

THE UNIVERSITY *of* SOUTHERN MISSISSIPPI

2023 ANNUAL FINANCIAL REPORT — UNAUDITED

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SOAR

THE UNIVERSITY OF
**SOUTHERN
MISSISSIPPI**

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2023 ANNUAL FINANCIAL REPORT — UNAUDITED



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MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) section introduces the financial statements and provides an analytical overview of its financial activities for the fiscal year ended June 30, 2023. Fiscal year 2022 data is included for comparative purposes. Responsibility for the accuracy of the information and the completeness and fairness of its presentation, including all disclosures, rests with the management of the University. The Management's Discussion and Analysis section is designed to focus on current activities, resulting changes and currently known facts, and should be read in conjunction with the accompanying financial statements and notes thereto.

THE INSTITUTION

Since our founding in 1910, The University of Southern Mississippi has remained dedicated to preparing students for success. We deliver programs to more than 13,000 students in Hattiesburg and Long Beach, at teaching and research sites across the Mississippi Gulf Coast, as well as online. We are a community-engaged Carnegie R1 university, earning distinction as one of the nation's leading research institutions.

Southern Miss is known for pioneering work in polymer science, ocean science, spectator sports safety and security, and bringing language to children with communication disorders. We are also a national leader in a broad range of disciplines, including cybersecurity, hydrography, nutrition, aquaculture, kinesiology, and economic development, among others.

We produce graduates ready to enter fields that are leading the way in emerging technologies through programs such as computer engineering, information technology, and ocean engineering. We're developing the next generation of business leaders, while also responding to critical workforce shortages by producing skilled professionals in education and nursing. With a tradition of excellence in the arts, we are one of only 36 public institutions in the nation accredited in four major areas of the arts. Home to the Golden Eagles, our student-athletes compete in 17 NCAA Division I sports.

OVERVIEW OF FINANCIAL STATEMENTS

The University's financial statements present the financial condition, the results of operations, and cash flows of the

University through three primary financial statements and notes to the financial statements. The three financial statements consist of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Notes to Financial Statements provide additional information that is essential to a full understanding of the financial statements. The financial statements of The University of Southern Mississippi Foundation, a component unit of the University, are presented discretely from the University; however, management's discussion and analysis focus only on the University.

STATEMENT OF NET POSITION

The Statement of Net Position presents the financial position of the University at the end of the fiscal year. This statement reflects the various assets, deferred outflows, liabilities, deferred inflows and net position of the University as of the fiscal year ended June 30, 2023, and 2022.

From the data presented, readers of the Statement of Net Position have the information to determine the assets available to continue the operations of the University. They may also determine how much the University owes employees, vendors and bondholders. Finally, the Statement of Net Position outlines the net position (assets and deferred outflows minus liabilities and deferred inflows) available to the University.

Net position is divided into three categories. The first category, investment in capital assets, net of related debt, provides the equity in property, plant and equipment owned by the University. The second category is restricted net position, which is divided into two categories: nonexpendable and expendable. The corpus of nonexpendable restricted resources, as it pertains to endowments, is only available for investment purposes. Donors have primarily restricted income derived from these investments to fund scholarships. Expendable restricted net position is available for expenditure by the University but must be spent for purposes as determined by donors and or external entities that have placed time or purpose restrictions on the use of the assets. The last category, unrestricted net position, discloses the net position available to the University for any lawful purpose of the University.

As of June 30, 2023, the University's assets and deferred outflows of resources totaled \$874 million. Liabilities and deferred inflows of resources were \$494 million, leaving a net position of \$380 million, a nominal change in net position compared to fiscal year 2022.

