

# Board of Curators Meeting - Public Session

University of Missouri System

Columbia

Feb 3, 2022 8:00 AM - 5:00 PM CST

## Table of Contents

### I. PUBLIC SESSION - Call to Order (8:00 AM)

### II. GENERAL BUSINESS

#### A. Information

1. University of Missouri Board Chair's Report.....3
2. University of Missouri President's Report.....4
3. Student Representative to the Board of Curators Report.....5
4. Review Consent Agenda.....6

### III. CONSENT AGENDA.....7

#### A. Minutes, November 18, 2021 Board of Curators Meeting.....8

#### B. Minutes, November 18, 2021 Board of Curators Committee Meetings.....9

#### C. Minutes, December 10, 2021 Board of Curators Special Meeting and Committee Meetings.....10

#### D. Minutes, January 11, 2022 Board of Curators Special Meeting.....11

#### E. Spinal Cord Injury and Disease Research Program Proposals.....12

### IV. FINANCE COMMITTEE (Curators Hoberock, Graves, Layman and Williams).....17

#### A. Information

1. Central Bank Overview and Debt Portfolio Update.....19

#### B. Action

1. Five-year Financial Plan and Recommended Financial Performance Targets, UM.....44

### V. HEALTH AFFAIRS COMMITTEE CHAIR REPORT (Curators Wenneker, Graham, Holloway, Williams and Mr. Ashworth and Mr. Phillips).....80

#### A. Information

1. Executive Vice Chancellor Report.....82

### VI. GOVERNANCE, COMPENSATION AND HUMAN RESOURCES COMMITTEE (Curators Williams, Brncic, Holloway and Wenneker).....83

#### A. Action

1. Annual Approval, Board Standing Committee Charters.....85

2. Resolution for Executive Session of the Governance, Compensation and Human Resources Committee .....98

### VII. ACADEMIC, STUDENT AFFAIRS, RESEARCH AND ECONOMIC DEVELOPMENT (Curators Graves, Hoberock, Layman and Wenneker).....99

<b>A. Information</b>	
1. UM System Economic Impact Report (45 min).....	100
2. Inclusion, Diversity and Equity Report (30 min).....	101
<b>VIII. AUDIT, COMPLIANCE AND ETHICS COMMITTEE (Curators Holloway, Brncic, Graham and Layman).....</b>	<b>102</b>
<b>A. Information</b>	
1. Internal Audit, Compliance and Ethics Quarterly Report, UM.....	104
2. University of Missouri System Reporting Hotlines Annual Report 2021, UM (written report only).....	124
3. External Auditor's Report, UM.....	129
<b>B. Action</b>	
1. Engagement of Independent Auditors and Related Fees, UM.....	170
2. Resolution for Executive Session of the Audit Committee.....	173
<b>IX. Luncheon by Invitation for the Board of Curators, President, University of Missouri System Leaders, University of Missouri - Columbia Faculty, Student and Staff Leaders</b>	
<b>X. RECONVENE PUBLIC SESSION</b>	
<b>XI. GENERAL BUSINESS CONTINUED</b>	
<b>A. Information</b>	
1. University of Missouri - Columbia Campus Highlights .....	174
2. Strategic Theme Discussion - Student Success .....	175
3. Good and Welfare of the Board.....	176
<b>B. Action</b>	
1. Resolution for Executive Session of the Board of Curators Meeting, February 3, 2022.....	177
<b>XII. Press Conference with Board of Curators Chair and UM President</b>	
<b>XIII. AUDIT, COMPLIANCE AND ETHICS COMMITTEE - EXECUTIVE SESSION</b>	
<b>XIV. GOVERNANCE, COMPENSATION AND HUMAN RESOURCES COMMITTEE - EXECUTIVE SESSION</b>	
<b>XV. BOARD OF CURATORS MEETING - EXECUTIVE SESSION</b>	

UNIVERSITY OF MISSOURI  
BOARD CHAIR REPORT

There are no materials for this information item.

UNIVERSITY OF MISSOURI  
PRESIDENT'S REPORT

There are no materials for this information item.

STUDENT REPRESENTATIVE TO THE  
BOARD OF CURATORS REPORT

There are no materials for this information item.

## REVIEW CONSENT AGENDA

There are no materials for this information item.



Consent A

Recommended Action - Minutes, November 18, 2021 Board of Curators Meeting  
Minutes

It was moved by Curator \_\_\_\_\_ and seconded by Curator \_\_\_\_\_, that the minutes of the November 18, 2021 Board of Curators meeting be approved as presented.

Roll call vote: YES NO

- Curator Brncic
- Curator Chatman
- Curator Graham
- Curator Graves
- Curator Hoberock
- Curator Holloway
- Curator Layman
- Curator Wenneker
- Curator Williams

The motion \_\_\_\_\_.

February 3, 2022



Consent B

Recommended Action - Minutes, November 18, 2021 Board of Curators  
Committee Meetings

It was moved by Curator \_\_\_\_\_ and seconded by Curator  
\_\_\_\_\_, that the minutes of the November 18, 2021 Board of Curators  
committee meetings, be approved as presented.

Roll call vote:	YES	NO
-----------------	-----	----

Curator Brncic

Curator Chatman

Curator Graham

Curator Graves

Curator Hoberock

Curator Holloway

Curator Layman

Curator Wenneker

Curator Williams

The motion \_\_\_\_\_.

February 3, 2022

OPEN – CONSENT – B-1

Consent C

Recommended Action - Minutes, December 10, 2021 Board of Curators Special Meeting and Committee Meetings

It was moved by Curator \_\_\_\_\_ and seconded by Curator \_\_\_\_\_, that the minutes of the December 10, 2021 Board of Curators special meeting and committee meetings be approved as presented.

Roll call vote:	YES	NO
-----------------	-----	----

Curator Brncic

Curator Chatman

Curator Graham

Curator Graves

Curator Hoberock

Curator Holloway

Curator Layman

Curator Wenneker

Curator Williams

The motion \_\_\_\_\_.

February 3, 2022

Consent D

Recommended Action - Minutes, January 11, 2022 Board of Curators Special Meeting

It was moved by Curator \_\_\_\_\_ and seconded by Curator \_\_\_\_\_, that the minutes of the January 11, 2022 Board of Curators special meeting be approved as presented.

Roll call vote:	YES	NO
-----------------	-----	----

Curator Brncic

Curator Chatman

Curator Graham

Curator Graves

Curator Hoberock

Curator Holloway

Curator Layman

Curator Wenneker

Curator Williams

The motion \_\_\_\_\_.

February 3, 2022

## **Spinal Cord Injuries and Congenital or Acquired Disease Processes Research Program**

The 91<sup>st</sup> General Assembly enacted legislation (HB 218 and HB 302, 2001) to provide support for a program of research projects that promote and advance knowledge in the areas of spinal cord injuries and congenital or acquired disease processes. As part of this legislation, there was created in the state treasury a “Spinal Cord Injury Fund” from which annual appropriations are to be made for the use of the Board of Curators of the University of Missouri. The primary source of money for this fund is a surcharge of two dollars levied on certain costs in criminal cases including violations of any county ordinance or any violation of criminal or traffic laws of the state.

The research grants funded by these appropriations are to be awarded by the Board of Curators to investigators who are affiliated with a public or private educational, health care, voluntary health association or research institution, based on the recommendations of an Advisory Board appointed by the Board of Curators for this purpose. Individual awards (\$75,000 per year) shall expire at the end of one year. The objective of the grants is to obtain preliminary data to test hypotheses and to enable investigators to develop subsequent competitive applications for long-term funding from other sources. The research projects are to be conducted in Missouri.

“Congenital” spinal cord abnormalities include birth defects affecting the spinal cord such as spina bifida. In addition to traumatic injuries to the spinal cord that lead to paralysis, “acquired” abnormalities could include Friedreich’s ataxia, which manifests itself in teenage years and appears to run in families, and paralysis due to multiple sclerosis, polio, etc. Approximately 450,000 people in the United States have sustained traumatic spinal cord injuries (SCI), with approximately 11,000 new cases of SCI in the US every year. The majority (78%) of SCI victims are males. Most of the injuries result from motor vehicle accidents (50%), falls (24%), violence (11%), or sports injuries (9%).

The action requested of the Board is to approve funding for three research proposals approved by the Spinal Cord Injury Advisory Board.

Consent E

Recommended Action - Spinal Cord Injuries and Congenital or Acquired Disease  
Processes Research Program Proposals

It was recommended by interim vice chancellor for research and economic development, Thomas Spencer, Ph.D., endorsed by President Mun Y. Choi, recommended by the Academic, Student Affairs and Research and Economic Development Committee, moved by Curator \_\_\_\_\_, and seconded by Curator \_\_\_\_\_, that the following action be approved:

that the research proposals approved by the Spinal Cord Injuries Research Program Advisory Board be approved as presented on the following pages.

Roll call vote of the Committee:                      YES                      NO

Curator Brncic  
Curator Holloway  
Curator Wenneker  
Curator Williams

The motion \_\_\_\_\_.

Roll call vote of the Board:                      YES                      NO

Curator Brncic  
Curator Chatman  
Curator Graham  
Curator Graves  
Curator Hoberock  
Curator Holloway  
Curator Layman  
Curator Wenneker  
Curator Williams

The motion \_\_\_\_\_.

**SPINAL CORD INJURIES AND CONGENITAL OR ACQUIRED DISEASE  
PROCESSES RESEARCH PROGRAM**

*PROPOSAL RECOMMENDED FOR FUNDING  
2022*

- I. Genetic Underpinnings of Chiari Malformation with or without Syringomyelia

Gabriel E. Haller, PhD  
Assistant Professor of Neurosurgery  
Washington University School of Medicine

Total funding recommended                      \$75,000

- II. Cerebrospinal fluid drainage to reduce the inflammatory response after acute spinal cord injury

Camilo Molina, MD  
Assistant Professor of Neurosurgery and Orthopedic Surgery  
Washington University School of Medicine

Total funding recommended                      \$75,000

- III. Longitudinal Organization of Spinal Circuits

Martha W. Bagnall, PhD  
Assistant Professor of Neuroscience  
Washington University

Total funding recommended                      \$75,000

I. ABSTRACT:

*Gabriel E. Haller, PhD*

*Genetic Underpinnings of Chiari Malformation with or without Syringomyelia*

Syringomyelia is a rare disorder in which fluid accumulates within the spinal cord causing progressive neurological impairment. Termed a syrinx, the fluid causes damage to the spinal cord over time by compressing nerves, resulting in motor and sensory deficits, pain, and loss of bladder control. While complications of trauma, meningitis, malignancy, or hemorrhage may result in syringomyelia, the vast majority of cases occur in combination with Chiari I malformation (CM1), in which the lower part of the cerebellum descends below the posterior fossa into the spinal canal, though not all patients with Chiari I malformation will develop syringomyelia. Conversely, syringomyelia may occur as an idiopathic condition, with no known cause or association. Prevention of syringomyelia will require a better understanding of the causes of Chiari I malformation. While isolated syringomyelia itself is rare and estimated to affect ~40,000 individuals in the United States, Chiari I malformation occurs in up to 3% of children undergoing MRI and accounts for the majority of syringomyelia cases. Understanding the genetic basis of these spinal cord malformations is now possible through the use of low-cost genotyping and sequencing but will require large sample sizes to provide adequate statistical power. We propose to identify genetic factors leading to CM1 with or without syringomyelia and model the effects of CM1-associated genetic variants in zebrafish. Overall, the goal of this project is to better understand the causes of CM1 and SM by understanding the genes and genetic variants underlying variability in these traits.

II. ABSTRACT:

*Camilo Molina, MD*

*Cerebrospinal fluid drainage to reduce the inflammatory response after acute spinal cord injury*

Traumatic spinal cord injury (SCI) remains one of the most devastating neurological events. It is common that spinal cord injury patients have other associated conditions during the acute period, such as traumatic brain injury, multi-trauma, or pharmacological sedation, making it impossible to conduct a detailed neurological examination. This fact has limited neuroscientists and neurosurgeons to incorporate novel therapies due to the difficulty of determining a baseline of the degree of neurological injury. Therefore, developing biomarkers that can help distinguish injury severities when obtaining a complete baseline neurological exam is difficult will be impactful to the clinical care of these patients.

The initial traumatic event is followed by inflammation in neuronal tissue that ultimately leads to spinal cord swelling. Swelling of the spinal cord contributes to increased intraspinal hypertension and reduced perfusion, with subsequent ischemia and more neurological damage. Draining cerebrospinal fluid (CSF) through lumbar drains is an intervention that may help to reduce intraspinal hypertension, therefore, reducing cellular damage and favoring recovery. In addition, they permit the collection of CFS for the study of biological

February 2022

markers that can act as quantitative surrogates for the level of injury. Yet, it has to be explored if CSF draining affects the concentration of harmful molecules characteristic of the inflammatory response. In this study, we will investigate how the concentration of specific molecules within the CSF is related to the degree of spinal cord injury and how a strategy to increase the perfusion of the spinal cord impacts their concentration.

### III. ABSTRACT:

***Martha W. Bagnall, PhD***

#### *Longitudinal Organization of Spinal Circuits*

Animals must coordinate activity along the length of the spinal cord in order to move. For example, a cat alternates its fore and hind limbs as it walks. Despite the importance of long-range coordination, we understand very little about how spinal networks are connected between rostral (fore) and caudal (hind) regions. Recently, we found that one class of spinal neurons changes connectivity along the length of the spinal cord: they form synapses with motor neurons nearby but switch to targeting sensory neurons at long distances. We propose to test whether this pattern—changing targets for local compared to long distance connections—is a general principle in the spinal cord. We will map the outputs for local and long-distance synaptic connections in two additional genetically defined neuron classes. The first class functions as a driver of movement, and the second class serves as brakes. After mapping their connections to other spinal neuron classes, we will use a computational model based on our data to test how the synaptic organization we have discovered contributes to normal locomotion. Long projecting spinal neurons are thought to be important both to coordinating locomotion and to regeneration after injury. Understanding how they connect to motor neurons and other classes of neurons in the spinal cord will help efforts at regeneration and repair.



# FINANCE COMMITTEE

Greg E. Hoberock (Chair)

Todd P. Graves

Jeff L. Layman

Michael A. Williams

The Finance Committee (“Committee”) oversees the fiscal stability and long-term economic health of the University. The Committee will review and recommend policies to enhance quality and effectiveness of the finance functions of the University.

## I. Scope

In carrying out its responsibilities, the Committee monitors the University’s financial operations, fundraising performance, debt level, capital priorities and investment performance; requires the maintenance of accurate and complete financial records; and maintains open lines of communication with the Board about the University’s financial condition.

## II. Executive Liaison

The Vice President for Finance of the University or some other person(s) designated by the President of the University, with the concurrence of the Board Chair and the Committee Chair, shall be the executive liaison to the Committee and responsible for transmitting committee recommendations.

## III. Responsibilities

In addition to the overall responsibilities of the Committee described above and in carrying out its responsibilities, the charge of the Committee shall include

- A. Reviewing and making recommendations to the Board on the following matters:
  1. University operating budget and financial plan;
  2. University capital budget and master facility plans;
  3. capital projects;
  4. tuition, fees and housing rates;
  5. state appropriation requests;
  6. pursuant to applicable Collected Rules and Regulations, contracts and reports;
  7. insurance brokers and self-insurance programs;
  8. pursuant to applicable Collected Rules and Regulations, real estate sales, purchases, leases, easements and right-of-way agreements;
  9. the issuance of debt;
  10. asset allocation guidelines and other policies related to the University’s investment management function; and
  11. additional matters customarily addressed by the finance committee of a governing board for an institution of higher education.
- B. Providing governance oversight to:
  1. long-range financial planning strategies;
  2. fundraising and development strategies;
  3. total indebtedness and debt capacity of the University;
  4. the investment portfolio performance; and
  5. the financial condition of the pension fund.
- C. Reviewing periodic reports including:
  1. quarterly and year-end financial reports that measure the University’s fiscal condition;

2. annual purchasing reports on bids and equipment leases;
3. quarterly debt-management reports;
4. quarterly and year-end investment performance reports;
5. semi-annual reports on development and fundraising activities; and
6. other financial reports as requested by the Committee.

Approved by the Board of Curators: Feb 4, 2021

Central Bank Overview  
and  
Debt Portfolio Update  
UM

At the February 3, 2022 Board of Curators meeting, Kevin Hogg, Assistant Vice President for Treasury & Real Estate and Mary Jane Darby, Managing Director, Head of Higher Education and Not-For-Profit Advisory Group with Janney and financial advisor to the University, will present an overview of the University's central bank framework and provide an update on the University's debt portfolio and credit profile.

As of June 30, 2021, the University's outstanding debt totaled approximately \$1.7 billion. The University is rated Aa1 and AA+ by Moody's and Standard & Poor's, respectively, and is amongst the highest of rated public higher education institutions.

The central bank coordinates external borrowing and internal lending practices of the institution to create a sustainable financing mechanism for the University. The external debt portfolio is actively managed to achieve the most favorable cost of capital within acceptable risk parameters while providing internal borrowers with access to funds at stable and predictable interest rates.

# CENTRAL BANK & DEBT/CREDIT UPDATE

## UNIVERSITY OF MISSOURI SYSTEM

February 3, 2022

OPEN – FIN – INFO 1-2



# CENTRAL BANK

## UNIVERSITY OF MISSOURI SYSTEM

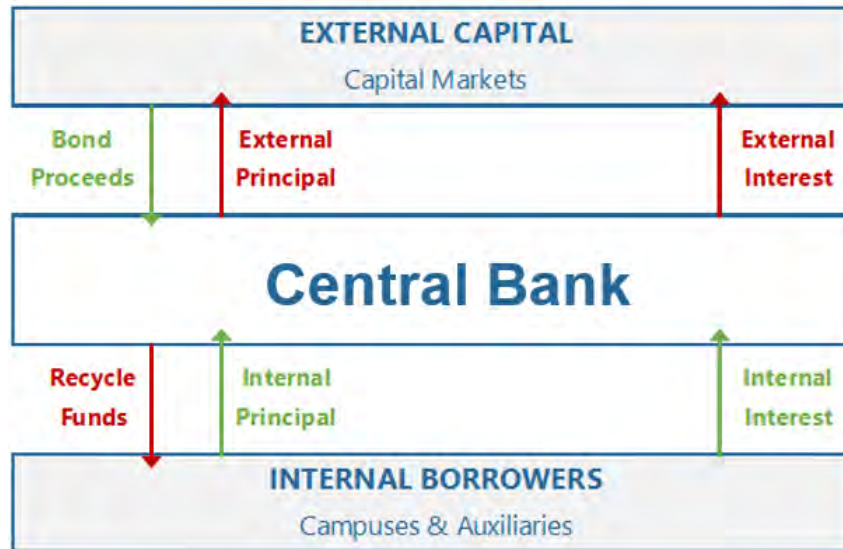
February 3, 2022

OPEN – FIN – INFO 1-3



# Central Bank Overview

- Established circa 2010
- The Central Bank coordinates the external borrowing and internal lending practices of the University.
- Utilizes a centralized management methodology that offers flexibility and stability to the campuses and health system in terms of capital project financing.
- Capitalized by external bonds and the University's Commercial Paper Program.
- Presently financing over 130 internal loans for the four campuses and health care system.



February 3, 2022

# Central Bank Framework

## Objectives

- Create a sustainable financing mechanism for the University.
- Achieve the most favorable cost of capital within acceptable risk parameters while providing internal borrowers with access to funds at stable and predictable interest rates.

## Mechanics

- External debt funds internal loans, but managed on a portfolio basis rather than project-by-project.
- The structure of internal loans (amortizing) and external debt (deferred) are separated.
- The interest rate charged on internal loans is higher than the University's cost of capital.
- As a result, capacity builds over time that can be used to stabilize borrowing costs or fund future capital projects.

## Key Principles

- The interest rate charged to internal borrowers reflects the University's weighted average cost of capital plus operating costs plus a spread.
- The interest rate is managed to provide borrowers a stable and predictable cost of capital.
- The spread generated on internal loans is recycled into additional lending capacity (over time).

# Central Bank Financing Team

Financial Advisor



Bond Counsel



Disclosure Counsel



Investment Banks

Morgan Stanley

J.P. Morgan

Goldman  
Sachs



# DEBT PORTFOLIO UPDATE

February 3, 2022



OPEN – FIN – INFO 1-7

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# Executive Summary

## FY21 Debt & Credit Update

- There were no significant changes made to the debt portfolio and the System's ratings during FY21.
  - Total Debt Outstanding: \$1.72 billion<sup>(1)</sup>
  - Weighted Average Cost of Capital (WACC): 3.44% ( as of 6/30/2021)
  - Portfolio Debt Mix: 95% fixed rate debt / 5% variable rate debt (excluding interest rate swaps)
  - Credit Ratings: Aa1 by Moody's and AA+ by S&P; amongst the highest of rated public institutions

## Outlook for Future Portfolio Management

- Future activity will be driven by projected capital plans and available funding sources including the Central Bank.
- Based on the current outlook, there are no significant changes expected in FY22.
  - New Capital: Ample capacity under commercial paper program can provide short-term funding as needed.
  - Refinancing/Restructuring: Continue to monitor the portfolio for opportunities.
- It is possible that several elements of the portfolio could converge in FY24 for a potential bond issue.

February 3, 2022

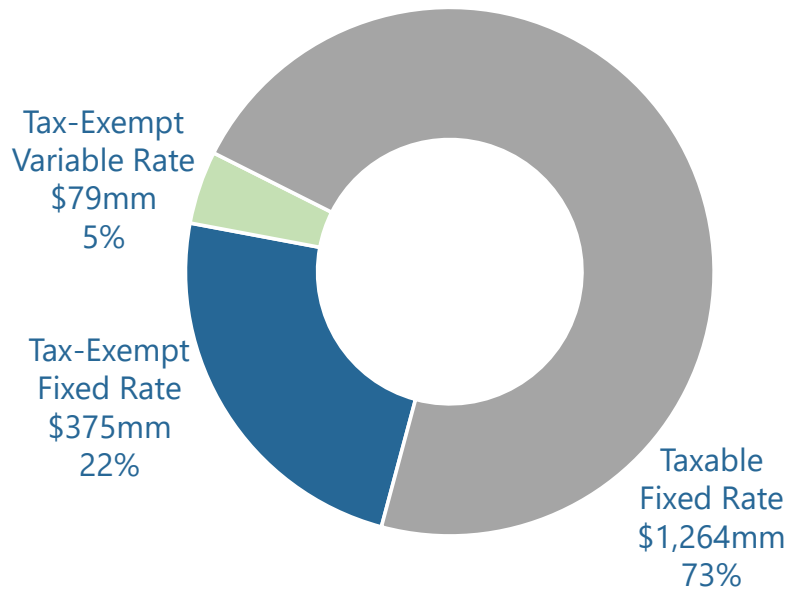
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(1) Includes System Facilities Revenue Bonds, notes payable, and capital lease obligations as of June 30, 2021.

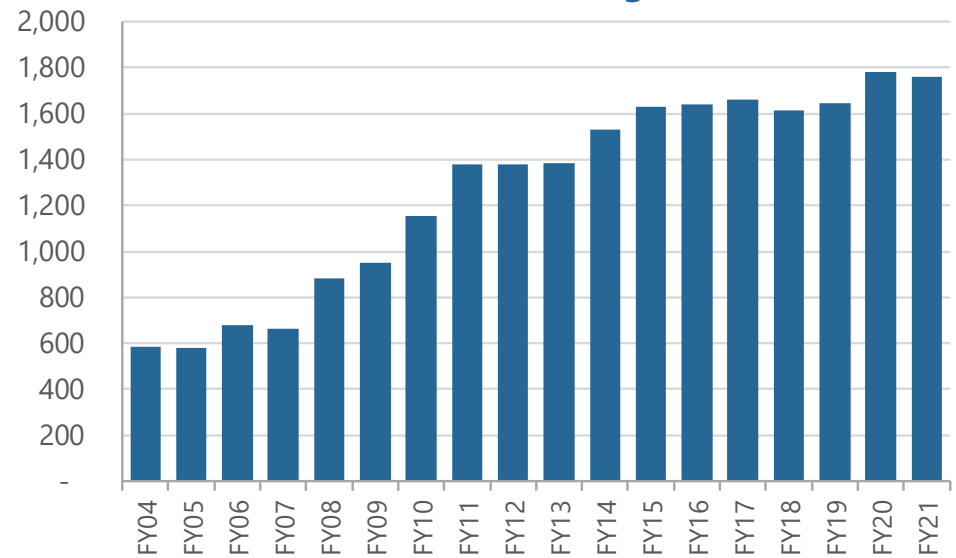
# Overview

- The charts below reflect the University's debt portfolio as it is viewed by the rating agencies.
- This includes System Facilities Revenue Bonds, commercial paper, notes payable, and capital lease obligations.
- Note that as of June 30, 2021, there is no commercial paper outstanding.

**Breakdown of Liabilities**



**Total Debt Outstanding (\$mm)**



February 3, 2022

# Summary of Types of Debt

## **System Facilities Revenue Bonds (Aa1/AA+ ratings by Moody's and S&P)**

- Provides long-term financing for the acquisition, construction, renovation or expansion of various facilities.
- The bonds are secured by \$1.6 billion (FY20) of pledged revenues.

## **Commercial Paper Program (P-1/A-1+ ratings by Moody's and S&P)**

- Total authorization up to \$375 million provides a flexible tool for interim financing of capital projects and working capital.
- CP is secured by certain general revenue sources and supported by self-liquidity provided by the University's General Pool.

## **Notes Payable**

- Unsecured loans from the State Department of Natural Resources ("DNR") Energy Efficiency Leveraged Loan Program.

## **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.

# Debt & Derivatives Portfolio Summary (as of 06/30/21)

## SUMMARY OF DEBT PORTFOLIO

Series	Type of Debt	Tax Status	Coupon	Next Call Date	Final Maturity	Outstanding Par
Series 2007B	System Facilities	Tax-Exempt	Variable	Any Date	11/01/2031	78,755,000
Series 2009A	System Facilities	Taxable (BABs)	Fixed	Make-Whole	11/01/2039	256,300,000
Series 2010A	System Facilities	Taxable (BABs)	Fixed	Make-Whole	11/01/2041	252,285,000
Series 2013A	System Facilities	Tax-Exempt	Fixed	Non-Callable	11/01/2023	4,550,000
Series 2013B	System Facilities	Taxable	Fixed	Make-Whole	11/01/2043	150,000,000
Series 2014A	System Facilities	Tax-Exempt	Fixed	11/01/2024	11/01/2035	180,350,000
Series 2014B	System Facilities	Taxable	Fixed	Make-Whole	11/01/2054	150,000,000
Series 2020A	System Facilities	Taxable	Fixed	Make-Whole	11/01/2050	400,000,000
Series 2020B	System Facilities	Tax-Exempt	Fixed	Non-Callable	11/01/2030	190,200,000
Commercial Paper	System Facilities	Tax-Exempt/Taxable	Variable	N/A	N/A	0
DNR (Rolla)	Note Payable	Taxable	Fixed	N/A	07/01/2025	256,453
DNR (KC)	Note Payable	Taxable	Fixed	N/A	02/01/2030	2,223,628
Siemens Medical	Capital Lease	Taxable	Fixed	N/A	06/30/2029	52,797,079
<b>Total</b>						<b>1,717,717,161</b>

## SUMMARY OF DERIVATIVES PORTFOLIO

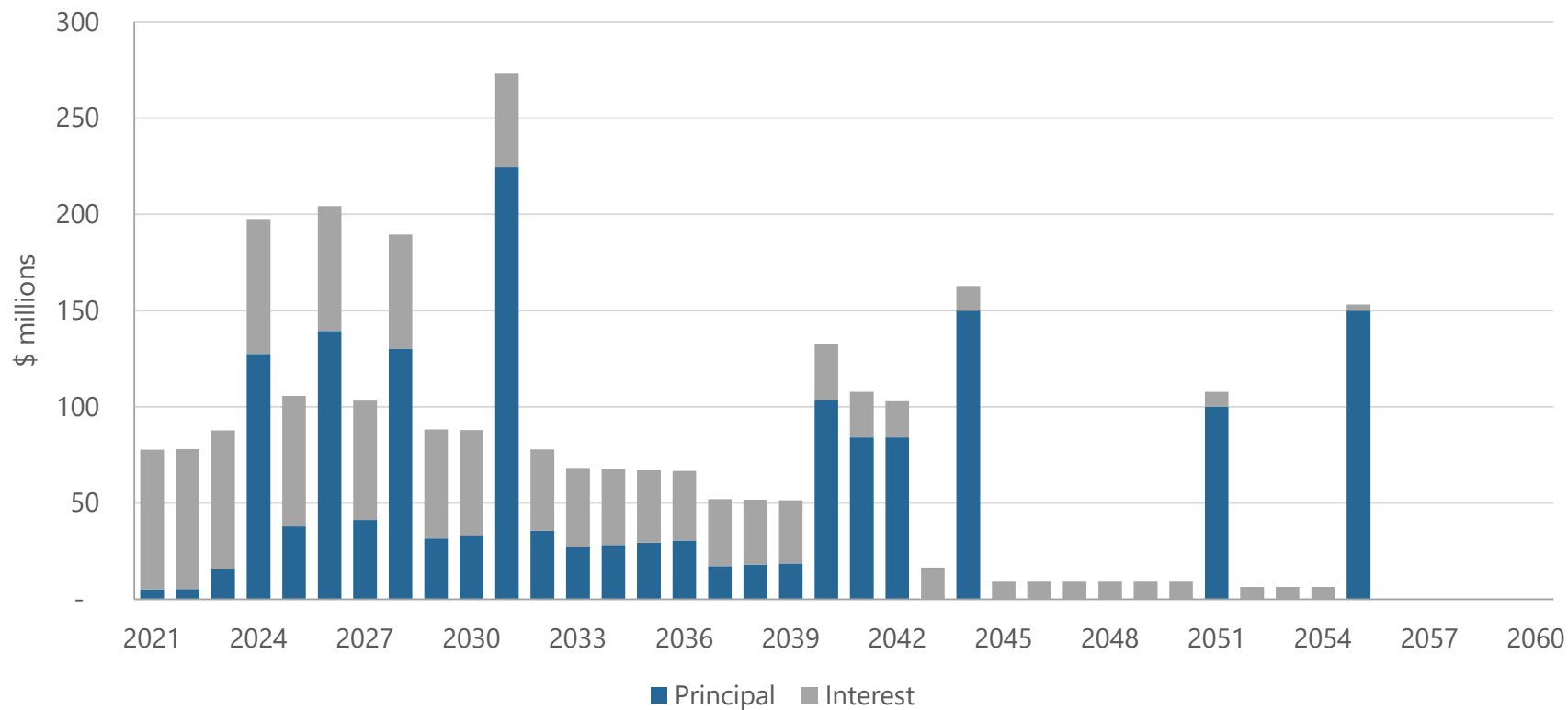
Associated Debt	Counterparty	Effective Date	Termination Date	University Pays	University Receives	Outstanding Notional
Series 2007B	JPMorgan	07/26/2007	11/01/2031	3.798%	68% 1M LIBOR	78,755,000
N/A	JPMorgan	07/18/2002	11/01/2032	3.950%	SIFMA	40,000,000
N/A	Bank of America	12/14/2006	08/01/2026	3.902%	SIFMA	44,115,000
<b>Total</b>						<b>162,870,000</b>

February 3, 2022

OPEN – FIN – INFO 1-11

# Debt Service Profile

- The Series 2020 transaction modified the University's debt service profile.
  - Restructured near-term principal (FY21-23)
  - Created near-term bullets (FY24, 26, 28) to provide flexibility in managing the portfolio.



February 3, 2022

OPEN – FIN – INFO 1-12

# Portfolio Milestones

- The table below outlines future portfolio milestones, some of which may require advance planning.
  - Excludes initial funding plan for the Women’s and Children’s Hospital
  - The Series 2014A bonds could be refunded in advance of the call date depending on market conditions.

