

FY 2019 Financial Status Report  
UM

At the September 26 Board of Curators meeting, Vice President Ryan Rapp will present the annual financial status report, reflecting on the University's performance for Fiscal Year 2019. The report will include an update on the University's overall financial position along with a breakdown of performance across business units. The Board will receive copies of the financial statements for the University when complete in October.

**HIGHER EDUCATION MARKET SHIFTS REWARD SCALE**

In June 2019, Moody's released their annual report, "Higher Education Public University Medians", that outlines the financial performance for higher education over the preceding fiscal year (FY), in this case FY 2018. Moody's notes public higher education institutions continue to face a challenging environment with low revenue growth forcing an emphasis on cost containment for the sector. Going forward, modest increases in state support and low tuition growth will continue to limit total revenue growth. The stress will be most acute for small to moderate sized universities compared to comprehensive research universities which continue to outperform. Key themes for sector performance include:

- *Muted revenue growth and cost containment highlight financial challenges.* Revenue growth for the sector dropped to just 2.4% from 2.9% from the prior year. Expense growth remained above 3%, continuing to narrow operating margins.
- *Slowing revenue growth hit smaller institutions harder.* Small and moderate-sized public universities face the most revenue difficulties, growing at a median 1.5% and 1.8%, respectively. Large research universities, particularly those with academic medical centers that benefited from high patient revenue growth, outperformed peers.
- *The median change in net tuition revenue dropped for a third year in a row, highlighting affordability pressures.* Median growth in net tuition per student dropped to 2.6% while the median growth in enrollment fell slightly, slowing a trend of high growth over the past decade.
- *Financial resources are solid and growing.* Median total cash and investments continued solid growth, with a median 3% growth over the prior year, covering two thirds of annual operating expenses.
- *Leverage remains manageable even as median debt increased by 5%, higher than revenue growth.* Capital investment continued to outpace depreciation, however, the average age of plant continues to increase, indicating longer challenges and growing deferred maintenance at public universities.
- *Retirement liabilities are a growing credit challenge.* Median adjusted total debt, which includes pension liabilities, increased more than twice total direct debt for public universities, a trend that is expected to continue.

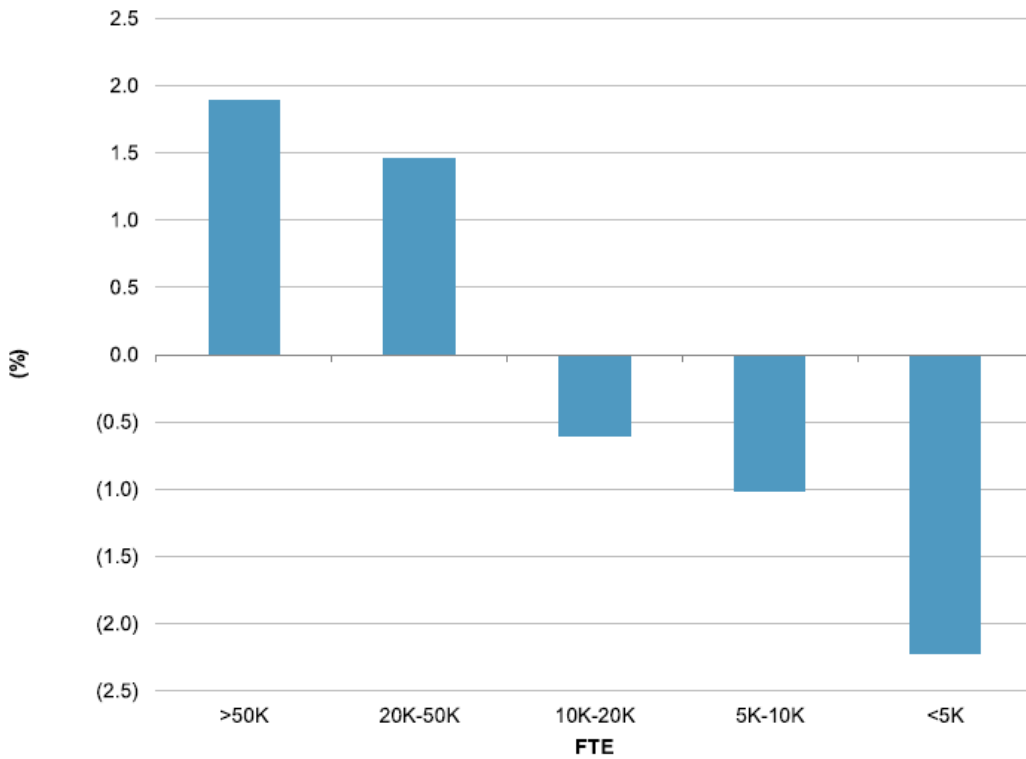
Standard & Poor's (S&P) "U.S. Public College and University Fiscal 2018 Median Ratios" report notes public college and universities were generally favorable in FY 2018 although the disparity between the higher and lower rated schools continues to widen. S&P notes larger institutions generally experienced steady to growing enrollment and strong

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investment returns leading to stable financial operating performance. Smaller, regional schools continue to face enrollment declines from changing demographics and increased competition leading to stressed financial operations. Key takeaways from the report include:

- Public college and university ratios were generally stable for FY 2018, except for the lower end of the spectrum which experienced erosion.
- Sector wide, median full-time equivalent enrollment was down 1.0% for the year.
- Nearly 90% of rated U.S. public institutions maintained stable outlooks as of May 2019.
- In the past year, 85% of non-affirming rating actions were either negative outlook revisions or downgrades.

**Public Colleges And Universities -- Fiscal 2018 Net Operating Margin By Enrollment Size**



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Looking ahead, S&P believes the FY 2018 medians support the negative outlook for the sector. As pressures continue throughout the industry, regional public institutions and in particular smaller institutions will likely continue to face enrollment and operational challenges. S&P expects the trend of divergence in performance between the largest and smallest schools to continue into the future.

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## UNIVERSITY OF MISSOURI FINANCIAL STATEMENTS

For FY 2019, the University of Missouri in total maintains a solid balance sheet, but continues to experience slight declines in margins as operating expense growth continues to outpace growth in operating revenues. The University has the opportunity to reverse this trend for FY 2020, with expected revenue growth on the MU campus as enrollment starts to grow back from the low in FY 2019.

### Balance Sheet

The balance sheet for the University remains an overall strength as the University has slowed investment in capital assets and debt issuance in the face of slower growth prospects over the past five years.

Cash and Investment balances are the key to a healthy balance sheet in higher education. With a relatively long business cycle driven by the length of time to degree and relatively firm salary commitments compared to other industries, higher education institutions need significant liquid resources to adapt to changes in the operating environment. The University maintains cash and investment balances in line with industry medians both from the size of outstanding debt and when compared to operating expenses.

Figure 1: Trend in Cash and Investments

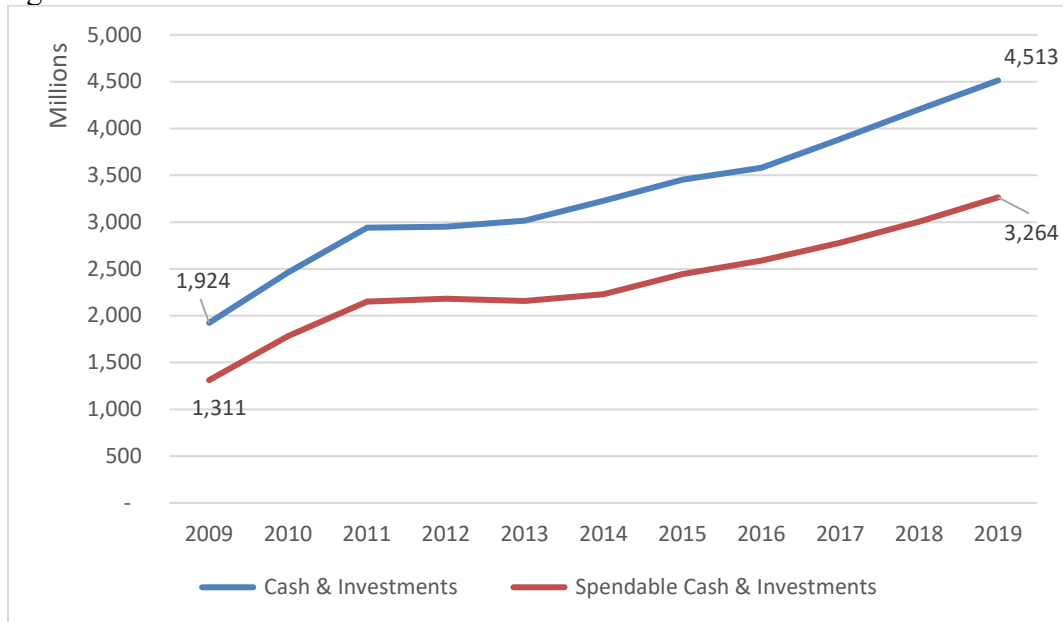


Figure 1 demonstrates the trend in both cash and investments and spendable cash and investments. Permanently endowed gifts represent the difference between total cash and investments and spendable cash and investments. Spendable cash and investments represents usable reserves, as endowment balances are permanently restricted and generally cannot be used for operating needs. Many of the ratios that follow utilize spendable cash and investments for this reason.

Another key element of the balance sheet is capital assets and the related debt that funds those assets. Capital assets represent the long-term infrastructure of the institution and are recorded at historical cost and depreciated over their expected useful lives.

Figure 2: Capital Assets and Debt 10-year History

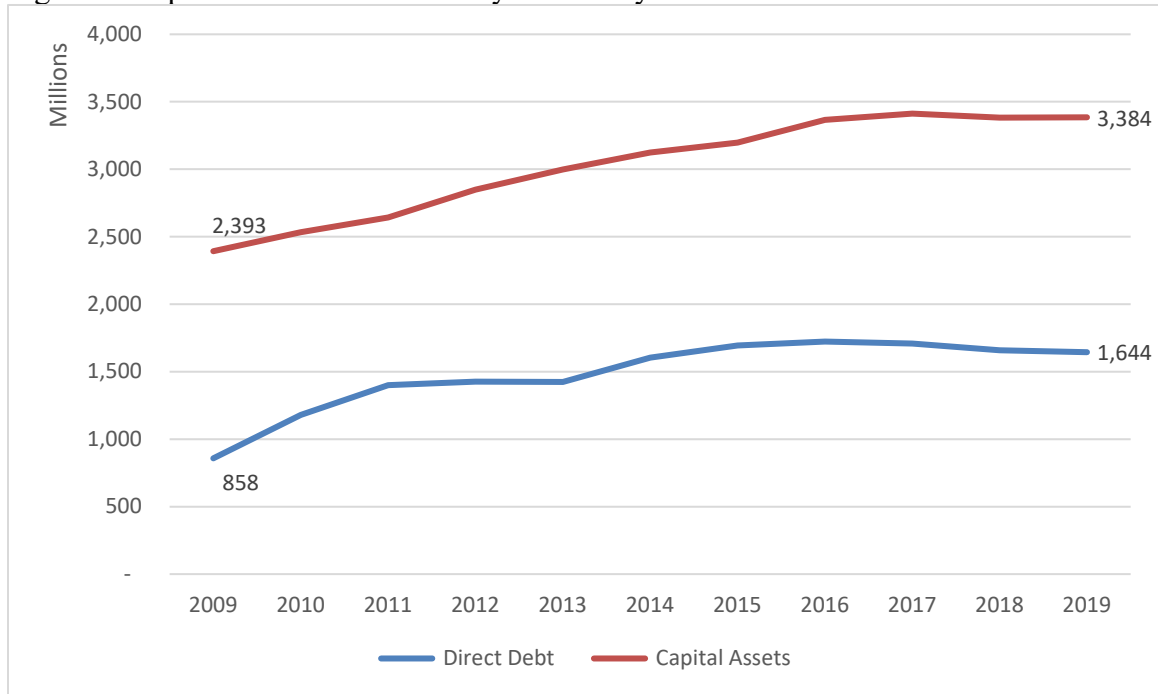
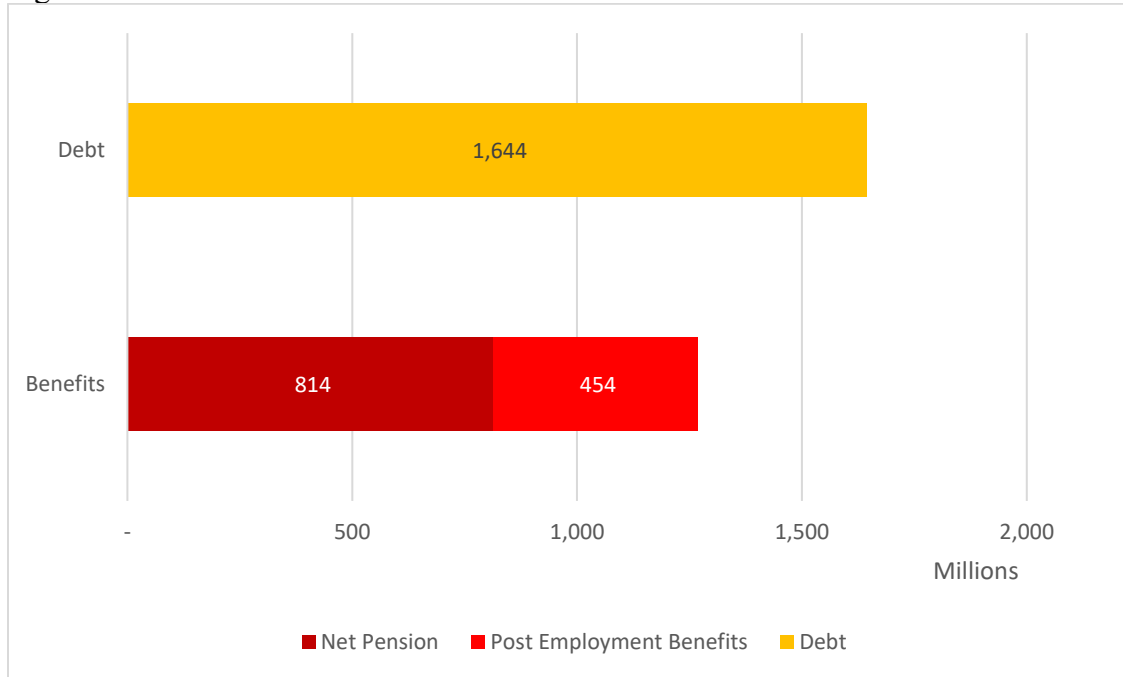


Figure 2 demonstrates capital assets have not grown since FY 2016 and related debt growth stopped a year earlier in FY 2015. The flattening of both debt and capital investment over the past five years is contrary to the industry trend noted Moody’s annual report. The report notes capital assets grew by an average of 4.5% annually from 2014 to 2018 and related debt grew by 3.7% annually over the same period. For the University, these growth numbers were 2.0% for capital assets and 0.9% for debt on slowed growth in building of capital assets and issuance of debt. This trend will not continue on a forward basis as the University builds capital spending into financial planning as maintaining capital is a key component of competitiveness.