CONDENSED STATEMENT OF NET POSITION

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Current Assets:				
Cash and cash equivalents	\$ 111,689,115	\$ 101,524,390	\$ 10,164,725	10.0%
Short term investments	16,761,803	2,093,080	14,668,723	700.8%
Accounts receivable, net	34,344,719	43,283,421	(8,938,702)	-20.7%
Other current assets	9,025,838	10,114,540	(1,088,702)	-10.8%
Noncurrent Assets:				
Restricted cash and cash equivalents	10,598,377	11,190,419	(592,042)	-5.3%
Endowment and other long term investments	48,683,059	58,206,282	(9,523,223)	-16.4%
Capital assets, net	580,191,175	591,202,608	(11,011,433)	-1.9%
Other noncurrent assets	9,178,969	22,242,057	(13,063,088)	-58.7%
Total Assets	<u>\$ 820,473,055</u>	<u>\$ 839,856,797</u>	<u>\$ (19,383,742)</u>	-2.3%
 Deferred Outflows of Resources	 \$ 53,692,884	 \$ 45,129,374	 \$ 8,563,510	 19.0%
Total Assets and Deferred Outflows of Resources	<u>\$ 874,165,939</u>	<u>\$ 884,986,171</u>	<u>\$ (10,820,232)</u>	-1.2%
 Current Liabilities	 \$ 46,530,196	 \$ 47,201,489	 \$ (671,293)	 -1.4%
Noncurrent Liabilities	438,566,342	376,871,609	61,694,733	16.4%
Total Liabilities	<u>\$ 485,096,537</u>	<u>\$ 424,073,098</u>	<u>\$ 61,023,440</u>	14.4%
 Deferred Inflows of Resources	 \$ 9,029,354	 \$ 80,328,122	 \$ (71,298,768)	 -88.8%
Total Liabilities and Deferred Inflows of Resources	<u>\$ 494,125,891</u>	<u>\$ 504,401,220</u>	<u>\$ (10,275,329)</u>	-2.0%
Net Position:				
Net invested in capital assets	\$ 419,115,574	\$ 425,383,963	\$ (6,268,389)	-1.5%
Restricted	49,212,209	49,993,629	(781,420)	-1.6%
Unrestricted	(88,287,737)	(94,792,640)	6,504,903	-6.9%
Total Net Position	<u>\$ 380,040,046</u>	<u>\$ 380,584,951</u>	<u>\$ (544,906)</u>	-0.1%





THE UNIVERSITY'S ASSETS

A review of total assets reveals a decrease of \$19.4 million for fiscal year 2023 over the prior fiscal year. The University's cash and cash equivalents include both current and noncurrent balances of \$111.7 million and \$10.6 million, respectively, at the end of fiscal year 2023. Noncurrent restricted cash and cash equivalents include funds held in escrow accounts to be used for specific capital purposes. The University considers all highly liquid investments with an original maturity of three months or less to be cash or cash equivalents.

Short-term investments increased \$14.7 million due to the reclassification of funds from longer term assets. Accounts receivable decreased by \$8.9 million due to the removal of GASB 87 leases. Student notes receivable decreased \$897,000 due to the cancellation of the Perkins Loan Program.

Capital assets include land, land improvements, buildings and improvements, equipment, construction in progress and library materials. Net capital assets totaled \$580 million at June 30, 2023, compared to \$591 million at June 30, 2022. The Hattiesburg campus completed envelope repairs and improvements to McCain Library and Archives. Beautiful improvements to the exterior plaza area of the Student Union adjacent to the football stadium were completed. Pedestrian pathways are being constructed along three main roadways on or adjacent to campus, and parking accessibility continues to be upgraded and increased. The university completed and opened the Center for Military Veterans, Service Members and

Families, which serves to meet the post-secondary education needs of our Armed Forces and their families. At the Gulf Coast locations, construction of the Invertebrate Growout facility will begin in the near future, and infrastructure improvements to walkways and lighting continue. Plans are underway for a new Marine Operations Building, the Halstead Harbor Bulkhead upgrade, and a Gulf Park Executive Education Center.

THE UNIVERSITY'S DEFERRED OUTFLOWS

The University's deferred outflows are comprised of debt amortization, the pension changes, and the Other Post-Employment Benefits (OPEB) liability related to the State and School Employees' Life and Health Insurance Plan. The pension changes and the OPEB liability are associated with compliance of GASB 68 and 75, respectively. Overall, deferred outflows increased from \$45 million in fiscal year 2022 to \$54 million in fiscal year 2023. The accumulated deferred amount related to debt refunding decreased by \$848,000, the deferred outflows related to the pension plan liability increased by \$9.8 million, and the retroactive OPEB liability was \$2.4 million for 2022 and \$2 million for 2023. This represents portions of the effects of (1) the change in the University's proportion of the collective net pension liability and (2) differences during the measurement period between the University's contributions and its proportionate share of the total of contributions from employers included in the collective net pension liability that are not recognized in the University's pension expense. Also,

the University's contributions to the pension plan subsequent to the measurement date of the collective net pension liability are reported as deferred outflows of resources related to pensions. Lastly, it represents the University's proportionate share of the net OPEB liability for its employees who participate in the State and School Employees' Life and Health Insurance Plan. The net OPEB liability is measured as the total OPEB liability less the amount of the fiduciary net position of the plan.