FY	Date	Portfolio Milestone	Amount Remaining
2022			
2023	▪ June 30, 2023	▪ Expected sunset for 1-Month LIBOR (2007B swap)	▪ \$71 million
2024	▪ November 1, 2023	▪ Series 2020A bullet maturity	▪ \$100 million
2025	▪ November 1, 2024	▪ Call date on Series 2014A	▪ \$180 million
2026	▪ November 1, 2025	▪ Series 2020A bullet maturity	▪ \$100 million
2027	▪ August 1, 2026	▪ Expiration of Bank of America swap	▪ \$36 million
2028	▪ November 1, 2027	▪ Series 2020A bullet maturity	▪ \$100 million
2029			
2030			
2031	▪ November 1, 2030	▪ Series 2020B bullet maturity	▪ \$190 million

# Planning for Next Debt Issue

- It is possible that several elements of the portfolio could converge in FY24 for a potential bond issue.
  - Permanent financing of Women's & Children's Hospital (the project is likely to be initially funded with central bank balances and commercial paper).
  - Advance refunding of Series 2014A bonds which have a call date of November 1, 2024 (the bonds could potentially be refunded in advance of the call date depending on market conditions).
  - Refinancing of \$100 million Series 2020A bullet maturity due on November 1, 2023.
- However, it will be important to analyze each element separately and determine the appropriate timing.



# CREDIT PROFILE UPDATE

February 3, 2022



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# Credit Profile

(Moody's: Aa1/Stable; S&P: AA+/Negative)

## Credit Strengths

- Large revenue base continues to grow despite recent enrollment decline
- Growth in total wealth along with healthy liquidity, provides flexibility to respond to near term challenges
- Sound health system operating performance that is accretive to system operation
- Highly effective management and governance, reflected in record of executing various strategic initiatives

## Credit Challenges

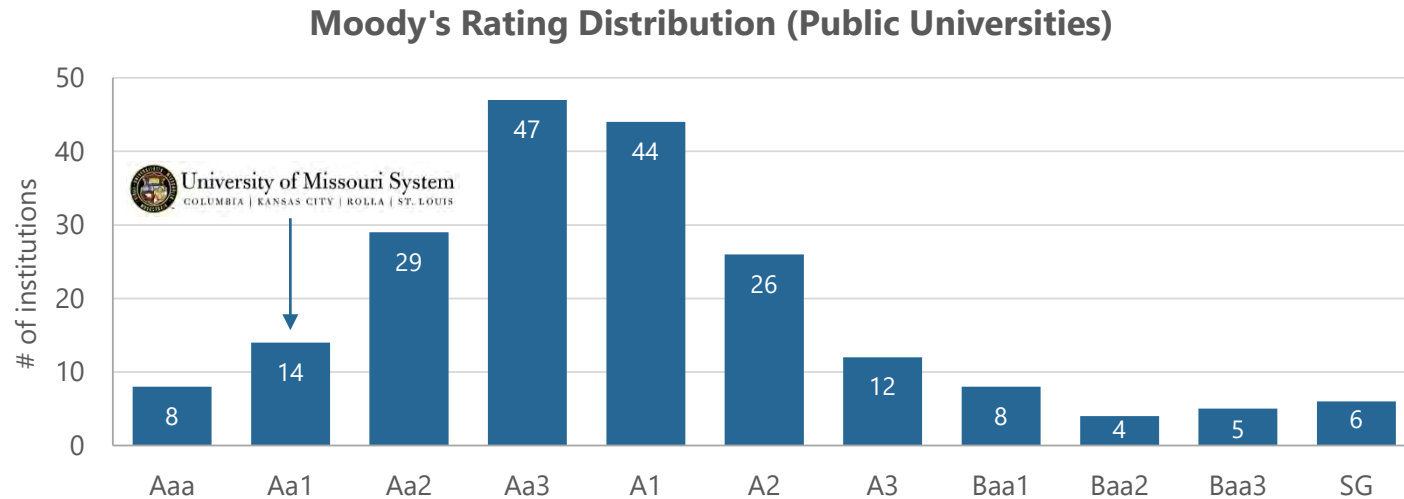
- Student demand challenges driven by weaker regional demographics, competitive conditions and the lingering impact of high-profile negative events at the flagship campus
- Research profile remains below peer levels, with sizable investment underway driving growth
- Substantial three-year average adjusted net pension liability
- Relatively high reliance on state funding and patient care revenue

*S&P revised the outlook from stable to negative in April 2020 citing the potential impact of the pandemic on both academic and healthcare operations.*

February 3, 2022

# Strategic Use of Debt

- The System maintains strong credit ratings (see chart below) based on its essential role as a key provider of public higher education and healthcare in the Aaa-rated State of Missouri.
- Debt capacity is a limited resource and the System seeks to make capital investments that align with the mission of the institution.
- The consolidated credit of the System provides low-cost capital for all campuses and constituents.



February 3, 2022

# Approach to Debt Capacity & Affordability Assessment

## Overview

- The assessment focuses on the impact of additional borrowing on an institution's credit rating.
  - Debt Capacity: The amount of debt an institution can manage given the size of its balance sheet.
  - Debt Affordability: The ability of an institution to pay the ongoing cost of additional debt from operations.
- Similar to a rating agency's approach, the analysis will incorporate quantitative and qualitative factors.

## Analytical Framework

Framework	Description
<a href="#">Step 1</a> Quantitative Analysis	Debt capacity and affordability can be measured by comparing medians for key metrics for a given rating category
<a href="#">Step 2</a> Rating Commentary	The rating agencies typically provide commentary on factors that could lead to a downgrade which can be used to identify rating sensitivities.
<a href="#">Step 3</a> Qualitative Factors	Consideration is given to the University's capital investment strategy, state support, management and governance, and future repayment of principal
<a href="#">Step 4</a> Determine Outcome	We present the outcome as a range, reflecting the analytical and subjective nature of the analysis.

February 3, 2022

# Step 1 - Quantitative Analysis

- Debt capacity and affordability can be measured by comparing key metrics medians for a given rating category.
- The rating agencies will evaluate a broad set of metrics; we focus on two key debt-related metrics that Moody's utilizes in their analysis of higher education credits.
- We use the Moody's methodology as it grounds the analysis in how a rating agency would evaluate the University.
- It is also important to recognize that this is a "point in time" analysis.

Moody's Metric	Measures	Definition
<b>Spendable Cash &amp; Investments to Debt<sup>(1)</sup></b> <i>Higher is Better</i>	Balance Sheet Capacity	$\frac{\text{Total Cash \& Investments} - \text{less Permanently Restricted Cash \& Investments}}{\text{Total Debt}}$
<b>Total Debt to Operating Cash Flow</b> <i>Lower is Better</i>	Debt Affordability	$\frac{\text{Total Debt}}{\text{Operating Cash Flow}^{(2)}}$

Source: Moody's Investors Service

(1) Moody's recently introduced a revised rating methodology where they measure leverage by comparing total cash and investments to total adjusted debt (including adjusted net pension liability). For purposes of this analysis, we have excluded restricted assets and the pension liability as we do not necessarily believe they impact the University's debt capacity based on Moody's current views.

(2) Moody's makes certain adjustments to total operating revenue including normalization of annual endowment distributions.

February 3, 2022

# Spendable Cash & Investments to Debt (FY20)

## (Balance Sheet Capacity)

### Observations on Balance Sheet Capacity

- UM's FY20 spendable cash and investments (\$3.4 billion) are in line with the Aa1 median (\$3.4 billion).
- UM's FY20 total debt (\$1.8 billion) is weaker than the Aa1 median (\$1.3 billion).
- This puts UM's FY20 ratio of spendable cash and investments to debt at the weaker end of the Aa1 range.
  - Note that for this metric, a lower score is weaker
- When comparing UM's FY20 metric (1.91) with the assumed guideline of 25% below the median ratio, Janney estimates additional capacity of approximately \$125 million<sup>(1)</sup> based on this metric in isolation.

Spendable Cash & Investments to Total Debt <sup>(2)</sup>	
University of Iowa	3.50
University System of Maryland	3.20
North Carolina State University	2.87
University of Pittsburgh	2.82
University of Minnesota	2.76
Ohio State University	2.59
Pennsylvania State University	2.40
University of Colorado	2.37
University of Delaware	2.30
University of Utah	2.26
Texas Tech University System	2.16
University of Nebraska	2.13
<b>University of Missouri System</b>	<b>1.91</b>
Virginia Tech University	1.75
<hr/>	
Aa1 Public Median:	2.38
Guideline (25 % Below Median):	1.79
<hr/>	
UM FY20 Metric:	1.91
Additional Capacity @ Guideline Level:	\$125M

(1) Represents the approximate amount of new debt that the University could issue before reaching the "guideline" for this metric (25% below the Aa1 median). Actual debt capacity and affordability will be a function of additional quantitative and qualitative factors.

(2) Metrics shown are based on FY20 only.

# Total Debt to Operating Cash Flow (FY16-20 Average) (Debt Affordability)

## Observations on Debt Affordability

- UM's five-year average total debt (\$1.7 billion) is weaker than the Aa1 median (\$1.2 billion).
- UM's five-year average operating cash flow (\$458 million) is slightly stronger than the Aa1 median (\$402 million).
- This puts UM's five-year average ratio of total debt to operating cash flow slightly weaker than the median for the Aa1 category.
  - Note that for this metric, a higher score is weaker
- When comparing UM's five-year average metric (3.67) with the assumed guideline of 25% above the five-year average median ratio, Janney estimates additional capacity of approximately \$180 million<sup>(1)</sup> based on this metric in isolation.

Total Debt to Operating Cash Flow <sup>(2)</sup>	
Pennsylvania State University	1.58
University of Utah	1.84
University System of Maryland	2.19
University of Iowa	2.84
University of Pittsburgh	2.93
Texas Tech University System	3.27
North Carolina State University	3.28
Ohio State University	3.30
University of Colorado	3.52
University of Missouri System	3.67
Virginia Tech University	4.19
University of Nebraska	4.31
University of Delaware	4.57
University of Minnesota	5.43
<b>Aa1 Public Median:</b>	<b>3.29</b>
<b>Guideline (25% Above Median):</b>	<b>4.11</b>
<b>UM Average (FY16-20) Metric:</b>	<b>3.67</b>
<b>Additional Capacity @ Guideline Level:</b>	<b>\$180M</b>

(1) Represents the approximate amount of new debt that the University could issue before reaching the "guideline" for this metric (25% above the Aa1 median). Actual debt capacity and affordability will be a function of additional quantitative and qualitative factors.

(2) Metrics shown are based on five-year average for FY16-FY20.

# Step 2 - Rating Agency Commentary

*In each rating report, Moody's and S&P will include factors that could lead to a downgrade. Over the last two reports, the themes have been consistent and focused on operating performance with little mention of balance sheet leverage.*

Moody's	S&P
<p><b>2019 Report</b></p> <ul style="list-style-type: none"> <li>▪ Greater than anticipated enrollment declines, indicating deterioration of strategic position</li> <li>▪ Sustained weakening of operating performance within either the academic or health enterprises</li> </ul>	<p><b>2019 Report</b></p> <ul style="list-style-type: none"> <li>▪ Further declines to the university's enrollment, sustained weakening of financial performance, declines in financial resource ratios, or significant additional debt that puts pressure on the financial profile</li> </ul>
<p><b>2020 Report</b></p> <ul style="list-style-type: none"> <li>▪ Realization of more material downside risks associated with the pandemic, driving both heightened revenue pressures and a weakened balance sheet position</li> <li>▪ Sustained weakening of operating performance within either the academic or health enterprises</li> </ul>	<p><b>2020 Report</b></p> <ul style="list-style-type: none"> <li>▪ Further declines to the university's enrollment, sustained weakening of financial performance, declines in available resource ratios, or significant additional debt that puts pressure on the financial profile</li> </ul>



# Step 3 – Qualitative Factors & Other Considerations

## Rating Agency Commentary on UM Qualitative Factors

- Substantial operating revenue underscores its regional economic importance with growth primarily driven by an expanding healthcare enterprise
- Close alignment with the Aaa-rated State of Missouri
- The system has a track record of implementing budget reductions to sustain surplus operations
- Student demand challenges driven by weaker regional demographics and competitive conditions
- Relatively high reliance on state funding and patient care revenue

## Other Considerations

- The University will pay down \$125 million of debt over the next five years
- Depending on its strategy with upcoming bullet maturities, that could increase to \$325 million

Principal Type	FY22	FY23	FY24	FY25	FY26	Total
Regular Paydown:	5,380,000	15,670,000	27,485,000	37,815,000	39,355,000	125,705,000
Bullet Maturities:	-	-	100,000,000	-	100,000,000	200,000,000
<b>Total:</b>	<b>5,380,000</b>	<b>15,670,000</b>	<b>127,485,000</b>	<b>37,815,000</b>	<b>139,355,000</b>	<b>325,705,000</b>

February 3, 2022

# Step 4 – Determine Outcome

## Framework Conclusions<sup>(1)</sup>

Framework	Conclusions
<a href="#">Step 1</a> Quantitative Analysis	<u>Debt Capacity Metric</u> : Indicates \$125 million of additional capacity <u>Affordability Metric</u> : Indicates \$180 million of additional capacity
<a href="#">Step 2</a> Rating Commentary	<b>Neutral impact</b> ; over the last two reports, the themes have been consistent and focused on operating performance with little mention of balance sheet leverage
<a href="#">Step 3</a> Qualitative Factors	<b>Positive impact</b> ; strategic importance to the State of Missouri, and paydown of debt support future capacity; somewhat offset by negative outlook from S&P due to operating environment
<a href="#">Step 4</a> Determine Outcome	<b>Our estimate of UM's debt capacity at its current rating level is \$125 to \$250 million</b>

## Additional Considerations

- Strategic Use of Debt: The rating impact of new debt will also depend on the strategic nature of projects being financed.
- Future Performance: This analysis is based on a point in time using five-year average (FY16-FY20) metrics as the benchmark; the ability to afford additional debt will also depend on UM's future financial performance relative to credit peers.

February 3, 2022

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February 3, 2022

OPEN – FIN – INFO 1-25

**FY2022 Five-year Financial Plan and  
Recommended Financial Performance Targets  
UM**

At the February Board of Curators Meeting, Executive Vice President Ryan Rapp will present the University’s five-year financial plan and financial targets for Board Action. The financial plan serves as the bridge between the annual budget, which is the detailed financial plan for the current year, and the strategic plan. The financial planning process allows leaders to connect financial outcomes to strategy and make decisions that are in the institution’s best interests over a multi-year horizon. Financial planning quantifies operating performance, capital investments and debt utilization, allowing leadership to quantify future risks, consider alternative scenarios, and help determine reactions to changes through the process.

The University utilizes the financial planning process to set financial performance targets. Collected Rule 140.025 vests primary responsibility for determining financial performance targets for the enterprise with the UM System President and UM System Chief Financial Officer (CFO). These targets are approved by the Board of Curators and will then be utilized for the FY2023 budget process, with an update presented to the Board in April and an action item at the June meeting. The target setting process provides the Board with a formal process to hold leadership accountable for financial outcomes over a multi-year horizon.

**EXECUTIVE SUMMARY**

The strategic plan sets institutional priorities over the course of multiple years. The five-year financial plan quantifies the institution’s strategy into financial performance over a multi-year horizon. The financial plan incorporates the entirety of financial performance including operating performance, capital investment, and use of debt. To be effective, financial plans must relate to the strategic plan and define the key drivers necessary to achieve success on mission delivery while maintaining financial position.

The University’s financial planning process defines the University’s financial performance targets for the upcoming annual planning cycle. The University uses rating agencies higher education framework as the basis for targets, with adjustments to improve the timeliness of reporting and to align calculations with university policies, such as those on investment income distribution. The proposed performance targets for the upcoming planning cycle were developed to maintain the University’s credit rating, and are as follows:

Table 1: Financial Accountability Targets by Unit

	UM	MU	UMKC	Missouri S&T	UMSL	MU Healthcare
<b>Financial Accountability Metrics</b>						
Operating Margin	>2.5%	>2.0%	>1.0%	>2.0%	>1.0%	>7.0%
Spendable Cash to Operations	>1.0	>0.80	>0.55	>0.80	>0.55	200 DCOH
Spendable Cash to Debt	>2.0	>1.6	>1.0	>1.6	>1.0	>1.5
Debt Service Coverage*		>3.0	>2.5	>3.0	>2.5	>4.5
<i>*Metric used to determine if unit can afford to take on additional debt service</i>						

February 3, 2022

On a Consolidated basis, the five operating units' plans produce results that exceed the enterprise targets every year across the planning horizon. While some units fall below target in a single year, the consolidated enterprise remains above target across the planning horizon:

Table 2: UM Financial Accountability Metrics to Proposed Target

	Proposed Target	FY2022	FY2023	FY2024	FY2025	FY2026
Financial Accountability Metrics						
Operating Margin	>2.5%	3.3%	3.2%	3.3%	3.6%	3.8%
Spendable Cash to Operations	>1.0	1.1	1.1	1.0	1.0	1.0
Spendable Cash to Debt	>2.0	2.2	2.3	2.5	2.6	3.0
Debt to Cash Flow*	<4.0	4.2	4.1	3.7	3.4	3.0
<i>*Debt to Cash Flow is utilized for consolidated target for debt affordability due to bullet maturities</i>						

Key themes across the financial plan include:

1. Sustained academic revenue growth per student is necessary to underwrite quality improvements at each institution. At a minimum, academic resources need to keep up with inflation. At universities seeking to improve quality and research rankings, these revenue streams will need to grow slightly above inflation.
2. With each university increasing dependent on tuition revenue, enrollment declines have materially affected available revenues for the institutions. Right sizing enrollment is a key factor to meeting the revenue projections in each institution's financial plan.
3. The Federal stimulus packages and current state budget surpluses offer the universities the opportunity to receive significant funding from these extramural sources. Capital plans for each institution include significant extramural funding sources. Some of these extramural sources may require a matching component, and each institution has a different financial capacity to generate the funding to meet a match component. Institutions with low operating margins and smaller relative balance sheets have a higher level of risk in meeting the matching requirements over the plan horizon.
4. Academic operations have balance sheet capacity after FY2021. The key struggle for each university will be generating revenue growth and improving operating performance over the next five years. MU Healthcare has a history of strong operating performance and revenue growth. The key limiting factor for healthcare will be prioritizing investment and new initiatives within balance sheet capacity.
5. The plans were built on the assumption that inflation would remain low, similar to the past decade. Sustained increases in inflation will drive both cost and revenue pressure, and growth rates in the plan are understated if inflation continues at the levels realized during calendar year 2022. As such, revenues and expenditures presented in the plan will likely run higher; however, the tradeoffs in the plans between rising salary and supply costs and the ability to increase revenue remain.

February 3, 2022

No. 1

Recommended Action - Financial Performance Targets, UM

It was recommended by President Choi and Executive Vice President Ryan Rapp, recommended by the Finance Committee, moved by Curator \_\_\_\_\_ and seconded by Curator \_\_\_\_\_, that the following recommendations be approved:

The financial performance targets for the University of Missouri, MU, UMKC, Missouri S&T, UMSL and MU Healthcare as presented in executive summary.

Roll call vote of the Committee: YES NO

Curator Graves  
Curator Hoberock  
Curator Layman  
Curator Williams

The motion \_\_\_\_\_.

Roll call vote of The Board of Curators: YES NO

Curator Brncic  
Curator Chatman  
Curator Graham  
Curator Graves  
Curator Hoberock  
Curator Holloway  
Curator Layman  
Curator Wenneker  
Curator Williams

The motion \_\_\_\_\_.

## **Financial Plan**

The financial plan serves as the bridge between the strategic plan and the annual budget, which is the detailed financial plan for the current year. The financial planning process allows leaders to connect financial outcomes to strategy and make decisions that are in the institution's best interests over a multi-year horizon. Financial planning quantifies operating performance, capital investments and debt utilization, allowing leadership to quantify future risks, consider alternative scenarios, and help determine reactions to changes through the process.

A good financial plan will:

- Link the institution's strategic mission to measurable financial outcomes
- Identify which strategies can be supported financially given the institution's resource capacity
- Quantify future financial risk, consider alternative scenarios, and help determine reactions to changes
- Mitigate risk in a proactive manner
- Support decision making with better data and allow those decisions to be communicated throughout the organization

The financial planning process is also when the University System proposes financial performance targets for each operating unit for the upcoming plan. Per Collected Rule 140.025, primary responsibility for deciding financial performance targets for the enterprise rests with the UM System President and UM System Chief Financial Officer (CFO) and will be approved by the Board of Curators. Each Chancellor and their related CFO are responsible for meeting the financial performance targets on an average basis.

Income statement metrics (operating margin and debt service coverage / debt to cash flow) will experience periods of investments followed by increased operating performance. Therefore, accountability for income statement-based metrics will be based on a preceding five-year average. Adjustments to the range may be made to reflect unexpected and extreme environmental shocks, such as the onset of a global pandemic. If income statement metrics fall below a historical five-year average, unit will provide an explanation for deviation to target with the annual budget to be brought forward for Board approval in June. Balance sheet measures (spendable cash to operations and spendable cash to debt) will be reported on an annual basis and not subject to averaging. The Board may approve deviations to these measures as a part of a capital investment plan. Individual units that do not meet financial performance targets face a range of consequences meant to move their unit's financial performance back into line with target in accordance with the Collected Rule.

### **The Financial Performance Formula**

The financial performance formula demonstrates the sources and uses of cash across the financial plan. The formula shows the relationships amongst the key components of financial performance and how they move together over time:

Starting Reserves + Operating Performance +/- Debt – Capital Spending = Ending Reserves

The formula demonstrates the tradeoffs inherent in financial performance. Units with lower operating performance cannot afford similar levels of capital investment and debt issuance as units with a higher level of operating performance. The formula also shows that reserves only move as a function of operating performance, debt issuance, or investment in capital. This also follows the framework utilized to set financial performance targets.

### **Financial Performance Targets**

UM System Finance uses Moody's Higher Education Framework for evaluating each institution's financial performance. By utilizing Moody's Framework as the underlying basis for financial performance targets, the University ensures that financial performance aligns with the quantitative aspects of the institution's credit rating. The University set performance targets to maintain the University's current credit rating of Aa1. Moody's uses the following factors when assigning ratings to higher education institutions.

#### **Factors not included in the University's targets:**

##### *Scale*

Operating revenue is an indicator of the overall strength of an institution's business and eminence. Large scale institutions typically have broader diversification of educational programs and revenue sources and a greater ability to take advantage of economies of scale during economic shocks. The University's scale is higher than the Aa range, three-year operating revenue average was \$3,446 million, which indicates a Aaa rating. Over the past decade, operating revenue growth has been a significant challenge for the University, especially in the academic units. Scale is not specifically addressed in the University's financial performance framework, as it is a function of the consolidation of the enterprise and growth plans that underlie the institution's financial performance.

##### *Market Profile*

Market profile is comprised of brand/strategic positioning and operating environment. An institution's brand influences the ability to attract and retain students and faculty. When evaluating the university's brand, Moody's looks at the scale and diversity of educational offerings compared to market demand along with the diversity of revenue sources. The ability to achieve revenue growth exceeding inflation is the key assumption underlying the University's Market Profile. The University falls within the Aa rating for this factor.

A qualitative assessment reviews the institution's operating environment to determine the strength and predictability of financial support. A key consideration of this factor is financial support from state and local governments. Moody's evaluates the impact of government regulations on an institution's flexibility in managing its operations. The repeal of tuition caps and the ability to increase tuition above inflation is a key point of flexibility that will help the University's market profile on a forward basis. The University falls within the A rating for this factor indicating "Very good and mostly predictable direct and indirect governmental funding; regulatory and policy framework that is mostly supportive to institutional success and provides solid flexibility to manage finances, debt,

February 3, 2022



programs, enrollment and other drivers of credit quality; expense structure provides for low constraints and very good capacity to manage operations.”

Market profile elements are not included in the University’s accountability metrics as they are more qualitative in nature. These elements are generally built into the revenue assumptions within the financial plan, and revenue growth is necessary to support strategic investments.

*Financial Policy*

This qualitative factor considers the management, governance, oversight, and planning in place for an institution to fulfill its mission. To assess this factor, Moody’s evaluates financial policies and procedures in place, management oversight and level of board involvement. Institutions will score high if there is management oversight and realistic detailed forward-looking strategies. An Aa rating is “Excellent quality of management, oversight and planning within financial and treasury operations; financial strategy that provides very high levels of resources for reinvestment in infrastructure, programs and other strategic priorities; risk appetite is limited with excellent risk management discipline.” This element is not included in the University’s financial accountability framework at the campus level as it is not a quantitative measure.

**Factors included in the University’s targets:**

*Operating Performance*

Operating performance measures the institution’s ability to generate financial resources to meet obligations and invest in new initiatives. Moody’s uses operating cash flow margin (or earnings before interest, depreciation and amortization) to assess operating performance. The University falls within the A range of 8-15%, the average of the last three-years was 12%.

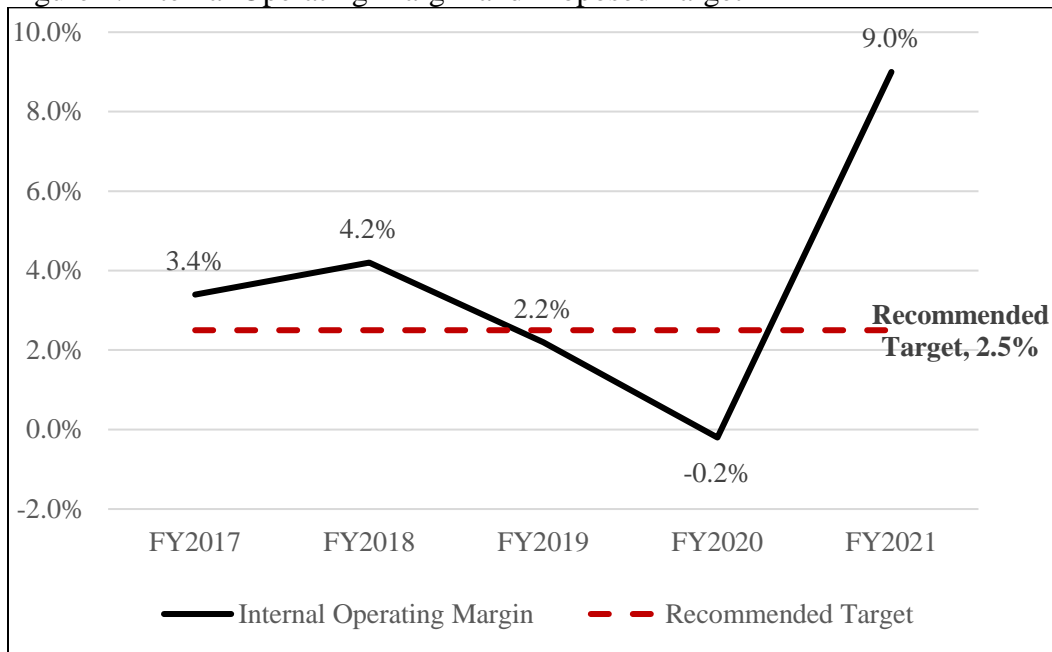
Internally, the University uses operating margin as the performance target as it represents net earnings after all capital investments have been made (earnings *after* interest, depreciation and amortization). Operating margin trends with operating cash flow margin, with the only differences being the subtraction of depreciation and interest from operating cash flow margin to reach operating margin. With a negative operating margin, institutions are forced to make cost reductions, delay capital investments, or consume reserves to operate. Consistent negative results on operating margin force restructuring and expenditure reductions to maintain operations.

Table 1: Operating Margin to Aa1 Public Median FY2020

	UM Historical Average	Aa1 Public University Median	Target (Moody’s Method)
<b>Operating Margin</b> positive operating margin generates funding for future investment. Multi-year view smooths out years when investment is made followed by revenue growth. <i>Average of last 5-years FY2016-2020</i>	5.3%	4.8%	5.0%

For the FY2023 target setting process, UM Finance recommends changing the method of investment income distribution to reflect the Board approved policies for the General Pool and Endowment Pool instead of using the five-year average by the rating agencies. This change will allow management to provide more prompt reporting on investment returns and align the financial performance metrics with the University’s accounting system. The University’s endowment spending distribution is 4% of the 28-quarter trailing average and general pool dividend policy which distributes at a minimum \$15 million annually. Taken together, these distribution policies result in a lower operating margin target for the institution. Figure 1 presents the internal operating margin used by the University, which serves to reduce the investment income portion of operating revenues.

Figure 1: Internal Operating Margin and Proposed Target



The 2.5% internal operating margin metric will generate the margin required to maintain the enterprise’s current financial standing based on Moody’s margin metric (once adjusted). Based on its inherent fluctuations with ongoing operations and potential impact to reserve levels, operating margin will continue to be the most frequently reported financial accountability metric to the Board throughout each year. Operating margins are presented as a part of budget, quarterly performance reporting, and the annual financial status report.

*Debt Capacity and Affordability*

The size of debt in relation to assets on the balance sheet represents an organization’s debt capacity. On a consolidated basis, the university is approaching its debt capacity limit within the current rating band, implying the University’s relative debt size is large compared to assets. The accountability measure for debt capacity remains spendable cash and investments to debt. Continued growth in reserve balances and paydowns of principal on debt will create capacity for further issuances over the planning horizon.

Debt affordability measures the ability to generate cash flow to pay debt service. The University evaluates debt affordability with each project for approval, and then manages total affordability for each unit with debt service coverage. Declining operating performance experienced from FY2017-2020 within the academic units limited individual unit's debt affordability, as lack of revenue growth led to a lack of resources to service debt.

Table 2: Debt Metrics to Aa1 Public Median FY2020

	UM	Aa1 Public University Median	Target
<b>Debt Capacity: Spendable Cash to Debt</b> the size of debt to the size of assets. FY2020 numbers used as most recent comparison.	1.9	2.4	>2.0
<b>Debt Affordability: Debt to Cash Flow</b> compares the institution's debt to operating earnings. <i>Average of last 5-years FY2016-2020</i>	3.7	3.3	<4.0

*Financial Resources and Liquidity*

Financial resources are also referred to as the institution's reserves or wealth. Rating agencies note financial resources as a credit strength for the University for the past several ratings cycles. Moody's measures financial resources by both total cash and investments and total cash and investments to operating expense. The University falls within Aaa range for both measures.

Table 3: Reserves Held by the University Compared to Aa1 Public Institutions

	FY2018	FY2019	FY2020
University of Missouri	\$3.0 B	\$3.2 B	\$3.4 B
Aa1 Public University Median	\$2.9 B	\$3.3 B	\$3.4 B

Moody's also measures spendable cash and investments as a non-scorecard measure, which is the total cash and investments held outside of permanently restricted endowments provided by donors. The University will utilize spendable cash and investments for target setting amongst the different universities and health system. Spendable cash and investments better reflects what is managed at the individual university level. Endowments are not a source of ongoing liquidity and tend to move slowly over time with sustained giving campaigns. Each university has more control over the assets outside of the endowment pool, and they receive credit for the on-going distributions from the endowment fund in operating revenues that are included in their operating margin targets. For financial performance targets, the University uses spendable cash to operations as the metric for accountability.

Table 4: Spendable Cash and Investments to Operations to Aa1 Public Median FY2020

	UM	Aa1 Public University Median	Target
<b><i>Spendable Cash and Investments to Operations</i></b> measures reserve size to the size of the operation. FY2020 numbers used as most recent comparison.	0.99	0.99	>1.0

Based upon the Moody’s framework, the University’s consolidated financial performance in terms of the formula would look as follows:

Table 5: Historical Financial Performance Formula FY2017-2021

Starting Reserves	+	Operating Performance	+/-	Debt	-	Capital	=	Ending Reserves
<b><i>Historical Financial Performance FY2017-2021</i></b>								
\$2.6 B	+	\$2.9 B	-	\$(0.5) B	-	\$(1.1) B	=	\$3.9 B
<b><i>Targeted Financial Performance FY2017-2021</i></b>								
\$3.0 B	+	\$1.8 B	+	Up to \$(1.0) B	-	Up to \$(0.5) B	=	\$3.3 B
Target 1.0 <b><i>Spendable Cash to Operations</i></b>		Target 2.5% <b><i>Operating Margin</i></b>		Target 2.0 <b><i>Spendable Cash to Debt</i></b>				Target 1.0 <b><i>Spendable Cash to Operations</i></b>

### Targets by Unit

After setting the targets for the enterprise based upon maintaining the University’s current credit rating, the next step for finalizing the targets represented distributing the enterprise-level targets amongst the units. To calibrate the performance targets amongst the institutions, UM Finance first set the goal of maintaining the consolidated credit but then evaluated differences in business environments, peer comparisons, and necessary investments from strategic plans to distribute the targets amongst the institutions. As a result, adjustments to one unit may require an offset at another unit to maintain the consolidated credit.

