) to comply with any future requirements of federal tax law required in the opinion of bond counsel to maintain the exclusion of the interest on one or more series of Bonds from gross income for purposes of federal income taxation;

(i) to secure a rating from a nationally recognized rating agency, provided such changes will not restrict, limit or reduce the obligation of the University to pay the principal of, redemption premium, if any, or interest on the Series 2014B Bonds as provided in the Resolution or otherwise materially adversely effect the Bondowner; or

(j) to provide for the changes described in Article XV of the Resolution and summarized herein under the caption "Potential Modification of: (1) Security for Bonds; (2) Bonds as to which System Revenues Provide Security; and (3) Parity Lien Bond Test."

Amendments Requiring Consent of Bondowners. The rights and duties of the University, the Board and the Bondowners, and the terms and provisions of the Series 2014B Bonds or of the Resolution, may be amended or modified at any time in any respect by resolution of the Board with the written consent of the Owners of not less than sixty-five percent (65%) in aggregate principal amount of the Series 2014B Bonds then Outstanding, such consent to be evidenced by an instrument or instruments executed by such Owners and duly acknowledged or proved in the manner of a deed to be recorded, and such instrument or instruments shall be filed with the Secretary of the Board, but no such modification or alteration shall:

(a) extend the maturity of any payment of principal or interest due upon any Series 2014B Bond;

(b) effect a reduction in the amount which the University is required to pay by way of principal of or interest on any Series 2014B Bond;

(c) permit the creation of a lien on the System Revenues prior or equal to the lien of the Series 2014B Bonds, except as to Additional Bonds;

(d) permit preference or priority of any Series 2014B Bonds over any other Series 2014B Bonds; or

(e) reduce the percentage in principal amount of Series 2014B Bonds required for the written consent to any modification or alteration of the provisions of the Resolution.

Any provision of the Series 2014B Bonds or of the Resolution may, however, be amended or modified by resolution duly adopted by the Board or, at the direction of the Board, the Executive Committee, at any time in any respect with the written consent of the Owners of all of the Series 2014B Bonds at the time Outstanding.

Any and all modifications made in the manner provided in the Resolution shall not become effective until there has been filed with the Secretary of the Board a copy of the resolution of the Board provided in the Resolution for, duly certified, as well as proof of consent to such modification by the Owners of not less than sixty-five percent (65%) in principal amount of the Series 2014B Bonds then Outstanding. It shall not be necessary to note on any of the Outstanding Bonds any reference to such amendment or modification.

Amendment of Prior System Facilities Resolutions.

Each of the Prior System Facilities Resolutions shall be deemed an amendment of the Initial System Facilities Resolution and each Prior System Facilities Resolution which precedes it. Furthermore, any subsequent resolution of the Board and/or the Executive Committee providing for the issuance of Additional Bonds shall, to the extent that any amendments therein shall meet the requirements of the Resolution, be deemed an amendment of the Initial System Facilities Resolution, each Prior System Facilities Resolution which precedes it, and the Resolution. Specifically but without limitation, the Resolution shall be considered an amendment of each of the Prior System Facilities Resolutions.

Regardless of the defeasance of any series of Prior System Bonds in accordance with the provisions of the Prior System Facilities Resolution pursuant to which such series of Prior System Bonds was issued and the release of the pledge of System Revenues with respect thereto, such Prior System Facilities Resolution shall remain in force and effect as a component of the financing program for the System Facilities established in the Initial System Facilities Resolution, and any references in the Resolution to a Prior System Facilities Resolution shall be to such resolution as amended or supplemented by the subsequent Prior System Facilities Resolutions and the Resolution. Specifically but without limitation, the Initial System Facilities Resolution shall remain in full force and effect despite the defeasance of the Series 1993 Bonds and the release of the pledge of System Revenues to secure the Series 1993 Bonds pursuant to the terms of the Resolution in accordance with Section 1301 of the Initial System Facilities Resolution.

Potential Modification of: (1) Security for Bonds; (2) Bonds as to which System Revenues Provide Security; and (3) Parity Lien Bond Test

The University created a financing program for the System Facilities in the Initial System Facilities Resolution, which financing program has been ratified and confirmed by each of the Prior System Facilities Resolutions and has been ratified and confirmed. The University reserves the right to add other facilities and properties to this financing program and to make the Bonds and the security for the Bonds part of a future facility financing program that may be adopted by the University.