THE UNIVERSITY'S LIABILITIES

Current liabilities consist primarily of accounts payable, accrued liabilities, unearned revenues related to operations, and the portion of long-term debt that is due to be paid in the subsequent fiscal year. Most accounts payable and accrued liabilities represent amounts owed for salaries, wages and benefits, supplies and services. Unearned revenues consist primarily of tuition revenues for the second term of the summer semester, football ticket revenue for the fall season, and external funds received on a fixed payment schedule with the expectation of a deliverable and any unexpended funds to be returned at the end of the project. The increase in noncurrent liabilities of \$62 million is primarily due to an increase in the University's net pension liabilities.

THE UNIVERSITY'S DEFERRED INFLOWS

Deferred inflows decreased \$71 million from fiscal year 2022 to fiscal year 2023. This line item represents the University's proportionate share of the difference between projected and actual earnings on the pension plan and OPEB, State and School Employees' Life and Health Insurance Plan. See Note 14 and 15 for further information related to the University's Pension Plan and OPEB Plan. Deferred Inflows also includes \$2 million for GASB 87 Leases. See Note 10 for further information related to the University's lease obligations.

THE UNIVERSITY'S NET POSITION

Net position represents the residual interest in the University's assets and deferred outflows after all liabilities and deferred inflows are deducted. Net position decreased from \$381 million in fiscal year 2022 to \$380 million in fiscal year 2023.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Changes in total net position as presented on the Statement of Net Position are based on the activity displayed in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of this statement is to present the revenues received by the University, both operating and nonoperating, and the expenses paid by the University, both operating and nonoperating, and any other revenues, expenses, gains and losses received or expended by the University. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods or services provided in return for the operating revenues and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state educational appropriations are nonoperating because they are provided to the University without the state legislature directly receiving commensurate goods and services in return for those revenues. Nonoperating revenues also include private gifts for other than capital purposes, federal financial aid, investment income, net unrealized appreciation, or depreciation on the fair value of investments and interest expense.



CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>Fiscal Year 2023</u>	<u>Fiscal Year 2022</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating Revenues:				
Tuition and fees, net	\$ 88,766,813	\$ 92,882,481	\$ (4,115,668)	-4.4%
Grants and contracts	87,072,752	81,731,164	5,341,588	6.5%
Auxiliary enterprises	40,122,119	35,283,857	4,838,262	13.7%
Other operating revenues	<u>6,251,265</u>	<u>6,841,590</u>	<u>(590,325)</u>	-8.6%
Total Operating Revenues	\$ 222,212,949	\$ 216,739,092	\$ 5,473,857	2.5%
Operating Expenses	<u>367,087,186</u>	<u>357,318,527</u>	<u>9,768,659</u>	2.7%
Operating Loss	<u>\$ (144,874,237)</u>	<u>\$ (140,579,435)</u>	<u>\$ (4,294,802)</u>	3.1%
Nonoperating Revenues (Expenses):				
State appropriations	\$ 100,798,430	\$ 89,085,790	\$ 11,712,640	13.1%
Other nonoperating revenue	35,334,903	64,210,725	(28,875,822)	-45.0%
Interest on debt	<u>(1,585,537)</u>	<u>(5,184,153)</u>	<u>3,598,616</u>	-69.4%
Net Nonoperating Revenues	<u>\$ 134,547,796</u>	<u>\$ 148,112,362</u>	<u>\$ (13,564,566)</u>	-9.2%
Gain/ (Loss) Before Other Revenues	<u>\$ (10,326,441)</u>	<u>\$ 7,532,926</u>	<u>\$ (17,859,367)</u>	-237.1%
Capital grants and gifts	\$ 4,665,131	\$ 9,109,665	\$ (4,444,534)	-48.8%
Capital appropriations	5,239,563	5,070,662	168,901	3.3%
Other additions (deletions)	<u>530,797</u>	<u>(658,466)</u>	<u>1,189,263</u>	180.6%
Total Other Revenues	<u>\$ 10,435,491</u>	<u>\$ 13,521,861</u>	<u>\$ (3,086,370)</u>	-22.8%
Increase in Net Position	\$ 109,051	\$ 21,054,788	\$ (20,945,737)	-99.5%
Net Position:				
Net Position at Beginning of the Year	\$ 380,584,951	\$ 359,530,163	\$ 21,054,788	5.9%
Prior period adjustments	<u>(653,956)</u>	<u>(653,956)</u>	<u>(653,956)</u>	-100.0%
Net Assets at Beginning of Year, restated	<u>\$ 379,930,995</u>	<u>\$ 359,530,163</u>	<u>\$ 20,400,832</u>	5.7%
Net Position at End of the Year	<u><u>\$ 380,040,046</u></u>	<u><u>\$ 380,584,951</u></u>	<u><u>\$ (544,905)</u></u>	-0.1%