Table 6: Financial Targets by Unit

	UM	MU	UMKC	Missouri S&T	UMSL	MU Healthcare
<b>Financial Accountability Metrics</b>						
Operating Margin	>2.5%	>2.0%	>1.0%	>2.0%	>1.0%	>7.0%
Spendable Cash to Operations	>1.0	>0.80	>0.55	>0.80	>0.55	200 DCOH
Spendable Cash to Debt	>2.0	>1.6	>1.0	>1.6	>1.0	>1.5
Debt Service Coverage Ratio*		>3.0	>2.5	>3.0	>2.5	>4.5
<i>*Metric used to determine if unit can afford to take on additional debt service</i>						

February 3, 2022

MU Healthcare continues to grow, and the hospital operations in general require a higher operating margin than the academic units. Both MU and Missouri S&T are undertaking strategic initiatives to improve academic quality and grow revenues and require additional operating margin to support capital investment and related reserve growth when compared to the urban institutions. Both MU and Missouri S&T have a history of positive performance and given their eminence and scope both generally require higher targets for reserves. These higher targets reflect their competitive position, and the more inflexible cost structures of higher rated institutions with more tenured faculty.

### **Consolidated Performance**

Overall, the financial plans include enrollment and other revenue growth that has been lacking in the academic units over the past five years. The plans also continue the significant growth trajectory in research demonstrated over the past three years. Other key themes in the plan include:

1. Sustained revenue growth in tuition and state support is necessary to underwrite quality improvements at each institution. At a minimum, these resources need to keep up with inflation. At University's seeking to improve quality and research rankings, these revenue streams will need to grow slightly above inflation when adding both state support and tuition together.
2. Enrollment declines have affected the available revenue streams for the institutions, as each university is now more tuition driven. Getting the enrollment size right is a key factor to meeting the revenue projections in each institution's financial plan.
3. Capital plans for each institution include significant extramural funding sources, and the federal stimulus package and current state budget surpluses signal that the universities may receive significant funding from these extramural funding. Some of this funding may require a matching component, and each institution is in a different place in its ability to generate the funding to meet the match component within its current financial resources.
4. Academic operations have balance sheet capacity after FY2021. The key struggle for each university will be generating revenue growth and improving operating performance over the next five years. MU Healthcare has a history of strong operating performance and revenue growth. The key limiting factor for healthcare will be setting priorities on balance sheet capacity and the ability to invest in capital and new initiatives.
5. The plans were built on a sustained inflation rate of 2% over the five-year period. When the plans were started in August, inflation rates were closer to 5% and considered more transitory, leading the finance team to assume a consistent low inflation environment for the financial plans. With recent inflation readings coming in at 7% and the possibility that inflation will remain more permanent, the FY2023 numbers presented are likely lower than where budget planning will begin. Sustained inflation would increase both the revenues and expenses in the plan, but the tradeoffs between rates of revenue and expense growth would remain.

On a Consolidated basis, the five operating units' plans produce results that exceed the enterprise targets every year across the planning horizon. While some units fall below target in a single year, the consolidated enterprise remains above target across the planning horizon:

Table 7: Financial Performance Formula

Starting Reserves	+	Operating Performance	+/-	Debt	-	Capital	=	Ending Reserves
<b><i>Projected Financial Performance FY2022-2026</i></b>								
\$3.9 B	+	\$2.2 B	-	\$(0.7) B	-	\$(1.1) B	=	\$4.3 B
<b><i>Targeted Financial Performance FY2022-2026</i></b>								
\$3.3 B	+	\$2.0 B	-	Up to \$(0.3) B	-	Up to \$(0.7) B	=	\$4.3 B
Target 1.0 <b><i>Spendable Cash to Operations</i></b>		Target 2.5% <b><i>Operating Margin</i></b>		Target 2.0 <b><i>Spendable Cash to Debt</i></b>				Target 1.0 <b><i>Spendable Cash to Operations</i></b>

Table 8: UM Financial Accountability Metrics to Proposed Target

	Proposed Target	FY2022	FY2023	FY2024	FY2025	FY2026
<b>Financial Accountability Metrics</b>						
Operating Margin	>2.5%	3.3%	3.2%	3.3%	3.6%	3.8%
Spendable Cash to Operations	>1.0	1.1	1.1	1.0	1.0	1.0
Spendable Cash to Debt	>2.0	2.2	2.3	2.5	2.6	3.0
Debt to Cash Flow*	<4.0	4.2	4.1	3.7	3.4	3.0
<i>*Debt to Cash Flow is utilized for consolidated target for debt affordability</i>						

### Next Steps

With the approval of the financial plans, the University will update performance targets for the FY2023 budget cycle. At the April Meeting, finance will provide an update on the FY2023 budget process and present an information item on proposed changes to tuition. FY2023 final budget will be presented to the Board for approval at the June meeting

## **Appendix Attachment A: Financial Plans by Unit**

Appendix outlines each Unit's financial plan including, key assumptions underneath the plan, capital investments, performance against targets, and key risks to achieving the plan.

### **MU**

MU launched Mizzou Forward with the goal of enhancing the university's research and education missions. Mizzou Forward will provide investments to achieve excellence as a public research, AAU institution guided by accountability and ambition. To achieve excellence, the following investments are necessary:

- Recruit targeted tenured/tenure track faculty; providing startup funds for new faculty that would be used to equip laboratory space and hire research assistants for new scientific projects.
- Recruiting new staff to support research core facilities, proposal development, award nominations and compliance.
- Investments in new and upgraded scientific facilities and instruments.
- Retain and invest in high performing faculty and staff.
- Dedicating resources that contribute to excellence in student academic success, increased graduation rates and increased placement outcomes.

Investments totaling \$694 million over the planning horizon including:

- 120 new faculty hires, compensation and start-up funds totaling \$235 million.
- Resources to support excellence in student academic success and support for research core facilities, proposal development, award nominations and compliance totaling \$121 million.
- New and upgraded scientific facilities and instruments totaling \$180 million.
- Performance-based salary increases for faculty and staff totaling \$158 million.

### **Operating Performance in Financial Plan**

MU's financial plan is built upon the re-emergence of growth after the pandemic and several years of enrollment declines dating back to the November 2015 social unrest on campus. Operating revenues in the plan grow by 5% per year over the planning horizon, when adjusted for the impact of one-time federal stimulus funding, after growing by less than 2% for the previous five-year period. Over the plan, expenses grow in-line with revenues, leaving limited internal sources for the institution to generate additional capital investment. As noted in the capital plan, the thinner operating margin for the Mizzou Forward investment is supported via higher external capital funding from federal and state sources to support necessary investments outside of operating margin.

February 3, 2022

Table 1: MU Planned Operating Performance

<i>\$ millions</i>	History					Plan				
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Student Revenues	\$ 530	\$ 504	\$ 496	\$ 482	\$ 565	\$ 539	\$ 555	\$ 555	\$ 573	\$ 591
Auxiliaries & Medical	500	492	520	514	566	551	634	709	728	743
Grants & Contracts	205	205	210	219	231	238	262	288	317	348
Gifts, Investment Income & Other	140	153	161	158	161	194	182	187	193	198
Total Revenues	\$1,375	\$1,354	\$1,388	\$1,373	\$1,523	\$1,522	\$1,633	\$1,740	\$1,810	\$1,880
Compensation	973	962	1,002	1,042	1,035	1,090	1,148	1,187	1,236	1,269
Supplies, Services & Other	272	254	282	261	252	278	322	389	407	438
Depreciation	84	83	87	89	93	102	104	104	107	109
Interest	29	31	29	30	37	35	33	28	27	26
Total Expenses	\$1,358	\$1,330	\$1,400	\$1,421	\$1,417	\$1,505	\$1,607	\$1,708	\$1,777	\$1,841
Operating Margin	\$ 17	\$ 23	\$ (11)	\$ (48)	\$ 106	\$ 18	\$ 25	\$ 32	\$ 33	\$ 39

Key assumptions driving the results in Table 1 include:

#### *Student Revenues*

- Enrollment projections are built in to be stable over the five-year period.
- Tuition rates are projected to increase by 2% plus inflation. In future years tuition and state support combined will need to exceed inflation to support investment in Mizzou Forward to grow research. If state appropriations growth falls below inflation, tuition rates must increase higher than inflation to support research growth.

#### *Auxiliary and Medical Enterprises*

- Student auxiliaries including the bookstore, housing and dining operations have included projected net revenues similar to pre-pandemic levels and include resources to cover debt service payments. Rates continue to grow with inflation.
- Operational investments for athletics are included in the financial plan.
- MU Research Reactor (MURR) entered into a multi-year agreement that is expected to generate significant new revenues of over the planning horizon.
- Patient Medical Services projections include an average net revenue growth similar to pre-pandemic levels. The patient services revenues at MU represent University Physician's revenues.

#### *Grants and Contracts*

- Plan includes research growth of 10% annually across FY2023-2026. Growth rate is in line with goals outlined for AAU.

#### *Gifts, Investment Income and Other*

- Historical trends for philanthropy were utilized for private and endowed gifts.
- An additional \$50 million of private gifts are included to support Mizzou Forward.
- Investment income distributions are a function of projected cash balances, which only experience moderate growth over the plan due to thin operating margins.

February 3, 2022



### Compensation Expense

- The Mizzou Forward initiative includes 120 new faculty in the financial plan.
- The plan includes new staff positions to support student academic success and research growth.
- Merit increases included in the financial plan are equal to projected inflation.

*Supplies Services and Other* are projected to grow in line with revenue growth, one-time expenses have been included in projection for Mizzou Forward faculty start-up costs totaling \$156 million.

*MU Healthcare's support* for academic mission and performance-based support is projected to be \$156 million over the next five years. The outflow from healthcare revenues is included in MU Healthcare's plan. This is included as a below the line transfer and supports MU maintaining a lower operating margin while MU Healthcare requires a higher operating margin.

### Capital Investments

Capital investments and funding sources included in MU's financial plan include the following:

Table 2: MU Capital Spend by Funding Source

\$'s in millions	External Sources					Total
	Reserves/ Dividend	Gifts	State	ARPA	Federal	
<b><i>New Construction Renovations/ Infrastructure approved by Board</i></b>						
NextGen				\$75	\$60	\$135
School of Nursing	19					19
Indoor Practice Facility		30				30
Vet Med Diagnostic Lab		15	15			30
Radioisotope Facility					27	27
MU Research Reactor	20					20
Swine Facility	10					10
Med Sciences Building	20					20
Upgrade Vivarium	15					15
Pickard Hall (Decommissioning)	12					12
<b><i>ARPA Projects will be brought to the Board for Approval</i></b>						
MU Research Reactor – Phase II				20		20
Large Animal Infectious Disease Infrastructure	20			20		40
<b><i>Other Capital Improvements and Equipment</i></b>						
Other Capital Projects under \$5M / TBD	119		1			120
Capital Equipment and Software	117					117
<b>Total</b>	<b>\$352</b>	<b>\$45</b>	<b>\$16</b>	<b>\$115</b>	<b>\$87</b>	<b>\$615</b>

Capital projects included in MU's financial plan are centered around building research programs which support statewide economic growth. The plan includes significant capital

February 3, 2022

investments from the state and federal government. Capital spending over the five-year plan is \$130 million lower than the previous five years driven by the Nextgen PHI investment in the previous cycle. MU projects funding from external sources will be \$125 million higher than previous five years, but this could be supported with the additional funding available through the federal stimulus packages. If MU achieves the planned growth in revenues and operating margin, additional capital investments could be made in FY2024-2025.

### Plan Performance on Financial Performance Metrics

Table 3: MU Financial Performance Metrics

	Target	FY2021	FY2026
<b>Financial Accountability Metrics</b>			
Operating Margin <sup>1</sup>	>2%	1.1%	1.7%
Ending Spendable Cash to Operations	>0.80	0.85	0.78
Ending Spendable Cash to Debt	>1.6	1.5	2.6
Metric utilized to determine if Unit can afford to take on additional debt service			
Debt Service Coverage Ratio <sup>1</sup>	>3.0	2.2	2.6

Note 1: FY2021 and FY2026 operating margin and debt service coverage ratio is presented as a five-year average

Table 4: MU Financial Performance Formula

Starting Reserves	+	Operating Performance	+/-	Debt	-	Capital	=	Ending Reserves
<b><i>Historical Financial Performance FY2017-2021</i></b>								
\$969 M	+	\$945 M	-	\$(102) M	-	\$(601) M	=	\$1,211 M
<b><i>Projected Financial Performance FY2022-2026</i></b>								
\$1,211 M	+	\$972 M	-	\$(385) M	-	\$(353) M	=	\$1,445 M
<b><i>Targeted Projected Financial Performance FY2022-2026</i></b>								
\$1,134 M	+	\$1,003 M	+	Up to \$1 M	-	Up to \$(685) M	=	\$1,453 M
Target 0.8 <b><i>Spendable Cash to Operations</i></b>		Target 2.0% <b><i>Operating Margin</i></b>		Target 1.6 <b><i>Spendable Cash to Debt</i></b>				Target 0.8 <b><i>Spendable Cash to Operations</i></b>

*Operating Performance: close to target and aligns with planned investments*

Operating performance in MU’s financial plan remains positive throughout the five years, although slightly below target. Over the course of the five years, the plan generates an operating margin of \$147 million versus a target of \$172 million and previous five-year performance of \$87 million. By year five of the plan, the MU is above the 2% target, as revenue growth catches up with the period of investment in Mizzou Forward.

*Debt Capacity and Affordability: begins below target but ends above target*

MU's financial plan does not include any new debt issuances but does include significant debt repayments. In addition to the \$165 million in principal payments via the normal amortization in debt service, MU's plan includes a \$71 million paydown of the debt taken out for NextGen Precision Health from the federal appropriation. The MU debt balance over the plan is projected to decrease from \$789 million down to \$553 million by FY2026. This significant paydown coupled with growth in cash balances results in the cash to debt metric improving from 1.5 to 2.6 on a target of 1.6.

MU's debt service coverage remains challenged throughout the course of the plan, largely driven by their thinner margins. Debt service coverage over the planning horizon ranges from 2.3 up to the target of 3.0 in FY2026, as operating margins improve on the backside of the Mizzou Forward investments. With the additional paydown of debt, MU could afford additional debt for a project that generated significant operating cash flow not currently planned for use in Mizzou Forward.

*Financial Resources and Liquidity: begins above target and ends slightly below target*

MU's reserve balance at the beginning of FY2022 was \$1,211 million representing one third of the University's reserve balance. Based on the target of 0.8 reserves to operating expense, MU's required reserves at the end of the plan are \$1,473 million. MU's financial plan ends with a reserve balance of \$1,445 million.

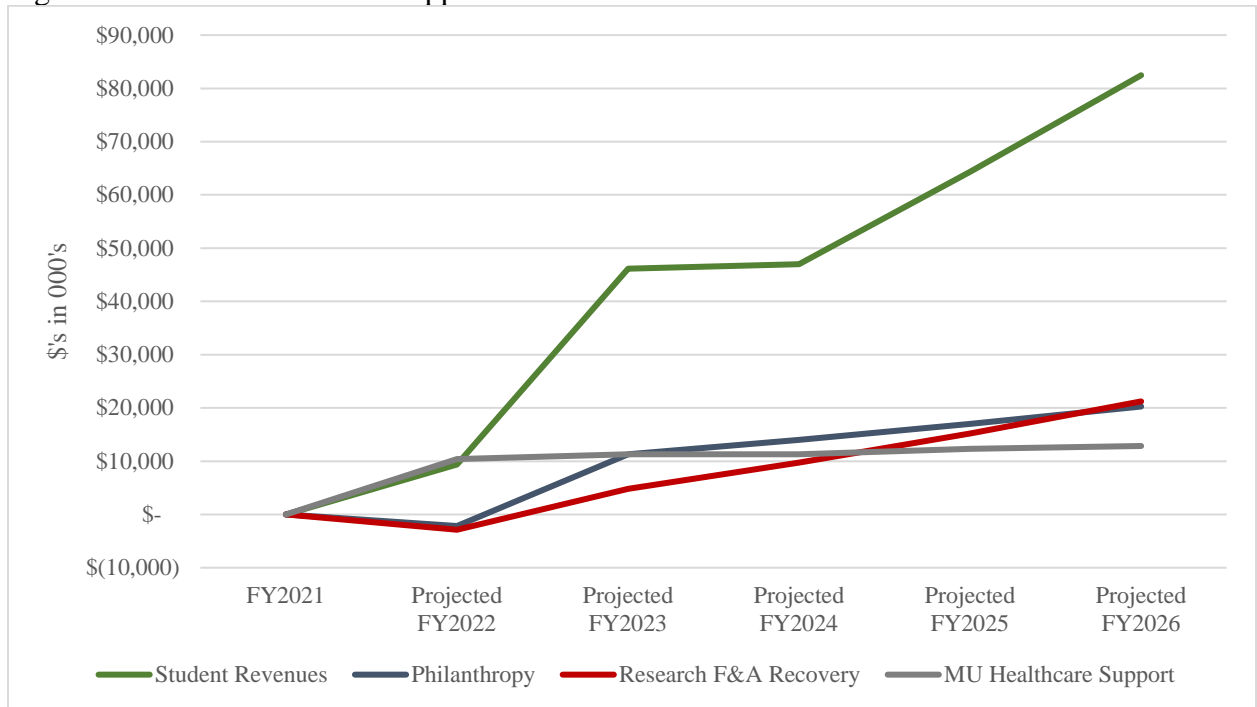
## **Risks and Responses of Financial Plan**

Revenue growth included in the financial plan represents a departure from past trends and will be necessary to support Mizzou Forward initiative. To fund the operating investments for Mizzou Forward and preserve financial standing, MU must:

- Grow net tuition and state appropriations by 2% above inflation on average across FY2023-2026; MU has not experienced this growth in the past five years as enrollments fell. The key funding source for MU's plan is maintaining enrollments at current levels with the ability to grow net tuition slightly above inflation while state support in line with inflation.
- Achieve MURR net revenue projections over the next five years.
- Receive additional philanthropy totaling \$50 million over five years, or 25% increase; MU experienced a dip in philanthropy to support operations during the pandemic this trend is expected to revert to pre-pandemic levels
- Grow grants and contracts by 10% annually across FY2023-2026; MU has seen growth in grants and contracts, Mizzou Forward investments support this increase in revenues
- Receive \$156 million from MU Healthcare; \$70 million of the \$156 million is dependent on MU Healthcare achieving projected net patient revenues by maintaining historical growth trends.

If the operating revenue growth presented in Figure 2 is not achieved Mizzou Forward investments will be postponed.

Figure 2: Revenue Growth to Support Mizzou Forward Investments



Note: Excludes Institutional CARES Act Funding

### UMKC

UMKC Forward’s overall objective is to provide students with the best educational experience and faculty and staff with the best resources and support to continue world-class work. Academic realignment was a necessary process to fund this initiative and reallocate resources to provide financial stability to UMKC. Through the academic review process eleven schools/colleges will be scaled down to ten and several programs will be discontinued due to the lack of demand and affordability. The reallocated resources will allow UMKC to invest in the following areas:

- Student Success – improving recruitment and retention
  - Goal is to increase retention to 80% by FY2023 and 85% by FY2028; current three-year retention average is 75%
- Faculty Development – Center for Advancing Faculty Excellence (CAFÉ) is a comprehensive program of mentoring and training to attract and retain high quality and engaged faculty.
- Research Excellence – goal to double research expenditures from \$29 million in FY2018 to \$60 million in FY2028. In FY2021, research expenditures have grown to \$46 million.
- Career Expansion – UMKC TalentLink, an adult learner and corporate development program, will add additional offerings of badges and certificates for targeted market demand.
- Community Engagement – UMKC has a strong network of community support and will continue to foster and grow this network by engaging and connecting students

and faculty with service learning, internships, and volunteer work in the community.

## Operating Performance in Financial Plan

UMKC’s financial health improved with the federal stimulus funding and one-time cost containment measures put into place after five years of consistent negative operating margins. This improvement provides UMKC with the flexibility to make investments which produce future returns to support the mission of the institution.

Table 5: UMKC Planned Operating Performance

<i>\$ millions</i>	History					Plan				
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Student Revenues	217	216	221	219	249	240	238	235	240	246
Auxiliaries & Medical	80	79	79	75	72	79	81	82	83	84
Grants & Contracts	33	30	37	42	48	58	63	69	75	81
Gifts, Investment Income & Other	41	36	42	44	57	48	48	51	53	55
<b>Total Revenues</b>	<b>370</b>	<b>361</b>	<b>380</b>	<b>380</b>	<b>426</b>	<b>425</b>	<b>430</b>	<b>437</b>	<b>450</b>	<b>466</b>
Compensation	261	253	249	252	244	264	274	281	288	296
Supplies, Services & Other	88	90	111	97	81	121	118	124	130	136
Depreciation	26	27	25	25	24	26	25	24	24	24
Interest	10	9	9	9	8	7	7	7	6	5
<b>Total Expenses</b>	<b>384</b>	<b>379</b>	<b>394</b>	<b>383</b>	<b>357</b>	<b>418</b>	<b>424</b>	<b>436</b>	<b>448</b>	<b>461</b>
<b>Operating Margin</b>	<b>(14)</b>	<b>(18)</b>	<b>(14)</b>	<b>(3)</b>	<b>69</b>	<b>6</b>	<b>6</b>	<b>1</b>	<b>3</b>	<b>5</b>

Key assumptions driving the results in Table 5 include:

### *Student Revenues*

- Enrollment projections are built to increase by 2% each year as retention rates continue to increase. These enrollment increases reflect improvements in retention and the related additional tuition revenues in the financial plan.
- Tuition rates for FY2023 are projected to increase by inflation. In future years tuition and state support combine will need to grow by inflation. If state appropriations decline UMKC will need to request tuition rates higher than inflation.

### *Auxiliary and Medical Enterprises*

- Student auxiliaries including the housing and dining operations project net revenues in line with pre-pandemic levels.
- Operational investments for athletics are included in the financial plan.

### *Grants and Contracts*

- Plan includes cumulative research growth of 67% across the next five years.

### *Gifts, Investment Income and Other*

- Historical trends for philanthropy were utilized for private and endowed gifts.
- Investment income distributions are a function of projected cash balances, which only experience moderate growth over the plan with thin operating margins.

February 3, 2022

### Compensation Expense

- To support UMKC Forward, 36 new tenure track faculty and 11 new non-tenure track faculty are included in the five-year financial plan.
- There is no projected growth in staff headcount over the next five years.
- Merit increases included in the financial plan equal projected inflation used to set tuition rates.

*Supplies, Services and Other Expenditures* are projected to grow in line with revenue growth and one-time expenses have been included in projection for UMKC Forward totaling \$60 million.

### Capital Investments

Capital investments in UMKC’s financial plan include the following:

Table 6: UMKC Capital Spend by Funding Source

\$'s in millions	Reserves/ Dividend	External Sources		Total
		Gifts	ARPA	
<b><i>ARPA Project will be brought to the Board for Approval</i></b>				
UMKC Health Science District Development		\$50	\$50	\$100
<b><i>Other Capital Improvements and Equipment</i></b>				
Swinney Multiuse Facility	15	40		55
Classroom Renovations	14			14
Steamline Improvements	11			11
Other Capital Projects under \$5M / TBD	3	40		43
Capital Equipment and Software	12			12
<b>Total</b>	<b>\$55</b>	<b>\$130</b>	<b>\$50</b>	<b>\$235</b>

Capital spending over the next five years is \$134 million higher than the previous five years; this is driven by investments for the Health Science District and Swinney. UMKC’s capital plan depends on capital philanthropy and state support. If external support is not achieved UMKC’s capital plan will need to be realigned with available financial resources. Additional operating margin improvements may be necessary to fund capital investments if capital gifts are not available.

### Plan Performance on Financial Performance Metrics

Table 7: UMKC Financial Performance Metrics

	Target	FY2021	FY2026
Financial Accountability Metrics			
Operating Margin <sup>1</sup>	>1%	0.5%	0.9%
Ending Spendable Cash to Operations	>0.55	0.78	0.63
Ending Spendable Cash to Debt	>1.0	1.5	2.4
Metric utilized to determine if Unit can afford to take on additional debt service			
Debt Service Coverage Ratio <sup>1</sup>	>2.5	2.1	2.2

Note 1: FY2021 and FY2026 operating margin and debt service coverage ratio is presented as a five-year average

February 3, 2022

Table 8: UMKC Financial Performance Formula

Starting Reserves	+	Operating Performance	+/-	Debt	-	Capital	=	Ending Reserves
<b><i>Historical Financial Performance FY2017-2021</i></b>								
\$156M	+	\$253 M	-	\$(123) M	-	\$(8) M	=	\$278 M
<b><i>Projected Financial Performance FY2022-2026</i></b>								
\$278 M	+	\$161 M	-	\$(92) M	-	\$(55) M	=	\$292 M
<b><i>Targeted Projected Financial Performance FY2022-2026</i></b>								
\$197 M	+	\$177 M	+	Up to \$66 M	-	Up to \$(185) M	=	\$255 M
Target 0.55 <b><i>Spendable Cash to Operations</i></b>		Target 1.0% <b><i>Operating Margin</i></b>		Target 1.0 <b><i>Spendable Cash to Debt</i></b>				Target 0.55 <b><i>Spendable Cash to Operations</i></b>

*Operating Performance: close to target and aligns with planned investments*

UMKC’s financial accountability targets were set for the institution to remain stable without significant internally generated investment. Operating performance in UMKC’s financial plan remains positive across the five years, ending below but close to target in FY2024 and FY2025. Over the course of the five years, the plan generates an operating margin of \$21 million versus a target of \$22 million and previous five-year performance of \$20 million. By FY2026, UMKC exceeds the 1% target, as revenue growth catches up with the period of investment in UMKC Forward.

*Debt Capacity and Affordability begins and ends above target with buildup of reserves and paydown of Oak Place Debt*

UMKC’s financial plan does not include any new debt issuances but does include significant debt repayments. In addition to the \$39 million in principal payments via the normal amortization in debt service, UMKC’s plan includes a \$21million balloon payment for Oak Place debt which was refinanced via the central bank after the apartments were demolished. The UMKC debt balance over the plan is projected to decrease from \$184 million to \$124 million by 2026. This paydown coupled with growth in cash balances results in the cash to debt metric improving from 1.5 to 2.4 on a target of 1.0. UMKC’s average debt service coverage over the projected five years is 2.2 and below the target of 2.5. If planned performance is achieved, UMKC could afford additional debt for a new project that generated enough cash flow to move debt service coverage above target.

*Financial Resources and Liquidity: reserves begin and end above target*

UMKC’s reserve balance at the beginning of FY2022 was \$278 million, which was a 76% year over year growth. Based on the target of 0.55 reserves to operating expense, UMKC’s required reserves at the end of the plan are \$254 million. UMKC’s financial plan ends with a reserve balance of \$292 million.

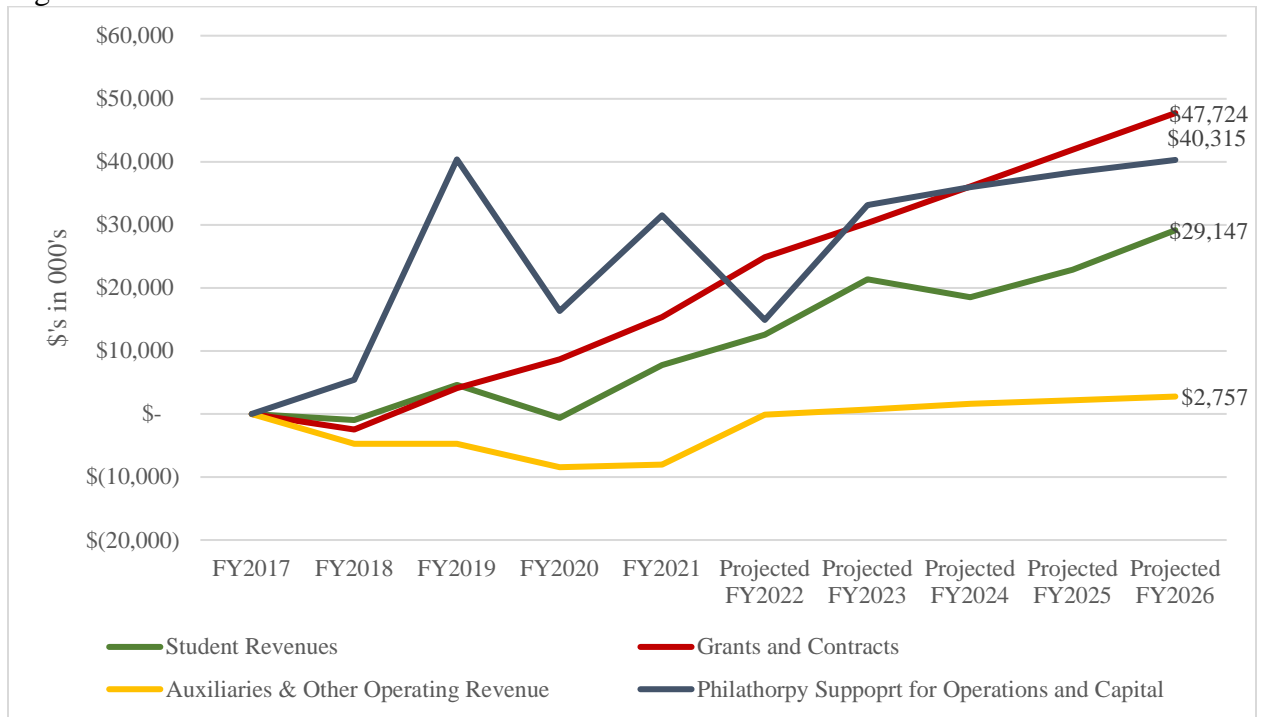
## Risks and Responses of Financial Plan

UMKC’s financial health improved with the federal stimulus funding and one-time cost containment measures put into place. This provides UMKC with the flexibility to make investments which produce future returns to support the mission of the institution. UMKC’s five-year financial and capital plan investments are underwritten with significant growth in philanthropy and state support for capital projects. The plan also assumes sustained stable, positive operating performance.

UMKC experienced growth in restricted funding sources over the past five years as reflected in Figure 3. The philanthropy growth includes capital gifts which creates volatility in the trend related to capital campaign funding. The success of the capital plan depends upon the fundraising for both Swiney and the Health Sciences District.

UMKC’s operating margin from FY2017-2019 averaged -4% this is reflected in the rate growth for net tuition, state support, and auxiliaries which declined by one percent. The plan’s success also depends on UMKC managing expenses within available revenues over the course of the five years. A single good year in the previous five was the only contributor to the positive operating performance historically.

Figure 3: UMKC Growth in Revenue Sources



Note: Institutional CARES Act Funding and Patient Medical Service Revenues are excluded from graph.



## Missouri S&T

Missouri S&T’s vision is to be the leading public technological research university for discovery, creativity, and innovation. After receiving the largest gift at a Missouri public institution in FY2021, Missouri S&T seeks to improve into one of the top public STEM focused research institutions in the country. The following objectives and goals support this vision:

- Student Success – grow enrollment and maintain current outcomes in the STEM space. Goal to increase enrollment to 12,000 students over the next decade from 7,241 in FY2021.
- Research and Development – increase research growth to a R1 Research University level. Goal to double research to \$100M over the next decade.
- Quality – improve into the top 100 national universities in the US New Report from current rank of 179.