Benefit-related liabilities represent a major commitment on the University’s balance sheet. These liabilities are not new. However, their inclusion on the financial statements is relatively new, only coming within the past five years. The commitments to future payments in the form of post-employment pensions and benefits represent a significant future commitment for public universities.

Figure 3: Benefit Liabilities



As demonstrated in Figure 3, the University’s pension and post-employment benefits represent significant commitments, amounting to nearly 80% of the current debt outstanding. This is similar to the industry average, as many higher education institutions have similar outstanding commitments. In order to curb the growth of these commitments, the University took significant action and closed both its pension and post-employment benefit plans. However, these liabilities will remain significant into the future as pension commitments represent commitments to pay employees throughout their lifespan. Even with the plan closure, the pension will remain a significant commitment over the coming decades.

**Income Statement**

Income Statement performance for FY 2019 shows a slight decline in operating performance over FY 2018. The decline is primarily driven by performance erosion at MU but performance remained above plan for the year. Key drivers of performance change include:

- Enrollments: Enrollments in FY 2019 were smaller as larger graduating classes outpace the smaller incoming freshman classes from the large enrollment drop after FY 2016. With first day enrollment numbers in for the fall of 2019, this trend is expected to slow in FY 2020. Enrollments are the primary drivers of Tuition and Fees and the Auxiliary Enterprises revenue lines on the Income Statement. Although enrollments turned around in FY 2020 for MU, the other three Universities all experienced declines in opening day enrollment.
- Patient Medical Services: grew by \$72 million over prior year as healthcare continues to account for the majority of the operating revenue growth across the University.

Healthcare growth rates remain strong, finishing close to prior year on a percentage basis with very strong volumes in May and June.

- Salaries & Wages: grew by \$49 million over prior year with \$40 million of that growth between the hospital and the MU School of Medicine. Both units experienced significant revenue growth compared to other parts of the University, with \$95 million in patient service revenue growth.
- Supplies, Services, and Other Expense: increased by \$93 million over the prior year. The Voluntary Separation Program (VSP) accounted for \$30 million of the increase. The program provided tenured faculty with a one-time lump sum payment to relinquish tenure. This program created the opportunity for \$23.5 million of salary dollars to be redirected within the academic enterprise. Of the remaining \$63 million in growth, \$40 million in expense growth occurred at MU health related to increased revenues and volumes.

### **New Accounting Standard**

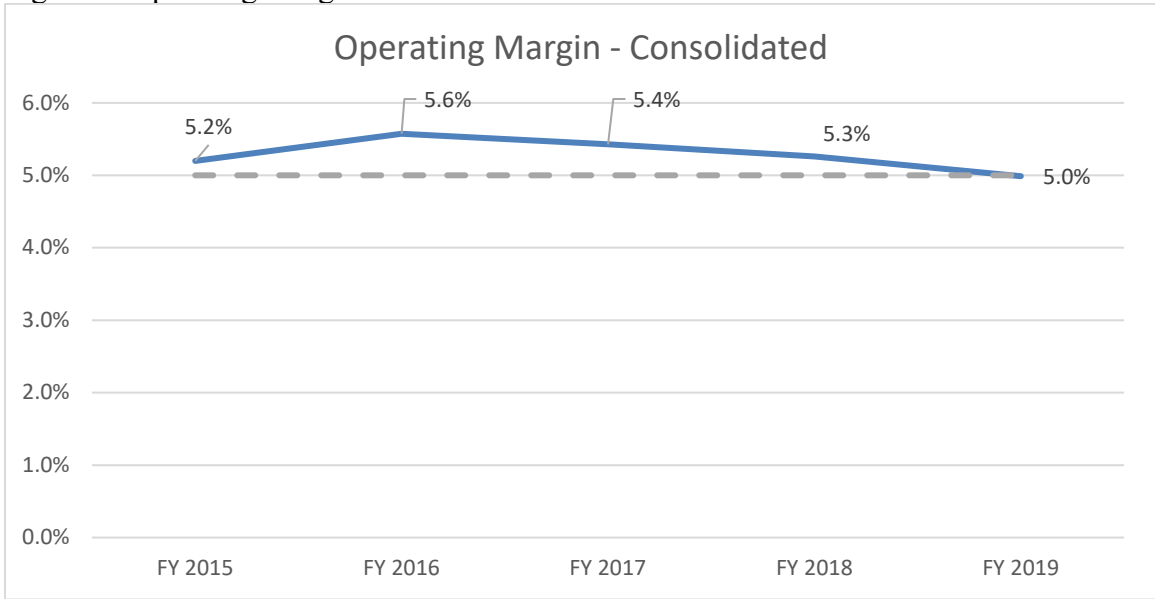
In FY 2019, the University implemented *Governmental Accounting Standards Board Statement No. 83 “Asset Retirement Obligations.”* The statement requires governmental entities to recognize a liability if there are legal obligations to perform future asset retirement activities, even if the entity plans to continue operating the asset. With the implementation of this statement, the University recognized a \$62 million liability for the estimated future decommissioning cost of its two research reactors, even though the University plans to continue operating the reactors.

### **FINANCIAL PERFORMANCE BY UNIT**

The financial performance metrics in this section represent the key metrics the University utilizes to monitor financial performance. These are the same metrics utilized by rating agencies and are the same metrics which were presented to the Board as a part of the five-year financial plan and FY 2020 operating budget.

Operating Margin demonstrates management’s ability to adjust expenditures within revenues received in an annual period. Operating margin generally shows management’s ability to control financial performance within the annual planning cycle. A positive operating margin provides the University with resources to support operations and invest in future mission-based activities.

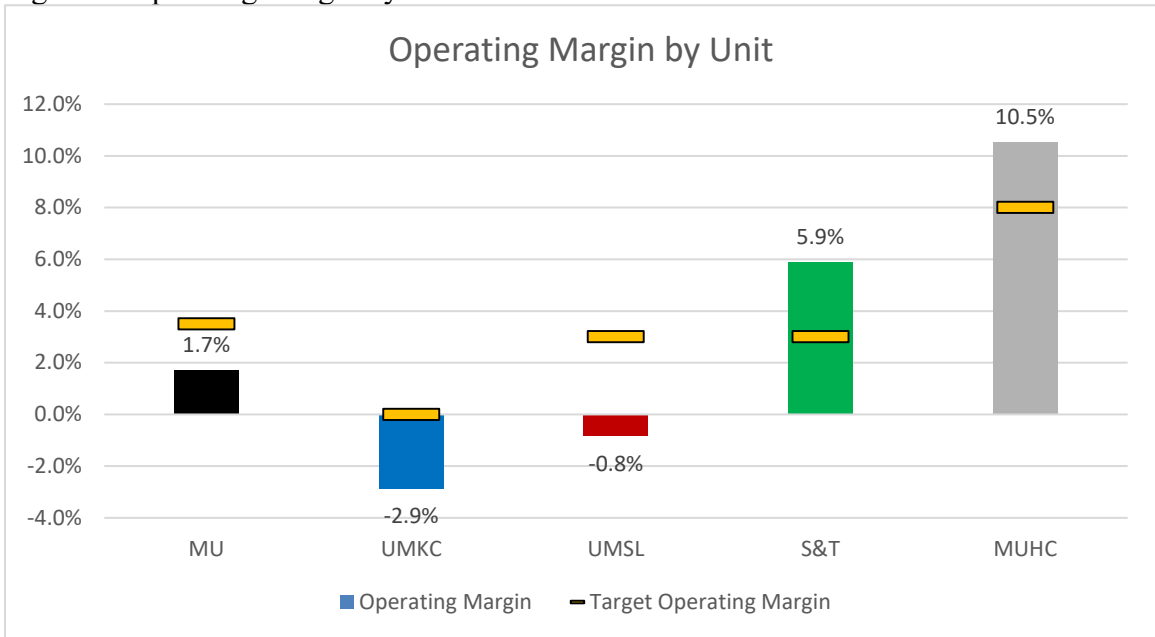
Figure 4: Operating Margin Trend



NOTE: Operating margin on this graph has been adjusted from the face of the financials provided in the mailing. The adjustment smooths investment income and adds interest on debt as an expense.

The University’s operating margin declined slightly from 5.3% in FY 2018 to 5.0% in FY 2019. This decline is due to limited increases in operating revenues, discussed further below, and a 11% increase in supplies, services, and other expense. The majority of this increase within the academic enterprise is from the VSP, which should provide lift in future years by allowing for the redirection of faculty lines to areas of need.

Figure 5: Operating Margin by Business Unit



NOTE: Operating margin on this graph has been adjusted from the face of the financials provided in the mailing. The adjustment smooths investment income and adds interest on debt as an expense.

Together, MU and MU Health represent 74% of the total revenues for the University of Missouri Enterprise. As such, their financial performance on operating margin drives the consolidated total. MU's operating margin narrowed significantly in FY 2019 as operating expenses grew faster than operating revenues. Even after adjusting for the one-time nature of the VSP, operating margin would have fallen by 1.5%, or \$20 million. With the turnaround in enrollment, FY 2019 should serve as the bottom in operating margin for MU. As long as MU can lag expense growth behind the pickup in revenues, operating margins should recover to previous levels and target. MU Healthcare maintained previous solid performance, and with the significant growth in revenues relative to the other business units, their margin continues to weight heavier compared to other lower margins, offsetting the negative performance trends in academic units. This is a key demonstration of the value of having the diverse set of operations in the enterprise to improve the quality of the University's financial profile.

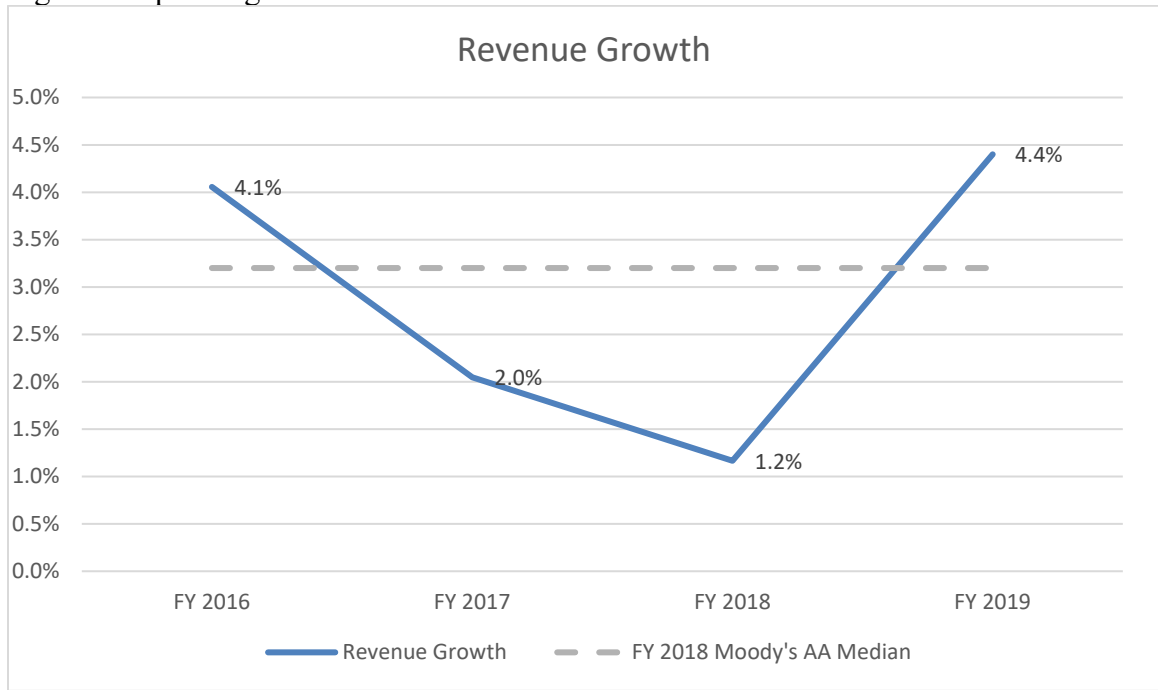
Highlights on operating margin from the other three business units include:

- UMKC: operating margin while still negative, improved over the prior year. Without VSP, UMKC would have had a positive operating margin in FY 2019. One-time charges related to construction issues on dormitories and apartments also served as a drag on operating margin. If management is able to maintain revenue performance and hold operating expenses, there should be improvement in FY 2020.
- Missouri S&T: operating margin improved over prior year largely due to cost containment coupled with a significant increase in annual giving. However, gift revenue is volatile at a smaller campus. S&T also faces significant pressure from declining enrollments over the coming year.
- UMSL: similar to UMKC, would have maintained a positive operating margin without the VSP. Without change in downward enrollment trends, UMSL will need to continue to reduce expenditures to match declining revenues to maintain financial performance.

Operating Revenue Growth serves as the foundation to future financial health of the University. Revenue growth above inflation provides additional funds to invest in programs and facilities, enhancing the University's long-term competitive position. Strong revenue growth allows organizations to expand and deliver upon a broader mission.



Figure 6: Operating Revenue Growth Trend



NOTE: Operating revenue growth has been adjusted for smoothing of investment income for the consolidated level, similar to the operating margin.

As a System, operating revenue growth remains close to the credit median average, with a stronger than median increase for FY 2019. However, at the business unit level, the academic oriented business units continued to struggle to generate growth in FY 2019, with significant gaps to median performance. The driver of revenue growth for the academic units continues to be enrollment, as the number of students primarily drives tuition and auxiliary services (housing, dining, parking, etc.) on campus.