Accordingly, notwithstanding any provision in the Resolution to the contrary, the University shall have the right to do any or all of the following (as specified by the University in a subsequent resolution of its Board or Executive Committee) provided that, upon the occurrence of such of the following as are to occur, the Bonds retain a rating from any national rating service then rating the Bonds at the request of the University at least equal to that in effect immediately prior to the occurrence of such of the following as are to occur:

- (a) change the security for the Bonds (including, but not limited to, the type of revenues, fees and reserves pledged) to add a new type of revenues, fees and reserves to or delete a type of revenues, fees and reserves from the System Revenues or the System Facilities;
- (b) add or delete new types of facilities or properties of the University to the System Facilities financed by Bonds;
- (c) secure any other bonds or obligations of the University, whether issued prior to or subsequent to the date of the Resolution, by the System Revenues as long as any other security for such other bonds or obligations also secure the Bonds; or

(d) issue Additional Bonds secured by the System Revenues and other security described in (a), (b) or (c) above without meeting the requirements of the Resolution.

Addition of System Facilities and System Revenues. Pursuant to and in furtherance of the foregoing provisions and of the provisions of the Prior System Facilities Resolutions, the University has determined to add the facilities of the University constituting the Projects to be financed or refinanced with the proceeds of the Series 2014B Bonds to the System Facilities, all as more fully provided in the Resolution, has determined to add the revenues of such facilities of the University to the System Revenues, all as more fully provided in the Resolution, and pledges the System Revenues, as so amended, to the payment of the Series 2014B Bonds, all outstanding Prior System Bonds and any Additional Bonds issued in accordance with the terms of the Resolution and the Prior System Facilities Resolutions, on a parity basis.

Miscellaneous Provisions

Notices, Consents and Other Instruments by Bondowners. Any notice, consent, request, direction, approval, objection or other instrument required by the Resolution to be signed and executed by the Owners of the Bonds may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondowners in person or by agent appointed in writing. Proof of the execution of any such instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of the Resolution, and shall be conclusive in favor of the University and the Paying Agent and Bond Registrar with regard to any action taken, suffered or omitted under any such instrument, namely:

(a) The fact and date of the execution by any person of any such instrument may be proved by a certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such instrument acknowledged before such officer the execution thereof, or by affidavit of any witness to such execution.

(b) The fact of ownership of Bonds, the amount or amounts, numbers and other identification of Bonds, and the date of holding the same shall be proved by the registration books of the University maintained by the Paying Agent and Bond Registrar.

Governing Law. The Resolution shall be governed exclusively by and construed in accordance with the applicable laws of the State of Missouri.

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

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PROPOSED FORM OF OPINION OF BOND COUNSEL

_____, 2014

The Curators of the University of Missouri
Columbia, Missouri

Commerce Bank, as Paying Agent and
Bond Registrar
Kansas City, Missouri

Re: \$150,000,000 The Curators of the University of Missouri Taxable System Facilities Revenue Bonds, Series 2014B

Ladies and Gentlemen:

The Curators of the University of Missouri (the “University”), a body politic and state educational institution organized and existing under the Constitution and laws of the State of Missouri, has on this date issued its Taxable System Facilities Revenue Bonds, Series 2014B (the “Series 2014B Bonds”) in the aggregate principal amount of \$150,000,000, dated as of their date of issuance.

The Series 2014B Bonds have been authorized and issued under and pursuant to the Constitution and laws of the State of Missouri, including in particular Article IX, Section 9 of the Constitution of the State of Missouri and Chapters 172 and 176 of the Revised Statutes of Missouri, each as amended (collectively, the “Act”). The Series 2014B Bonds are further issued pursuant to a Resolution adopted by the Board of Curators of the University of the State of Missouri (the “Board”) on October 21, 2014 (the “Resolution”), for the purpose of paying (a) a portion of the costs of acquiring, constructing, improving, renovating, furnishing and equipping certain additions and improvements to the System Facilities (as defined in the Resolution), and (b) costs of issuance of the Series 2014B Bonds. Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Resolution.

The Series 2014B Bonds are not general obligations of the University or payable in any manner by taxation, but are limited obligations of the University payable solely from the sources specified in the Resolution; the Series 2014B Bonds and the interest thereon shall never constitute an indebtedness of the University or a loan of credit thereof within the meaning of any state constitutional or statutory provision and shall not constitute or give rise to a pecuniary liability of the University or a charge against its general credit.

The Series 2014B Bonds consist of fully registered bonds without coupons numbered from R-1 consecutively upward, in the denomination, maturing, being subject to earlier redemption or purchase and bearing interest all as set forth in the Resolution.

The principal of the Series 2014B Bonds shall be payable at the payment office of Commerce Bank, Kansas City, Missouri (the “Paying Agent and Bond Registrar”). The interest on the Series 2014B Bonds shall be payable by the Paying Agent and Bond Registrar on each Interest Payment Date to the persons in whose names the Series 2014B Bonds are registered at their addresses as they appear on the Bond registration books maintained by the Paying Agent and Bond Registrar on the Record Date preceding such Interest Payment Date.