### Operating Performance in Financial Plan

Missouri S&T’s financial plan is built upon the re-emergence of growth after the pandemic and declining enrollments prior to the pandemic. Operating revenues in the plan grow by 25% over the five-year period after adjusting for the one-time federal stimulus funding. In the previous five years, revenues for S&T fell by 6%. Philanthropy grows on distributions from the Kummer Institute (KI). Over the plan, expenses grow in-line with revenues reflecting additional investment in the KI and S&T’s key initiatives, leaving few internal sources for the institution to generate additional capital investment not included in the plan.

Table 9: Missouri S&T’s Planned Operating Performance

<i>\$ millions</i>	History					Plan				
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Student Revenues	137	137	138	124	136	125	122	124	131	142
Auxiliaries	26	26	24	20	21	22	24	25	26	28
Grants & Contracts	31	32	33	35	38	39	39	41	43	44
Gifts, Investment Income & Other	21	19	23	19	22	45	36	36	38	37
<b>Total Revenues</b>	<b>214</b>	<b>214</b>	<b>219</b>	<b>198</b>	<b>216</b>	<b>231</b>	<b>220</b>	<b>226</b>	<b>238</b>	<b>250</b>
Compensation	138	138	137	133	125	139	139	144	150	158
Supplies, Services & Other	53	53	52	44	44	57	51	51	55	58
Depreciation	15	16	18	19	20	22	22	23	24	24
Interest	5	5	5	5	5	5	5	5	4	4
<b>Total Expenses</b>	<b>211</b>	<b>213</b>	<b>211</b>	<b>201</b>	<b>194</b>	<b>222</b>	<b>217</b>	<b>223</b>	<b>234</b>	<b>244</b>
<b>Operating Margin</b>	<b>3</b>	<b>1</b>	<b>8</b>	<b>(4)</b>	<b>22</b>	<b>9</b>	<b>4</b>	<b>3</b>	<b>4</b>	<b>6</b>

Key assumptions driving the results in Table 9 include:

#### *Student Revenues*

- Enrollment grows by 18% over the next five years as retention rates increase and freshman cohorts increase.
- Tuition rates and state support combined for FY2023 increase by inflation. In future years, tuition and state support combined will need to grow by at least inflation to support growth.

February 3, 2022

*Auxiliary Enterprises*

- Student auxiliaries including the housing and dining operations grow net revenues back to pre-pandemic levels.

*Grants and Contracts*

- Plan includes cumulative research growth of 16% across the next five years.

*Gifts, Investment Income and Other*

- Private gifts include the KI distributions projected to support endowed professorships, scholarship programs, and research center faculty and staff.
- Philanthropy is projected to continue at historical levels excluding the KI increase.

*Compensation Expense*

- Missouri S&T plans to hire 34 new tenure track faculty and 6 new non-tenure track faculty to support enrollment and research growth.
- Missouri S&T’s plan includes 51 new full-time staff.
- Merit increases included in the financial plan are in line with inflation.

*Supplies, Services and Other Expenditures* grow in line with volume and inflationary growth.

**Capital Investments**

Capital investments in Missouri S&T’s financial plan include the following:

Table 10: Missouri S&T Capital Spend by Funding Source

\$'s in millions	External Sources			Total	
	Reserves/ Dividend	Gifts	State		ARPA
<b><i>New Construction Renovations/ Infrastructure approved by Board</i></b>					
Student Experience Center	\$6	\$31			\$37
Substation Relocation	8				8
Welcome Center	3	16			19
Engineering Research Lab Addition & Reno		3			3
Missouri Protoplex Building		55		50	105
Schrenk Hall Addition & Renovation Phase III			23		23
Subsurface Parking Structure		10			10
Hwy 63 Underpass	4				4
<b><i>Other Capital Improvements and Equipment</i></b>					
Other Capital Projects under \$5M / TBD	15				15
Capital Equipment and Software	32				32
<b>Total</b>	<b>\$68</b>	<b>\$115</b>	<b>\$23</b>	<b>\$50</b>	<b>\$256</b>

Capital spend over the next five years is double the spend in the previous five years. These investments were included in Missouri S&T’s master and capital plan presented to the

Board and focus on improving campus experience, existing space, campus connectivity and safety, and creating space for strategic partnerships.

### Plan Performance on Financial Performance Metrics

Table 11: Missouri S&T Financial Performance Metrics

	Target	FY2021	FY2026
<b>Financial Accountability Metrics</b>			
Operating Margin <sup>1</sup>	>2%	2.7%	2.2%
Ending Spendable Cash to Operations	>0.80	1.04	0.99
Ending Spendable Cash to Debt	>1.6	1.6	2.5
<b>Metric used to determine if Unit can afford to take on additional debt service</b>			
Debt Service Coverage Ratio <sup>1</sup>	>3.0	2.8	3.2

Note 1: FY2021 and FY2026 operating margin and debt service coverage ratio is presented as a five-year average

Table 12: Missouri S&T Financial Performance Formula

Starting Reserves	+	Operating Performance	+/-	Debt	-	Capital	=	Ending Reserves
<b><i>Historical Financial Performance FY2017-2021</i></b>								
\$167 M	+	\$168 M	-	\$(50) M	-	\$(84) M	=	\$201 M
<b><i>Projected Financial Performance FY2022-2026</i></b>								
\$201 M	+	\$159 M	-	\$(52) M	-	\$(68) M	=	\$240 M
<b><i>Targeted Projected Financial Performance FY2022-2026</i></b>								
\$155 M	+	\$161 M	+	Up to \$(20) M	-	Up to \$(101) M	=	\$195 M
Target 0.8 <i>Spendable Cash to Operations</i>		Target 2.0% <i>Operating Margin</i>		Target 1.6 <i>Spendable Cash to Debt</i>				Target 0.8 <i>Spendable Cash to Operations</i>

*Operating Performance: projected five-year average is above target and aligns with planned investments*

Operating performance in Missouri S&T's financial plan remains positive across the five years, although slightly below target in FY2023-2025. Over the course of the five years, the plan generates an operating margin of \$25 million versus a target of \$23 million and previous five-year performance of \$30 million. Although Missouri S&T drops below target for a three-year period, as strategic investment is made, the operating margin generated over the five-years exceeds the targeted amount.

*Debt Capacity and Affordability begins and ends above target*

Missouri S&T's financial plan does not include any new debt issuances. Principal payments via the normal amortization in debt service total \$33 million. Missouri S&T's debt balance over the plan is projected to decrease from \$127 million down to \$94 million

by FY2026. This paydown coupled with growth in cash balances results in the cash to debt metric improving from 1.6 to 2.5 on a target of 1.6.

Missouri S&T's the average debt service coverage over the projected five years is 3.2 which is above target of 3.0 in FY2026. Missouri S&T could afford additional debt for a project that generated net new positive operating cash flow.

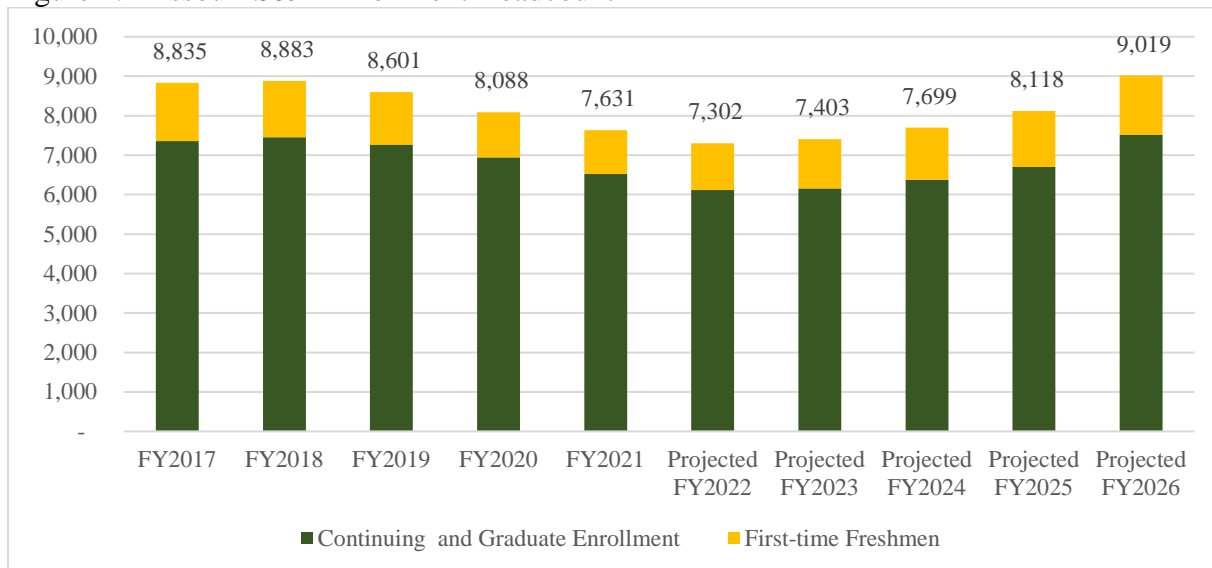
*Financial Resources and Liquidity begins above target and ends above target with the support from the KI*

Missouri S&T's reserve balance at the beginning of FY2022 was \$201 million, to continue to support growth and reinvestment Missouri S&T's target of spendable cash to operations is recommended to be 0.8. Based on the target of 0.8 reserves to operating expense, Missouri S&T's required reserves at the end of the plan are \$195 million. Missouri S&T's financial plan ends with a reserve balance of \$240 million.

### Risks and Responses of Financial Plan

Missouri S&T's financial plan includes investments from the Kummer Institute totaling \$168 million over the next five years. These investments are projected to erode the corpus value by \$38 million or 11%, unless the Kummer Institute can raise new sources of philanthropy without eroding previous support for S&T. Missouri S&T's financial plan is dependent on enrollment growth. In Fall 2019 and Fall 2020 Missouri S&T experienced a 14% and 2%, respectively, drop in first-time freshman. In Fall 2021 Missouri S&T saw a 7% increase in first-time freshman, the financial plan projections assume this trend will continue in FY2023-2026 bring first-time freshman to 1,500 in FY2026 which is comparable to the fist-time freshman cohort in FY2017.

Figure 4: Missouri S&T Enrollment Headcount



## UMSL

UMSL’s strategic objectives over the next five years focus on enrollment growth, employee retention and space consolidation.

- UMSL’s focus on enrollment includes the following priorities
  - Increase Fall 2025 enrollment to 11,960, Fall 2021 enrollment was 8,850
  - Continue to maintain 81% retention rate
- UMSL does not plan to grow its employee base until Fall 2024; merit and equity increases are included in all years and are necessary to retain current employees.
- As discussed at the November Board meeting, UMSL’s space consolidation plan is the institution’s top capital priority.

### **Operating Performance in Financial Plan**

UMSL’s financial plan is built upon recapturing lost enrollments to regain revenues to match the institution’s current cost base. For FY2022 projection, UMSL would have required cost cutting to avoid a negative 10% operating margin had temporary federal stimulus not been available. The plan requires improvement in net tuition per student starting in FY2023 and sustaining the improvement through the plan while growing enrollment.

Table 13: UMSL Planned Operating Performance

<i>\$ millions</i>	History					Plan				
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Student Revenues	145	145	146	137	159	151	156	159	167	176
Auxiliaries & Medical	19	18	18	15	13	15	17	18	18	18
Grants & Contracts	21	24	29	27	27	26	26	26	26	26
Gifts, Investment Income & Other	21	21	22	21	20	24	21	22	22	23
Total Revenues	205	208	215	200	219	216	221	225	233	244
Compensation	134	135	138	142	130	134	139	143	149	157
Supplies, Services & Other	48	51	59	48	46	58	58	59	60	61
Depreciation	16	17	18	18	18	18	18	18	18	18
Interest	6	6	6	6	6	5	5	5	5	4
Total Expenses	204	209	220	213	200	216	220	225	232	241
Operating Margin	1	(0)	(5)	(13)	19	0	1	0	1	2

Key assumptions driving the results in Table 13 include:

#### *Student Revenues*

- Enrollment projections increase by 5% annually over fiscal years 2023-2026.
- Tuition rates for FY2023 increase by 1.5% plus inflation. In future years tuition and state support combined grow by inflation.

#### *Auxiliary and Medical Enterprises*

- Auxiliaries including the housing and dining and performing arts center operations project net revenues in line with pre-pandemic levels.

#### *Grants and Contracts*

- Plan includes no research growth over the five-year period.

February 3, 2022

### *Gifts, Investment Income and Other*

- Historical trends for philanthropy were utilized for private and endowed gifts.

### *Compensation Expense*

- 22 new full-time faculty and 20 full-time staff are included in the financial plan over FY2025 and FY2026.
- Merit and equity increases included in the financial plan are equal to projected inflation plus 0.5%.

*Other Operating Expenditures* are project to grow in line with revenue growth.

## **Capital Investment**

Capital investments and funding sources included in UMSL's financial plan include the following:

Table 14: UMSL Capital Spend by Funding Source

\$'s in millions	Reserves/Dividend	ARPA	Total
Space Consolidation	\$50	\$50	\$100
Other Capital Projects under \$5M / TBD	6		6
Capital Equipment and Software	17		17
<b>Total</b>	<b>\$73</b>	<b>\$50</b>	<b>\$123</b>

Capital spend over the next five years is 55% more than previous five years. The space consolidation project funded through ARPA, and related match is the only capital project that UMSL can afford given their relative operating performance and current reserve balance. The project is affordable if UMSL can meet the enrollment goals or manage significant cost actions to adjust to the coming drop in federal stimulus. If reserves are needed to cover operating deficits, the capital plan will not be within the institution's financial capacity.

## **Plan Performance on Financial Performance Metrics**

Table 15: UMSL Financial Performance Metrics

	Target	FY2021	FY2026
Financial Accountability Metrics			
Operating Margin <sup>1</sup>	>1%	0.1%	0.4%
Ending Spendable Cash to Operations	>0.55	0.69	0.58
Ending Spendable Cash to Debt	>1.0	1.2	1.6
Metric utilized to determine if Unit can afford to take on additional debt service			
Debt Service Coverage Ratio <sup>1</sup>	>2.5	2.3	2.3

Note 1: FY2021 and FY2026 operating margin and debt service coverage ratio is presented as a five-year average

Table16: UMSL Financial Performance Formula

Starting Reserves	+	Operating Performance	+/-	Debt	-	Capital	=	Ending Reserves
<b><i>Historical Financial Performance FY2017-2021</i></b>								
\$100 M	+	\$146 M	-	\$ (52) M	-	\$ (56) M	=	\$139 M
<b><i>Projected Financial Performance FY2022-2026</i></b>								
\$139 M	+	\$126 M	-	\$ (52) M	-	\$ (73) M	=	\$140 M
<b><i>Targeted Projected Financial Performance FY2022-2026</i></b>								
\$110 M	+	\$127 M	+	Up to \$ (8) M	-	Up to \$ (97) M	=	\$132 M
Target 0.55 <i>Spendable Cash to Operations</i>		Target 1.0% <i>Operating Margin</i>		Target 1.0 <i>Spendable Cash to Debt</i>				Target 0.55 <i>Spendable Cash to Operations</i>

*Operating Performance: close to target and aligns with planned investments.*

UMSL’s financial accountability targets were set for the institution to remain financially stable while not predicting significant operating growth. Operating performance in UMSL’s financial plan remains positive across the five years, although slightly below target until FY2026. Over the course of the five years, the plan generates an operating margin of \$5 million versus a target of \$11 million and previous five-year performance of \$3 million. Thin operating margins leave little room for capital investment.

*Debt Capacity and Affordability begins and ends above target.*

UMSL’s financial plan does not include any new debt issuances. Principal payments via the normal amortization in debt service total \$27 million. The UMSL debt balance over the plan decreases from \$116 million down to \$88 million by FY2026. With \$32 million growth in cash balances in FY2021 and continued paydown of debt results in the cash to debt metric improving from 1.2 to 1.6 on a target of 1.0.

UMSL’s average debt service coverage over the projected five years is 2.3 which is below but close to target. UMSL could afford additional debt for a project that generated enough net new positive operating cash flow to meet debt service coverage as a university.

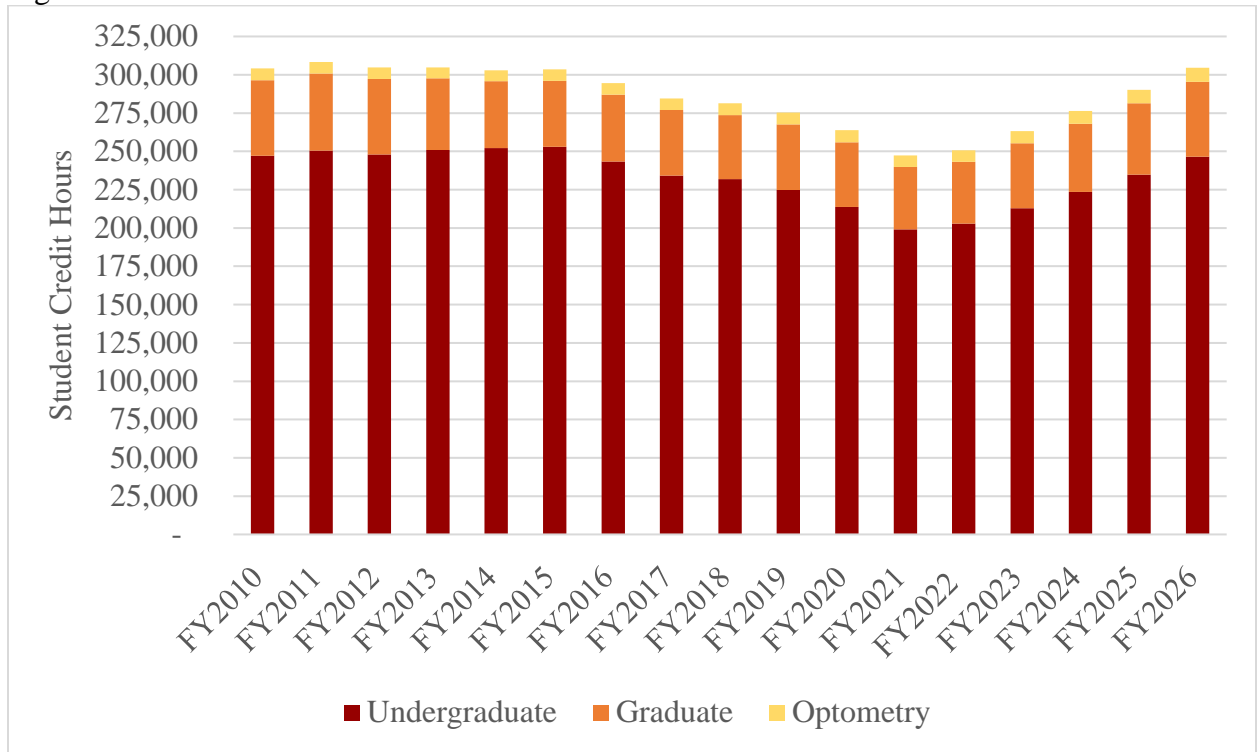
*Financial Resources and Liquidity begins above target with a one-year increase of \$32 million in reserves and ends above target.*

UMSL’s reserve balance at the beginning of FY2022 was \$139 million, which was a 30% year over year growth. Based on the target of 0.55 reserves to operating expense, UMSL’s required reserves at the end of the plan are \$132 million. UMSL’s financial plan ends with a reserve balance of \$140 million.

## Risks and Responses of Financial Plan

UMSL's financial plan is dependent on enrollment growth returning to historical levels. If enrollment growth is not achieved, additional expense reductions will be required. Figure 5 presents UMSL's historical and projected student credit hour growth. If enrollment growth remains flat to FY2021, UMSL will need to find \$44 million or 5% in expense reductions over the next four years. If enrollment continues with historical trend, \$75 million or 8% in expense reductions will need to be found over the next four years.

Figure 5: UMSL Student Credit Hour Growth





## MU Healthcare

MU Healthcare seeks to maintain its history of robust growth and financial performance over the past decade, providing an academic medical center that supports MU’s goal of improving research competitiveness. MU Healthcare’s investments and recruitment over the next five years are in the following targeted areas: cardiovascular, neurosciences, oncology, pediatrics, primary care, and women’s health and surgery. By focusing on these targeted areas, MU Healthcare will be able to provide subspecialty expertise to regional residents that would have otherwise had to go to St. Louis, Springfield, or Kansas City.

As is common for all academic medical centers, the hospital will continue to provide support to MU for academic and research investments that support the clinical operations. MU Healthcare has also committed \$15 million annually plus 1% of net patient revenues to support MU’s academic and research mission.

### **Operating Performance in Financial Plan**

MU Healthcare’s operating performance is driven by continuing its history of strong revenue growth over the next five years. The 25% revenue growth over the planning horizon is the same growth experienced over the prior five years. Expense growth remains slightly below revenue growth, creating an additional margin to be used for capital investment and to fund additional investment in MU’s academic success.

Table 17: MU Healthcare Planned Operating Performance

<i>\$ millions</i>	History					Plan				
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Auxiliaries & Medical	945	1,015	1,086	1,083	1,197	1,274	1,342	1,443	1,520	1,594
Gifts, Investment Income & Other	2	1	2	2	1	1	1	1	1	1
Total Revenues	947	1,016	1,088	1,085	1,198	1,275	1,343	1,444	1,521	1,595
Compensation	367	397	430	445	464	486	520	561	595	632
Supplies, Services & Other	432	467	507	526	589	641	662	701	728	763
Depreciation	47	47	47	48	54	59	62	67	67	65
Interest	13	13	12	11	11	10	10	9	19	19
Total Expenses	859	923	996	1,030	1,118	1,197	1,254	1,337	1,409	1,478
Operating Margin	88	93	92	56	81	78	89	107	112	117

Key assumptions driving the results in Table 17 include:

#### *Auxiliaries and Medical Services*

- In-patient volumes increase by 20% over the next five years.
- Out-patient Services include a 30% increase in clinical visits from FY2021. Out-patient surgical procedures increase 27% over the next five years.
- Rates for services are based on historical healthcare market rates and reflect known regulatory changes, including Medicaid expansion.
- Pharmacy revenues increase in relation to the increase in clinical visits.

### Compensation Expense

- Compensation expenses increase in line with projected volume increases.
- Merit and market increases included in the financial plan are equal to historical inflationary increases and industry benchmarks.

*Other Operating Expenditures* grow in line with revenues; projected savings are expected through the integration of clinical services.

*MU Healthcare's support* for MU's academic mission and performance-based support is projected to be \$156 million over the next five years. This is recorded as a transfer to MU. The transfer supports MU maintaining a lower operating margin while MU Healthcare requires a higher operating margin. This transfer of funding is a standard practice at academic medical centers.

### Capital Investments

Capital investments and funding sources included in MU Healthcare's financial plan include the following:

Table 18: MU Healthcare Capital Spend by Funding Source

\$'s in millions	Reserves	Debt	Total
<b><i>New Construction Renovations/ Infrastructure approved by Board</i></b>			
Children's Hospital	22	200	\$222
Ambulatory Multi-Use Building		66	66
<b><i>Other Capital Improvements and Equipment</i></b>			
Other Capital Projects under \$5M / TBD	162		162
Capital Equipment and Software	149		149
<b>Total</b>	<b>\$333</b>	<b>\$266</b>	<b>\$599</b>

Capital spend over the next five years is \$173 million higher than previous five years, driven by the investment made for the Children's Hospital. The capital plan is higher than in year's past, and the additional debt from the Children's Hospital means that it will be imperative that MU Healthcare maintains strong margins as to not create a larger risk to the institution's consolidated credit.

### Plan Performance on Financial Performance Metrics

Table 19: MU Healthcare Financial Performance Metrics

	Target	FY2021	FY2026
<b>Financial Accountability Metrics</b>			
Operating Margin <sup>1</sup>	>7.0%	7.7%	7.0%
Ending Days Cash on Hand	>200	187	215
Ending Spendable Cash to Debt	>1.5	1.8	1.9
<b>Metric used to determine if Unit can afford to take on additional debt service</b>			
Debt Service Coverage Ratio <sup>1</sup>	>4.5	5.8	4.7

Note 1: FY2021 and FY2026 operating margin and debt service coverage ratio is presented as a five-year average

Table 20: MU Healthcare Financial Performance Formula

Starting Reserves	+	Operating Performance	+/-	Debt	-	Capital	=	Ending Reserves
<b><i>Historical Financial Performance FY2017-2021</i></b>								
\$423 M	+	\$541 M	-	\$(63) M	-	\$(355) M	=	\$546 M
<b><i>Projected Financial Performance FY2022-2026</i></b>								
\$546 M	+	\$767 M	+	\$70 M	-	\$(599) M	=	\$785 M
<b><i>Targeted Projected Financial Performance FY2022-2026</i></b>								
\$583 M	+	\$733 M	+	Up to \$137 M	-	Up to \$(667) M	=	\$785M
Target 200 Days Cash on Hand		Target 7.0% Operating Margin		Target 1.5 Spendable Cash to Debt				Target 200 Days Cash on Hand

*Operating Performance: at target and needed to support capital investment*

MU Healthcare’s high operating margin target is necessary to support their growth and significant capital investment plans. Unlike the universities, all of MU Healthcare’s capital spend is generated via operating performance, necessitating a higher target. MU Healthcare’s plan meets the required level of operating performance over the five years. It is important for the hospital to hit this performance in the first years of the plan to get the Children’s Hospital off to a good start and allow for the funding of other necessary capital priorities to support the shift to the outpatient care setting.

*Debt Capacity and Affordability begins and ends above target, but new issuance and investment limited in the short run.*

MU Healthcare’s financial plan includes \$200M in new debt issuance for the new children’s hospital, which was approved by the Board as a part of the capital project approval. MU Healthcare has also requested \$66 million of additional debt to fund an Ambulatory Mutli-Use Building, this project and debt has not been approved by the Board and will be presented as a separate action item at a future date. The new debt issuance for the Children’s Hospital moves the hospital right to the capacity limit of 1.5 in the early part of the plan, but the metric recovers by the end of the plan to exceed target as reserve balances grow on strong operating performance and debt amortizes down.

MU Healthcare’s average debt service coverage over the projected five years is 4.7 which is above the target of 4.5 over the plan’s duration. MU Healthcare’s future debt capacity will be driven by its ability to maintain strong revenue and reserve growth over the past decade. MU Healthcare is the one operating unit where the capacity limit (reserves) is a larger limiting factor than coverage (operating performance) given past trends.

*Financial Resources and Liquidity begins below target and ends above target with achieved targeted operating performance.*

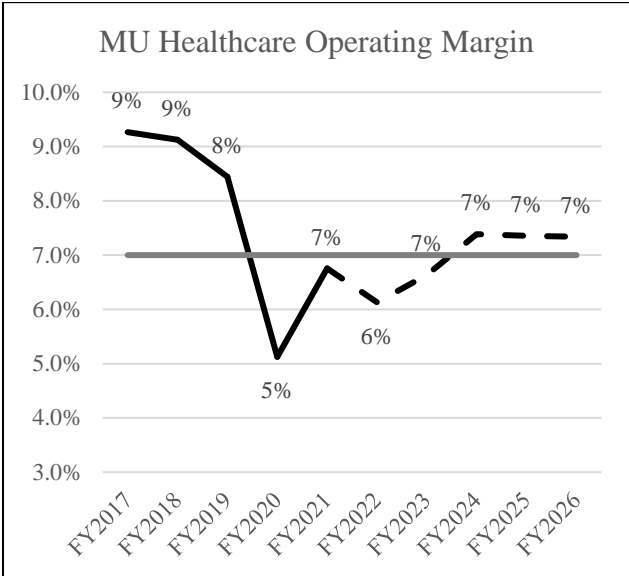
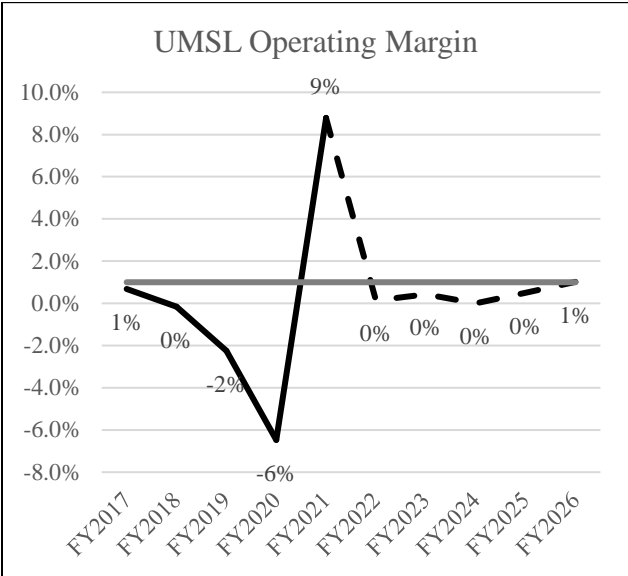
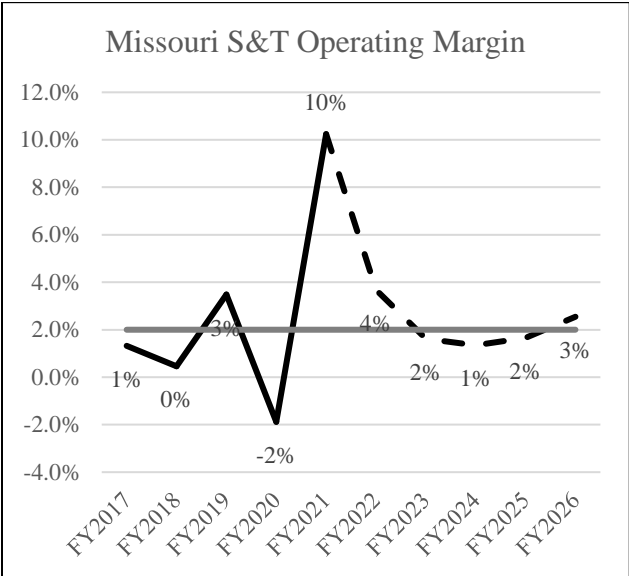
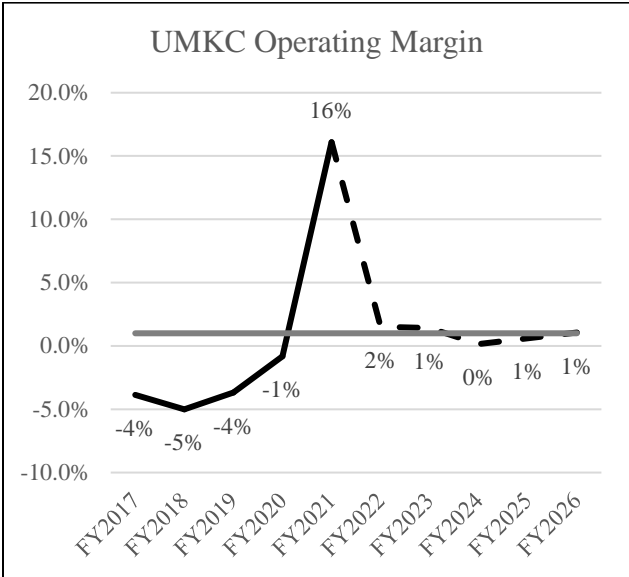
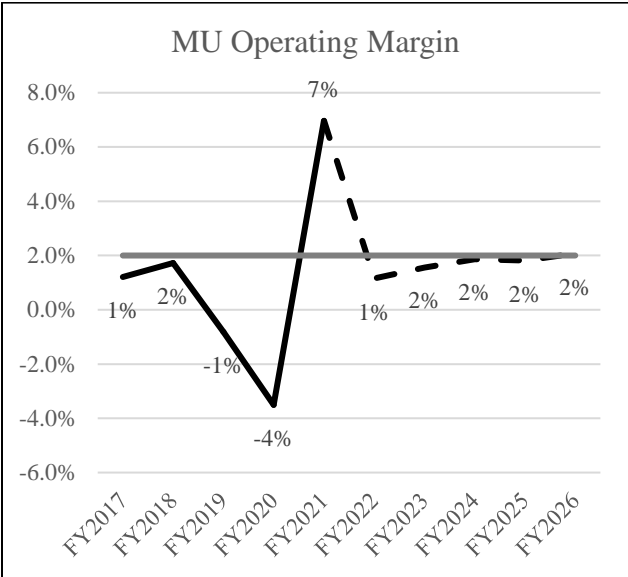
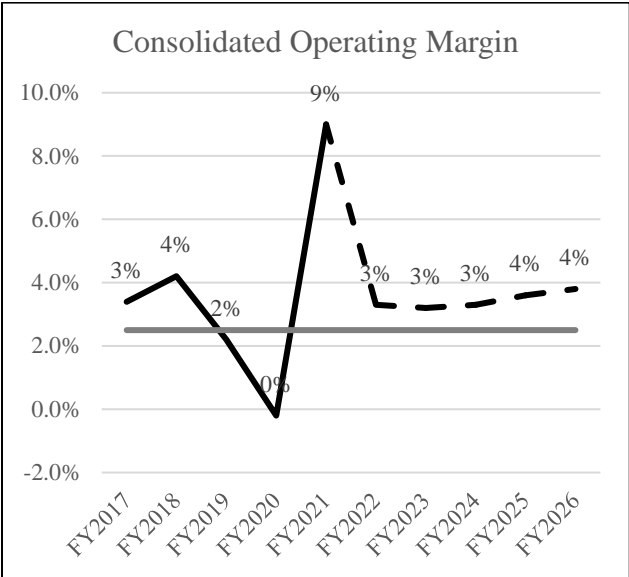
MU Healthcare's days cash on hand was 187 at the beginning of FY2022, below the target of 200 for the healthcare industry. Days cash fell below target due to significant investments in capital in the implementation of a new revenue cycle software that increased accounts receivable and slowed collections in cash. The revenue cycle implementation has been completed and cash has recovered through the first six months of FY2022. The largest risk to reserves in the plan remains capital investment and competing acquisition priorities. Reserve balances in healthcare are thin to targets, and the already approved capital commitments in the plan will further limit the ability to invest. If healthcare can control capital spend to what is in the financial plan and avoid acquisitions with significant cash outlays, days cash on hand should exceed the target at the end of the plan horizon.