The Statement of Revenues, Expenses and Changes in Net Position presents a decrease in net position of \$500,000 for fiscal year June 30, 2023. As noted in the statement, the University experienced operating losses of \$145 million and \$141 million in fiscal years 2023 and 2022, respectively. These operating losses highlight the University's dependence on nonoperating revenues, such as state appropriations, federal financial aid and private gifts, to meet its cost of operations.

OPERATING REVENUES

Total operating revenues for fiscal years ended June 30, 2023, and 2022 were \$222 million and \$217 million, respectively. Operating revenues include student tuition and fees that are net of scholarship allowances, grants and contracts, sales and services of educational departments, auxiliary enterprises, and other operating revenues.

A slight decrease in student enrollment resulted in a 4.4% decrease in net tuition and fees revenue.

Grants and contracts operating revenues include restricted revenues made available by government agencies, as well as private agencies. Grants and contracts operating revenues continue to account for a significant portion of total operating revenues for the University. These revenues are recorded only to the extent the funds have been expended for exchange transactions. Nonexchange grant revenues are recorded when received or when eligibility criteria have been met and are reported as nonoperating revenue.

In fiscal year 2023, the University experienced a 6.5% increase in grants and contracts revenues compared to fiscal year 2022. The majority of the increase is due to an increase in federal grants.

The following table details the University's grants and contracts operating revenues for the fiscal years ended June 30, 2023 and 2022:

	Fiscal Year 2023	Fiscal Year 2022	Increase (Decrease)	Percent Change
Federal Award Sources:				
Department of Education	6,003,294	18,234,266	(12,230,972)	-67.1%
National Science Foundation	3,570,355	4,145,528	(575,174)	-13.9%
Department of Defense	12,932,975	12,202,549	730,426	6.0%
NASA	2,033,601	2,320,695	(287,094)	-12.4%
Department of Commerce	18,357,309	15,343,330	3,013,979	19.6%
Department of Health and Human Services	9,101,461	9,892,335	(790,874)	-8.0%
Department of Agriculture	1,390,841	1,384,583	6,258	0.5%
Department of Justice	71,088	63,374	7,714	12.2%
Department of Homeland Security	6,301,374	4,610,927	1,690,446	36.7%
Department of Energy	265,824	496,884	(231,061)	-46.5%
Other	5,492,663	4,122,496	1,370,167	33.2%
Total Federal Sources	65,520,783	72,816,966	(7,296,183)	-10.0%
State Award Sources:				
Financial Aid	9,578,687	9,339,316	239,371	2.6%
Department of Education	1,559,844	95,621	1,464,223	1531.3%
Other	3,882,387	3,928,489	(46,102)	-1.2%
Total State Sources	15,020,918	13,363,426	1,657,491	12.4%
Other Sources	7,135,023	6,086,761	1,048,262	17.2%
Total Grants and Contracts	87,676,724	92,267,153	(4,590,429)	-5.0%

NONOPERATING REVENUES AND EXPENSES

The University's net nonoperating revenues of \$135 million assisted in offsetting the University's operating loss of \$145 million for 2023. The \$13.6 million decrease in net nonoperating revenues is in large part due to a \$29 million decrease in COVID-19 funds.