Figure 7: Revenues by Business Unit

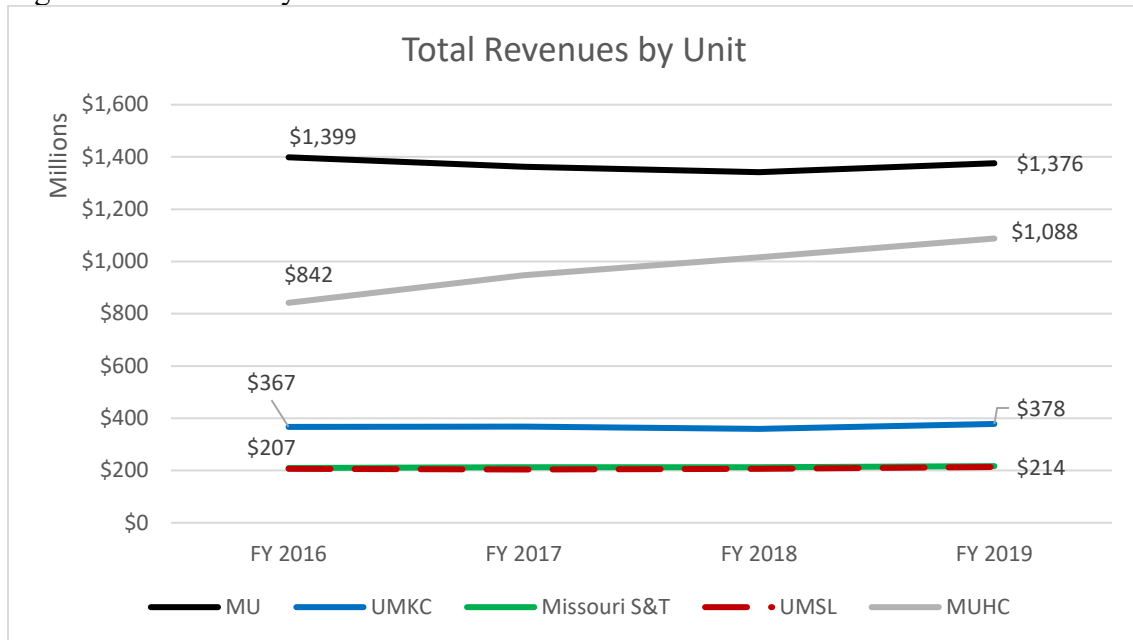
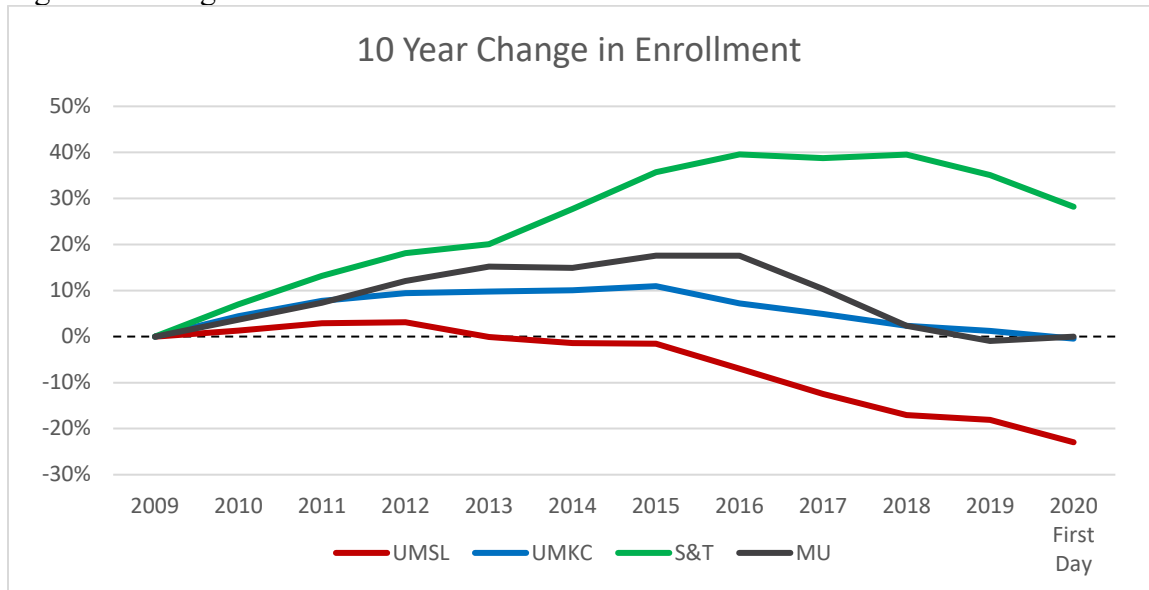


Figure 7 above demonstrates total operating revenues over the preceding 4 years by operating unit. Figure 8 demonstrates only MU Healthcare has experienced significant revenue growth over the past four years. MU and MU Healthcare are both significantly larger than the other three operating units and together account for nearly three quarters of the enterprise’s operating revenue. MU Healthcare is nearly three times larger than the next largest campus, and MU itself is 3.5 times larger than the next largest campus. This scale demonstrates MU and MU Healthcare are the primary drivers of the University’s consolidated financial performance. MU Healthcare is also the only unit with significant growth over the past five years, with the other institutions remaining flat on revenues. Revenue growth is the key long term indicator for financial health, without revenue, institutions remain in a cycle of cost cutting. The gap between the largest institutions in the system and the smaller institutions will likely continue to increase over the coming five years without significant change or unforeseen disruptions.

Figure 8: Change in Enrollment



Since FY 2016, enrollments have declined across the University, with declines across all academic units except MU to start FY 2019. In total, the University’s enrollment across all four institutions is similar to where it was in FY 2009. Declining enrollments impact multiple revenue streams across the University, as payments from students do not just include tuition but impact residence halls, dining, bookstores, and other student service auxiliaries. The flattening enrollments presented in Figure 8 correlate with the flattening of revenue growth noted above in Figure 7, including the UMSL decline that started in FY 2012. As student populations across campuses have declined, so have the related revenues paid by students. Turning around enrollments and student related revenues remains a large challenge for the University. Without additional students and student driven revenues, continued cost reductions will be necessary to maintain financial performance.

For FY 2020, the leading indicator does appear to be moving in the right direction for MU, where the freshman class was significantly larger than the prior year for the second straight year. Enrollment growth remains challenged at the other three campuses, as the competition for students in Missouri continues to increase. The continued enrollment declines will continue to present financial constraints on the campuses. The lack of students will continue to constrain revenues for the other universities.

Figure 9: Revenues by Source

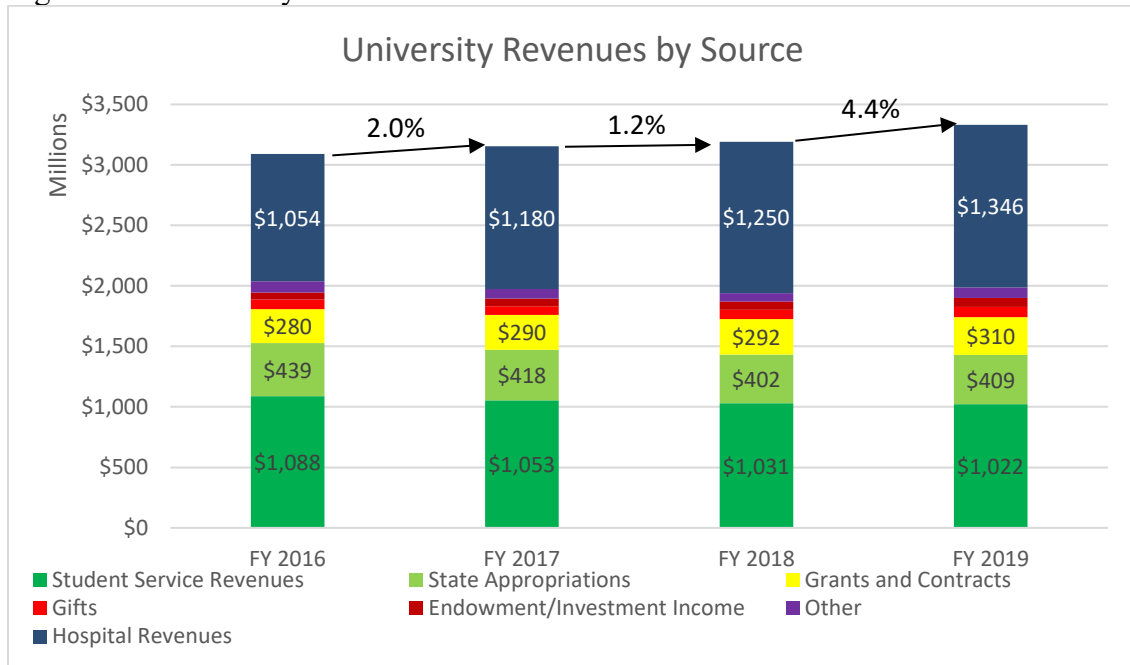
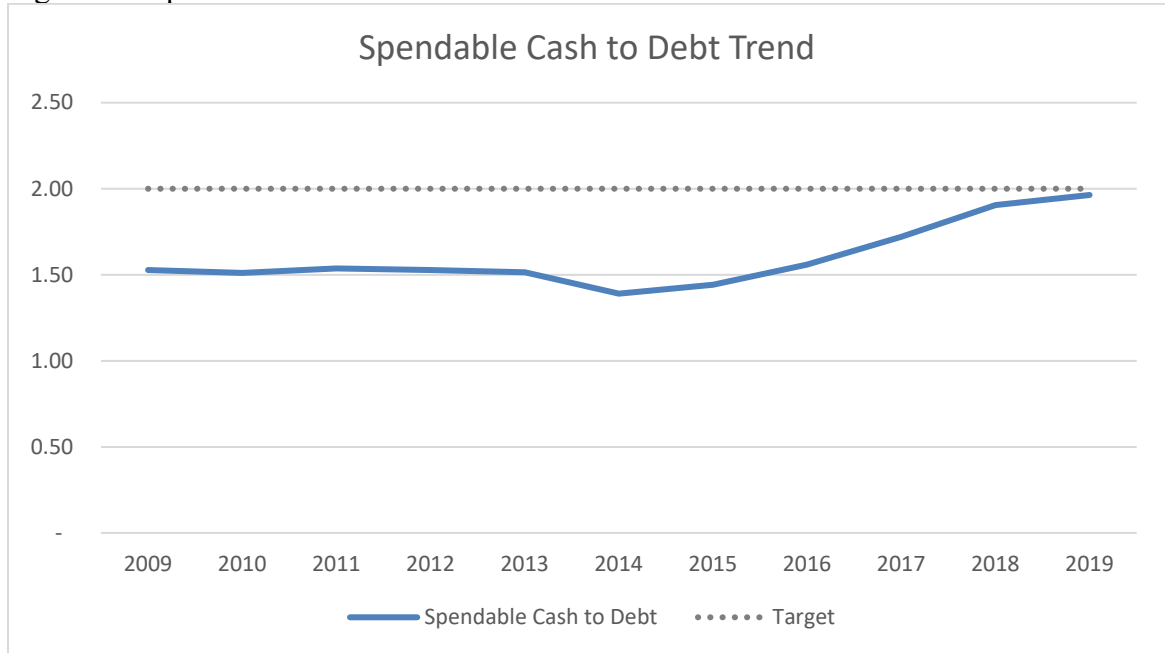


Figure 9 above demonstrates revenues by source over the past four years. FY 2019 represents the first year since FY 2016 where revenues grew in total faster than inflation. Patient services revenues account for the majority of the growth over the past four years. However, going deeper into FY 2019, the University saw improvement in the trajectory of nearly every significant revenue stream. Grants and contracts revenue grew by 6%, state appropriations grew by 2%, and net tuition revenue only dropped by \$9 million after falling by \$35 million and \$22 million the two preceding years. Figure 9 also demonstrates the significant drivers of the University’s revenues. For this chart, auxiliaries related to student enrollments are combined with tuition to show the total impact of student payments. For as much as gifts and investment income can help support the University mission, they still play a relatively small role in the overall revenue picture.

Spendable Cash and Investments to Debt shows the relative size of liquid assets compared to the outstanding debt of the organization. This metric moves over a longer time horizon, eroding when debt is issued and rebuilding as cash grows with positive operating margins. Spendable cash and investments to debt represents one measure of debt capacity.

Figure 10: Spendable Cash & Investments to Debt Trend



Spendable cash to debt continues to improve towards target in FY 2019, as the University has not issued any external debt and continues to build cash with positive margins. If the trend in growth with spendable cash continues with limited debt issuance, the University will likely cross over target in FY 2020 depending on the size of debt issue necessary for NextGen Precision Health and the MU Athletics south endzone expansion.

Figure 11: Spendable Cash to Debt by Business Unit

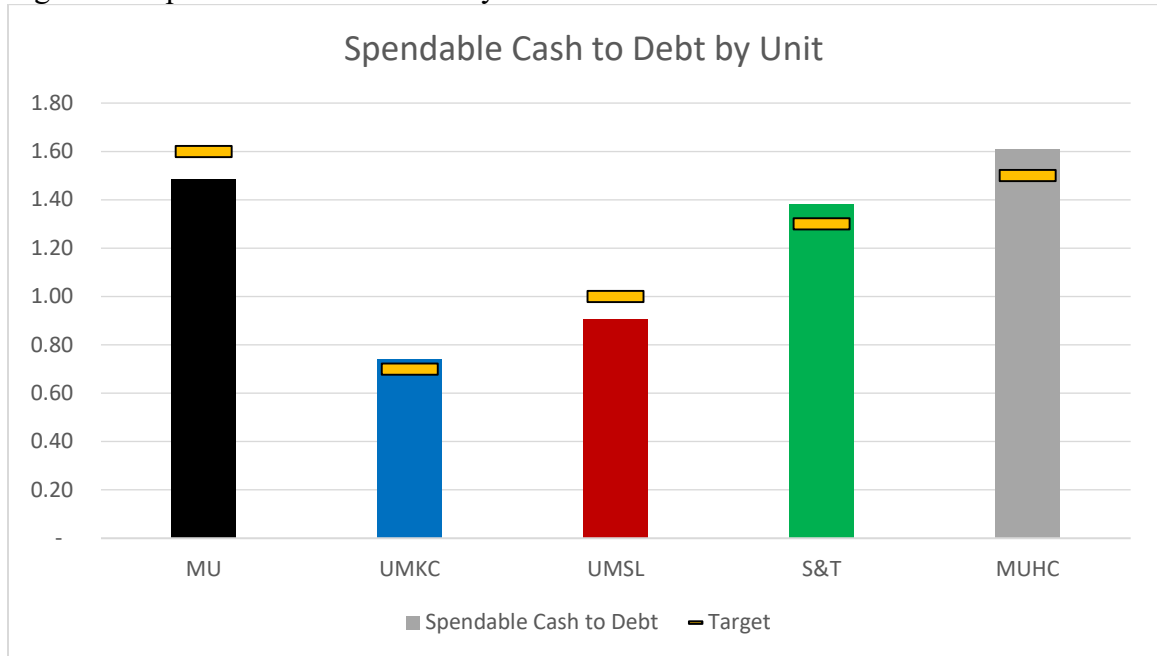
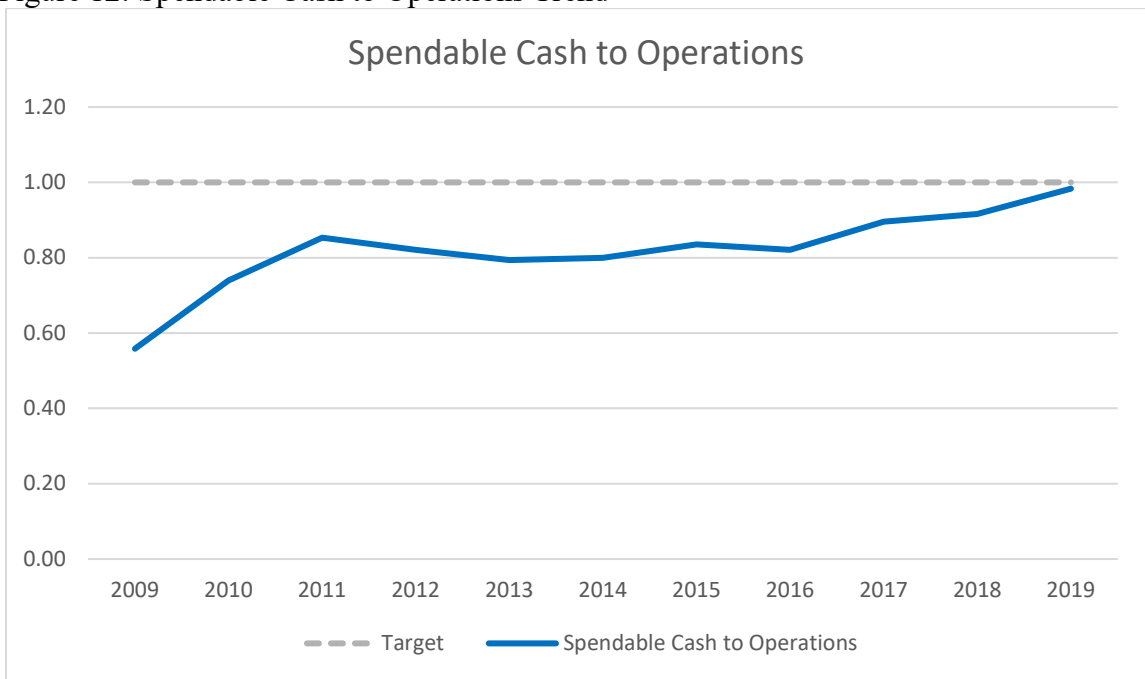