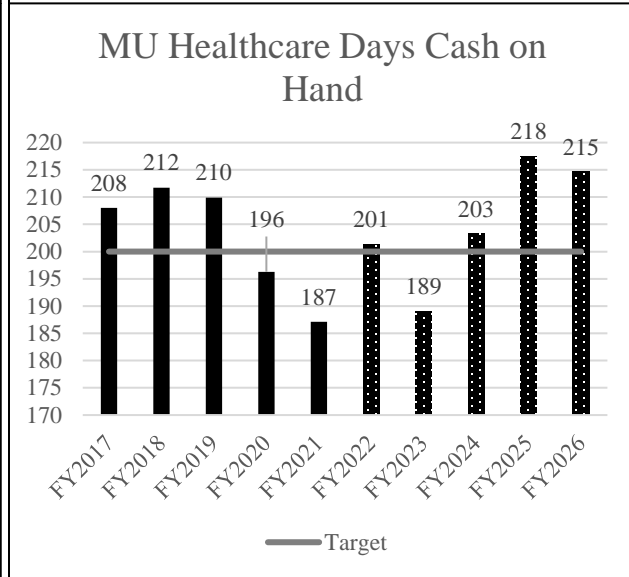
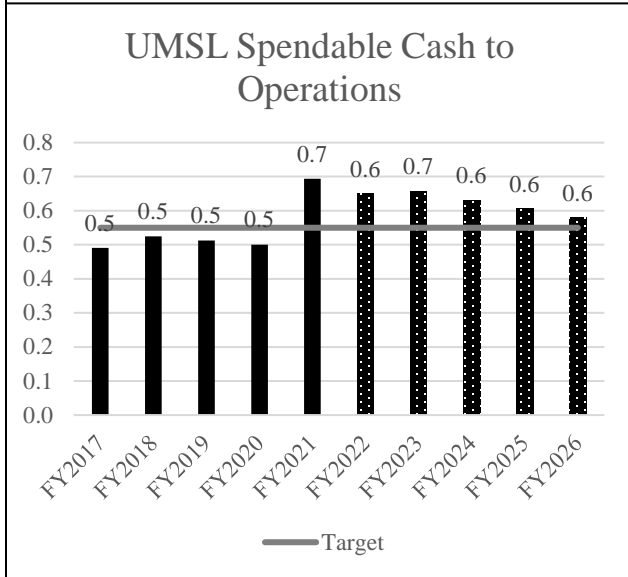
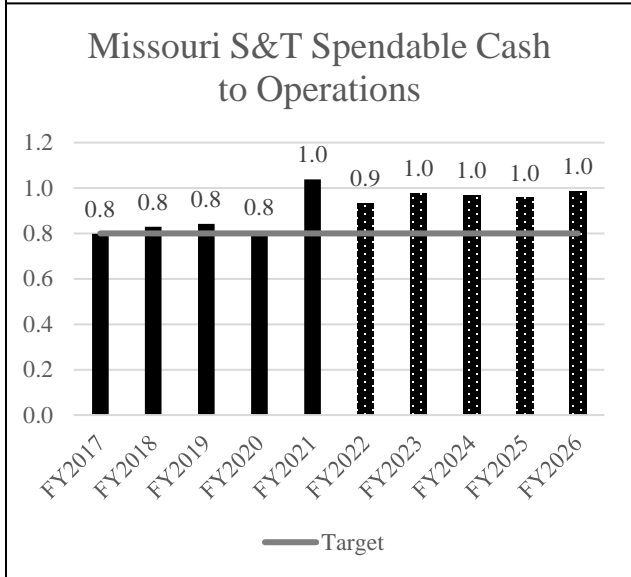
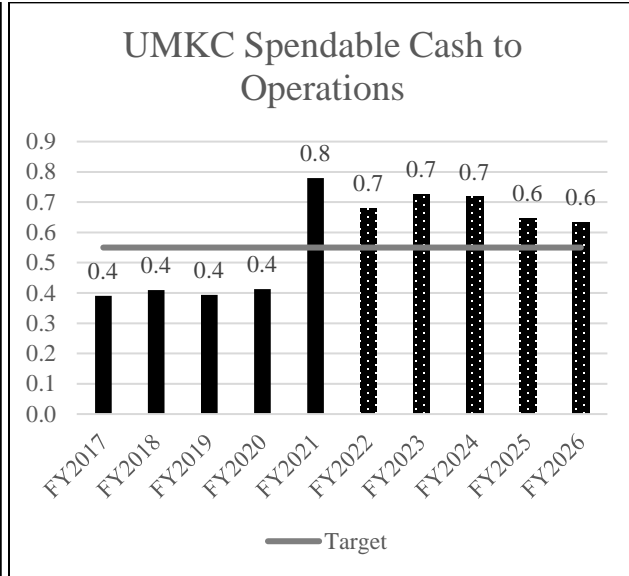
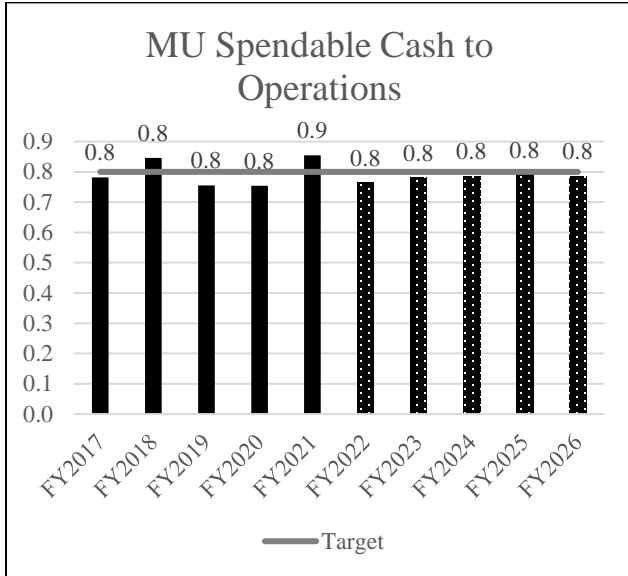
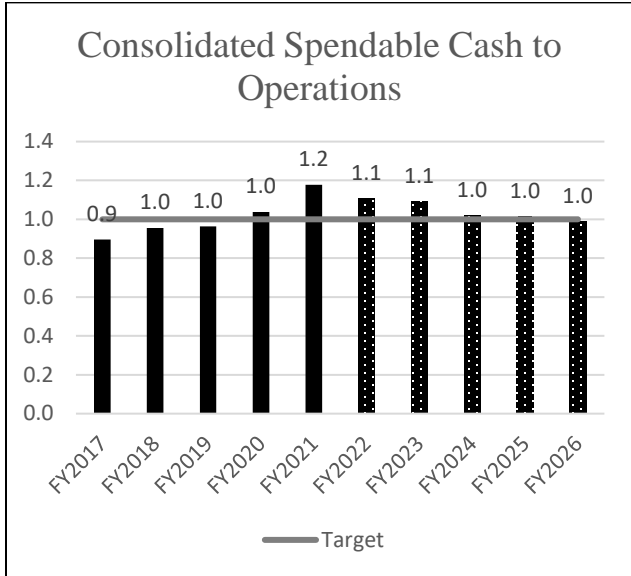
### **Risks and Responses of Financial Plan**

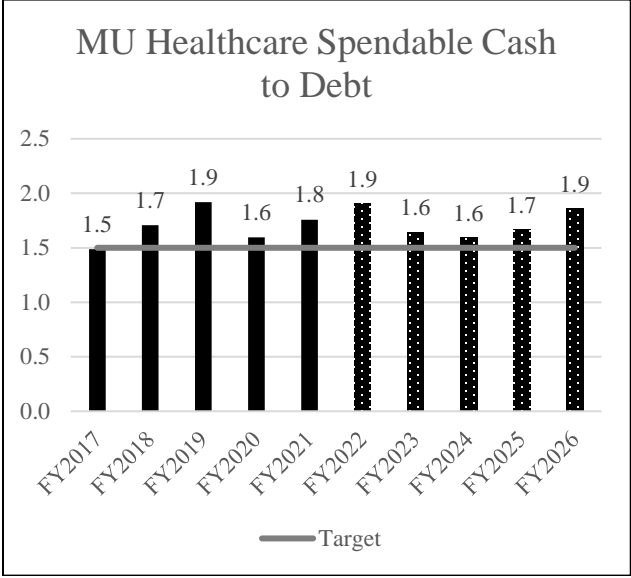
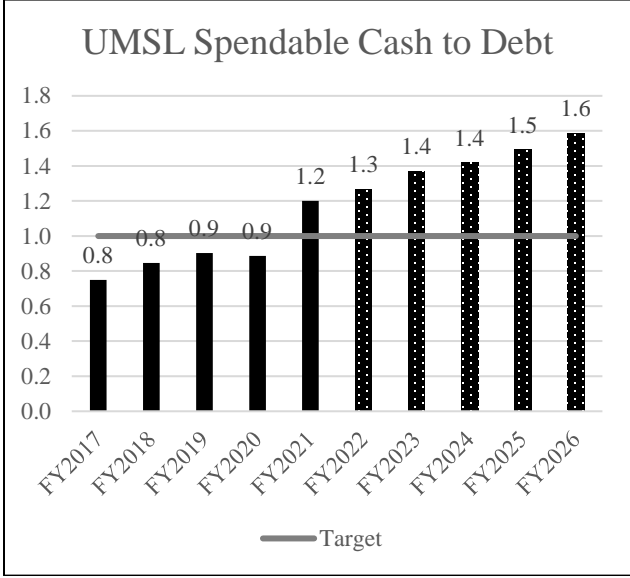
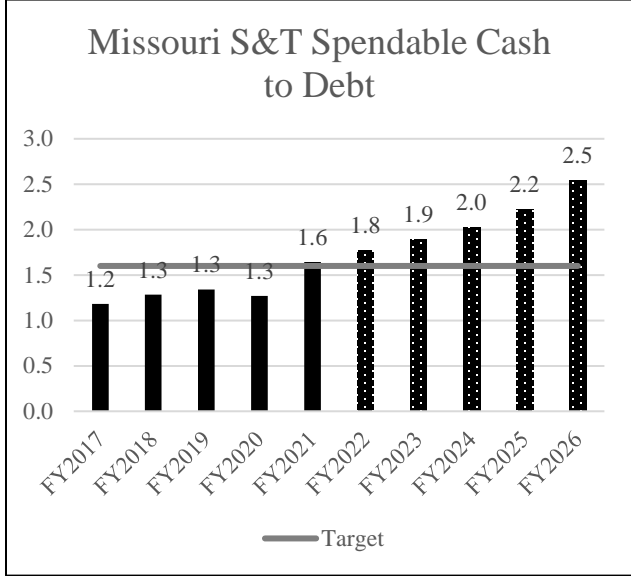
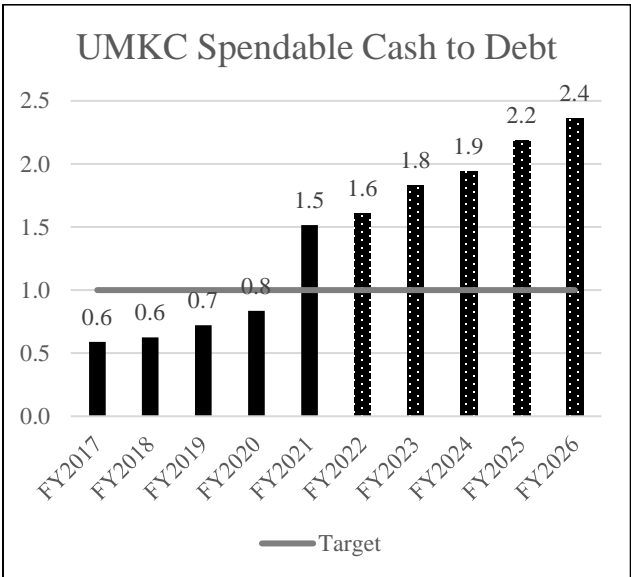
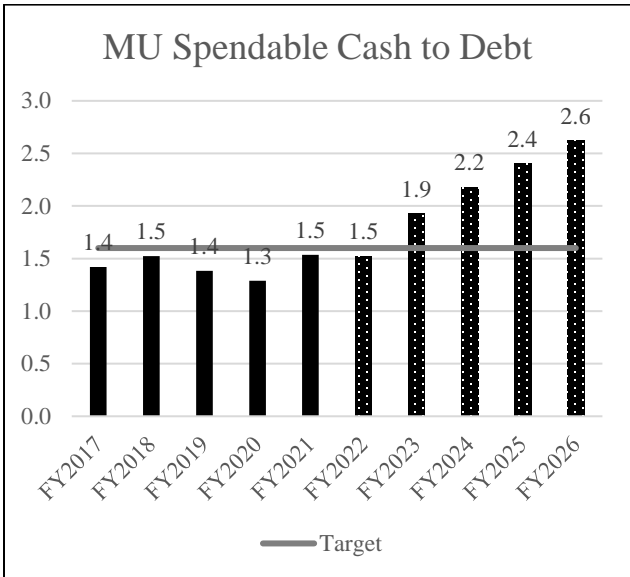
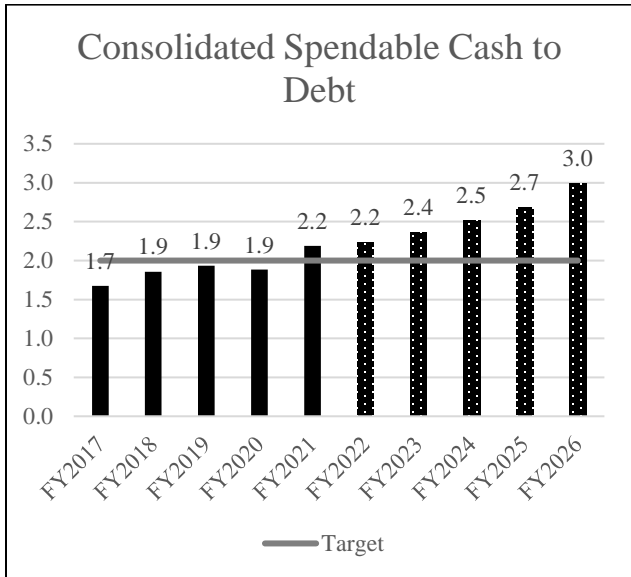
MU Healthcare's reserve balance continued a downward trend through FY2021 dropping to 187 days cash on hand. The financial plan assumes MU Healthcare will be able to recover this cash balance in FY2022 and it is imperative they do so, given the additional leverage they are taking on for the Children's Hospital. The risk of the health system's financial performance is high, as significant investment commitments have been made over the next few years and it is imperative, they maintain strong operating performance to support that investment. Capital investment drove the decline in reserve balance and managing capital spending will be key over the duration of the plan.

While MU Healthcare's income statement performance has been leading the institution for the last decade, their balance sheet remains thin to targets and a potential drag for the institution's credit if eroded. The operating margin over the plan timeframe generates significant resources for investment, but much of those resources have already been committed to the Children's Hospital investment and debt through the first three years. It will be imperative that the healthcare team remains focused on priorities and managing financial resources within their constraints. The financial plan does not contemplate any acquisitions or additional capital projects outside of the plan that would require significant cash infusions or new debt issuances. With positive financial performance, those types of investments might be possible in the fourth or fifth years of the plan.

**Appendix Attachment B: Financial Accountability Metrics by Unit**







# HEALTH AFFAIRS COMMITTEE

Robin R. Wenneker (Chair)  
Maurice B. Graham  
Keith A. Holloway  
Michael A. Williams  
Ronald G. Ashworth (non-curator)  
John R. Phillips (non-curator)

The Health Affairs Committee (“Committee”) assists the Board of Curators in overseeing the clinical health care operations of the University and in coordinating those operations in furtherance of the University’s teaching, research, and clinical missions.

## **I. Scope**

The Committee provides oversight for the University’s clinical health care operations in the areas of:

- Mission, vision, and strategy;
- Governance and operational oversight;
- Quality of care and patient safety;
- Regulatory compliance;
- Financial planning and performance; and
- Coordination of the clinical, teaching, and research missions.
- Specific projects that enable meaningful collaboration among UM universities.

## **II. Executive Liaison**

The Executive Vice Chancellor for Health Affairs of the University of Missouri-Columbia or some other person(s) designated by the President of the University, with the concurrence of the Board Chair and the Committee Chair, shall be the executive liaison to the Committee and responsible for transmitting Committee recommendations.

## **III. Responsibilities**

In addition to the overall responsibilities of the Committee described above and in carrying out its responsibilities regarding clinical health care operations, the charge of the Committee shall include:

- A. Reviewing and making recommendations to the Board regarding:
  1. actions that are appropriate or necessary to assist the Board in overseeing clinical health care operations or coordinating the teaching, research, and clinical missions;
  2. significant actions related to health care which should require advance notice or approval by the Committee or Board; and
  3. other matters referred to it by the Board and University officers.
- B. Requesting, receiving, and reviewing reports and other information from University officers and advisors regarding health care operations, coordination of the teaching, research, and clinical missions, and related matters, including meeting at least quarterly and receiving regular reports from appropriate officers of University of Missouri Health Care, the MU School of Medicine, and the MU Health Chief Compliance Officer.
- C. Additional matters customarily addressed by the health affairs committee of a governing board for an institution of higher education.



#### **IV. Committee Membership and Quorum Requirements**

The Committee's membership may include non-Curator members in addition to Curator members. Subject to approval of the Board, the Board Chair shall determine the number of Curator and non-Curator members to appoint to the Committee and shall select individuals to serve as members of the Committee; provided that, the number of non-Curator members on the Committee shall not exceed the number of Curator members on the Committee, unless the Committee temporarily has more non-Curator members than Curator members because a Curator member of the Committee has resigned from the Board or the Committee. Non-Curator members may resign their Committee membership by providing written notice to the Board Chair. Non-Curator members of the Committee serve at the pleasure of the Board and may be removed by the Board Chair at any time, subject to approval of the Board.

A quorum for the transaction of any and all business of the Committee shall exist when:

1. Both a majority of all Curator members of the Committee and a majority of all members of the Committee are participating for Committee meetings which are held in conjunction with meetings of the Board; or
2. Both all Curator members of the Committee and a majority of all members of the Committee are participating for Committee meetings which are not held in conjunction with meetings of the Board; or
3. Both a majority of all Curator members of the Committee and a majority of all members of the Committee are participating for Committee meetings which are held solely for the purpose of reviewing and overseeing compliance matters.

Approved by the Board of Curators: Feb 4, 2021

## EXECUTIVE VICE CHANCELLOR REPORT

There are no materials for this information item.

# GOVERNANCE, COMPENSATION AND HUMAN RESOURCES COMMITTEE

Michael Williams (Chair)

Julia Brncic

Keith Holloway

Robin Wenneker

## I. Governance, Compensation and Human Resources Committee

The Governance, Compensation and Human Resources Committee ("Committee") will review and recommend policies to enhance quality and effectiveness of the Board as well as compensation, benefits and human resources functions of the University.

## II. Governance

### 1. Scope

In carrying out its responsibilities regarding governance, the Committee has the central authority of ensuring that board members are prepared to exercise their fiduciary duties and assisting the Board to function effectively, efficiently and with integrity.

### 2. Executive Liaison

The General Counsel of the University, or some other person(s) designated by the President of the University with the concurrence of the Board Chair and the Committee Chair, shall serve as executive liaison to the Committee on governance matters and be responsible for transmitting Committee recommendations related to governance.

### 3. Responsibilities

In addition to the overall responsibilities of the Committee described above, and in carrying out its responsibilities regarding governance, the Committee shall review and make recommendations on the following matters:

1. ensuring that Board members are prepared to carry out their fiduciary duties to the University;
2. providing and monitoring a substantive orientation process for all new Board members and a continuous board education program for existing Board members;
3. overseeing, or determining with the Board Chair and President, the timing and process of periodic Board self-assessment;
4. establishing expectations and monitoring compliance of individual Board members;
5. ensuring that the Board adheres to its rules of conduct, including conflict-of-interest and disclosure policies, and that it otherwise maintains the highest levels of integrity in everything it does;
6. 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 (all recommendations for bylaws amendment shall first be considered by this Committee);
7. identifying best practices in institutional and Board governance;
8. monitoring and assessing external influences and relationships with affiliated entities;
9. assessing areas of expertise needed in future Board members; and
10. those additional matters customarily addressed by the governance committee of a governing board for an institution of higher education.

## III. Compensation and Human Resources

### 1. Scope

In carrying out its responsibilities regarding compensation and human resources, the Committee reviews and makes recommendations to the Board of Curators on strategies and policies relating to compensation, benefits and other human resources functions and associated programs.

**2. Executive Liaison**

The Vice President and Chief Human Resources Officer of the University, or some other person(s) designated by the President of the University, with the concurrence of the Board Chair and the Committee Chair, shall serve as executive liaison to the Committee on human resources and compensation matters and be responsible for transmitting committee recommendations related to human resources and compensation.

**3. Responsibilities**

In addition to the overall responsibilities of the Committee described above and in carrying out its responsibilities regarding human resources and compensation, the charge of the Committee shall include reviewing and making recommendations to the Board on the following matters:

1. Performance and compensation of individuals reporting directly to the Board:
  1. President
  2. General Counsel
  3. Secretary of the Board of Curators
  4. Chief Audit and Compliance Officer, in conjunction with the Audit, Compliance and Ethics Committee
2. Pursuant to Section 320.020 of the Collected Rules and Regulations, appointment or change of appointment of the following shall be reported to and approved by the Board before the effective date:
  1. Vice Presidents
  2. Chancellors
  3. Curators Professors
3. Intercollegiate Athletics  
Pursuant to Section 270.060 of the Collected Rules and Regulations, contracts for Directors of Intercollegiate Athletics and Head Coaches may not exceed five (5) years and shall not include buyout clauses calling for the individual to receive more than the balance of the annual base salary the individual would have earned under the remaining terms of the contract, unless approved by the UM Board of Curators upon the recommendation of the President.
4. Benefit, retirement and post retirement plans, including an annual benefits report, as further defined in Section 520.010, Benefit Programs, of the Collected Rules and Regulations.
5. Additional employee benefits including the Education Assistance Program for University Employees, CRR 230.070, and Layoff and Transition Assistance, CRR 350.051.
6. Labor Union Recognition and matters as further defined in Section 350.020, Labor Union Recognition, of the Collected Rules and Regulations.
7. Employment related policies including those related to employee absences, conduct and grievances.
8. Provide oversight over the University of Missouri System's diversity, equity and inclusion programs.
9. Additional matters customarily addressed by the compensation and human resources committee of a governing board for an institution of higher education.

## Annual Approval, Board Standing Committee Charters

### Executive Summary

Pursuant to Collected Rule and Regulation 10.050, Board Standing Committees, individual committee charters were developed that describe the following:

- The overall scope of the committee.
- Which University position serves as executive liaison to the committee.
- The responsibilities in reviewing and making recommendations on University matters.

The charters are to be reviewed by the individual committees and executive liaisons annually for any amendments and presented to the full Board for approval.

An annual review was conducted during January 2022, resulting in no recommended changes to the following committee charters:

- Academic, Student Affairs, Research and Economic Development
- Audit, Compliance and Ethics
- Governance, Compensation and Human Resources
- Health Affairs
- Finance committees

The committee charters will be presented to the full Board for approval at their February 3, 2022 meeting.

February 3, 2022

No. 1

Recommended Action - Board Standing Committee Charters

It was recommended by the Governance, Compensation and Human Resources Committee, endorsed by Chair Chatman, moved by Curator \_\_\_\_\_ and seconded by Curator \_\_\_\_\_, that the following action be taken:

that the Board Standing Committee Charters, as reviewed by the Committee Chairs and executive liaisons, be approved as attached.

Roll call vote of the Committee: YES NO

Curator Brncic  
Curator Layman  
Curator Wenneker  
Curator Williams

The motion \_\_\_\_\_.

Roll call vote of the Board: YES NO

Curator Brncic  
Curator Chatman  
Curator Graham  
Curator Graves  
Curator Hoberock  
Curator Holloway  
Curator Layman  
Curator Wenneker  
Curator Williams

The motion \_\_\_\_\_.

February 3, 2022

## **CHARTER FOR ACADEMIC, STUDENT AFFAIRS, RESEARCH & ECONOMIC DEVELOPMENT COMMITTEE**

The Academic, Student Affairs, Research and Economic Development Committee (“Committee”) will review and recommend policies to enhance quality and effectiveness of academic, student affairs, research and economic development and align the available resources with the University’s academic mission.

### **I. Scope**

In carrying out its responsibilities, the Committee reviews and makes recommendations to the Board of Curators on strategies and policies relating to student and faculty welfare, academic standards, educational and instructional quality, intercollegiate athletics, degree programs, economic development, research initiatives, and associated programs.

### **II. Executive Liaison**

The Senior Associate Vice President for Academic Affairs of the University, or some other person(s) designated by the President of the University, with the concurrence of the Board Chair and the Committee Chair, shall be the executive liaison to the committee and responsible for transmitting committee recommendations.

### **III. Ex Officio Member**

The Student Representative to the Board of Curators shall be an ex officio member of the Committee.

### **IV. Responsibilities**

In addition to the overall responsibilities of the Committee described above and in carrying out its responsibilities, the charge of the Committee shall include reviewing and making recommendations to the Board on the following matters:

- A. Selection of Curators’ Distinguished Professors;
- B. Approval and review of new degree programs;
- C. Intercollegiate athletics, as specifically outlined in Section 270.060 of the Collected Rules and Regulations with a commitment to the academic success, and physical and social development of student-athletes;
- D. Changes to university-level admissions requirements, academic standards, student services, and graduation requirements;

February 3, 2022

- E. Quarterly and annual reports providing information on academic programs that have been added, deactivated, or deleted;
- F. Provide oversight over the University of Missouri System's diversity, equity and inclusion programs;
- G. Highlight successful research and economic development efforts and partnerships; linking research and commercialization from the University with business and industry across the state and around the world;
- H. Additional matters customarily addressed by the academic, student affairs, research & economic development committee of a governing board for an institution of higher education.

Approved by the Board of Curators:  
4-09-20; Amended 2-4-21



## **CHARTER FOR AUDIT, COMPLIANCE AND ETHICS COMMITTEE**

The Audit, Compliance and Ethics Committee (“Committee”) will review and recommend policies to enhance the quality and effectiveness of the University’s financial reporting, internal control structure and compliance and ethics programs.

### **I. Scope**

In carrying out its responsibilities, the Committee monitors and assesses the University’s financial reporting systems and controls, internal and external audit functions, and compliance and ethics programs.

### **II. Executive Liaison**

The Chief Audit and Compliance Officer of the University or some other person(s) designated by the President of the University, with the concurrence of the Board Chair and the Committee Chair, shall be the executive liaison to the committee and responsible for transmitting committee recommendations.

### **III. Responsibilities**

In addition to the overall responsibilities of the Committee described above and in carrying out its responsibilities, the charge of the Committee shall include:

#### **A. Reviewing and making recommendations to the Board in the following matters:**

1. the University risk assessment, audit plan and compliance plan;
2. in conjunction with the Governance, Compensation and Human Resources Committee, the appointment, compensation, annual performance evaluation and termination of the University’s Chief Audit and Compliance Officer;
3. the appointment, compensation, and termination of the university’s external auditors.

#### **B. Providing governance oversight regarding:**

1. development and monitoring a University code of conduct;
2. effectiveness of the internal control framework;
3. ensuring that the significant findings and recommendations are received, discussed and appropriately resolved;
4. procedures for reporting misconduct without the fear of retaliation;

February 3, 2022

5. university compliance with applicable laws, regulations, and policies that govern all aspects of University operations including but not limited to the following:
  - a. Administrative compliance risks
  - b. Healthcare compliance risks
  - c. Research compliance risks
  - d. Information security compliance risks
  - e. Privacy compliance risks
6. those additional matters customarily addressed by the audit, compliance and ethics committee of a governing board for an institution of higher education.

C. Reviewing periodic reports regarding:

1. the independence, performance, resources and structure of the internal audit, compliance and ethics functions;
2. audit reports and open audit issue status updates;
3. management's written responses to significant findings and recommendations by the auditors;
4. the adequacy of the University's information technology methodology with regards to security, internal controls and data integrity assurance;
5. annual external audit reports, including audited financial statements, single audit and required procedures;
6. the effectiveness of the compliance and ethics program ensuring it has appropriate standing and visibility across the system;

Approved by the Board of Curators:  
4-09-20; 2-04-21

## **CHARTER FOR FINANCE COMMITTEE**

The Finance Committee (“Committee”) oversees the fiscal stability and long-term economic health of the University. The Committee will review and recommend policies to enhance quality and effectiveness of the finance functions of the University.

### **I. Scope**

In carrying out its responsibilities, the Committee monitors the University’s financial operations, fundraising performance, debt level, capital priorities and investment performance; requires the maintenance of accurate and complete financial records; and maintains open lines of communication with the Board about the University’s financial condition.

### **II. Executive Liaison**

The Vice President for Finance of the University or some other person(s) designated by the President of the University, with the concurrence of the Board Chair and the Committee Chair, shall be the executive liaison to the Committee and responsible for transmitting committee recommendations.

### **III. Responsibilities**

In addition to the overall responsibilities of the Committee described above and in carrying out its responsibilities, the charge of the Committee shall include

- A. Reviewing and making recommendations to the Board on the following matters:
  - 1. University operating budget and financial plan;
  - 2. University capital budget and master facility plans;
  - 3. capital projects;
  - 4. tuition, fees and housing rates;
  - 5. state appropriation requests;
  - 6. pursuant to applicable Collected Rules and Regulations, contracts and reports;
  - 7. insurance brokers and self-insurance programs;
  - 8. pursuant to applicable Collected Rules and Regulations, real estate sales, purchases, leases, easements and right-of-way agreements;
  - 9. the issuance of debt;

February 3, 2022

10. asset allocation guidelines and other policies related to the University's investment management function; and
11. additional matters customarily addressed by the finance committee of a governing board for an institution of higher education.