OPERATING EXPENSES

Operating expenses for the year ended June 30, 2023, totaling \$367 million, included \$219 million in compensation and benefits, \$106 million in supplies and other, \$22 million in scholarships, and \$19 million in depreciation.

A comparative summary of the University's expenses for the years ended June 30, 2023 and 2022 is as follows:

	Fiscal Year 2023	Fiscal Year 2022	Increase (Decrease)	Percent Change
Operating Expenses:				
Compensation and benefits	\$ 219,482,467	\$ 195,509,017	\$ 23,973,450	12.3%
Supplies and other	106,086,998	104,450,857	1,636,141	1.6%
Scholarships and fellowships	22,346,117	38,339,389	(15,993,272)	-41.7%
Depreciation	19,171,605	19,019,264	152,341	0.8%
Total Operating Expenses	\$ 367,087,186	\$ 357,318,527	\$ 9,768,659	2.7%

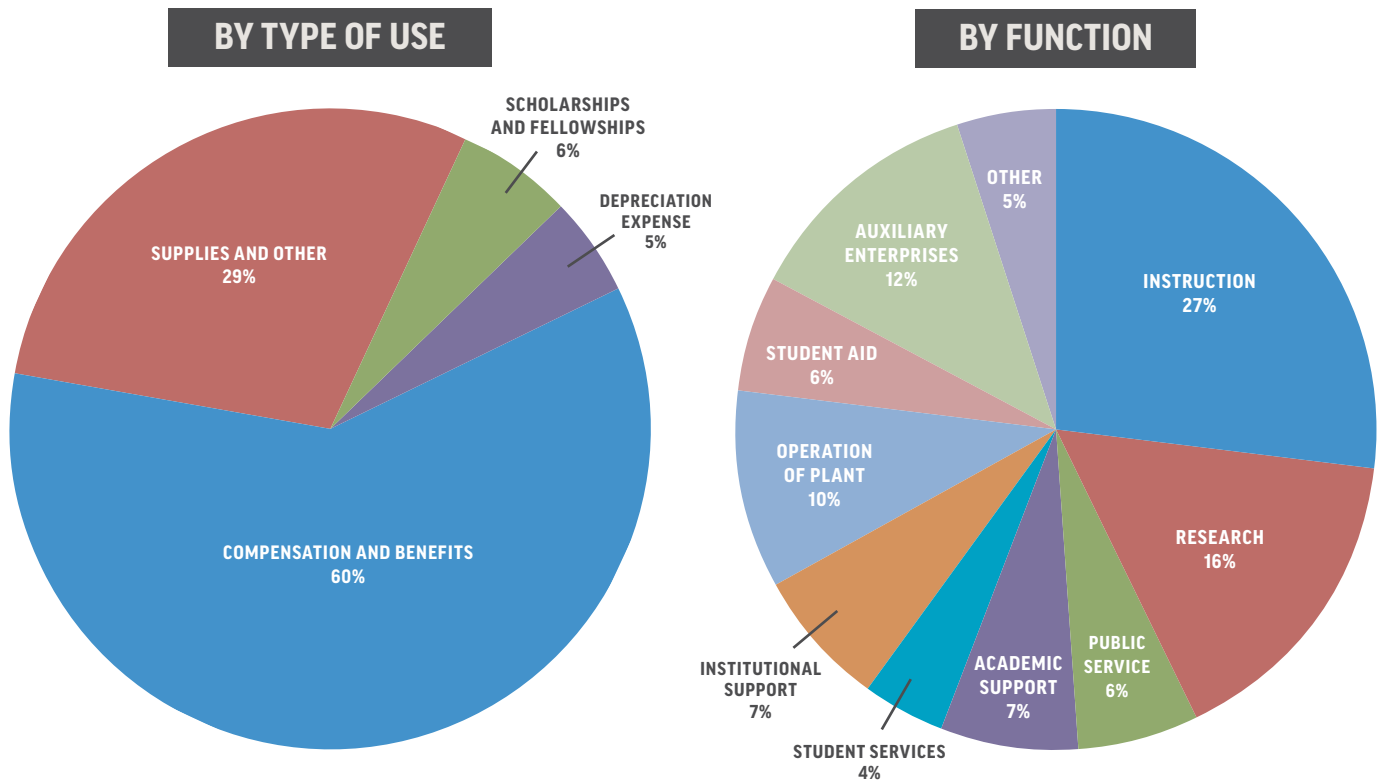
For the year ended June 30, 2023, total operating expenses increased \$9.8 million. Compliance with GASB 68 pension reporting requirements resulted in a \$4.9 million increase in benefits. This increase was offset by a \$2 million decrease in contractual services and a \$16 million decrease in scholarship, in part due to the exhaustion of COVID-19 funding.