Figure 11 demonstrates spendable cash to debt varies significantly by business unit. The two largest units (MU and MU Health) are the two with the strongest position on this ratio. The urban campuses remain significantly behind the other units, as debt issuance and building projects over the past two decades have increased their leverage without a corresponding recovery in spendable cash and investments. Both urban campuses need several years of positive cash flows coupled with debt amortization to recover on this ratio.

Spendable Cash to Operations shows the relative size of cash balances to the operating expenses of the organization. This metric shows the organization’s capacity to adapt to unexpected changes in revenue streams or unexpected increases in cost. The cash to operations measure has continued to grow in FY 2019 as the University builds cash at a faster rate than expenditure growth.

Figure 12: Spendable Cash to Operations Trend



With continued positive operating cash flow performance and stable investment returns, the University should be able to exceed the targeted performance on Spendable Cash to Operations by the end of FY 2020.

Figure 13: Spendable Cash to Operations by Business Unit

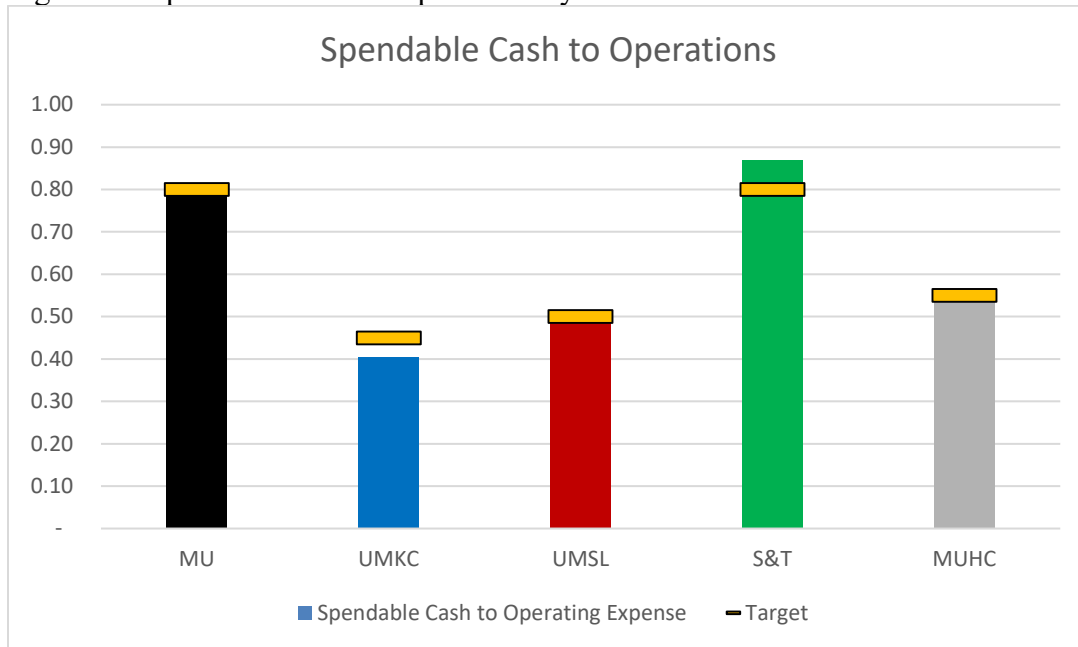


Figure 13 demonstrates the relative performance of the business units on the spendable cash to operations metric. Whereas MU Health is comparable to MU on cash to debt, MU Health falls lower when the cash balance is compared to the size of the operation. Their target on this metric is also lower to reflect the nature of healthcare industry compared to higher education. UMKC remains well below target on this metric as well, reflecting years of low operating cash flow margins. UMKC needs several years of positive cash flows to replenish cash balances before making further investments. UMKC both has too little cash when compared to debt outstanding and too little cash for the size of the operation to deal with any fluctuations in revenues.

### FINANCIAL PERFORMANCE FOR FY 2020

Fiscal year 2020 will serve as the trial year for financial accountability to the metrics set within the five-year financial plan. The University is in the process of finalizing an executive order to formally implement the financial performance and accountability policy, which will apply to the leaders of each business unit across the UM System. Additionally, as a change to last year's process, the University will run the five-year financial planning exercise in the fall rather than the spring. By utilizing the fall for long-term planning, the University can then utilize the five-year plan to inform and drive the decisions made during the budget process in the spring.

## Projected Performance - Key Financial Metrics

	Target	Consolidated	MU	S&T	UMKC	UMSL	MU Healthcare
<b>Operating Margin</b> - Total Operating Revenues less Total Operating Expenses divided by Total Operating Revenues Demonstrates management's ability to manage expenditures within revenues.	5.0%	↓ 5.0%	↓ 1.7%	↑ 5.9%	↑ -2.9%	↓ -0.8%	↓ 10.5%
<b>Operating Revenue Growth</b> - Change in Total Operating Revenues from prior year divided by Total Operating Revenues from prior year Demonstrates growth of operation. Core of long-term financial health.	3.1%	↑ 4.4%	↑ 2.6%	↑ 2.5%	↑ 5.2%	↑ 3.6%	↓ 7.1%
<b>Cash to Debt</b> - Total Spendable Cash divided by Total Debt Outstanding Shows the relative size of debt burden against available liquid sources to fund debt.	2.00	↑ 1.99	↓ 1.48	↑ 1.38	↑ 0.74	↑ 0.91	↑ 1.61
<b>Cash to Operations</b> - Total Spendable Cash divided by Salaries and Wages plus Benefits plus Supplies, Services and Other Operating Expenses Shows the amount of cash available to weather unexpected disruptions in revenue or expense.	1.00	↑ 0.99	↓ 0.80	↑ 0.87	↓ 0.40	↓ 0.52	↑ 0.55

Arrows indicate trend over prior year performance, higher is better on all ratios. All ratios from Moody's Higher Education Scorecard.

### Summary of Current Ratings

Rating Agency	Rating	UM Outlook	Industry Outlook
Moody's	AA1	Negative	Negative
Standard & Poor's	AA+	Stable	Negative



**University of Missouri System - UNAUDITED**  
**Statement of Net Position**  
**For the Year Ended June 30, 2019 and June 30, 2018 (in thousands)**

Line No.		FY 2019	FY 2018	\$ Change	% Change
<b>Assets</b>					
<b>Current Assets</b>					
1	Cash and Cash Equivalents	\$ 560,088	\$ 521,259	\$ 38,829	7.4%
2	Short-Term Investments	50,305	252,007	\$ (201,702)	-80.0%
3	Investment of Cash Collateral	3,616	5,012	(1,396)	-27.9%
4	Accounts Receivable, Net	351,959	313,085	38,874	12.4%
5	Pledges Receivable, Net	21,846	17,039	4,807	28.2%
6	Investment Settlements Receivable	279,696	68,024	211,672	311.2%
7	Notes Receivable, Net	8,489	9,060	(571)	-6.3%
8	Due (To) From Component Unit	(8,855)	(9,211)	356	-3.9%
9	Inventories	36,674	36,354	320	0.9%
10	Prepaid Expenses and Other Current Assets	38,286	39,913	(1,627)	-4.1%
11	<b>Total Current Assets</b>	<b>1,342,104</b>	<b>1,252,542</b>	<b>89,562</b>	<b>7.2%</b>
<b>Noncurrent Assets</b>					
12	Pledges Receivable, Net	40,677	38,106	2,571	6.7%
13	Notes Receivable, Net	64,638	69,842	(5,204)	-7.5%
15	Other Assets	8,826	8,826	-	0.0%
14	Long-Term Investments	3,902,820	3,431,075	471,745	13.7%
16	Capital Assets, Net	3,384,061	3,302,428	81,633	2.5%
17	<b>Total Noncurrent Assets</b>	<b>7,401,022</b>	<b>6,850,277</b>	<b>550,745</b>	<b>8.0%</b>
18	Deferred Outflow of Resources	335,808	339,146	(3,338)	-1.0%
19	<b>Total Assets and Deferred Outflow of Resources</b>	<b>\$ 9,078,934</b>	<b>\$ 8,441,965</b>	<b>\$ 636,969</b>	<b>7.5%</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
25	Accounts Payable	182,879	120,366	\$ 62,513	51.9%
26	Accrued Liabilities	169,392	165,773	3,619	2.2%
27	Deferred Revenue Current	94,957	95,144	(187)	-0.2%
28	Funds Held for Others	92,981	88,530	4,451	5.0%
29	Investment Settlements Payable	455,975	187,438	268,537	143.3%
30	Collateral Held for Securities Lending	3,616	5,012	(1,396)	-27.9%
31	Commercial Paper and Current Portion of Long-Term	395,745	224,980	170,765	75.9%
32	Long-Term Debt Subject to Remarketing Agreement	82,540	86,185	(3,645)	-4.2%
33	<b>Total Current Liabilities</b>	<b>1,478,085</b>	<b>973,428</b>	<b>504,657</b>	<b>51.8%</b>

**University of Missouri System - UNAUDITED**  
**Statement of Net Position**  
**For the Year Ended June 30, 2019 and June 30, 2018 (in thousands)**

Line No.		FY 2019	FY 2018	\$ Change	% Change
	<b>Liabilities, Continued</b>				
	<b>Noncurrent Liabilities</b>				
34	Long-Term Debt	1,166,199	1,307,801	(141,602)	-10.8%
35	Net Pension Liability	814,210	731,193	83,017	11.4%
36	Other Postemployment Benefits Liability	453,640	442,205	11,435	2.6%
37	Asset Retirement Obligation	62,433	62,433		
38	Deferred Revenue	15,119	15,792	(673)	-4.3%
39	Derivative Instrument Liability	35,542	27,570	7,972	28.9%
40	Other Noncurrent Liabilities	79,990	74,783	5,207	7.0%
41	<b>Total Noncurrent Liabilities</b>	<b>2,627,133</b>	<b>2,661,777</b>	<b>(34,644)</b>	<b>-1.3%</b>
42	Deferred Inflow of Resources	83,480	83,289	191	0.2%
<b>43</b>	<b>Total Liabilities and Deferred Inflow of Resources</b>	<b>\$ 4,188,698</b>	<b>\$ 3,718,494</b>	<b>\$ 470,204</b>	<b>12.6%</b>
	<b>Net Position</b>				
44	Net Investment in Capital Assets	1,764,572	1,706,659	57,913	3.4%
	Restricted				
	Nonexpendable -				
45	Endowment	1,248,860	1,200,514	48,346	4.0%
	Expendable -				
46	Scholarship, Research, Instruction and Other	406,533	390,555	15,978	4.1%
47	Loans	85,038	83,567	1,471	1.8%
48	Capital Projects	58,674	64,381	(5,707)	-8.9%
49	Unrestricted	1,326,559	1,277,795	48,764	3.8%
<b>50</b>	<b>Total Net Position</b>	<b>4,890,236</b>	<b>4,723,471</b>	<b>166,765</b>	<b>3.5%</b>
<b>51</b>	<b>Total Liabilities, Deferred Inflow of Resources and Net Position</b>	<b>\$ 9,078,934</b>	<b>\$ 8,441,965</b>	<b>\$ 636,969</b>	<b>7.5%</b>

*Certain amounts have been reclassified for FY 2018 to comply with FY 2019 accounting standards*

**University of Missouri System - UNAUDITED**  
**Simplified View Statement of Revenues, Expenses, and Changes in Net Position - non-GAAP**  
**For the Year Ending June 30, 2019 Compared to Year Ended June 30, 2018 (in thousands)**