B. Providing governance oversight to:

1. long-range financial planning strategies;
2. fundraising and development strategies;
3. total indebtedness and debt capacity of the University;
4. the investment portfolio performance; and
5. the financial condition of the pension fund.

C. Reviewing periodic reports including:

1. quarterly and year-end financial reports that measure the University's fiscal condition;
2. annual purchasing reports on bids and equipment leases;
3. quarterly debt-management reports;
4. quarterly and year-end investment performance reports;
5. semi-annual reports on development and fundraising activities; and
6. other financial reports as requested by the Committee.

Approved by the Board of Curators:  
4-09-20; 2-04-21

**CHARTER FOR GOVERNANCE,  
COMPENSATION AND HUMAN RESOURCES COMMITTEE**

**I. Governance, Compensation and Human Resources Committee**

The Governance, Compensation and Human Resources Committee (“Committee”) will review and recommend policies to enhance quality and effectiveness of the Board as well as compensation, benefits and human resources functions of the University.

**II. Governance**

**A. Scope**

In carrying out its responsibilities regarding governance, the Committee has the central authority of ensuring that board members are prepared to exercise their fiduciary duties and assisting the Board to function effectively, efficiently and with integrity.

**B. Executive Liaison**

The General Counsel of the University, or some other person(s) designated by the President of the University with the concurrence of the Board Chair and the Committee Chair, shall serve as executive liaison to the Committee on governance matters and be responsible for transmitting Committee recommendations related to governance.

**C. Responsibilities**

In addition to the overall responsibilities of the Committee described above, and in carrying out its responsibilities regarding governance, the Committee shall review and make recommendations on the following matters:

1. ensuring that Board members are prepared to carry out their fiduciary duties to the University;
2. providing and monitoring a substantive orientation process for all new Board members and a continuous board education program for existing Board members;
3. overseeing, or determining with the Board Chair and President, the timing and process of periodic Board self-assessment;
4. establishing expectations and monitoring compliance of individual Board members;
5. ensuring that the Board adheres to its rules of conduct, including conflict-of-interest and disclosure policies, and that it otherwise maintains the highest levels of integrity in everything it does;
6. 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 (all recommendations for bylaws amendment shall first be considered by this Committee);

February 3, 2022

7. identifying best practices in institutional and Board governance;
8. monitoring and assessing external influences and relationships with affiliated entities;
9. assessing areas of expertise needed in future Board members; and
10. those additional matters customarily addressed by the governance committee of a governing board for an institution of higher education.

### **III. Compensation and Human Resources**

#### **A. Scope**

In carrying out its responsibilities regarding compensation and human resources, the Committee reviews and makes recommendations to the Board of Curators on strategies and policies relating to compensation, benefits and other human resources functions and associated programs.

#### **B. Executive Liaison**

The Vice President and Chief Human Resources Officer of the University, or some other person(s) designated by the President of the University, with the concurrence of the Board Chair and the Committee Chair, shall serve as executive liaison to the Committee on human resources and compensation matters and be responsible for transmitting committee recommendations related to human resources and compensation.

#### **C. Responsibilities**

In addition to the overall responsibilities of the Committee described above and in carrying out its responsibilities regarding human resources and compensation, the charge of the Committee shall include reviewing and making recommendations to the Board on the following matters:

1. Performance and compensation of individuals reporting directly to the Board:
  - a. President
  - b. General Counsel
  - c. Secretary of the Board of Curators
  - d. Chief Audit and Compliance Officer, in conjunction with the Audit, Compliance and Ethics Committee
2. Pursuant to Section 320.020 of the Collected Rules and Regulations, appointment or change of appointment of the following shall be reported to and approved by the Board before the effective date:
  - a. Vice Presidents
  - b. Chancellors

February 3, 2022

c. Curators Professors

3. Intercollegiate Athletics

Pursuant to Section 270.060 of the Collected Rules and Regulations, contracts for Directors of Intercollegiate Athletics and Head Coaches may not exceed five (5) years and shall not include buyout clauses calling for the individual to receive more than the balance of the annual base salary the individual would have earned under the remaining terms of the contract, unless approved by the UM Board of Curators upon the recommendation of the President.

4. Benefit, retirement and post retirement plans, including an annual benefits report, as further defined in Section 520.010, Benefit Programs, of the Collected Rules and Regulations.
5. Additional employee benefits including the Education Assistance Program for University Employees, CRR 230.070, and Layoff and Transition Assistance, CRR 350.051.
6. Labor Union Recognition and matters as further defined in Section 350.020, Labor Union Recognition, of the Collected Rules and Regulations.
7. Employment related policies including those related to employee absences, conduct and grievances.
8. Provide oversight over the University of Missouri System's diversity, equity and inclusion programs.
9. Additional matters customarily addressed by the compensation and human resources committee of a governing board for an institution of higher education.

Approved by the Board of Curators:  
4-09-20; Amended 2-04-21

## **CHARTER FOR HEALTH AFFAIRS COMMITTEE**

The Health Affairs Committee (“Committee”) assists the Board of Curators in overseeing the clinical health care operations of the University and in coordinating those operations in furtherance of the University’s teaching, research, and clinical missions.

### **I. Scope**

The Committee provides oversight for the University’s clinical health care operations in the areas of:

- Mission, vision, and strategy;
- Governance and operational oversight;
- Quality of care and patient safety;
- Regulatory compliance;
- Financial planning and performance;
- Coordination of the clinical, teaching, and research missions; and
- Specific projects that enable meaningful collaboration among UM universities.

### **II. Executive Liaison**

The Executive Vice Chancellor for Health Affairs of the University of Missouri-Columbia or some other person(s) designated by the President of the University, with the concurrence of the Board Chair and the Committee Chair, shall be the executive liaison to the Committee and responsible for transmitting Committee recommendations.

### **III. Responsibilities**

In addition to the overall responsibilities of the Committee described above and in carrying out its responsibilities regarding clinical health care operations, the charge of the Committee shall include:

- A. Reviewing and making recommendations to the Board regarding:
  1. actions that are appropriate or necessary to assist the Board in overseeing clinical health care operations or coordinating the teaching, research, and clinical missions;
  2. significant actions related to health care which should require advance notice or approval by the Committee or Board; and
  3. other matters referred to it by the Board and University officers.



- B. Requesting, receiving, and reviewing reports and other information from University officers and advisors regarding health care operations, coordination of the teaching, research, and clinical missions, and related matters, including meeting at least quarterly and receiving regular reports from appropriate officers of University of Missouri Health Care, the MU School of Medicine, and the MU Health Chief Compliance Officer.
- C. Additional matters customarily addressed by the health affairs committee of a governing board for an institution of higher education.

#### **IV. Committee Membership and Quorum Requirements**

The Committee's membership may include non-Curator members in addition to Curator members. Subject to approval of the Board, the Board Chair shall determine the number of Curator and non-Curator members to appoint to the Committee and shall select individuals to serve as members of the Committee; provided that, the number of non-Curator members on the Committee shall not exceed the number of Curator members on the Committee, unless the Committee temporarily has more non-Curator members than Curator members because a Curator member of the Committee has resigned from the Board or the Committee. Non-Curator members may resign their Committee membership by providing written notice to the Board Chair. Non-Curator members of the Committee serve at the pleasure of the Board and may be removed by the Board Chair at any time, subject to approval of the Board.

A quorum for the transaction of any and all business of the Committee shall exist when:

- A. Both a majority of all Curator members of the Committee and a majority of all members of the Committee are participating for Committee meetings which are held in conjunction with meetings of the Board; or
- B. Both all Curator members of the Committee and a majority of all members of the Committee are participating for Committee meetings which are not held in conjunction with meetings of the Board; or
- C. Both a majority of all Curator members of the Committee and a majority of all members of the Committee are participating for Committee meetings which are held solely for the purpose of reviewing and overseeing compliance matters.

Approved by the Board of Curators:  
4-09-20; Amended 2-04-21

No. 2

Recommended Action – Resolution for Executive Session of the Board of Curators Governance, Compensation and Human Resources Committee Meeting, February 3, 2022

It was moved by \_\_\_\_\_ and seconded by \_\_\_\_\_, that there shall be an executive session with a closed record and closed vote of the Board of Curators Governance, Compensation and Human Resources Committee meeting February 3, 2022 for consideration of:

- **Section 610.021(1), RSMo**, relating to matters identified in that provision, which include legal actions, causes of action or litigation, and confidential or privileged communications with counsel; and
- **Section 610.021(3), RSMo**, relating to matters identified in that provision, which include hiring, firing, disciplining, or promoting of particular employees; and
- **Section 610.021(12), RSMo**, relating to matters identified in that provision, which include sealed bids and related documents and sealed proposals and related documents or documents related to a negotiated contract; and
- **Section 610.021 (13), RSMo**, relating to matters identified in that provision, which include individually identifiable personnel records, performance ratings, or records pertaining to employees or applicants for employment.

Roll call vote of the Committee: YES NO

Curator Brncic  
Curator Holloway  
Curator Wenneker  
Curator Williams

The motion \_\_\_\_\_.

# ACADEMIC, STUDENT AFFAIRS, RESEARCH AND ECONOMIC DEVELOPMENT COMMITTEE

Todd P. Graves (Chair)

Greg E. Hoberock

Jeff L. Layman

Robin R. Wenneker

The Academic, Student Affairs, Research and Economic Development Committee (“Committee”) will review and recommend policies to enhance quality and effectiveness of academic, student affairs, research and economic development and align the available resources with the University’s academic mission.

## **I. Scope**

In carrying out its responsibilities, the Committee reviews and makes recommendations to the Board of Curators on strategies and policies relating to student and faculty welfare, academic standards, educational and instructional quality, intercollegiate athletics, degree programs, economic development, research initiatives, and associated programs.

## **II. Executive Liaison**

The Senior Associate Vice President for Academic Affairs of the University, or some other person(s) designated by the President of the University, with the concurrence of the Board Chair and the Committee Chair, shall be the executive liaison to the committee and responsible for transmitting committee recommendations.

## **III. Ex Officio Member**

The Student Representative to the Board of Curators shall be an ex officio member of the Committee.

## **IV. Responsibilities**

In addition to the overall responsibilities of the Committee described above and in carrying out its responsibilities, the charge of the Committee shall include reviewing and making recommendations to the Board on the following matters:

- A. Selection of Curators’ Distinguished Professors;
- B. Approval and review of new degree programs;
- C. Intercollegiate athletics, as specifically outlined in Section 270.060 of the Collected Rules and Regulations with a commitment to the academic success, and physical and social development of student-athletes;
- D. Changes to university-level admissions requirements, academic standards, student services, and graduation requirements;
- E. Quarterly and annual reports providing information on academic programs that have been added, deactivated, or deleted;
- F. Provide oversight over the University of Missouri System’s diversity, equity and inclusion programs;
- G. Highlight successful research and economic development efforts and partnerships; linking research and commercialization from the University with business and industry across the state and around the world.
- H. Additional matters customarily addressed by the academic, student affairs, research & economic development committee of a governing board for an institution of higher education.

Approved by the Board of Curators: Feb 4, 2021

## **Executive Summary**

### **UM System Economic Impact Report**

In July 2021, at the request of Curator Robin Wenneker, the University of Missouri System retained Tripp Umbach to measure the economic value generated by its operations and expenditures throughout the state of Missouri. In addition to updated numbers showing progress since the past report, published in 2018, this report will provide additional information, breakouts, and metrics. The impact analysis measures effects throughout the state and each of its four universities: University of Missouri-Columbia (MU), University of Missouri-Kansas City (UMKC), Missouri University of Science and Technology (Missouri S&T), and University of Missouri-St. Louis (UMSL), as well as MU Extension, academic medicine, research, athletics and alumni.

The UM System has a profound influence on the vitality of the economy within each region of the state, including business volume impacts (capital expenditures, operational expenditures, salary data and state and regional business volumes); direct and indirect/induced employment; government revenue at the local and state levels; spending by employees and students in the local economy on goods and services; visitor spending on the economy (wage premiums, job creation etc.); and student and employee volunteer work and donations.

This report is the culmination of significant research and intercampus collaboration across the UM System. The report will be a key way for the UM System to tell its story and demonstrate its value to citizens, policymakers, alumni, businesses, and others.

*NOTE: Tripp Umbach is a national leader in conducting economic impact studies, consultation, and communication services for a wide variety of academic clients including Boston University, Indiana University, Michigan State University, The Pennsylvania State University, The Ohio State University, University of Arizona, University of Michigan, University of Minnesota, the University of Pittsburgh, & the University of Virginia. Tripp Umbach has provided consultation and economic impact analysis services to more than 300 clients in all regions of the United States since 1990.*

## **Inclusion, Diversity, and Equity (IDE) Update Executive Summary**

At the request of the University of Missouri Board of Curators, the Campus Chief Diversity Officers (CDO) developed three UM System-wide Inclusion, Diversity, and Equity (IDE) goals for the Board's information. Currently, the University's commitment to IDE can be found in both the UM System vision and the Missouri Compacts. The three UM System goals developed by the CDOs are:

1. Uniform IDE training
2. Inclusive hiring practices
3. Inclusive teaching practices

These goals were derived from the Inclusive Excellence unifying principle within the Missouri Compacts for Achieving Excellence. Specifically, these goals align with the following Inclusive Excellence actions:

- Create challenging and engaging professional development opportunities to increase faculty and staff multicultural competencies and create inclusive learning environments
- Create a university climate that is supportive, respectful, and values differing perspectives and experiences
- Redesign policies and processes to remove barriers to inclusion and equity

These goals, alongside the Inclusive Excellence unifying principle, will guide the University's IDE efforts moving forward. MU Chief Diversity Officer Maurice Gipson will make a brief presentation during the February 2022 meeting of the Board of Curators. The CDOs from the four universities will be available to answer any questions regarding this information.

# AUDIT, COMPLIANCE AND ETHICS COMMITTEE

Keith A. Holloway (Chair)

Julia G. Brncic

Maurice B. Graham

Jeff L. Layman

The Audit, Compliance and Ethics Committee (“Committee”) will review and recommend policies to enhance the quality and effectiveness of the University’s financial reporting, internal control structure and compliance and ethics programs.

## I. Scope

In carrying out its responsibilities, the Committee monitors and assesses the University’s financial reporting systems and controls, internal and external audit functions, and compliance and ethics programs.

## II. Executive Liaison

The Chief Audit and Compliance Officer of the University or some other person(s) designated by the President of the University, with the concurrence of the Board Chair and the Committee Chair, shall be the executive liaison to the committee and responsible for transmitting committee recommendations.

## III. Responsibilities

In addition to the overall responsibilities of the Committee described above and in carrying out its responsibilities, the charge of the Committee shall include:

- A. Reviewing and making recommendations to the Board in the following matters:
  - 1. the University risk assessment, audit plan and compliance plan;
  - 2. in conjunction with the Governance, Compensation and Human Resources Committee, the appointment, compensation, annual performance evaluation and termination of the University’s Chief Audit and Compliance Officer;
  - 3. the appointment, compensation, and termination of the university’s external auditors.
- B. Providing governance oversight regarding:
  - 1. development and monitoring a University code of conduct;
  - 2. effectiveness of the internal control framework;
  - 3. ensuring that the significant findings and recommendations are received, discussed and appropriately resolved;
  - 4. procedures for reporting misconduct without the fear of retaliation;
  - 5. university compliance with applicable laws, regulations, and policies that govern all aspects of University operations including but not limited to the following:
    - 1. Administrative compliance risks
    - 2. Healthcare compliance risks
    - 3. Research compliance risks
    - 4. Information security compliance risks
    - 5. Privacy compliance risks
  - 6. those additional matters customarily addressed by the audit, compliance and ethics committee of a governing board for an institution of higher education.

C. Reviewing periodic reports regarding:

1. the independence, performance, resources and structure of the internal audit, compliance and ethics functions;
2. audit reports and open audit issue status updates;
3. management's written responses to significant findings and recommendations by the auditors;
4. the adequacy of the University's information technology methodology with regards to security, internal controls and data integrity assurance;
5. annual external audit reports, including audited financial statements, single audit and required procedures; and
6. the effectiveness of the compliance and ethics program ensuring it has appropriate standing and visibility across the system.

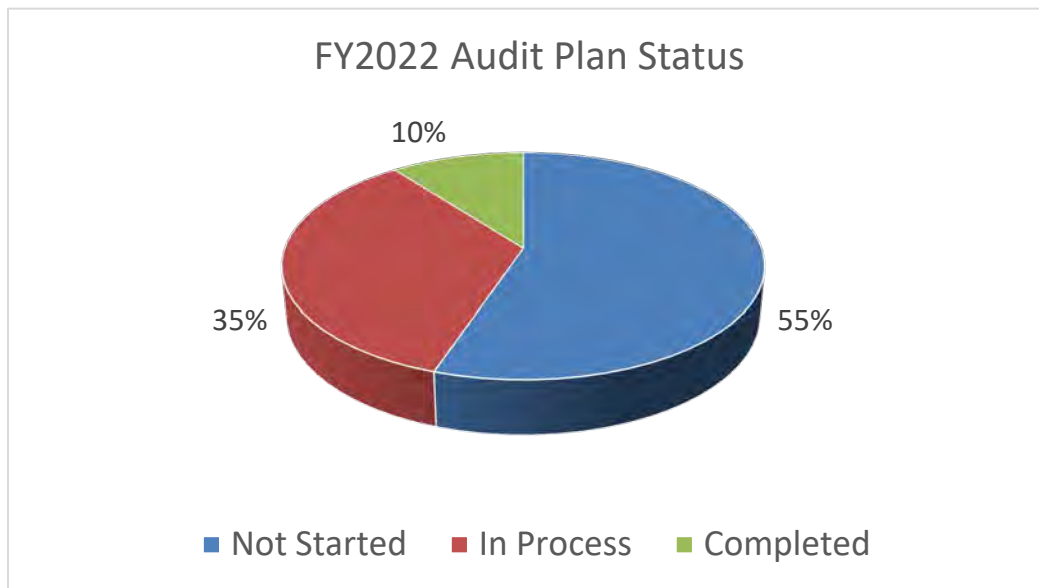
Approved by the Board of Curators: Feb 4, 2021

Internal Audit, Compliance and Ethics Quarterly Report  
UM

Status of FY2022 Annual Internal Audit Plan

- Three audits completed
- Ten audits/consulting projects in process
- Sixteen audits/consulting projects not started

The following graph represents status of the FY2022 Audit Plan.



Audit Performance

The overall objective of our audit and compliance plans continues to be aligning strategically with a focus on high-risk areas and compliance gaps. Audit and compliance staff remain available to be redeployed for:

- Gap analysis
- Understanding workflow
- Assisting in re-engineering of processes to assure adequate control activities for reasonable risk mitigation

Since the September 2021 meeting of the Audit Compliance and Ethics Committee, Internal Audit completed three audits, three investigations, and assisted with the Payment Card Industry annual onsite assessment by the Qualified Security Assessors.

February 3, 2022



Internal Audit Assurance Reports	Report Risk Rating
Organized Healthcare Arrangement, MUHC, September 2021	1 2 3 4 5
Lab Safety, UMKC, October 2021	1 2 3 4 5
Conflict of Interest Process, S&T, December 2021	1 2 3 4 5

There is a time-lag between when field work is completed and when a report is issued to provide appropriate time for agreed upon action plans to be written.

The assurance report includes an executive summary with our assessed level of risk, as well as a summary of issues and management's action plan. An executive summary of this assurance audit is included for your information. Full audit reports are available upon request from Ethics, Compliance, and Audit Services.

#### Criteria Used for Assessment of Risk:

- 5 **Extreme** – Very significant impact to the Institution, campus, or unit. Significantly material in terms of financial impact, external compliance violation, adverse publicity, significant or pervasive weakness in control environment, significant inefficiencies, etc. Typically requires campus and UM System administration along with Board attention to resolve.
- 4 **High** – Major impact to the Institution, campus, or unit. Material in terms of financial impact, external compliance violation, adverse publicity, significant or pervasive weakness in control environment, significant inefficiencies, etc. Typically requires campus and/or UM System administration to resolve.
- 3 **Medium** – Moderate in terms of impact to the Institution, campus, or unit. Individual instance or an aggregate of low risk items considered moderate in terms of financial impact, compliance violation, adverse publicity, weakness in control environment, efficiency, etc. Typically requires leadership attention for the selected audit area to resolve with some input from campus and/or UM System administration.
- 2 **Low** – Minor in terms of impact to the Institution, campus, or unit. Relatively immaterial in terms of financial impact, no external compliance violation, little adverse publicity, minor inefficiencies, etc. Typically limited to leadership of the selected audit area to resolve.
- 1 **Negligible** – Incidental or no impact to the Institution, campus, or unit. Immaterial or no financial impact, no external compliance violation, no adverse publicity, minor inefficiencies, etc. Typically requires little or no action to resolve.

February 3, 2022



### Background

An Organized Health Care Arrangement (OHCA) allows parties to share protected health information (PHI) about patients to manage and benefit the common enterprise and can be set up to provide for various levels of sharing and integration. The sole purpose of an OHCA is for compliance with the Health Insurance Portability and Accountability Act of 1996 (HIPAA), including the Privacy and Security Rules, and the Health Information Technology for Economic and Clinical Health Act (HITECH) of 2009.

MU Health Care (MUHC) and Lake Regional Health System (LRHS) entered an OHCA on June 12, 2019, which was structured to allow them to share a single Cerner Millennium Electronic Medical Record (EMR) platform. Prior to the OHCA, MUHC and LRHS formalized their intention to work together to pursue the goal of better serving the health and medical needs of their common patients via a Participation Agreement signed in September 2018. A Joinder Agreement allowing MUHC to add future participants is part of the OHCA agreement, a key component of the MUHC growth and market strategy. The agreement provides operational guidelines clarifying rules and expectations for the parties regarding shared EMR access, auditing, data breaches, disclosures, and safeguards. A three-tier Regional Governance Structure was established to provide a framework for communication, decision-making and approvals among the OHCA parties, who operate as separate entities. Overall, IT governance is well-established, but operational governance is still immature due to LRHS participation being limited to the ambulatory portion of the medical record at the time this audit was performed.

The EMR is an essential business system that provides secure storage of sensitive patient health data and information. A key risk associated with separate entities sharing a single EMR is increased opportunity for inappropriate or unauthorized access to PHI, which can lead to security vulnerabilities or breach incidents that put all parties of the OHCA at risk.

### Issues Summary

As each new participant joins and EMR access is expanded by large numbers of additional users, it is critical that appropriate security tools and procedures are in place and can evolve to support continuing compliance with HIPAA Privacy and Security Rules and HITECH. These include a strong identity and access management program; robust logging/monitoring/auditing procedures to detect inappropriate user access; and annual risk assessment and management plans that identify and coordinate work to mitigate vulnerabilities at each entity.

February 3, 2022

Auditing work indicates existing resources, tools, policies and procedures for user identity and access management, and user access monitoring are inadequate and fractured for meeting the challenges of an expanded EMR shared by multiple entities.

Due diligence and risk assessment activities need attention. Prior to adding participants, it is advisable that the organizing party define and conduct consistent due diligence activities to ensure appropriate security, technical and operational elements are in place at each prospective entity.

#### Management Action Plan Summary

Management is committed to working collaboratively across applicable functions to:

- Improve the effectiveness of the EMR access procedures, particularly more timely termination, and an evaluation of level of access for internal transfers.
- Evaluating current due diligence procedures and making relevant adjustments to reasonably secure protected health information consistent with the resources and capabilities of the OHCA partners.

#### Risk Rating Rationale

The extension of the MUHC EMR to other covered entities sharply increases the number of potential entry points and risk for inappropriate or unauthorized access to sensitive/protected health information. Effective access management, collaborative effort among stakeholders, and employing a balance of preventive and detective control activities become more important in the increasingly complex privacy and security environment created when extending the EMR.

February 3, 2022



### Background

Academic labs which house hazardous materials are not as closely regulated as other types of labs, such as those which house radioactive materials or research involving animal or human test subjects. At the University of Missouri Kansas City (UMKC), there are many stakeholders responsible for lab safety. To help ensure that lab safety is a priority at UMKC, EHS staff have built a relationship with faculty and staff working in labs where hazardous materials are present. The University has a documented policy regarding chemical safety called the Chemical Management Plan (CMP) that includes some policies regarding lab safety.

### Issues Summary

UMKC's efforts to secure labs are currently focused largely on hazardous chemical safety. A broader focus on general lab safety including lab safety training, inspections, hazard signage, etc. is needed. In 2018, a peer review was performed at UMKC and many of the observations in this audit mirrored what was observed at that time. While some of the recommendations from the review have been implemented, many were found to have not been completed. Improvements are needed in the following areas:

1. Formalized lab identification/registration and closeout procedures
2. Interior and exterior lab hazard and emergency communications
3. Lab safety training policy and procedures
4. Lab Safety Program including lab equipment inspections
5. Chemical inventory and chemical waste management

### Management Action Plan Summary

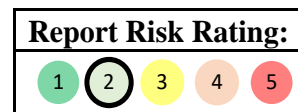
EHS will finalize the work they have already begun to formalize a lab safety program that includes developing formalized processes for lab identification, lab close out, hazard signage and emergency contact/procedure notifications, lab safety training, lab safety inspections, chemical inventory audits, hazardous waste management, etc. that are in line with applicable regulations and best practices.

A system for registering labs has already been developed and is close to implementation. It will also include electronic documentation of authorized users lists for each lab which will in turn facilitate ensuring that applicable individuals receive required training in lab safety. The process will be completed each semester.

### Risk Rating Rationale

Having a formal lab safety program that includes more than just hazardous chemical safety is necessary to prevent accidents, injuries and damage to equipment as well as ensuring continued compliance with regulatory requirements. Efforts have been made to implement such a program, but they need to be completed and formalized.

February 3, 2022



### Background

Academic universities benefit from participation in outside activities which can enhance research, teaching, and funding. These outside activities and/or outside financial interests can pose conflicts of interest if not properly identified or managed.

The University of Missouri System has adopted three Collected Rules and Regulations to comply with federal regulations and mitigate the risks of conflicting outside interests for all exempt faculty and staff (CRR 330.015, 420.030, and 410.020). For grant-funded research, federal regulations require institutions to maintain written policies on financial conflicts of interest, require grant principal investigators (PIs) to be informed of the policy, receive training over the requirements, and disclose any significant financial interests. The eCompliance information system is the key method for collecting disclosures and tracking outside interests. The COI process was implemented on the Missouri S&T campus in fall 2019 with 2020 being the first annual disclosure period under the new process. The COI Office works closely with the Conflict-of-Interest Committees (small group and full committee) at Missouri S&T to manage outside interests. The Vice Chancellor of Research serves as the Chair for both the small group and full COI committee.

### Issues Summary

- Notifications within eCompliance were not set up to alert various divisions of employees with an outside interest that requires these divisions to be aware and to consider the relationship when conducting business.
- Not all supervisors reviewed and approved employee COI disclosures during the annual disclosure process.
- The COI Office does not have an established follow-up timeline and/or deadlines for COI disclosures completed by newly hired employees.

### Management Action Plan Summary

Management agrees with the findings and is committed to addressing the issues identified.

### Risk Rating Rationale

Managing conflicts to reduce risk is the intended outcome of a conflict-of-interest process. Opportunities exist for continued process improvement with implementation of automated notifications, and to establish follow-up procedures and timelines. Unmanaged risks could lead to loss of research funding, increased legal exposure, and bias or inappropriate influence.

February 3, 2022

Audits and Consulting Engagements Currently in Process

Audit Area	Overall Objective	Status	Risk Area(s)
UMSL-College of Business	Determine whether expenses and outside contract agreements have been reported, approved, and posted according to Collected Rules and Regulations (CRRs); faculty grant accounts and consulting activities are appropriate for the college and aligned with the mission; and revenues recorded from the Midwest Digital Marketing Conference (MDMC) are recorded and related scholarships are awarded appropriately.	Fieldwork	Operations
MUH – Missouri Telehealth Network	Validate appropriate use of funding and assess progress to strategic plan.	Planning	Operations
MUH – Research Equipment Inventory	Validate process for equipment valuation, inventory, and tracking.	Planning	Operations
MUH – Insurance Payer Websites	Evaluation of controls for protecting unauthorized user access and ability to create accounts to divert funds.	Fieldwork	Compliance – Security & Privacy
MU, UMKC, UMSL, S&T - Scholarship Awards	Assessment of scholarship awards to donor restrictions and/or established criteria	Planning	Compliance
UMS – Partner/Vendor Management Program	Consulting engagement to research the different aspects of partner/vendor programs and a possible fit/rollout plan for UM System.	In process	Consulting Engagement
UMS – GLBA Gap Analysis	Consulting engagement to assess compliance with Gramm-Leach-Bliley Act across the system.	In process	Consulting Engagement
Re-evaluation of HIPAA Privacy Covered Entity Designation	Perform due diligence needed to assess current covered components and work with OGC and management to make any needed adjustments.	In process	Consulting Engagement

February 3, 2022

Audit Area	Overall Objective	Status	Risk Area(s)
Fraud Monitoring Program	Using data analytics, identify anomalies in research grant expenses for further investigation.	In process	Research
Review of the status of prior management action plans	Monitor completion of management action plans related to prior audits.	Final review for FY22 underway	N/A

In addition, we are actively working six investigations.

## Progress Report on Establishing the System-wide Oversight Compliance Program



The purpose of a compliance program is to demonstrate commitment to meeting federal, state, and local regulations. Regulatory agencies are more lenient in situations of non-compliance when an organization can demonstrate its commitment to preventing, detecting, and mitigating compliance issues.

The UM System Oversight Compliance Program is in the early stages of implementation. It is based on the Seven Elements of an Effective Compliance Program as defined by the Federal Sentencing Guidelines. Below is a status report for the FY2022 Compliance Plan approved by the Board of Curators at its June 2021 meeting.

### High Level Oversight

Implementation of an executive order to establish the authority of the compliance program and a charter for the UM System Audit and Compliance Committee

This committee will oversee the system-wide code of conduct, compliance education and training, and core compliance policies. To fulfill its responsibilities the committee will receive periodic reports from compliance functions, audit reports and risk assessment results. The committee will play a key role in resolving compliance concerns that impact the system and are challenging to resolve at a unit level. The Chief Audit and Compliance Officer will provide the committee, once appointed, with a draft charter defining purpose, roles and responsibilities, authority, and frequency of meetings for the committee to modify and finalize.

**Status: Executive order and committee charter are drafted. Top priority for the Chief Audit and Compliance Officer to move to completion as the goal was to have this done by the end of 2021.**

A system-wide code of conduct establishes every day behavior expected to support our mission and values. It is a statement for us and to the public about what we stand for, our values and how we conduct ourselves. It is the ethical foundation for our success in achieving our mission and living our values.

February 3, 2022



**Status: The Code of Conduct was implemented in October 2021 at all four universities.**

#### Policy and Procedure Integration

Develop and implement the following core policies and procedures:

- Non-retaliation policy – **draft**
- Hotline policy and procedures – **draft**
- Investigation procedures for the Central Investigation Unit – **draft**

**Status: Draft procedures will be reviewed with the System Audit and Compliance Committee, once established, and vetted with appropriate stakeholders.**

#### Open Communication

Develop the compliance network with compliance professionals across the system to leverage knowledge, establish regulatory change management, and continuously understand risk.

**Status: In process. Relationships are being established as we perform gap analyses in the areas of cybersecurity, data regulations, and research compliance.**

Administer departmental surveys to understand strategy, gaps, and control activities for continuous risk assessment.

**Status: Not started.**

#### Training and Education

Develop and implement the following training and education:

- Awareness campaign for Code of Conduct and annual training. – **In process**
- Develop communication plan for all policies as developed/distributed. – **Not started**
- Utilize the Compliance Network to broadcast training and to learn about what training opportunities are needed. – **Not started**

#### Monitoring and Auditing

Develop compliance and monitoring matrix for identified risk areas of information security, data regulations, and research compliance.