In addition to their natural classification, operating expenses are also reported by their functional classification as defined by the National Association of College and University Business Officers (NACUBO). The functional classification of an operating expense is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. This method reflects amounts expended in areas such as instruction, research, and operations and maintenance and is used most commonly for comparative reporting purposes among colleges and universities.

A comparative summary and a graphic illustration of the University's expenses by functional classification for the years ended June 30, 2023 and 2022 are as follows:

	Fiscal Year 2023	Fiscal Year 2022	Increase (Decrease)	Percent Change
Operating Expenses:				
Instruction	\$ 99,375,736	\$ 91,065,023	\$ 8,310,713	9.1%
Research	59,927,780	53,714,012	6,213,768	11.6%
Public service	19,596,554	17,048,193	2,548,361	14.9%
Academic support	25,135,719	27,793,178	(2,657,459)	-9.6%
Student services	14,046,361	12,584,290	1,462,071	11.6%
Institutional support	27,166,491	22,434,096	4,732,395	21.1%
Operation of plant	38,208,899	36,426,672	1,782,227	4.9%
Student aid	22,346,117	38,346,733	(16,000,616)	-41.7%
Auxiliary enterprises	42,111,923	38,887,066	3,224,857	8.3%
Depreciation	19,171,605	19,019,264	152,341	0.8%
Total Operating Expenses	\$ 367,087,186	\$ 357,318,528	\$ 9,768,658	2.7%





Instructional expenses continued to represent the largest percentage of total operating expenses and consumed 45% of operating revenues for fiscal year 2023. Research expenditures accounted for 16% of total operating expenses and consumed 27% of operating revenues in fiscal year 2023.

OTHER CHANGES IN NET POSITION

Capital grants and gifts revenue decreased \$4 million largely due to a decrease in state and federal capital grants. State appropriations restricted for capital purposes increased a nominal \$169,000 due to a slight increase in Bureau of Buildings project activity in fiscal year 2023 compared to 2022.

CAPITAL ASSET AND DEBT ADMINISTRATION

The University must have campus facilities that are competitive to meet student enrollment goals. The University continues to execute its long-term plan to modernize and expand its teaching, research, and student facilities with a balance of new construction and technology. The following are a few examples of how the University enhanced and improved the living-learning community of the Hattiesburg campus during fiscal year 2023:

- Completed major renovations to Cook Library, including the new Bower Academic Center located within the building
- Completed construction of a Montague Boulevard pedestrian walkway
- Construction was completed on the Hardy Street pedestrian pathway in conjunction with the development of the Midtown District of the City of Hattiesburg, which is adjacent to the Hattiesburg campus
- Completed construction of the W. Fourth Street sidewalk, allowing safe access from the W. Fourth Street parking lot to athletic venues on campus
- Completed improvements to parking lots on Montague Boulevard and N. 35th Avenue, adding additional space and upgrading lighting
- Completed the extension of Montague Boulevard, improving navigation in the center of campus and adding additional parking spaces

The University remains committed to the growth and improvement of its coastal locations. Both locations continue to repair damages caused by Hurricanes Ida and Zeta. The Gulf Park campus continues plans for an Executive Education Center and continues infrastructure improvements to walkways and lighting. The Gulf Coast Research Laboratory continues plans for a state-of-the-art Invertebrate Growout facility, and construction is underway on a new Marine Operations Building and the rebuilding and upgrading of the Halstead Harbor bulkhead.

As of June 30, 2023, the University had \$142 million of debt outstanding, of which \$6.5 million was classified as current. Debt obligations bear interest at fixed rates ranging from 0.5% to 5.0% and mature at various dates through fiscal year 2044.