Line No.		FY 2019	FY 2018	Change
<b>Operating Revenues</b>				
1	Tuition and Fees	\$ 857,456	\$ 861,913	\$ (4,457)
2	Less Scholarship Allowances	300,131	294,481	5,650
3	Net Tuition and Fees	557,325	567,432	(10,107)
4	Federal Pell Grants	56,594	55,400	1,194
5	Grants and Contracts	309,500	292,335	17,165
6	Auxiliary Enterprises	446,687	442,248	4,439
7	Patient Medical Services Net	1,288,005	1,216,094	71,911
8	Other Operating Revenues	89,028	53,497	35,531
9	State Appropriations	408,797	401,705	7,092
10	Federal Appropriations	17,198	16,910	288
11	Private Gifts	85,809	77,851	7,958
12	Endowment/Investment Distribution	89,874	84,425	5,449
13	<b>Total Operating Revenues</b>	<b>3,348,817</b>	<b>3,207,897</b>	<b>140,920</b>
<b>Operating Expenses</b>				
14	Salaries and Wages	1,547,032	1,497,841	49,191
15	Benefits	461,479	427,197	34,282
16	Supplies, Services and Other Operating Expenses	1,020,751	927,928	92,823
17	Depreciation	203,859	201,534	2,325
18	<b>Total Operating Expenses</b>	<b>3,233,121</b>	<b>3,054,500</b>	<b>178,621</b>
19	<b>Net Operating Income</b>	<b>115,696</b>	<b>153,397</b>	<b>(37,701)</b>
<b>Nonoperating Revenues (Expenses)</b>				
20	Investment Income (Losses), Net of Fees	194,425	196,867	(2,442)
21	Endowment/General Pool Distribution	(89,874)	(84,425)	(5,449)
22	Interest Expense	(65,058)	(69,411)	4,353
23	Build America Bond Subsidies	9,828	9,755	73
24	Other Nonoperating Revenues (Expenses)	182	(685)	867
25	State Capital Appropriations	-	29,765	(29,765)
26	Capital Gifts and Grants	67,106	21,083	46,023
27	Private Gifts for Endowment Purposes	30,524	46,851	(16,327)
28	Pension and OPEB Impact on Income Statement	(96,064)	(25,721)	(70,343)
29	Mandatory Transfers	-	-	-
30	Non-Mandatory Transfers	-	-	-
31	<b>Net Nonoperating Revenues (Expenses)</b>	<b>51,069</b>	<b>124,079</b>	<b>(73,010)</b>
32	<b>Increase in Net Position</b>	<b>166,765</b>	<b>277,476</b>	<b>(110,711)</b>
33	Extraordinary Item	-	(17,908)	17,908
34	<b>Net Position, Beginning of Year</b>	<b>4,723,471</b>	<b>4,463,903</b>	<b>259,568</b>
35	Cumulative Effect of Change in Accounting Principle	-	-	-
36	<b>Net Position, Beginning of Year, Adjusted</b>	<b>4,723,471</b>	<b>4,463,903</b>	<b>259,568</b>
37	<b>Net Position, End of Period</b>	<b>\$ 4,890,236</b>	<b>\$ 4,723,471</b>	<b>\$ 166,765</b>

*Certain amounts have been reclassified for FY 2018 to comply with FY 2019 accounting standards*

**University of Missouri System - Columbia - UNAUDITED**  
**Simplified View Statement of Revenues, Expenses, and Changes in Net Position - non-GAAP**  
**For the Year Ending June 30, 2019 Compared to Year Ended June 30, 2018 (in thousands)**

Line No.		Actuals FY 2019	Actuals FY 2018	Change
<b>Operating Revenues</b>				
1	Tuition and Fees	\$ 419,279	\$ 427,145	\$ (7,866)
2	Less Scholarship Allowances	152,716	145,301	7,415
3	Net Tuition and Fees	266,563	281,845	(15,282)
4	Federal Pell Grants	21,702	20,403	1,299
5	Grants and Contracts	210,471	205,085	5,386
6	Auxiliary Enterprises	274,342	290,071	(15,729)
7	Patient Medical Services Net	246,068	201,625	44,443
8	Other Operating Revenues	38,916	29,000	9,916
9	State Appropriations	208,149	201,945	6,204
10	Federal Appropriations	17,198	16,910	288
11	Private Gifts	43,752	47,765	(4,013)
12	Endowment Distribution	48,913	47,123	1,790
13	<b>Total Operating Revenues</b>	<b>1,376,074</b>	<b>1,341,771</b>	<b>34,303</b>
<b>Operating Expenses</b>				
14	Salaries and Wages	785,164	757,088	28,076
15	Benefits	216,353	204,759	11,594
16	Supplies, Services and Other Operating Expenses	281,558	254,322	27,236
17	Depreciation	87,244	83,261	3,983
18	<b>Total Operating Expenses</b>	<b>1,370,319</b>	<b>1,299,429</b>	<b>70,890</b>
19	<b>Net Operating Income</b>	<b>5,755</b>	<b>42,342</b>	<b>(36,587)</b>
<b>Nonoperating Revenues (Expenses)</b>				
20	Investment Income (Losses), Net of Fees	63,862	87,774	(23,912)
21	Endowment Distribution	(48,913)	(47,123)	(1,790)
22	Interest Expense	(29,432)	(31,010)	1,578
23	Other Nonoperating Revenues (Expenses)	967	241	726
24	State Capital Appropriations	-	3,694	(3,694)
25	Capital Gifts and Grants	24,304	6,908	17,396
26	Private Gifts for Endowment Purposes	22,141	41,412	(19,271)
27	Mandatory Transfers	61	205	(144)
28	Non-Mandatory Transfers	22,367	26,140	(3,773)
29	<b>Net Nonoperating Revenues (Expenses)</b>	<b>55,357</b>	<b>88,241</b>	<b>(32,884)</b>
30	<b>Increase in Net Position</b>	<b>61,112</b>	<b>130,583</b>	<b>(69,471)</b>
31	<b>Net Position, Beginning of Year</b>	<b>2,868,042</b>	<b>2,746,771</b>	<b>121,271</b>
32	Cumulative Effect of Change in Accounting Principle	(2,332)	(9,311)	6,979
33	<b>Net Position, Beginning of Year, Adjusted</b>	<b>2,865,710</b>	<b>2,737,460</b>	<b>128,251</b>
34	<b>Net Position, End of Period</b>	<b>\$ 2,926,822</b>	<b>\$ 2,868,042</b>	<b>\$ 58,780</b>

**University of Missouri System - Hospital - UNAUDITED**  
**Simplified View Statement of Revenues, Expenses, and Changes in Net Position - non-GAAP**  
**For the Year Ending June 30, 2019 Compared to Year Ended June 30, 2018 (in thousands)**

Line No.		Actuals FY 2019	Actuals FY 2018	Change
<b>Operating Revenues</b>				
1	Tuition and Fees	\$ -	\$ -	\$ -
2	Less Scholarship Allowances	-	-	-
3	Net Tuition and Fees	-	-	-
4	Federal Pell Grants	-	-	-
5	Grants and Contracts	158	36	122
6	Auxiliary Enterprises	23,631	23,682	(51)
7	Patient Medical Services Net	1,062,023	990,868	71,155
8	Other Operating Revenues	159	27	132
9	State Appropriations	-	-	-
10	Federal Appropriations	-	-	-
11	Private Gifts	1,878	1,584	294
12	Endowment Distribution	37	-	37
<b>13</b>	<b>Total Operating Revenues</b>	<b>1,087,886</b>	<b>1,016,197</b>	<b>71,689</b>
<b>Operating Expenses</b>				
14	Salaries and Wages	323,980	300,628	23,352
15	Benefits	105,964	96,842	9,122
16	Supplies, Services and Other Operating Expenses	506,987	466,561	40,426
17	Depreciation	46,935	46,623	312
<b>18</b>	<b>Total Operating Expenses</b>	<b>983,866</b>	<b>910,654</b>	<b>73,212</b>
<b>19</b>	<b>Net Operating Income</b>	<b>104,020</b>	<b>105,543</b>	<b>(1,523)</b>
<b>Nonoperating Revenues (Expenses)</b>				
20	Investment Income (Losses), Net of Fees	1,715	10,007	(8,292)
21	Endowment Distribution	(37)	-	(37)
22	Interest Expense	(12,134)	(12,807)	673
23	Other Nonoperating Revenues (Expenses)	(1,040)	(295)	(745)
24	State Capital Appropriations	-	-	-
25	Capital Gifts and Grants	2,998	896	2,102
26	Private Gifts for Endowment Purposes	10	14	(4)
27	Mandatory Transfers	-	-	-
28	Non-Mandatory Transfers	(21,145)	(28,963)	7,818
<b>29</b>	<b>Net Nonoperating Revenues (Expenses)</b>	<b>(29,633)</b>	<b>(31,148)</b>	<b>1,515</b>
<b>30</b>	<b>Increase in Net Position</b>	<b>74,387</b>	<b>74,395</b>	<b>(8)</b>
<b>31</b>	<b>Net Position, Beginning of Year</b>	<b>781,882</b>	<b>707,487</b>	<b>74,395</b>
32	Cumulative Effect of Change in Accounting Principle	-	-	-
<b>33</b>	<b>Net Position, Beginning of Year, Adjusted</b>	<b>781,882</b>	<b>707,487</b>	<b>74,395</b>
<b>34</b>	<b>Net Position, End of Period</b>	<b>\$ 856,269</b>	<b>\$ 781,882</b>	<b>\$ 74,387</b>

**University of Missouri System - Kansas City - UNAUDITED**  
**Simplified View Statement of Revenues, Expenses, and Changes in Net Position - non-GAAP**  
**For the Year Ending June 30, 2019 Compared to Year Ended June 30, 2018 (in thousands)**

Line No.		Actuals FY 2019	Actuals FY 2018	Change
<b>Operating Revenues</b>				
1	Tuition and Fees	\$ 189,699	\$ 187,650	\$ 2,049
2	Less Scholarship Allowances	55,742	57,637	(1,895)
3	Net Tuition and Fees	133,957	130,013	3,944
4	Federal Pell Grants	13,599	13,548	51
5	Grants and Contracts	36,999	30,450	6,549
6	Auxiliary Enterprises	41,675	42,684	(1,009)
7	Patient Medical Services Net	37,515	36,421	1,094
8	Other Operating Revenues	11,861	10,843	1,018
9	State Appropriations	73,852	72,300	1,552
10	Federal Appropriations	-	-	-
11	Private Gifts	19,092	13,536	5,556
12	Endowment Distribution	9,702	9,599	103
13	<b>Total Operating Revenues</b>	<b>378,252</b>	<b>359,394</b>	<b>18,858</b>
<b>Operating Expenses</b>				
14	Salaries and Wages	193,297	196,836	(3,539)
15	Benefits	55,606	56,519	(913)
16	Supplies, Services and Other Operating Expenses	110,872	89,793	21,079
17	Depreciation	25,166	26,609	(1,443)
18	<b>Total Operating Expenses</b>	<b>384,941</b>	<b>369,757</b>	<b>15,184</b>
19	<b>Net Operating Income</b>	<b>(6,689)</b>	<b>(10,363)</b>	<b>3,674</b>
<b>Nonoperating Revenues (Expenses)</b>				
20	Investment Income (Losses), Net of Fees	12,622	17,186	(4,564)
21	Endowment Distribution	(9,702)	(9,599)	(103)
22	Interest Expense	(9,140)	(9,445)	305
23	Other Nonoperating Revenues (Expenses)	1,051	(29)	1,080
24	State Capital Appropriations	-	13,821	(13,821)
25	Capital Gifts and Grants	36,657	7,450	29,207
26	Private Gifts for Endowment Purposes	436	365	71
27	Mandatory Transfers	25	13	12
28	Non-Mandatory Transfers	1,375	4,318	(2,943)
29	<b>Net Nonoperating Revenues (Expenses)</b>	<b>33,324</b>	<b>24,080</b>	<b>9,244</b>
30	<b>Increase in Net Position</b>	<b>26,635</b>	<b>13,717</b>	<b>12,918</b>
31	Extraordinary Item	-	(17,908)	(17,908)
32	<b>Net Position, Beginning of Year</b>	<b>420,480</b>	<b>425,024</b>	<b>4,519</b>
33	Cumulative Effect of Change in Accounting Principle	-	(353)	(353)
34	<b>Net Position, Beginning of Year, Adjusted</b>	<b>420,480</b>	<b>424,671</b>	<b>4,166</b>
35	<b>Net Position, End of Period</b>	<b>\$ 447,115</b>	<b>\$ 420,480</b>	<b>\$ (824)</b>

**University of Missouri System - Missouri S&T - UNAUDITED**  
**Simplified View Statement of Revenues, Expenses, and Changes in Net Position - non-GAAP**  
**For the Year Ending June 30, 2019 Compared to Year Ended June 30, 2018 (in thousands)**

Line No.		Actuals FY 2019	Actuals FY 2018	Change
<b>Operating Revenues</b>				
1	Tuition and Fees	\$ 132,299	\$ 131,909	\$ 390
2	Less Scholarship Allowances	51,693	51,448	245
3	Net Tuition and Fees	80,606	80,461	145
4	Federal Pell Grants	7,310	7,370	(60)
5	Grants and Contracts	33,029	32,498	531
6	Auxiliary Enterprises	24,114	25,607	(1,493)
7	Patient Medical Services Net	-	-	-
8	Other Operating Revenues	5,102	5,253	(151)
9	State Appropriations	50,185	49,410	775
10	Federal Appropriations	-	-	-
11	Private Gifts	7,815	3,258	4,557
12	Endowment Distribution	8,667	7,750	917
13	<b>Total Operating Revenues</b>	<b>216,828</b>	<b>211,607</b>	<b>5,221</b>
<b>Operating Expenses</b>				
14	Salaries and Wages	106,061	107,373	(1,312)
15	Benefits	30,532	30,424	108
16	Supplies, Services and Other Operating Expenses	51,608	53,442	(1,834)
17	Depreciation	17,539	16,308	1,231
18	<b>Total Operating Expenses</b>	<b>205,740</b>	<b>207,547</b>	<b>(1,807)</b>
19	<b>Net Operating Income</b>	<b>11,088</b>	<b>4,060</b>	<b>7,028</b>
<b>Nonoperating Revenues (Expenses)</b>				
20	Investment Income (Losses), Net of Fees	11,613	14,912	(3,299)
21	Endowment Distribution	(8,667)	(7,750)	(917)
22	Interest Expense	(5,357)	(5,405)	48
23	Other Nonoperating Revenues (Expenses)	(73)	(723)	650
24	State Capital Appropriations	-	3,686	(3,686)
25	Capital Gifts and Grants	2,036	4,827	(2,791)
26	Private Gifts for Endowment Purposes	5,118	3,576	1,542
27	Mandatory Transfers	12	(142)	154
28	Non-Mandatory Transfers	3,108	584	2,524
29	<b>Net Nonoperating Revenues (Expenses)</b>	<b>7,790</b>	<b>13,565</b>	<b>(5,775)</b>
30	<b>Increase in Net Position</b>	<b>18,878</b>	<b>17,625</b>	<b>1,253</b>
31	<b>Net Position, Beginning of Year</b>	<b>502,229</b>	<b>485,584</b>	<b>28,992</b>
32	Cumulative Effect of Change in Accounting Principle	(165)	(980)	(980)
33	<b>Net Position, Beginning of Year, Adjusted</b>	<b>502,064</b>	<b>484,604</b>	<b>28,012</b>
34	<b>Net Position, End of Period</b>	<b>\$ 520,942</b>	<b>\$ 502,229</b>	<b>\$ 29,265</b>