**Status: Gap analysis work has been completed for information security and is in process for the Gramm-Leach-Bliley Act (GLBA) and selected portions of research**

February 3, 2022

**compliance. This is the basis for developing monitoring matrices, understanding compliance risk, and working with the compliance professionals across the system to improve compliance program effectiveness. A monitoring matrix has been developed for tracking progress to information security goals for maturing the program.**

Develop pilot dashboard for reporting and monitoring of one-time and repetitive tasks.

**Status: In process**

Response to detected errors

- Draft and finalize corrective action policy and procedure for resolving serious issues regardless of where the issues have been identified. – **Not started**
- Draft and finalize procedures that requires units to report external audits/review requests, reports and findings to monitor for systemic issues or issues that can be proactively addressed at other locations or departments. – **Not started**

**Note: System Compliance addressed three detected issues since the September 2021 Board of Curators meeting.**

Review and Refine

- Ongoing updates to matrices and dashboards as needed during year one pilot. – **Not started**
- Develop annual report on compliance to begin assessing effectiveness of the compliance program. – **Not started**

February 3, 2022

## Protection of Minors Program

Protection of Minors Program and policy were formally implemented on April 5, 2021.

The policy establishes requirements for faculty, staff, students, student employees, appointees and volunteers who work in activities and programs with minors when conducting youth programs sponsored by or on the premises of the University of Missouri to:

- Register youth programs through the Youth Program Registry
- Require and secure appropriate background checks
- Ensure annual training is completed so adults and youth leaders working with minors understand appropriate conduct and reporting requirements
- Provide volunteer/staff orientation

From April through December 2021, 164 youth programs were registered, serving 6,231 youth and 1,054 supervising adults. Breakout by university is detailed below. These numbers represent youth programs registered and may not reflect all youth programs offered in this time period. Work continues to improve compliance percentages and to ensure all youth programs are registered and requirements met prior to the beginning of the youth program or camp.

University	Program Count	Compliance with Requirements
MU	107	77%
UMKC	20	79%
MS&T	25	69%
UMSL	12	60%
<b>Total</b>	<b>164</b>	<b>75%</b>

February 3, 2022

# University of Missouri System

## Board of Curators

February 3, 2022

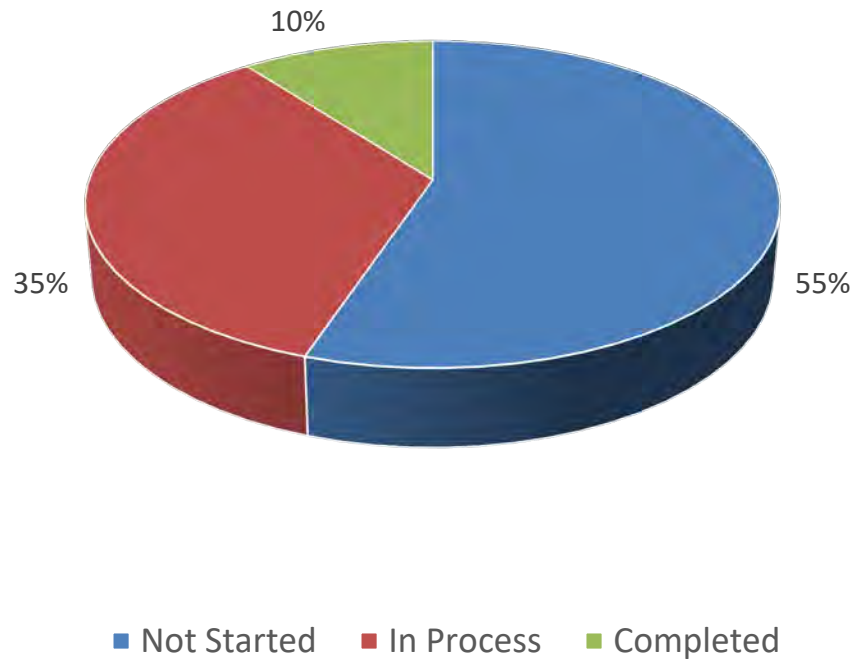
Audit, Compliance, and Ethics Committee

Internal Audit, Compliance and Ethics Report  
UM



# Summary of Internal Audit Activity

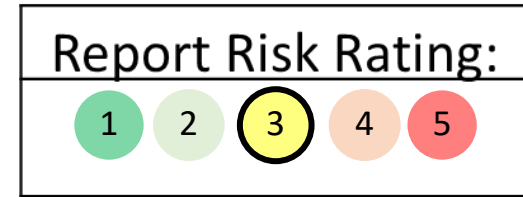
FY2021 Audit Plan Status



Since September 2021:

- Completed three internal audits and three investigations
- Ten internal audits and consulting engagement in process
- Actively working six investigations

# Organized Healthcare Arrangement MUHC



## Summary Observations

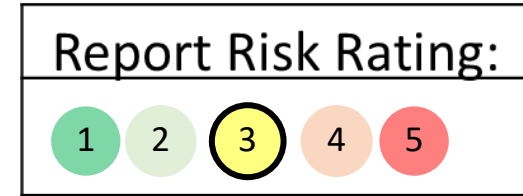
1. Existing resources, tools, policies & procedures for user identity and access management are inadequate for meeting the challenges of an expanded EMR shared by multiple entities
2. It is advisable that due diligence and risk assessment activities result in an understanding of the security, technical and operational capabilities of prospective OHCA partners

## Management Actions

1. Improve the effectiveness of the EMR access procedures
2. Evaluate current due diligence procedures and make relevant adjustments

# Lab Safety

## UMKC



### Summary Observation

A broader focus is on general lab safety to include improvement in training and inspections is needed.

### Management Actions

UMKC will complete the work already started to fully implement a lab safety program that includes the recommendations from this audit.

# UM System Ethics and Compliance Program

## Overall Objective

Demonstrate that the UM System has an effective compliance program

## Why this is important

The ability to prevent, detect, and mitigate compliance issues reduces the cost of non-compliance and reduces the risk of reputational harm

## How this will be achieved

- Perform a gap analysis for major regulatory areas
- This establishes the accountable areas, workflow processes, control activities and current level of effectiveness

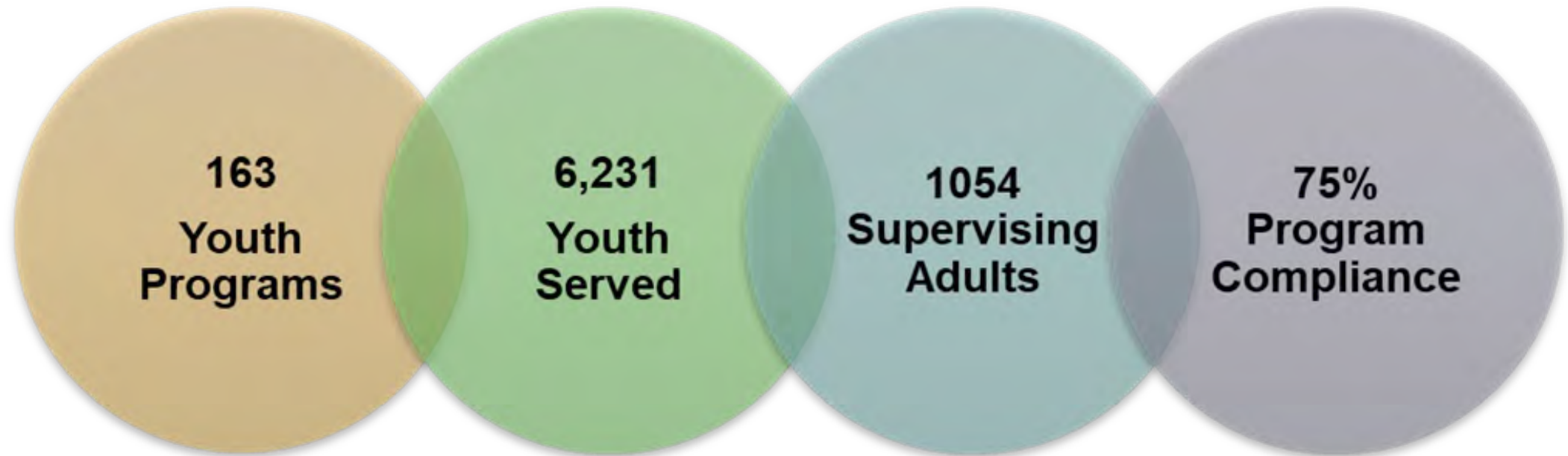


# UM System Ethics and Compliance Program

## Overall Impact

- **Focuses** our work on the highest risk areas needing attention
- **Informs** educational and training needs
- Provides information needed to build dashboards to track progress and collect information to **demonstrate compliance program effectiveness**
- Builds relationships with the compliance professionals who are critical to establishing a **regulatory change management process**

# Protection of Minors Program



# Code of Conduct Training

The training addressed:

- The importance of a code of conduct in supporting an ethical culture
- The code's foundational role in a compliance program
- The importance of Curator support of the Code

**Questions or comments?**

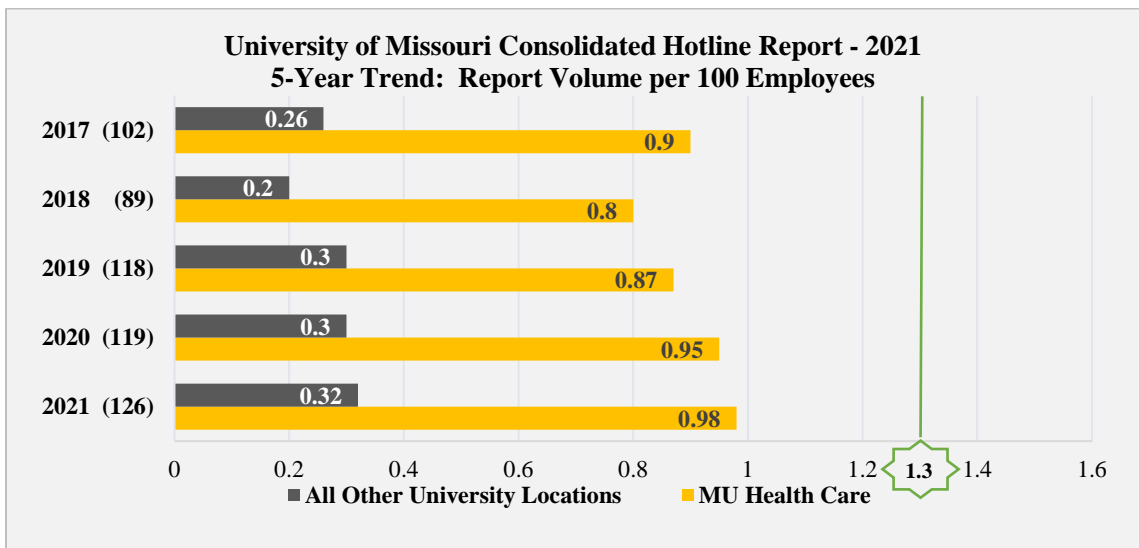
University of Missouri System Reporting Hotlines  
Annual Report 2021  
UM

This annual report incorporates information from both UM System hotlines, as well as mail/email reports received by System administration. In CY21 126 reports were received: the Integrity and Accountability Hotline received 104 reports (six bias reports), and the Bias Reporting Hotline received 22 reports (one non-bias report). As of December 31, 2021, 108 reports across both lines have been resolved/closed, and investigation outcomes are still pending for 18 reports.

Analysis and benchmarking of hotline data helps an organization gain a better understanding of culture, effectiveness of communications with employees, investigation quality, and employee knowledge of reporting channels. This report compares data collected through the UM System case management platform with key data benchmarks and trends from the Navex Global database of reports and outcomes, providing context for evaluating program performance and maturation. (The most recent benchmarks available are for CY20; CY21 data will be published by Navex in April 2022). To provide a better understanding of university program history and performance, we have included five years of data to illustrate trends. It is important to note the outcomes referenced for UM case closure time and substantiation rates are based on reports closed as of December 31, 2021. As pending cases close, this information will be incorporated into the final annual outcomes and will be reflected in data trends in next year's report.

Report Volume per 100 Employees

This metric enables organizations to compare total numbers of unique reporter contacts. The benchmark for this metric dropped last year to 1.3 reports per 100 employees (previously 1.4) for the first time in many years. MU Health Care is consistently identified as the location for at least 50% of reports to the hotlines; therefore, results were graphed to demonstrate this breakdown. All other locations include MU, Missouri S&T, UMKC, UMSL, and UM System Central Services.



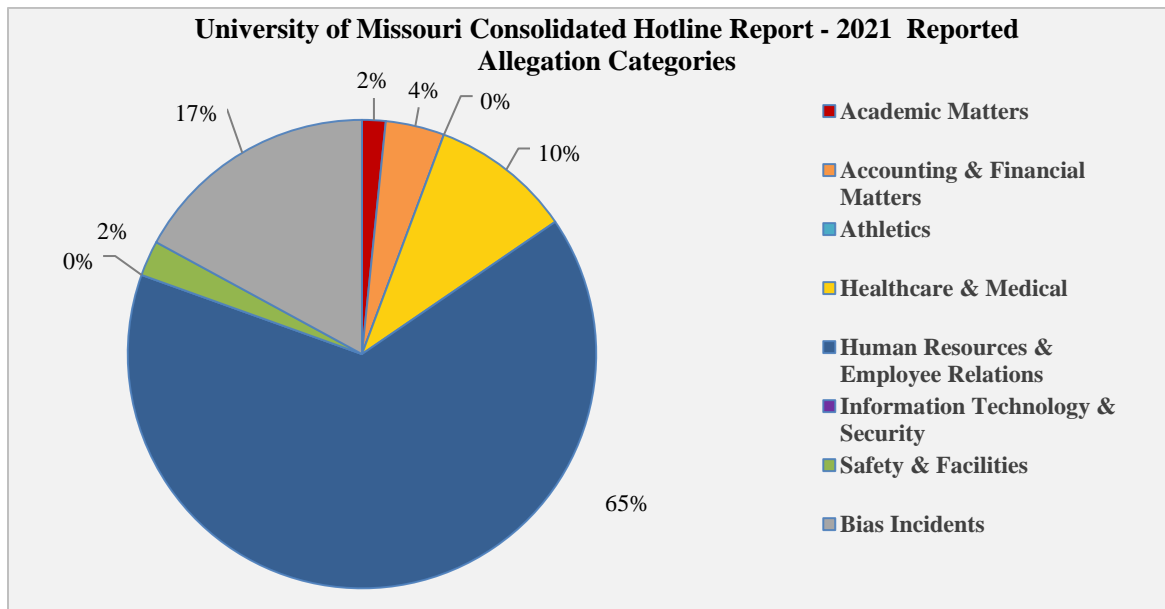
### Report Allegation Categories

The types of reports an organization receives are an indication of where the organization may need to devote resources and can provide a potential measure of the effectiveness of efforts directed towards previously identified areas of concern. The top three reporting categories in 2021 were Human Resources and Employee Relations (HR) at 58%, Bias Incidents (comprising reports alleging bias-related concerns from both hotlines) at 21%, and Healthcare and Medical at 10%.

HR Issues: Of the 74 total reports alleging HR issues, 46 involved MU Health Care, followed by 22 cases at MU, two each at UMSL and S&T, and one each at UMKC and UM System. Twenty reports of HR matters closed in 2021 were substantiated, four contained insufficient information to investigate, and eight were pending resolution at year end.

Bias Issues: Twenty-six reports alleged bias issues, including 16 at MU, seven at MU Health Care, two at UMKC, and one at UMSL. Four reports of bias issues closed in 2021 were substantiated, two contained insufficient information to investigate, and six were pending resolution at year end.

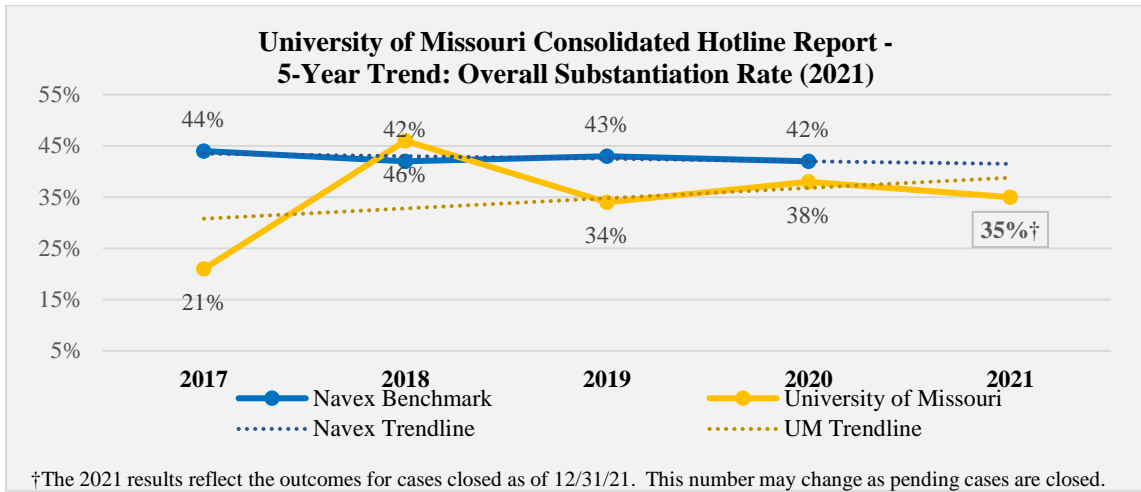
Healthcare/Medical Issues: There were 11 reports alleging healthcare/medical concerns (e.g., HIPAA; billing concerns; patient care/rights; documentation; inappropriate referrals) including nine at MU Health Care, and one each at MU (SOM) and UMKC (Dental School). Three reports in this category closed in 2021 were substantiated, two contained insufficient information to investigate, and two were pending resolution at year end.



### Substantiated Reports

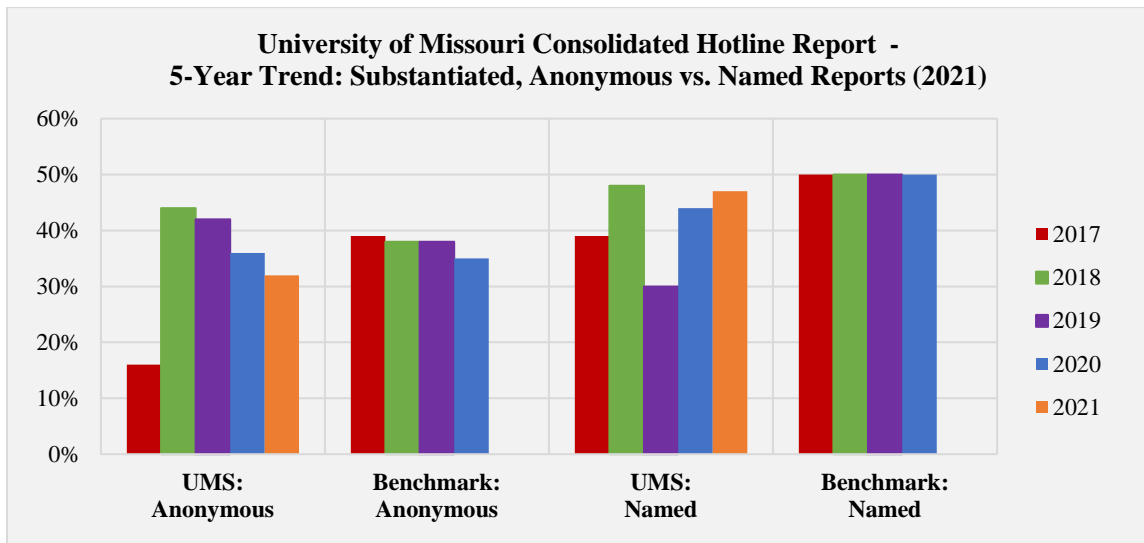
The overall substantiation rate reflects the percentage of allegations which were investigated and fully or partially confirmed. A high substantiation rate reflects a well-informed employee base making high-quality reports, coupled with effective investigation processes. Overall substantiation rates at UM have been relatively consistent over the past

few years. Substantiation rate by reporting category in 2021 are as follows: Accounting 100%; Safety and Facilities 67%; Healthcare and Medical 50%; Human Resources 33%; Bias 27%; Academic Matters 0%; Research Matters 0%.



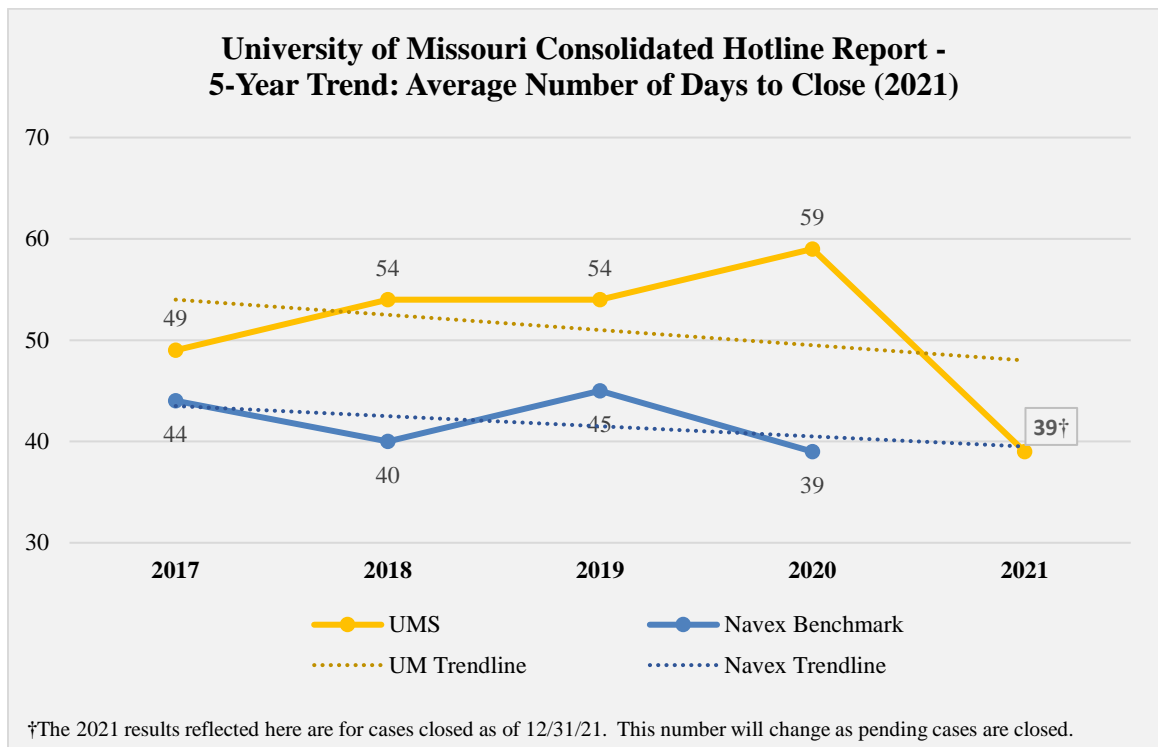
Substantiated Anonymous vs. Named Reports

Although there can be reluctance to take anonymous reports seriously, anonymous reporters can provide valuable insights into obscure or previously unknown legal and regulatory and compliance issues in an organization. Named reports allow investigators to gather additional information directly from the reporter, which can improve investigative effectiveness and may result in higher substantiation rates. Audit, Compliance and Ethics staff have been successful in engaging reporters through the follow up function and a “chat” tool within EthicsPoint, allowing investigators to communicate with reporters to gather additional information while permitting anonymous reporters to maintain anonymity. The ability to obtain more actionable information through the platform, as well as having trained investigators on the team, is improving our capacity to act more effectively on all reports. The 2021 results below reflect outcomes for cases closed as of December 31, 2021 and may change as pending cases are closed.



### Case Closure Time

Case closure time is number of calendar days it takes to complete an investigation and close the case. Completing investigations in a timely fashion helps to cultivate a sense of trust with employees. The best-practice average case closure time is 30-days; workplace issues that persist for 40 days or more can be damaging to morale, productivity, and organizational culture. Often, as employee trust increases, organizations may notice more complex matters are reported, which requires commitment of additional time and resources to some investigations. The goal is to consider each report and allegation individually, to devote the appropriate resources necessary to conduct a thorough, high-quality investigation, and to reach resolution on reported matters as timely as possible.



## Conclusions and Opportunities for Improvement

### 2021 Hotline Highlights:

- Hired three additional investigators to promote and facilitate more consistency in investigative approach and fact and information gathering
- Continued improvement in reducing number of cases with insufficient information to investigate (6%) using platform tools to improve reporter engagement

In 2022 work will continue to improve faculty and staff recognition of issues and how to report them through the hotline and other reporting channels and consistency of investigative processes by:

- Integrating information about recognizing and effectively reporting issues into orientation and annual code of conduct trainings
- Working with HR and Title IX/Equity partners at each university to:
  - Build awareness and understanding among faculty and staff for identifying issues and knowing how and where to report concerns
  - Improve understanding of the universe of cases and issues reported across all reporting channels to gain insights, identify trends, and make recommendations for committing resources to effectively address areas of concern
  - Continue to improve and promote consistency in investigations and issues resolution
- Annual reporting of substantiated issues and trends to key leaders, including concerns not necessarily policy or regulatory violations, to supplement their understanding of concerns in their areas



External Auditor's Report  
UM

At the February 3, 2022 Board of Curators meeting, Rachel Dwiggin, Partner with BKD, LLP will present a summary of the fiscal year 2021 Financial Statement Audit, NCAA Agreed Upon Procedures, and the audit scope for fiscal year 2022.

The University of Missouri 2021 financial statement audit was completed on October 14, 2021. The Board of Curators will be provided with an overview of the audit results and the required communication as a part of the audit.

The University of Missouri NCAA Agreed Upon Procedures Reports ("NCAA Reports") for fiscal year 2021 were completed by the January 15<sup>th</sup> deadline. The reports will be provided together to the Board with the Federal Single Audit once complete by the March deadline.

The fiscal year 2022 Audit Scope presentation will provide an overview of scope of audit services, audit timeline, preliminary risk assessments and discussion on implementation of new accounting pronouncements effective for fiscal year ended June 30, 2022.

# University of Missouri System

## Report to the Board of Curators, Audit Committee and Management

October 14, 2021

Results of the 2021 financial statement audit and other required  
communications

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February 3, 2022



## Contents

### 2021 Audit Results

Summary of Our Audit Approach & Results.....	2
Significant Estimates .....	3
Opinions.....	3
Required Communications.....	4

### Appendix

Management Representation Letter & Schedule of Uncorrected Misstatements .....	Attachment
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October 14, 2021

The Board of Curators, Audit Committee and Management  
University of Missouri System  
Columbia, Missouri

Dear Board of Curators, Audit Committee and Management:

We have completed our audit of the financial statements of the business-type activities and the fiduciary activities of the University of Missouri System (collectively referred to as the “System”), as of and for the year ended June 30, 2021. This report includes communication required under auditing standards generally accepted in the United States of America as well as other matters.

Our audit plan represented an approach responsive to the assessment of risk of material misstatement in financial reporting for the System. Specifically, auditing standards require us to:

- Express an opinion on the June 30, 2021, financial statements and supplementary information of the System
- Report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*
- Issue communications required under auditing standards generally accepted in the United States of America to assist the board in overseeing management’s financial reporting and disclosure process

This report also presents an overview of areas of audit emphasis, as well as future accounting standards and industry developments for the higher education and health care environments.

This communication is intended solely for the information and use of management, the Board of Curators, the Audit Committee and others within the System and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Rachel Dwiggins  
Partner

## Summary of Our Audit Approach & Results

### Our Approach

BKD’s audit approach focuses on areas of higher risk—the unique characteristics of the System’s operating environment, the design effectiveness of your internal controls and your financial statement amounts and disclosures. The objective is to express an opinion on the conformity of your financial statements, in all material respects, with accounting principles generally accepted in the United States of America.

### Areas of Audit Emphasis

The principal areas of audit emphasis and results were as follows:

Risk Area	Results
<ul style="list-style-type: none"> <li>• <i>Management override of controls</i> – The risk that management may override existing and functioning accounting controls is an inherent risk to the System.</li> </ul>	<ul style="list-style-type: none"> <li>➤ No matters are reportable.</li> </ul>
<ul style="list-style-type: none"> <li>• <i>Revenue recognition</i> – The risk that revenue is improperly categorized or recorded in the improper period. This risk includes timing of recognition of tuition and fee revenue and the consideration of the allowance for doubtful accounts.</li> </ul>	<ul style="list-style-type: none"> <li>➤ No matters are reportable.</li> </ul>
<ul style="list-style-type: none"> <li>• <i>Revenue recognition (health system)</i> – The risk that revenue is improperly categorized or recorded in the improper period. This risk includes consideration of the allowance for doubtful accounts, contractual allowances and consideration of amounts due to/from third-party payers.</li> </ul>	<ul style="list-style-type: none"> <li>➤ No matters are reportable.</li> </ul>
<ul style="list-style-type: none"> <li>• <i>Valuation of investments</i> – The assumptions and methods used by management to value difficult-to-value investments, such as alternative investments and the related derivative instrument liabilities.</li> </ul>	<ul style="list-style-type: none"> <li>➤ No matters are reportable.</li> </ul>
<ul style="list-style-type: none"> <li>• <i>Net position classification</i> – The risk that management has improperly classified ending net position.</li> </ul>	<ul style="list-style-type: none"> <li>➤ No matters are reportable.</li> </ul>
<ul style="list-style-type: none"> <li>• <i>Stimulus funding</i> – The risk that government stimulus awards and grants is improperly categorized or recorded in the improper period. The risk includes timing of recognition of stimulus awards. Our single audit will address proper use of awards.</li> </ul>	<ul style="list-style-type: none"> <li>➤ No matters are reportable.</li> </ul>

## Significant Estimates

The preparation of the financial statements requires considerable judgment because some assets, liabilities, revenues and expenses are “estimated” based on management’s assumptions about future outcomes. Estimates may be dependent on assumptions related to economic or environmental conditions, regulatory reform or changes in industry trends.

Some estimates are inherently more difficult to evaluate and highly susceptible to variation because the assumptions relating to future outcomes have a higher degree of uncertainty. To the extent future outcomes are different than expected, management’s estimates are adjusted in future periods, sometimes having a significant effect on subsequent period financial statements. The following are considered to be significant estimates for the System:

- **Third-party Reimbursement** – Net operating revenues include management’s estimates of amounts to be reimbursed by third parties. Amounts received for patient billings are generally less than amounts billed. The difference between what is billed and expected to be received is recorded through contractual adjustments. Management’s process of estimating amounts to be received from third parties requires estimation based on payer classification, historical data and payer contract provisions. Estimates of third-party reimbursements also include management assumptions about uncertainties in health care reform, payer mix and state of the economy.
- **Allowance for Doubtful Accounts** – Primary collection risks related to patient accounts receivable include uninsured patients and patient balances where the insurance payer did not pay the entire balance. Management’s estimate for allowance for doubtful accounts is based on historical collection, payer mix and anticipated trends. Similar to third-party reimbursements, management assumptions about the economy and types of payers affect the estimation of allowance for doubtful accounts.
- **Valuation of Investment Securities** – Management values investments at fair value as of the balance sheet date. Accounting standards define fair value as the price that would be received to sell a financial asset in an orderly transaction between market participants at the measurement date. Investments are valued using quoted market prices or third-party sources, including appraisers and valuation specialists, when available.
- **Accrual for Malpractice Claims, General Liability Claims, Health Claims and Workers’ Compensation Claims** – These liability claims are based on estimates of known claims and estimates for incurred but not reported claims. Management estimates the liability based on specific claim facts, historical claim reporting and actuarial assumptions.
- **Defined Benefit Pension and Other Postemployment Benefit Plan Assumptions** – Assumptions are based on actuarial valuations based on age of participants, past history of the System and expected future return on investments.

## Opinions

### Unmodified, or “Clean,” Opinions Issued on Financial Statements

We have issued unmodified opinions as to whether the business-type activities, the fiduciary activities and the discretely presented component unit of the System, as of and for the year ended June 30, 2021, are fairly presented, in all material respects.

## Required Communications

Generally accepted auditing standards require the auditor to provide to those charged with governance additional information regarding the scope and results of the audit that may assist you in overseeing management’s financial reporting and disclosure process. Below, we summarize these required communications.