In connection with the issuance of the Series 2014B Bonds, we have examined the following:

- A. The Constitution of the State of Missouri, the Act and such other laws as we deem relevant to this opinion.
- B. A certified copy of the proceedings of the Board preliminary to and in connection with the issuance of the Series 2014B Bonds, authorizing, among other things, the following:
 - (i) the issuance, sale and delivery of the Series 2014B Bonds; and
 - (ii) the execution and delivery of the Bond Purchase Agreement (the “Bond Purchase Agreement”) between the University and the original purchaser of the Series 2014B Bonds.
- C. An original certified copy of the Resolution and an executed counterpart of the Bond Purchase Agreement.
- D. A specimen of the Series 2014B Bonds.
- E. The Omnibus Continuing Disclosure and Disclosure Certificate of the University dated as of August 1, 2011, between the University and the dissemination agent named therein, as originally executed, as heretofore amended to the date hereof (collectively, the “Continuing Disclosure Agreement”).
- F. Representations and certifications of the University, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the underwriters of the Series 2014B Bonds, and the Paying Agent and Bond Registrar.
- G. The opinion of even date herewith of the General Counsel to the University.
- H. Such other matters, laws and documents as we deem necessary for purposes of this opinion.

In rendering the opinions set forth herein we have assumed, without undertaking to verify the same by independent investigation, (a) as to questions of fact, the accuracy and completeness of all representations of the University set forth in the Resolution, the Bond Purchase Agreement and the Continuing Disclosure Agreement, and all representations and certifications of officers, officials and representatives of the University and others examined by us, (b) the conformity to original documents of all documents submitted to us as copies and the authenticity of such original documents and all documents submitted to us as originals, (c) that the proceeds of the Series 2014B Bonds will be used in accordance with the Resolution, and the Bond Purchase Agreement, and (d) that all covenants and requirements of the Resolution will be duly complied with and fulfilled.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement dated October 27, 2014 with respect to the Series 2014B Bonds (the “Official Statement”) or other offering material relating to the Series 2014B Bonds (except to the extent stated herein) and we express no opinion relating thereto (except to the extent stated herein).

Based upon the foregoing and subject to the exceptions and clarifications set forth herein, we are of the opinion, as of the date hereof and under existing law, that:

1. The Series 2014B Bonds are in proper form, have been authorized and issued in accordance with the Constitution and statutes of the State of Missouri, and constitute valid and legally binding special

obligations of the University, payable solely from, and secured as to the payment of principal and interest by a pledge of the "System Revenues" as defined in the Resolution. The Series 2014B Bonds shall not be or constitute general obligations of the University, nor shall they constitute indebtedness of the University within the meaning of any constitutional, statutory or charter provision, limitation or restriction.

2. The Resolution has been duly authorized, executed and delivered by the University and such instrument is a legal and binding instrument upon the University according to its terms and is in full force and effect, except to the extent that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally or by general principles of equity, whether enforcement is considered in a proceeding at law or in equity. In rendering the opinion under this paragraph, we have relied on the representations and certifications of the University referred to above and the opinion of counsel for the University referred to above.

3. The proceedings of the University show lawful authority for the issuance and delivery of the Series 2014B Bonds under the laws of the State of Missouri now in force; the Series 2014B Bonds, to the amounts specified, are valid and legally binding upon the University according to the import thereof and as provided in the Resolution, and are secured thereunder, except to the extent that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally or by general principles of equity, whether enforcement is considered in a proceeding at law or in equity; the Series 2014B Bonds are and will continue to be payable by the University solely from the System Revenues (and as otherwise provided in the Resolution); said System Revenues have been duly assigned and pledged to the payment of the principal of, premium, if any, and interest on the Series 2014B Bonds as the same become due.

4. Interest on the Series 2014B Bonds is not excluded from gross income for federal income tax purposes.

5. Interest on the Series 2014B Bonds is exempt from income taxation by the State of Missouri.

We express no opinion regarding federal, state or local tax consequences arising with respect to the Series 2014B Bonds (including, without limitation, those from the inclusion of interest on the Series 2014B Bonds in a corporate taxpayer's adjusted current earnings for purposes of determining its federal alternative minimum tax liability), other than as expressly set forth herein.

This letter is furnished by us solely for your benefit and may not be relied upon by any other person or entity or in connection with any other transaction without our prior consent. The opinions set forth in this letter are given as of the date hereof, and we disclaim any obligation to advise the addressees or to revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur. Other than as expressly set forth herein, we express no opinion herein relative to compliance with federal or state securities laws.

This letter expresses our legal opinion as to the matters set forth herein and is based upon our professional knowledge and judgment at this time; however it is not to be construed as a guaranty, nor is it a warranty that a court considering such matters would not rule in a manner contrary to the opinions set forth herein.

Very truly yours,

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