**University of Missouri System - St. Louis - UNAUDITED**  
**Simplified View Statement of Revenues, Expenses, and Changes in Net Position non-GAAP**  
**For the Year Ending June 30, 2019 Compared to Year Ended June 30, 2018 (in thousands)**

Line No.		Actuals FY 2019	Actuals FY 2018	Change
<b>Operating Revenues</b>				
1	Tuition and Fees	\$ 116,178	\$ 115,209	\$ 969
2	Less Scholarship Allowances	39,828	39,974	(146)
3	<b>Net Tuition and Fees</b>	<b>76,350</b>	<b>75,235</b>	<b>1,115</b>
4	Federal Pell Grants	13,983	14,079	(96)
5	Grants and Contracts	28,706	24,266	4,440
6	Auxiliary Enterprises	18,455	18,235	220
7	Patient Medical Services Net	31	44	(13)
8	Other Operating Revenues	2,690	2,853	(163)
9	State Appropriations	55,817	55,817	-
10	Federal Appropriations	-	-	-
11	Private Gifts	12,601	11,593	1,008
12	Endowment Distribution	4,922	3,984	938
13	<b>Total Operating Revenues</b>	<b>213,555</b>	<b>206,106</b>	<b>7,449</b>
<b>Operating Expenses</b>				
14	Salaries and Wages	105,658	103,741	1,917
15	Benefits	32,025	30,938	1,087
16	Supplies, Services and Other Operating Expenses	58,532	51,208	7,324
17	Depreciation	17,882	16,626	1,256
18	<b>Total Operating Expenses</b>	<b>214,097</b>	<b>202,513</b>	<b>11,584</b>
19	<b>Net Operating Income</b>	<b>(542)</b>	<b>3,593</b>	<b>(4,135)</b>
<b>Nonoperating Revenues (Expenses)</b>				
20	Investment Income (Losses), Net of Fees	6,378	8,640	(2,262)
21	Endowment Distribution	(4,922)	(3,984)	(938)
22	Interest Expense	(5,985)	(6,184)	199
23	Other Nonoperating Revenues (Expenses)	38	178	(140)
24	State Capital Appropriations	-	8,564	(8,564)
25	Capital Gifts and Grants	1,110	1,002	108
26	Private Gifts for Endowment Purposes	2,815	1,483	1,332
27	Mandatory Transfers	(139)	(124)	(15)
28	Non-Mandatory Transfers	1,994	6,820	(4,826)
29	<b>Net Nonoperating Revenues (Expenses)</b>	<b>1,289</b>	<b>16,395</b>	<b>(15,106)</b>
30	<b>Increase in Net Position</b>	<b>747</b>	<b>19,988</b>	<b>(19,241)</b>
31	<b>Net Position, Beginning of Year</b>	<b>367,614</b>	<b>349,831</b>	<b>17,783</b>
32	Cumulative Effect of Change in Accounting Principle	-	(2,205)	2,205
33	<b>Net Position, Beginning of Year, Adjusted</b>	<b>367,614</b>	<b>347,626</b>	<b>19,988</b>
34	<b>Net Position, End of Period</b>	<b>\$ 368,361</b>	<b>\$ 367,614</b>	<b>\$ 747</b>



**University of Missouri System - System Administration - UNAUDITED**  
**Simplified View Statement of Revenues, Expenses, and Changes in Net Position - non-GAAP**  
**For the Year Projected Ending June 30, 2019 Compared to Year Ended June 30, 2018 (in**  
**thousands)**

Line No.		Actuals FY 2019	Actuals FY 2018	Change
<b>Operating Revenues</b>				
1	Tuition and Fees	\$ -	\$ -	\$ -
2	Less Scholarship Allowances	117	87	30
3	Net Tuition and Fees	(117)	(87)	(30)
4	Federal Pell Grants	-	-	-
5	Grants and Contracts	135	1	134
6	Auxiliary Enterprises	26,104	29,103	(2,999)
7	Patient Medical Services Net	-	-	-
8	Other Operating Revenues	11,288	6,154	5,134
9	State Appropriations	11,326	12,766	(1,440)
10	Federal Appropriations	-	-	-
11	Private Gifts	669	113	556
12	System Investment Distribution	22,328	20,616	1,712
13	<b>Total Operating Revenues</b>	<b>71,733</b>	<b>68,666</b>	<b>3,067</b>
<b>Operating Expenses</b>				
14	Salaries and Wages	33,435	31,984	1,451
15	Benefits	11,071	10,568	503
16	Supplies, Services and Other Operating Expenses	20,301	12,542	7,759
17	Depreciation	4,325	4,844	(519)
18	<b>Total Operating Expenses</b>	<b>69,132</b>	<b>59,938</b>	<b>9,194</b>
19	<b>Net Operating Income</b>	<b>2,601</b>	<b>8,728</b>	<b>(6,127)</b>
<b>Nonoperating Revenues (Expenses)</b>				
20	Investment Income (Losses), Net of Fees	43,132	24,326	18,806
21	System Investment Distribution	(22,328)	(20,616)	(1,712)
22	Interest Expense	-	-	-
23	Other Nonoperating Revenues (Expenses)	(637)	(57)	(580)
24	State Capital Appropriations	-	-	-
25	Capital Gifts and Grants	-	-	-
26	Private Gifts for Endowment Purposes	-	-	-
27	Mandatory Transfers	-	-	-
28	Non-Mandatory Transfers	63,270	(3,862)	67,132
29	<b>Net Nonoperating Revenues (Expenses)</b>	<b>83,437</b>	<b>(209)</b>	<b>83,646</b>
30	<b>Increase in Net Position</b>	<b>86,038</b>	<b>8,519</b>	<b>77,519</b>
31	<b>Net Position, Beginning of Year</b>	<b>167,106</b>	<b>158,587</b>	<b>8,519</b>
32	Cumulative Effect of Change in Accounting Principle	-	-	-
33	<b>Net Position, Beginning of Year, Adjusted</b>	<b>167,106</b>	<b>158,587</b>	<b>8,519</b>
34	<b>Net Position, End of Period</b>	<b>\$ 253,144</b>	<b>\$ 167,106</b>	<b>\$ 86,038</b>

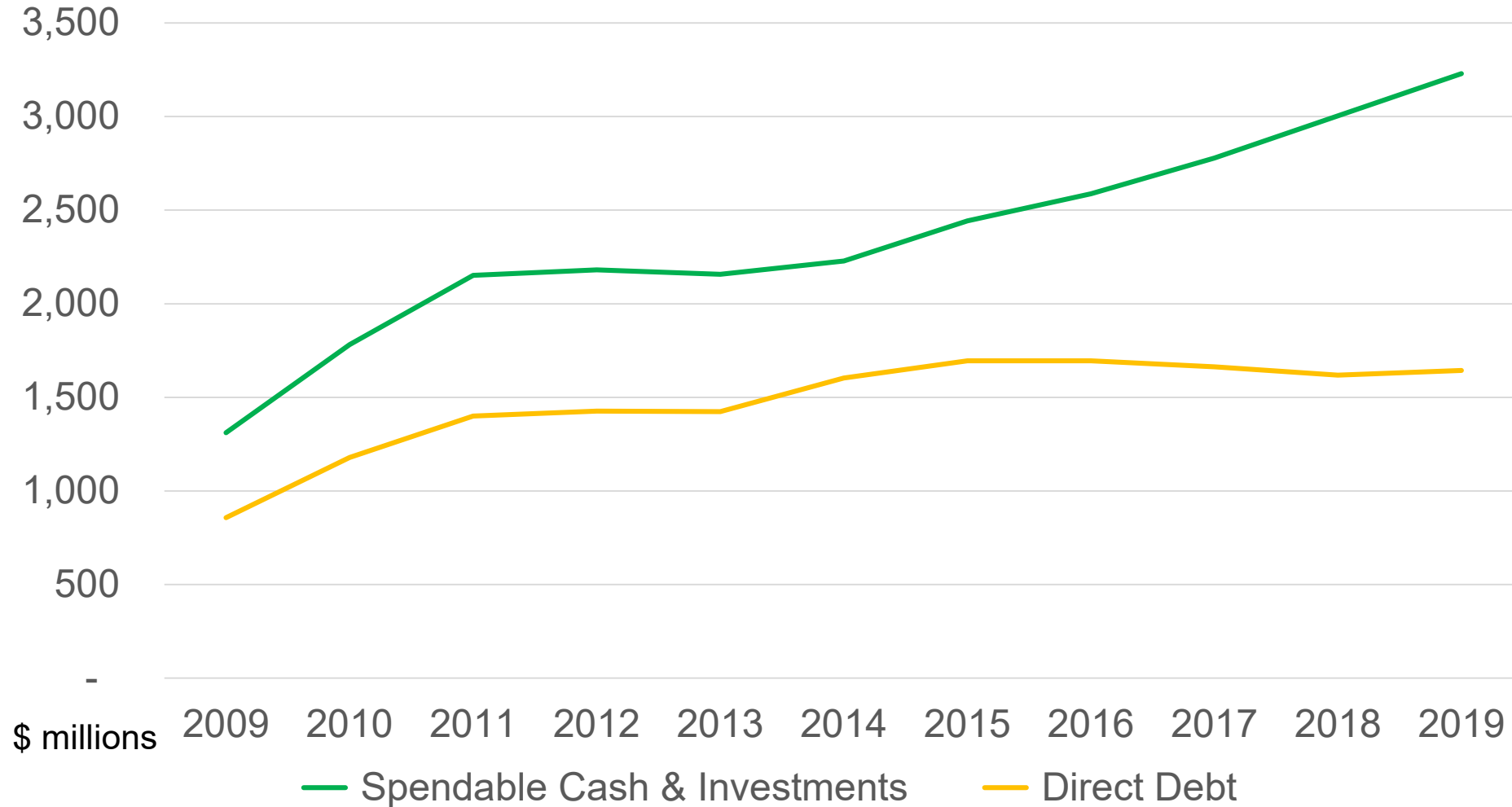
# FY 2019 Financial Status Report

University of Missouri Board of Curators  
September 26, 2019

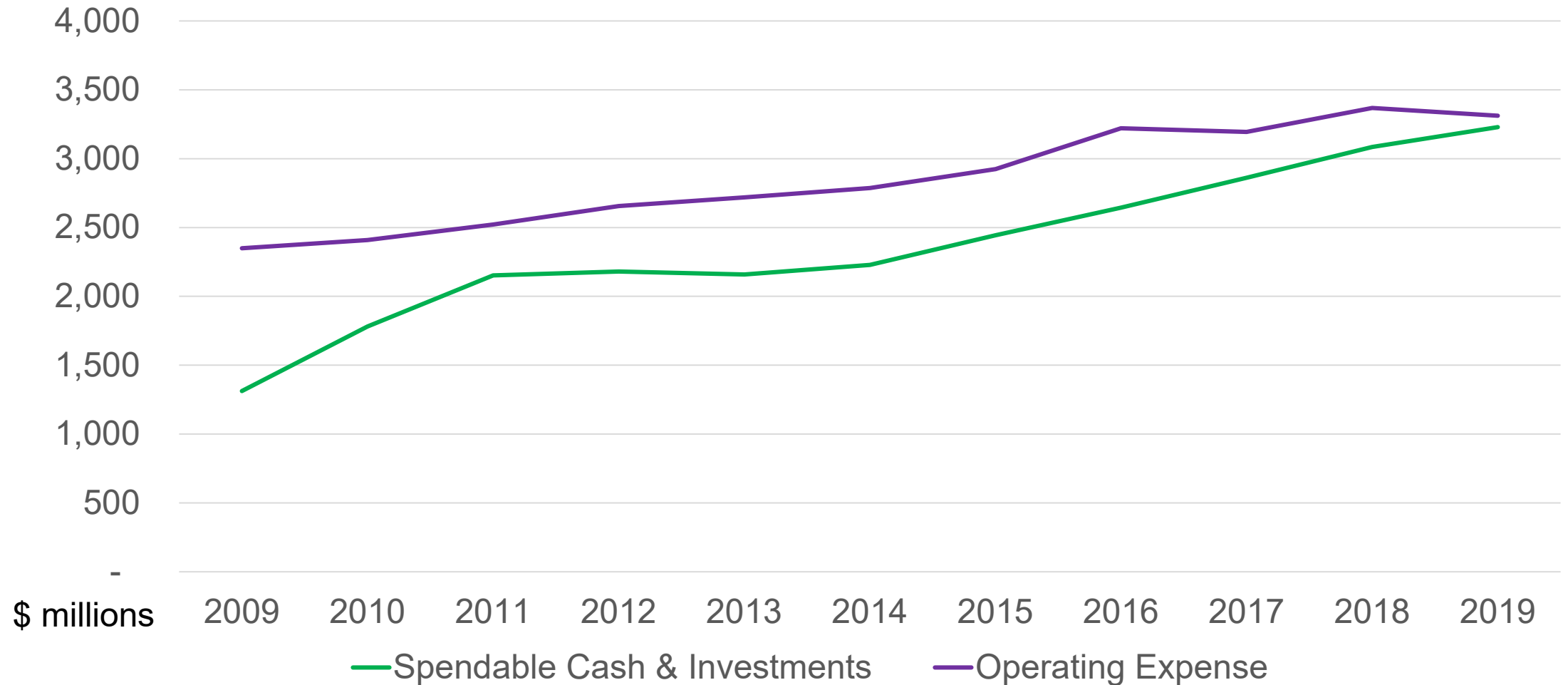
# Key Highlights

- Balance sheet continues to demonstrate strength
  - Liquidity continues to grow
  - Capital investment has lagged and will need to catch up
- Margins have tightened, but should improve
  - Healthcare remains strong
  - Continued tightening in academic margins, however, the voluntary separation program and stabilizing enrollment should help looking forward
- Overall, financial performance remains strong, the business model continues to shift away from appropriations to earnings