### **Auditor’s Responsibility Under 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**

An audit performed 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 is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this communication or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Area	Comments
<p><b>Significant Accounting Policies</b></p> <p>Significant accounting policies are described in <i>Note 1</i> of the financial statements.</p>	<ul style="list-style-type: none"> <li>No matters are reportable</li> </ul>
<p><b>Alternative Accounting Treatments</b></p> <p>We had discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices for material items, including recognition, measurement and disclosure considerations related to the accounting for specific transactions as well as general accounting policies listed in the adjacent comments section.</p>	<ul style="list-style-type: none"> <li>No matters are reportable</li> </ul>

Area	Comments
<p><b>Management Judgments &amp; Accounting Estimates</b></p> <p>Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Areas involving significant areas of such estimates for which we are prepared to discuss management’s estimation process and our procedures for testing the reasonableness of those estimates are listed in the adjacent comments section.</p>	<ul style="list-style-type: none"> <li>• Refer to Significant Estimates section of this report</li> </ul>
<p><b>Financial Statement Disclosures</b></p> <p>The areas listed in the adjacent comments section involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures.</p>	<ul style="list-style-type: none"> <li>• Fair Value of Assets and Liabilities</li> <li>• Retirement, Disability and Death Benefit Plan</li> <li>• Other Postemployment Benefits</li> </ul>
<p><b>Audit Adjustments</b></p> <p>During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.</p>	<p>Areas in which adjustments were proposed include:</p> <p><u>Proposed Audit Adjustments Recorded</u></p> <ul style="list-style-type: none"> <li>• No matters are reportable</li> </ul> <p><u>Proposed Audit Adjustments Not Recorded</u></p> <p>See attached for a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.</p>
<p><b>Auditor’s Judgments About the Quality of the System’s Accounting Policies</b></p> <p>During the course of the audit, we made observations regarding the System’s application of accounting principles listed in the adjacent comments section.</p>	<ul style="list-style-type: none"> <li>• No matters are reportable</li> </ul>



Area	Comments
<p><b>Other Information in Documents Containing Audited Financial Statements</b></p> <p>The audited financial statements are included in the System’s annual report. As part of our procedures, we read the entire report to determine if financial information discussed in sections outside the financial statements materially contradicts the audited financial statements. If we identify any such matters, we bring them to management’s attention and review subsequent revisions.</p>	<ul style="list-style-type: none"> <li>No matters are reportable</li> </ul>

**Other Material Communications**

Other material communications between management and us related to the audit include:

- Management representation letter (*attached*)
- We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies.

\* \* \* \* \*

This communication is intended solely for the information and use of management, the Board of Curators, the Audit Committee and others within the System and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLP*

Kansas City, Missouri  
October 14, 2021

Representation of:  
The Board of Curators  
c/o Mr. Ryan Rapp  
Vice President for Finance and Operations,  
Chief Financial Officer and Treasurer  
University of Missouri System  
311 Jesse Hall  
Columbia, Missouri 65211



Provided to:  
**BKD, LLP**  
Certified Public Accountants 1201 Walnut Street, Suite 1700  
Kansas City, Missouri 64106-2246

The undersigned ("We") are providing this letter in connection with BKD's audits of our financial statements as of and for the years ended June 30, 2021 and 2020 and your audit of our compliance with requirements applicable to each of our major federal awards programs as of and for the year ended June 30, 2021.

Our representations are current and effective as of the date of BKD's report: October ~~13~~, 2021.

Our engagement with BKD is based on our contract for services dated: May 13, 2021.

#### **Our Responsibility and Consideration of Material Matters**

We confirm that we are responsible for the fair presentation of the financial statements subject to BKD's report in conformity with accounting principles generally accepted in the United States of America.

We are also responsible for adopting sound accounting policies; establishing and maintaining effective internal control over financial reporting, operations, and compliance; and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

#### **Confirmation of Matters Specific to the Subject Matter of BKD's Report**

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation, and maintenance of:
  - a. Internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
  - b. Internal control to prevent and detect fraud.

3. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audits.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. All minutes of meetings of the governing body held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the governing body, if applicable, and maintained as part of our records.
  - e. All significant contracts and grants.
4. All transactions have been recorded in the accounting records and are reflected in the financial statements.
5. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:
  - a. Misappropriation of assets.
  - b. Misrepresented or misstated assets, deferred outflows of resources, liabilities, deferred inflows of resources, or net position.
6. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
7. We have no knowledge of any known or suspected fraudulent financial reporting or misappropriation of assets involving:
  - a. Management or employees who have significant roles in internal control, or
  - b. Others, where activities of others could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, customers, regulators, suppliers, or others.
9. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.
10. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

February 3, 2022

We understand that the term related party refers to an affiliate, management and members of their immediate families, component units, and any other party with which the entity may deal if the entity can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

11. Except as reflected in the financial statements, there are no:
  - a. Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.
  - b. Material transactions omitted or improperly recorded in the financial records.
  - c. Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
  - d. Events occurring subsequent to the statement of net position date through the date of this letter requiring adjustment or disclosure in the financial statements.
  - e. Agreements to purchase assets previously sold.
  - f. Restrictions on cash balances or compensating balance agreements.
  - g. Guarantees, whether written or oral, under which the entity is contingently liable.
12. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
13. We have no reason to believe the entity owes any penalties or payments under the Employer Shared Responsibility Provisions of the Patient Protection and Affordable Care Act nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.
14. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
15. We have informed you of all pending or completed investigations by regulatory authorities of which we are aware. There are no known circumstances that could jeopardize the University of Missouri System's participation in the Medicare or other governmental health care programs.
16. Adequate provisions and allowances have been accrued for any material losses from:
  - a. Uncollectible receivables.
  - b. Reducing obsolete or excess inventories to estimated net realizable value.
  - c. Sales commitments, including those unable to be fulfilled.
  - d. Purchase commitments in excess of normal requirements or above prevailing market prices.

February 3, 2022

- e. Medicare/Medicaid and other third-party contractual, audit or other adjustments.
17. Except as disclosed in the financial statements, the entity has:
- a. Satisfactory title to all recorded assets, and they are not subject to any liens, pledges, or other encumbrances.
  - b. Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.
18. With respect to the System's possible exposure to past or future medical malpractice assertions:
- a. We have disclosed to you all incidents known to us that could possibly give rise to an assertion of malpractice.
  - b. All known incidents have been appropriately considered in our medical malpractice liability accrual.
  - c. We believe our accruals of malpractice claims are sufficient for all known and probable potential claims.
19. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the statement of net position date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur that would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
20. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.
21. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
22. With respect to any nonattest services you have provided us during the year, including agreed-upon procedures in connection with the Missouri Health System's compliance with specified terms of the Corporate Integrity Agreement with the Office of the Inspector General:
- a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
  - b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.

February 3, 2022

- c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
  - d. We have evaluated the adequacy of the services performed and any findings that resulted.
23. With regard to deposit and investment activities:
- a. All deposit, repurchase and reverse repurchase agreements, and investment transactions have been made in accordance with legal and contractual requirements.
  - b. Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
  - c. We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.
24. As an entity subject to Government Auditing Standards:
- a. We acknowledge that we are responsible for compliance with applicable laws, regulations, and provisions of contracts and grant agreements.
  - b. We have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
  - c. We have identified and disclosed to you any violations or possible violations of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.
  - d. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts, or violations of provisions of contracts or grant agreements that you or other auditors report.
  - e. We have a process to track the status of audit findings and recommendations.
  - f. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements, or other studies.
  - g. We have provided our views on any findings, conclusions, and recommendations, as well as our planned corrective actions with respect thereto, to you for inclusion in the findings and recommendations referred to in your report on internal control over financial reporting and on compliance and other matters based on your audit of the financial statements performed in accordance with Government Auditing Standards.
25. With regard to federal awards programs:
- a. We have identified in the schedule of expenditures of federal awards all assistance provided (either directly or passed through other entities) by federal agencies in the form of grants, contracts,

loans, loan guarantees, property, cooperative agreements, interest subsidies, commodities, insurance, direct appropriations, or in any other form.

26. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis, pension, and other postemployment benefit information, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions, and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.
27. With regard to supplementary information:
  - a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
  - b. We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
  - c. The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period.
  - d. We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.
  - e. If the supplementary information is not presented with the audited financial statements, we acknowledge we will make the audited financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor's report are issued.
28. Billings to third-party payers comply in all material respects with applicable coding guidelines, laws and regulations. Billings reflect only charges for goods and services that were medically necessary; properly approved by regulatory bodies, if required; and properly rendered.
29. With regard to cost reports filed with Medicare, Medicaid or other third parties:
  - a. All required reports have been properly filed.
  - b. Management is responsible for the accuracy and propriety of those reports.
  - c. All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient-related and properly allocated to applicable payers.
  - d. The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations.
30. We acknowledge the current economic volatility presents difficult circumstances and challenges for our industry. Entities are potentially facing declines in the fair values of investments and other

assets, declines in the volume of business, constraints on liquidity, difficulty obtaining financing, etc. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for accounts and notes receivable, etc., that could negatively impact the entity.

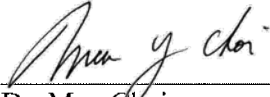
We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the entity's financial statements. Further, management and governance are solely responsible for all aspects of managing the entity, including questioning the quality and valuation of investments, inventory, and other assets; reviewing allowances for uncollectible amounts; evaluating capital needs and liquidity plans.


31. In regard to the Master Strategic Alliance Agreement between Siemens Medical Solutions USA, Inc. and us, there currently are no assets in the "Healthcare Innovation Fund."
32. The System has revised the 2020 financial statements to conform with accounting principles generally accepted in the United States of America. Management has provided you with all relevant information regarding the revision. We are not aware of any other known matters that require correction in the financial statements.
33. With regard to the payments received from the Provider Relief Fund established by the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act), we represent the following:
  - a. To the extent revenue has been recognized, we believe we have met the eligibility requirements as outlined in the U.S. Department of Health and Human Services' (HHS) terms and conditions for the Provider Relief Fund.
  - b. We believe the method we have utilized to recognize revenue associated with the Provider Relief Fund is consistent with acceptable methods outlined in HHS' terms and conditions and other guidance available as of June 30, 2021.
  - c. Consistent with the terms and conditions established by HHS and other guidance available as of June 30, 2021, Provider Relief Fund payments were not used to reimburse expenses or losses that have been reimbursed or are obligated to be reimbursed by other sources, including payments from insurance and/or patients and amounts received from federal, state, or local governments.
  - d. We have evaluated the "Post-Payment Notice of Reporting Requirements" (Notice) and the Frequently Asked Questions (FAQs) issued by HHS subsequent to June 30, 2021, in accordance with GASB codification Section 2250 and have concluded as follows:
    - June 2020 FAQs – recognized
    - September 2020 Notice – nonrecognized
    - October 2020 Notice & FAQs – nonrecognized
    - July 1, 2021 FAQs – recognized
  - e. For guidance issued subsequent to June 30, 2021, considered nonrecognized subsequent events, we have reviewed this guidance and believe it will not have a material impact on the amount of Provider Relief Fund the System has recognized through June 30, 2021. In addition, we acknowledge that HHS may issue new guidance that could have a material impact on the amount of revenue recognized from the Provider Relief Fund as of June 30, 2021.

February 3, 2022



- f. We understand that amounts recognized on the Schedule of Expenditures of Federal Awards may differ from amounts recognized on the financial statements.

  
\_\_\_\_\_  
Dr. Mun Choi  
President

  
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Ryan Rapp  
Executive Vice President for Finance & Operations,  
Chief Financial Officer and Treasurer

February 3, 2022

**University of Missouri System**  
ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

**Business Type Activities (Government-Wide Statements)**

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	1,580,627	5,827	1,586,454	0.37%
Non-Current Assets & Deferred Outflows	8,859,575	2,868	8,862,443	0.03%
Current Liabilities	(983,748)	(14,834)	(998,582)	1.51%
Non-Current Liabilities & Deferred Inflows	(3,196,607)		(3,196,607)	
Current Ratio	1.61		1.59	-1.12%
Total Assets & Deferred Outflows	10,440,202	8,695	10,448,897	0.08%
Total Liabilities & Deferred Inflows	(4,180,355)	(14,834)	(4,195,189)	0.35%
Total Net Position	(6,259,847)	6,139	(6,253,708)	-0.10%
Total Revenue	(4,799,898)	(1,578)	(4,801,476)	0.03%
Total Expense	3,546,794	(281)	3,546,513	-0.01%
Change in Net Position	(1,253,104)	(1,859)	(1,254,963)	0.15%

February 3, 2022

Description	Financial Statement Line Item	Factual (F), Judgmental (J) or Projected (P)	Assets & Deferred Outflows		Liabilities & Deferred Inflows		Total Revenue	Total Expense	Net Position	Net Effect on Following Year	
			Current	Noncurrent	Current	Noncurrent				Change in Position	Net Position
			DR (CR)	DR (CR)	DR (CR)	DR (CR)				DR (CR)	DR (CR)
Aggregation of GAAP Exceptions		F	4,202	2,868	(10,609)	0	(1,578)	(2,881)	7,998	(3,539)	3,539
	Current Assets		4,202							(3,539)	
	Current Liabilities				(10,609)						3,539
	Revenue						(6,152)				
	Operating Expenses							9,691			
	PY Turnaround						4,574	(12,572)	7,998		
	Noncurrent assets			2,868							
Increase allowance on University Physician		J	(2,600)	0	0	0	0	2,600	0	0	0
	Bad Debt Expense							2,600			
	Allowance for Doubtful Accounts		(2,600)								
Reclassify patient refunds		F	4,225	0	(4,225)	0	0	0	0	0	0
	Patient receivables		4,225								
	Accounts payable				(4,225)						
			0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0
<b>Total passed adjustments</b>			<b>5,827</b>	<b>2,868</b>	<b>(14,834)</b>	<b>0</b>	<b>(1,578)</b>	<b>(281)</b>	<b>7,998</b>	<b>(3,539)</b>	<b>3,539</b>
										<b>Impact on Change in Net Position</b>	<b>(1,859)</b>
										<b>Impact on Net Position</b>	<b>6,139</b>



# University of Missouri System

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**Board of Curators**

**Rachel Dwiggins, CPA**

OPEN – ACE – INFO 3-20

**BKD**  
CPAs & Advisors  
February 3, 2022

# OUR GOALS FOR TODAY

1

2021 Audit Results

2

NCAA Agreed-Upon Procedures Results

3

2022 External Audit Scope

# AUDIT APPROACH

## Financial reporting

- › U.S. Generally Accepted Accounting Principles

## Auditing standards

- › Auditing standards generally accepted in the United States of America
- › *Government Auditing Standards*

## Compliance

- › Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)

# AUDIT APPROACH

## *FINANCIAL STATEMENT AUDIT*

- Audit of financial statements of
  - › University of Missouri System
  - › Capital Region Medical Center
- Objective
  - › Express opinion on conformity of financial statements, in all material respects, with accounting principles generally accepted in the United States of America

# AREAS OF AUDIT EMPHASIS

- › Communicated during planning

Risk Area	Results
Management override of controls	No matters are reportable.
Revenue recognition	No matters are reportable.
Revenue recognition (health system)	No matters are reportable.
Valuation of investments	No matters are reportable.
Net position classifications	No matters are reportable.
Stimulus funding	No matters are reportable.



# Significant Estimates

- Third-party Reimbursement
- Allowance for Doubtful Accounts
- Valuation of Investment Securities
- Accruals
  - › Malpractice Claims
  - › General Liability Claims
  - › Health Claims
  - › Workers' Compensation Claims
- Defined Benefit Pension & Other Postemployment Benefit Plan Assumptions

# AUDIT APPROACH

## COMPLIANCE AUDIT

- Audit the compliance of certain major federal programs:
  - › Research & Development Federal Awards
  - › Supplemental Nutrition Assistance Program (SNAP) Awards
  - › Special Education Awards (IDEA)
  - › Small Business Administration (SBA) Awards
  - › Covid-19 Education Stabilization Awards (HEERF)
  - › Substance Abuse & Mental Health Services Awards
  - › Provider Relief Fund (PRF)
- Objective
  - › Express opinion on compliance for certain major federal programs based on requirements described in the *OMB Compliance Supplement*

# REQUIRED COMMUNICATIONS

- Communicated during planning

Area	Comments
Significant Accounting Policies	Described in Note 1 of the financial statements. GASB 89 was adopted during fiscal year 2021.
Alternative Accounting Treatments	No matters are reportable.
Financial Statement Disclosures	<ul style="list-style-type: none"><li>Fair Value of Assets and Liabilities</li><li>Retirement, Disability &amp; Death Benefit Plan</li><li>Other Postemployment Benefits</li></ul>
Auditor's Judgments About the Quality of the System's Accounting Policies	No matters are reportable.

# REQUIRED COMMUNICATIONS – CONT.

Area	Comments
Audit Adjustments	<p>Proposed audit adjustments recorded:</p> <ul style="list-style-type: none"><li>• None</li></ul> <p>Proposed audit adjustments not recorded:</p> <p><u>System:</u></p> <ul style="list-style-type: none"><li>• Increase allowance on University Physicians receivables</li><li>• Reclassify patient refunds and third party settlements</li><li>• Aggregate of other immaterial items</li></ul> <p><u>Pension Trust Funds</u> (Aggregate Remaining Fund opinion unit):</p> <ul style="list-style-type: none"><li>• None</li></ul>

# OTHER DELIVERABLES

## Issued

- › Financial Statements of Capital Region Medical Center
- › Report on Debt Compliance of Capital Region Medical Center
- › NCAA Agreed-Upon Procedures

## To be Issued

- › Single Audit report in accordance with Uniform Guidance

# REPORT OPINIONS

Independent Auditor's Report –  
Unmodified Opinions

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

# NCAA AGREED-UPON PROCEDURES RESULTS

## Division I Institutions

- Required annually

## Division II Institutions

- Required every three years

Performed for all campuses in 2021

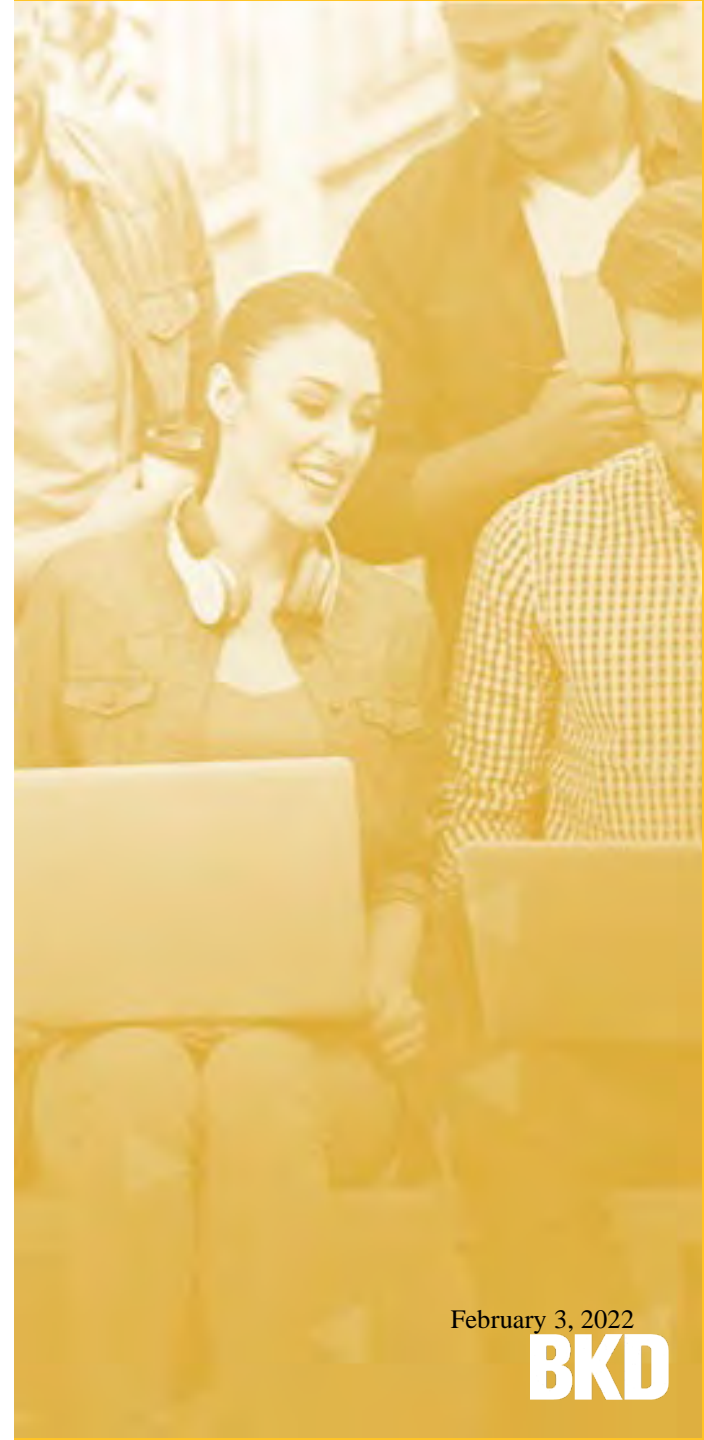
# 2022 EXTERNAL AUDIT SCOPE

- 1 Engagements
- 2 Audit Timeline
- 3 Audit Approach
- 4 Appendix: Personnel
- 5 Questions



# Engagements

- Audit of financial statements of
  - › University of Missouri System
  - › Capital Region Medical Center
- Single Audit in accordance with OMB Uniform Guidance
- Minimum Agreed-Upon Procedures required by NCAA for
  - › Columbia
  - › Kansas City



# AUDIT TIMELINE

## Preliminary audit work

- › Pre-audit planning meeting – Spring 2022
- › Interim procedures, risk assessment & other planning – May 2022
- › Student financial aid testing – July 2022

## Final audit work

- › Fieldwork procedures – August/September/October 2022
- › Issuance of financial statement audits – October 2022
- › Additional federal program testing – October 2022 – January 2023

## NCAA procedures – November/December 2022

# AUDIT APPROACH – APPLICABLE FRAMEWORK

## Financial Reporting

- U.S. Generally Accepted Accounting Principles

## Auditing Standards

- Auditing standards generally accepted in the United States of America
- *Government Auditing Standards*

## Compliance

- Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)

# AUDIT APPROACH - PLANNING

## Risk assessment

- › Obtain an understanding of business & business environment
  - Interviews with management
  - Review of Board minutes & presentations
- › Evaluate where financial statements might be susceptible to material misstatement or fraud
- › Consider internal controls over financial reporting & whether they have been implemented
  - Perform walkthrough tests of controls
  - Review duties of employees for issues in control structure
- › Assess risk of material misstatement for significant financial statement amounts and disclosures

# AUDIT APPROACH – PRELIMINARY RISK ASSESSMENT

## Financial Statement

- › Valuation of investments
- › Revenue recognition
- › Valuation of receivables & third-party payors
- › Presentation of net position
- › Leases

## Other

- › Compliance
- › Risk management

Risk assessment procedures may identify others

# AUDIT APPROACH – NEW STANDARDS

## **GASB No. 87, *Leases***

- Most leases previously classified as operating leases will recognize lease assets and liabilities.

## **GASB No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans***

- The System is in the process of evaluating any potential impact

# APPENDIX – BKD AUDIT PERSONNEL & ROLES

Name	Role	Contact Details
Rachel Dwiggin	Lead Engagement Partner	Phone: 816.489.4033 E-mail: rdwiggin@bkd.com
Fred Helfrich	Healthcare Engagement Partner	Phone: 314.802.0127 E-mail: fhelfrich@bkd.com
Mary McKinley	Concurring Review Partner	Phone: 502.963.0854 E-mail: mmckinley@bkd.com
Jean Nyberg	Engagement Partner for CRMC	Phone: 417.865.8701 E-mail: jnyberg@bkd.com
Michael Flaxbeard	Engagement Director for the System	Phone: 816.221.6300 E-mail: mflaxbeard@bkd.com
Allison Swaters	Engagement Director for the Single Audit	Phone: 816.221.6300 E-mail: aswaters@bkd.com

February 3, 2022





# Questions?

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OPEN – ACE – INFO 3-40

**BKD**  
CPAs & Advisors  
February 3, 2022





# Thank You!

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OPEN – ACE – INFO 3-41

**BKD**  
CPAs & Advisors

February 3, 2022

Engagement of Independent Auditors and Related Fees  
UM

The Executive Vice President for Finance and Operations and CFO recommends BKD LLP be employed to provide audit services to the University of Missouri for fiscal year 2022 for fees of \$567,567 plus expenses not to exceed \$70,990. Total fees and expenses of \$638,557 represents an overall increase of 2.5%, which includes a 7.0% increase in the Consumer Price Index as well as decrease in scope of 4.5% over the prior fiscal year.

Fiscal year 2022 fees cover the following audit services: combined financial statements of the University of Missouri System, compliance audit of the University of Missouri System in accordance with OMB Uniform Guidance; financial statements of Capital Region Medical Center; and minimum agreed-upon procedures required by the NCAA for the Intercollegiate Athletics Departments of the University of Missouri -Columbia and University of Missouri-Kansas City.

Fees for required NCAA Athletic Department minimum agreed upon procedures decreased by \$27,030 due to the exclusion of University of Missouri St. Louis and Missouri S&T athletic departments from the agreed upon procedure engagements. The NCAA requires minimum agreed-upon procedures for a Division II university intercollegiate athletic programs be performed every three years. These procedures were performed for the Missouri University of Science and Technology and University of Missouri – St. Louis in fiscal year 2021 and will not be required until fiscal year 2024.

February 3, 2022

**University of Missouri System**

Audits of Fiscal year ended June 30, 2022

	Fees				Expenses				Total Fees & Expenses FY 2021	Total Fees & Expenses FY 2022
	6/30/2021 Fees	Inflation Adjustment	Known scope change	Total Fees FY 2022	6/30/2021 Expenses	Inflation Adjustment	Known scope change	Total Expenses FY 2022		
Combined financial statements of the University of Missouri System	\$ 222,075	\$ 15,545	\$ -	\$ 237,620	\$ 38,000	\$ 2,660	\$ -	\$ 40,660	\$ 260,075	\$ 278,280
Compliance audit of the University of Missouri System in accordance with OMB Uniform Guidance	\$ 122,063	\$ 8,544	\$ -	\$ 130,607	\$ 11,000	\$ 770	\$ -	\$ 11,770	\$ 133,063	\$ 142,377
Financial statements of the University Health System	\$ 78,750	\$ 5,513	\$ -	\$ 84,263	\$ 8,700	\$ 609	\$ -	\$ 9,309	\$ 87,450	\$ 93,572
Financial statements of the Capital Region Medical Center	\$ 78,750	\$ 5,513	\$ -	\$ 84,263	\$ 7,600	\$ 532	\$ -	\$ 8,132	\$ 86,350	\$ 92,395
Minimum agreed-upon procedures required by the NCAA for the Intercollegiate Athletics Departments of the Columbia and Kansas City campuses	\$ 54,060	\$ 3,784	\$ (27,030)	\$ 30,814	\$ 1,700	\$ 119	\$ (700)	\$ 1,119	\$ 55,760	\$ 31,933
<b>Total</b>	<b>\$ 555,698</b>	<b>\$ 38,899</b>	<b>\$ (27,030)</b>	<b>\$ 567,567</b>	<b>\$ 67,000</b>	<b>\$ 4,690</b>	<b>\$ (700)</b>	<b>\$ 70,990</b>	<b>\$ 622,698</b>	<b>\$ 638,557</b>

Additional audit hours incurred beyond the anticipated normal scope of auditing services will be discussed with UMS management on a timely basis and additional billings will be negotiated at an hourly rate of \$210.00. The following instances are considered a change in the normal scope of the audits: 1) greater than six major federal award programs under OMB Uniform Guidance Single Audit and the effects of requirements imposed on Federal dollars related to the stimulus funding 2) implementation of new Governmental Accounting Standards Board Statements, Accounting Standards Codifications (including the additional effects that ASC's may have at CRMC), or AICPA Auditing Standards, 3) scope of audit work changing dramatically, significant difficulties encountered beyond the expected scope of the audits, or inefficiencies caused by delays in PBC's not being completed according to originally agreed upon schedule. The above noted fees assume between 150 and 200 hours of direct audit assistance will be provided from a University Intern.

No. 1

Recommended Action – Engagement of Independent Auditors and Related Fees, UM

It was recommended by Executive Vice President Rapp, endorsed by President Choi, moved by Curator \_\_\_\_\_, seconded by Curator \_\_\_\_\_, that the following action be approved:

that the Executive Vice President for Finance and Operations and CFO be authorized to employ the firm of BKD LLP to provide audit services to the University of Missouri for fiscal year ending June 30, 2022 for fees of \$638,557.

Roll call vote of Committee:            YES            NO

Curator Brncic  
Curator Graham  
Curator Holloway  
Curator Layman

The motion \_\_\_\_\_.

Roll call vote:                            YES            NO

Curator Brncic  
Curator Chatman  
Curator Graham  
Curator Graves  
Curator Hoberock  
Curator Holloway  
Curator Layman  
Curator Wenneker  
Curator Williams

The motion \_\_\_\_\_.

No. 2

Recommended Action - Resolution for Executive Session of the Audit Committee, February 3, 2022

It was moved by Curator \_\_\_\_\_ and seconded by Curator \_\_\_\_\_, that there shall be an executive session with a closed record and closed vote of the Board Audit, Compliance and Ethics Committee meeting February 3, 2022, for consideration of:

- **Section 610.021(1), RSMo**, relating to matters identified in that provision, which include legal actions, causes of action or litigation, and confidential or privileged communications with counsel; and
- **Section 610.021(3), RSMo**, relating to matters identified in that provision, which include hiring, firing, disciplining, or promoting of particular employees; and
- **Section 610.021(12), RSMo**, relating to matters identified in that provision, which include sealed bids and related documents and sealed proposals and related documents or documents related to a negotiated contract; and
- **Section 610.021(13), RSMo**, relating to matters identified in that provision, which include individually identifiable personnel records, performance ratings, or records pertaining to employees or applicants for employment; and
- **Section 610.021 (17), RSMo**, relating to matters identified in that provision, which include confidential or privileged communications between a public governmental body and its auditor.

Roll call vote of the Committee:                      YES                      NO

Curator Brncic

Curator Graham

Curator Holloway

Curator Layman

The motion \_\_\_\_\_.

February 3, 2022

UNIVERSITY OF MISSOURI-COLUMBIA  
CAMPUS HIGHLIGHTS

There are no materials for this information item.

STRATEGIC THEME DISCUSSION –  
STUDENT SUCCESS

There are no materials for this information item.

GOOD AND WELFARE  
OF THE BOARD

There are no materials for this information item.



No. 1

Recommended Action – Resolution for Executive Session of the Board of Curators Meeting February 3, 2022

It was moved by Curator \_\_\_\_\_ and seconded by Curator \_\_\_\_\_, that there shall be an executive session with a closed record and closed vote of the Board of Curators meeting February 3, 2022 for consideration of:

- **Section 610.021(1), RSMo**, relating to matters identified in that provision, which include legal actions, causes of action or litigation, and confidential or privileged communications with counsel; and
- **Section 610.021(2), RSMo**, relating to matters identified in that provision, which include leasing, purchase, or sale of real estate; and
- **Section 610.021(3), RSMo**, relating to matters identified in that provision, which include hiring, firing, disciplining, or promoting of particular employees; and
- **Section 610.021(12), RSMo**, relating to matters identified in that provision, which include sealed bids and related documents and sealed proposals and related documents or documents related to a negotiated contract; and
- **Section 610.021 (13), RSMo**, relating to matters identified in that provision, which include individually identifiable personnel records, performance ratings, or records pertaining to employees or applicants for employment.

Roll call vote of the Board:

YES

NO

Curator Brncic

Curator Chatman

Curator Graham

Curator Graves

Curator Hoberock

Curator Holloway

Curator Layman

Curator Wenneker

Curator Williams

The motion \_\_\_\_\_.

February 3, 2022

OPEN – GB XI 1-1