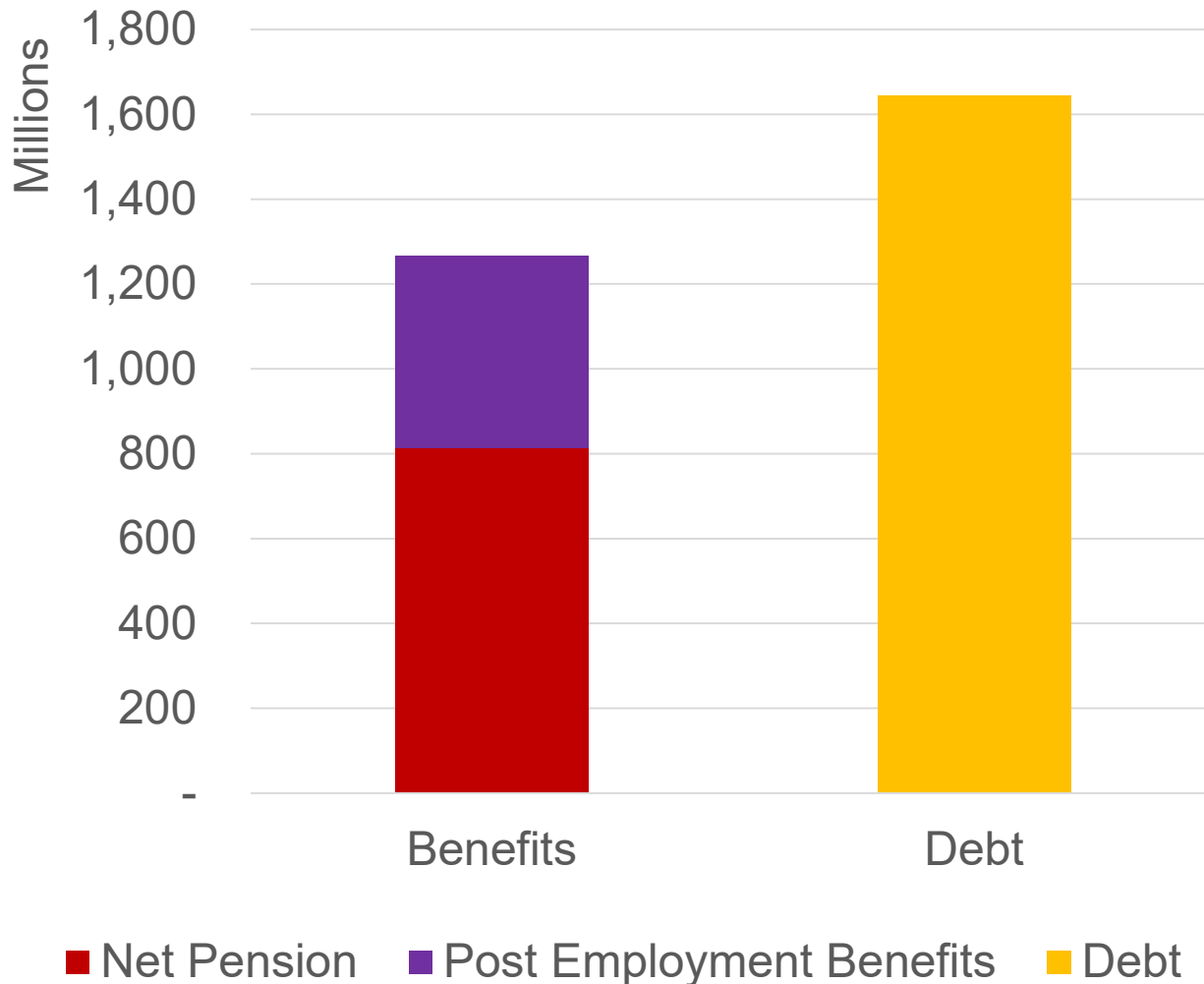
# Liquidity continues to grow while debt remains flat



# Liquidity growth is also in line with operating expenses

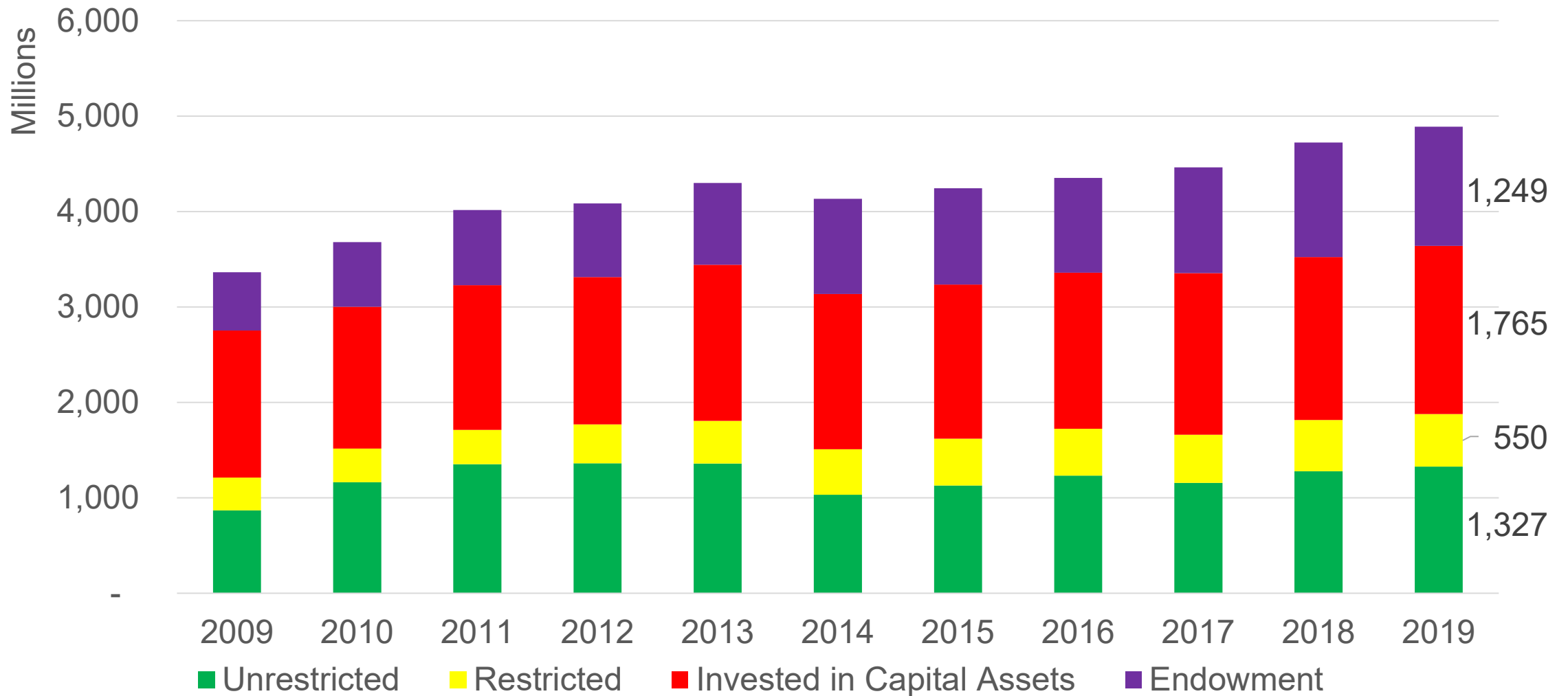


# Benefit liabilities remain significant



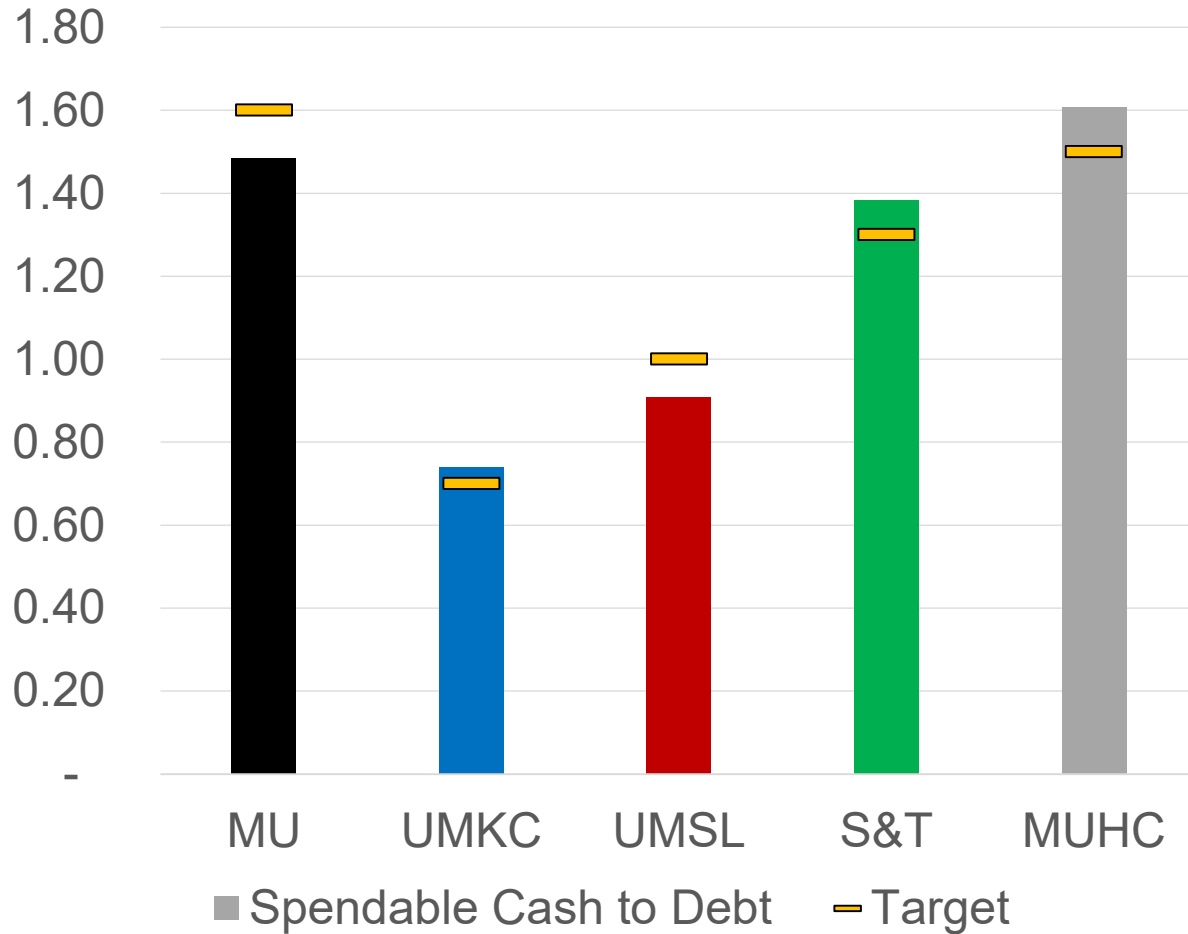
- Nationally, pension and post-employment benefits continue to grow faster than direct debt
- Plan is 82% funded, with \$3.7 billion in investments for \$4.5 billion liability.
- Pension is sensitive to investment returns, with a 1% miss on assumed return of 7.2% impacting the liability by \$500M over plan lifespan
- \$4.5 billion total liability will continue to grow for more than a decade even with plan closure

# The majority of net position is restricted

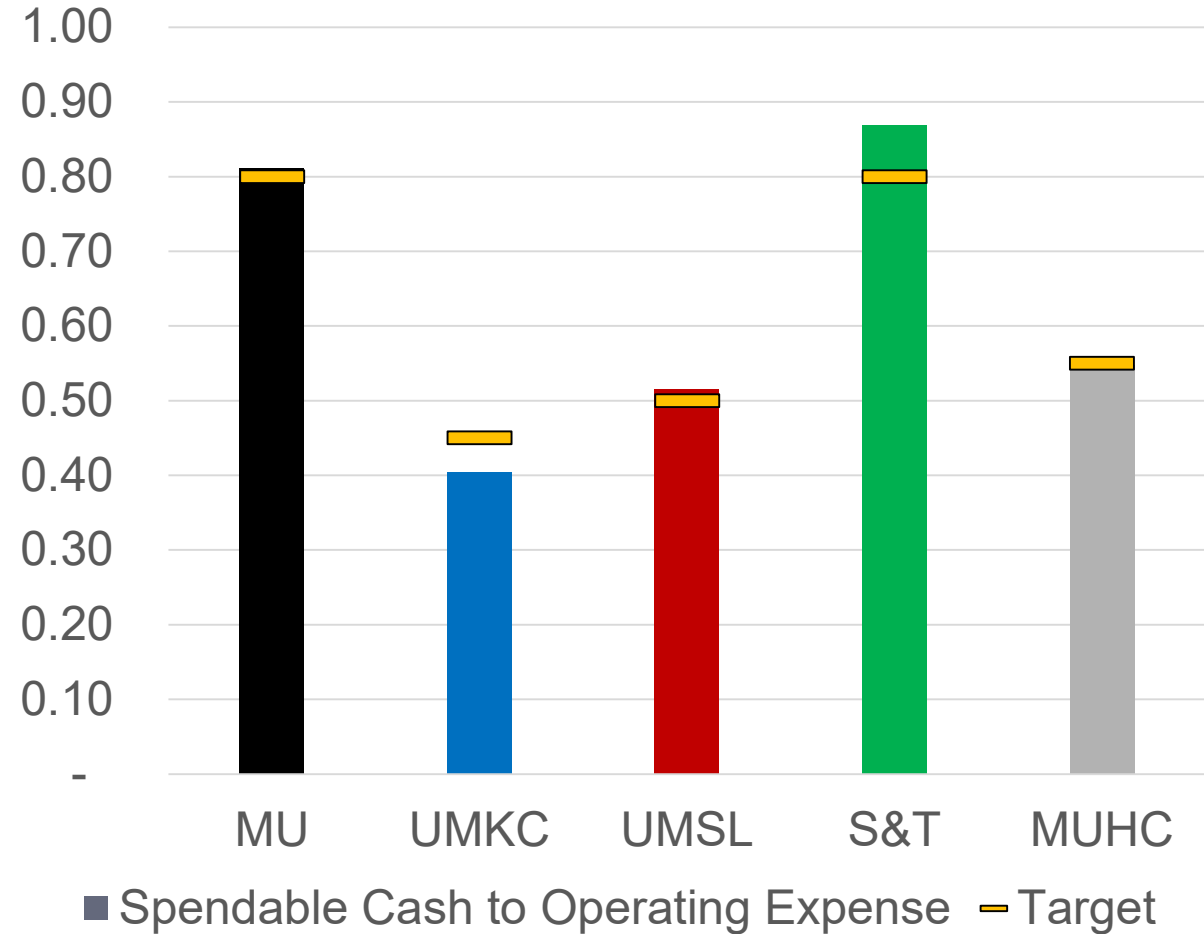


# Balance sheet strength varies by campus

## Spendable Cash to Debt by Unit

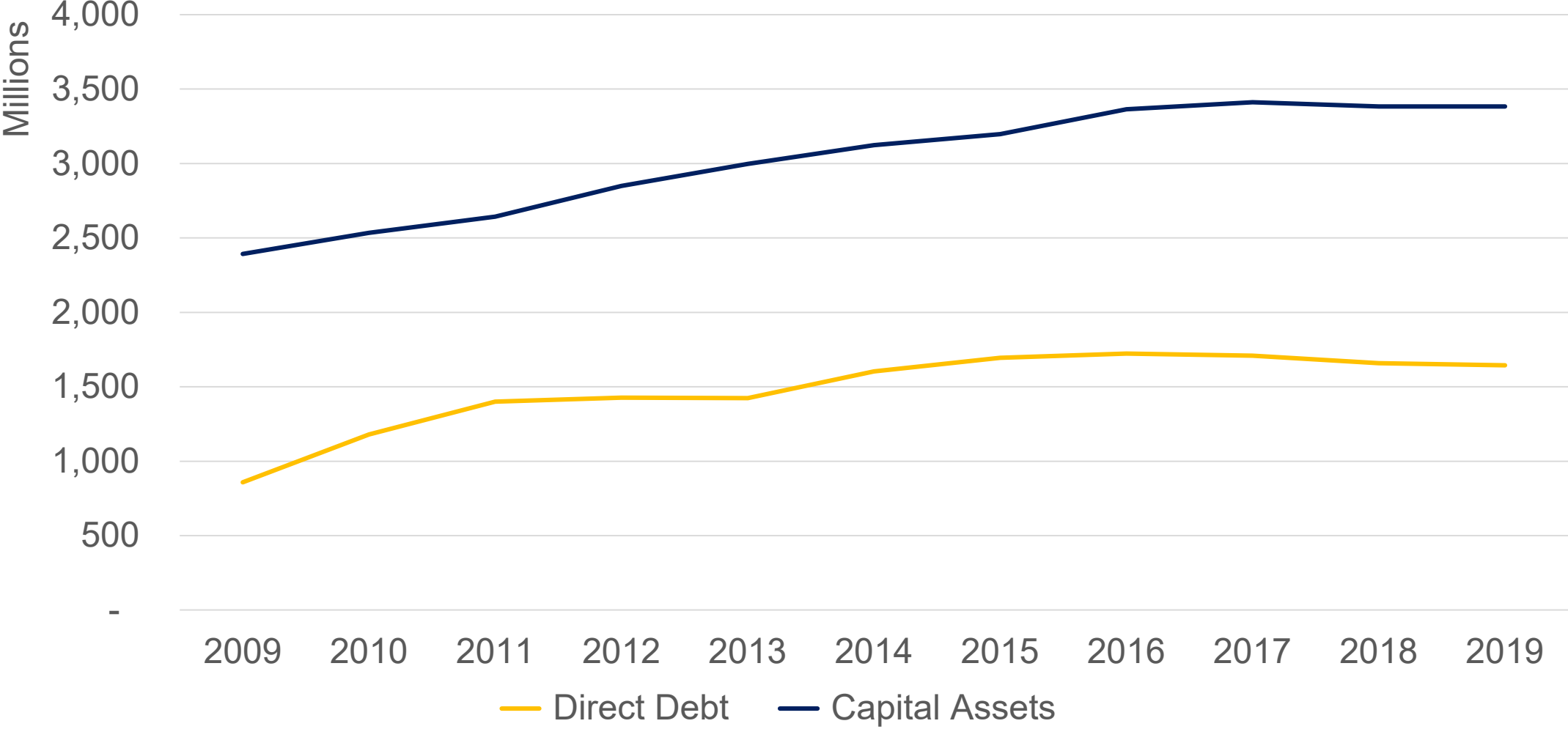


## Spendable Cash to Operations

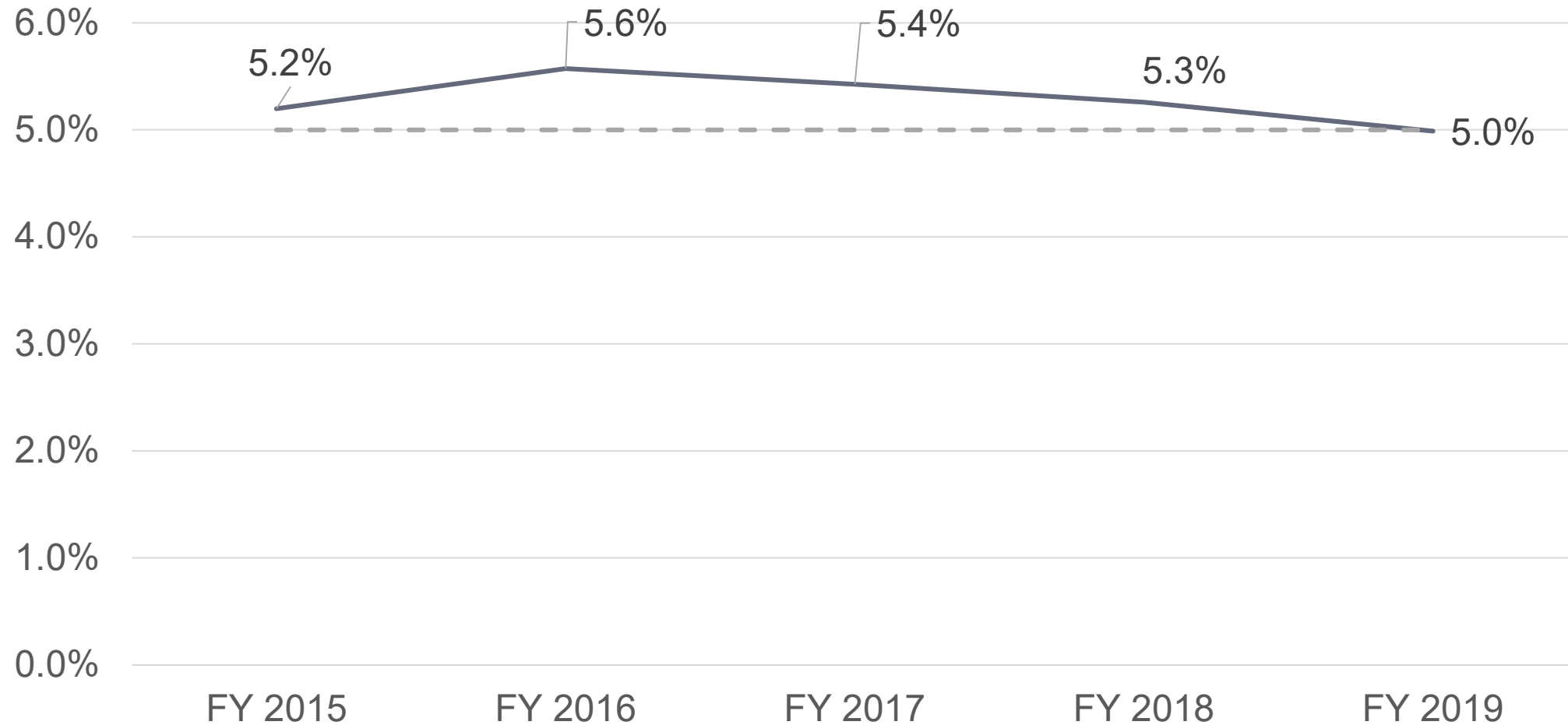




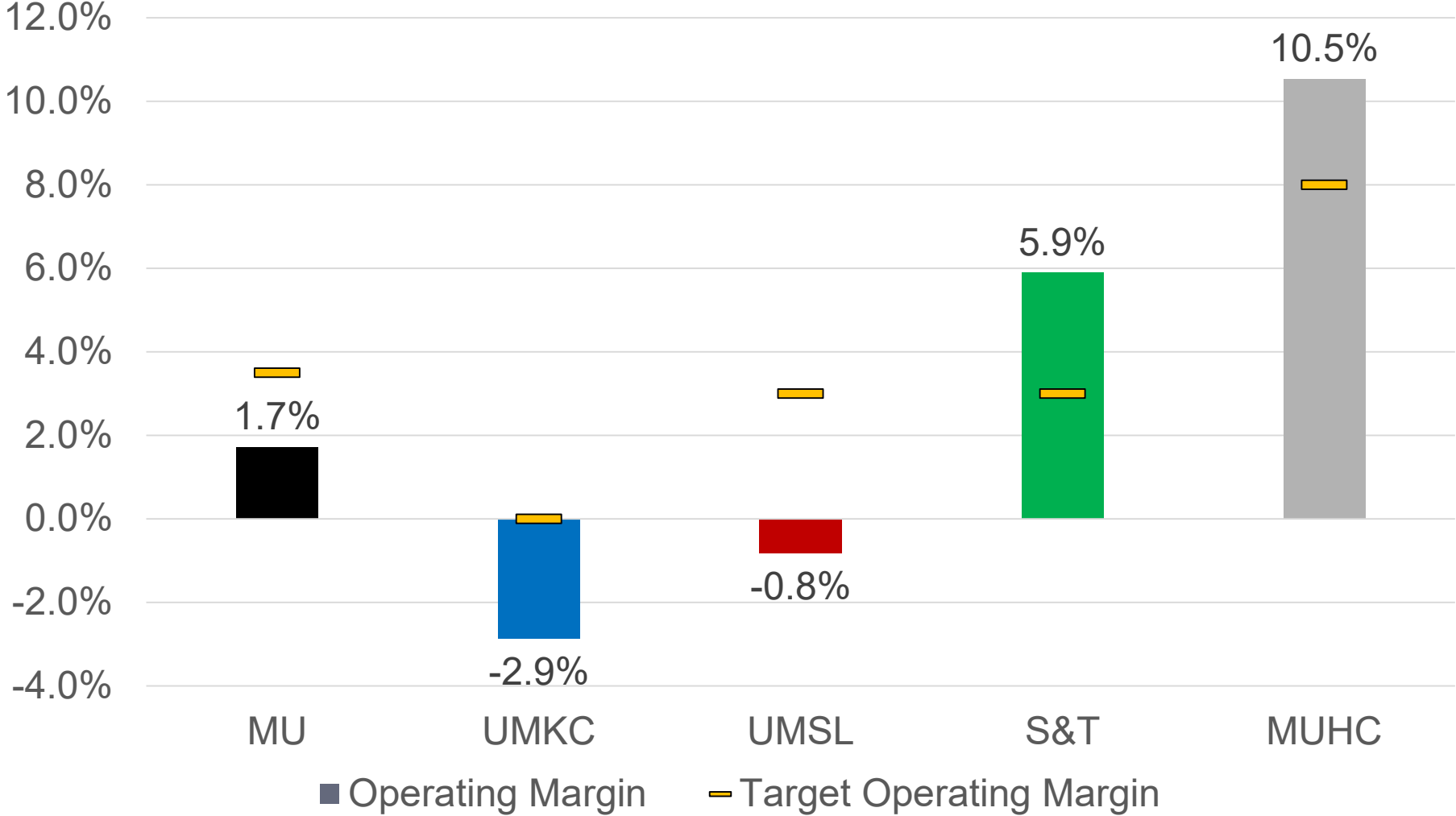
# Investment in capital assets slowed along with debt



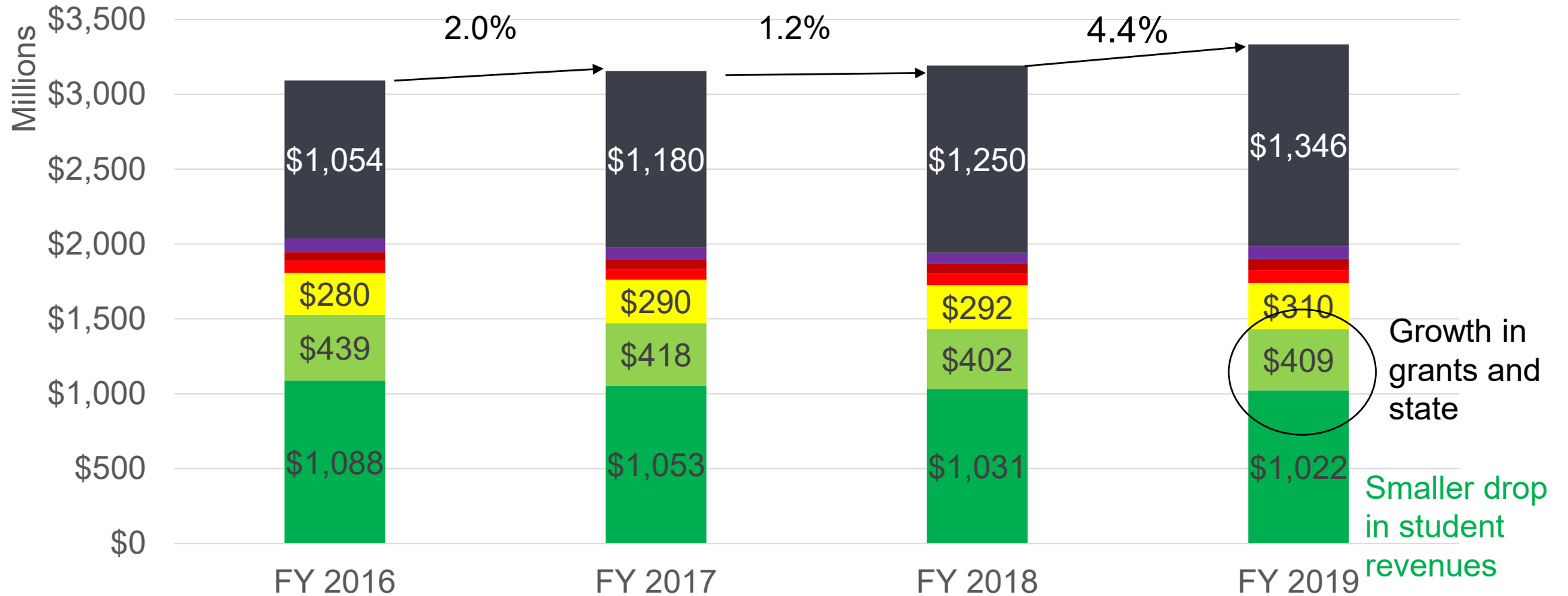
# Operating margin continues to tighten



# Margin by unit varies significantly



# Revenue growth showing positive signs



- Student Service Revenues
- Gifts
- Patient Service Revenues

- State Appropriations
- Endowment/Investment Income

- Grants and Contracts
- Other

# Financial Performance and Accountability Policy

- Created to define accountabilities for financial performance
  - Framework of rule considers both long-term and short-term performance expectations
  - Provides for a period of adjustment for unexpected shocks
- Rule outlines both the role of unit leadership and finance in managing financial performance
- Includes both incentives and consequences
- Provides flexibility to units in implementing accountability throughout their enterprise

# Looking ahead to 2020

- Margins should rebound slightly with the implementation of VSP and expected revenue growth
- Precision Health Institute coupled with a bullet maturity will likely necessitate the first debt issuance in several years
- 2020 serves as the trial year for financial performance and accountability policy
- Beginning multiple-year effort for new campus specific tuition and fee strategies

# Questions?