For additional information concerning capital assets and debt obligations, see Notes 6, 9 and 12.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about the sources and uses of cash during the fiscal year. This statement classifies sources and uses of cash into the four categories defined by GASB which are as follows:

- Operating activities
- Noncapital financing activities
- Capital and related financing activities
- Investing activities

The primary purpose of the statement is to provide relevant information about the cash receipts and cash payments of the University during a specific period of time. The Statement of Cash Flows helps users evaluate the University's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing.



CONDENSED STATEMENT OF CASH FLOWS

	Fiscal Year 2023	Fiscal Year 2022	Increase (Decrease)	Percent Change
Cash and Cash Equivalents Provided (Used) by:				
Operating activities	\$ (112,431,143)	\$ (123,005,798)	\$ (10,574,655)	8.6%
Noncapital financing activities	136,902,697	150,863,846	(13,961,149)	-9.3%
Capital and related financing activities	(13,677,670)	(24,485,614)	10,807,944	-44.1%
Investing activities	(1,221,200)	(22,289,071)	21,067,871	94.5%
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 9,572,684	\$ (18,916,637)	\$ 28,489,321	-150.6%
Cash and Cash Equivalents - Beginning of the Year	112,714,809	131,631,446	(18,916,637)	-14.4%
Cash and Cash Equivalents - End of the Year	<u>\$ 122,287,492</u>	<u>\$ 112,714,809</u>	<u>\$ 9,572,683</u>	8.5%

Major sources of funds included in operating activities for the year ended June 30, 2023, were net student tuition and fees of \$98 million, grants and contracts of \$87 million, and auxiliary enterprises of \$40 million. Major uses of funds included in operating activities were payments for employees' salaries and benefits of \$228 million, payments to suppliers of \$84 million, and scholarships and loans to students of \$22 million.

Net cash used for operating activities decreased by \$10.6 million in comparison to last year. Cash received from operating grants and contracts and other receipts was higher in FY23 in comparison to FY22. Cash paid to suppliers decreased by \$6.4 million. Other contributing factors to the decrease in cash used for operating activities was an increase in grant funds received.

Net cash provided by noncapital financing activities decreased by \$14 million. The majority of the decrease was due to the exhaustion of COVID-19 funds.

Net cash used for capital and related financing activity decreased by \$10.8 million. The majority of the decrease was caused by a reduction in cash paid for capital assets.

Net cash used in investing activity decreased by \$21 million in FY23 compared to FY22, mainly due to the decrease in purchases of long-term investments. In addition, there was an increase in interest earned and a decrease in funds received from sales and maturities of other investments.

ECONOMIC OUTLOOK

Despite the ongoing challenges in the higher education environment, The University of Southern Mississippi wrapped up Fiscal Year 2023 with a financially stable outcome. Although the impact of COVID-19 has diminished, we are navigating a period of uncertainty characterized by increased inflation rates, escalating labor costs, supply chain disruptions, and the looming possibility of a recession. These uncertainties regarding economic stability could persistently influence the University's operations, operational expenses, and the generation of certain revenue, including coming from enrollment, as well as from financial markets and fundraising efforts.

Preserving the significant financial growth that has taken place over the last few years will be key to the University's long-term financial strategy. Although we are optimistic about the progress we have made, the University must continue to be diligent in our efforts to increase retention rates and recruit new students as tuition and fee revenues are our largest source of operating revenue. The University must have campus facilities that are competitive to support the mission of the institution. Other crucial elements to the University's future will continue to be our relationship with the State of Mississippi, as well as maintaining a diverse source of revenue streams for operations. While making strategic investment decisions is key, we must also remain focused in seeking out efficiency measures in order to sustain current and future financial stability for the challenging years ahead.

Allyson Easterwood
Vice President for Finance and Administration



FINANCIAL STATEMENTS



STATEMENTS OF NET POSITION

THE UNIVERSITY OF SOUTHERN MISSISSIPPI

	Year Ended June 30	
	2023	2022
Assets and Deferred Outflows		
Current Assets:		
Cash and cash equivalents	\$ 111,689,115	\$ 101,524,390
Short term investments (Note 2)	16,761,803	2,093,080
Accounts receivables, net (Note 4)	34,344,719	43,283,421
Student notes receivables, net (Note 5)	2,029,572	2,926,639
Inventories	207,597	217,974
Prepaid expenses	6,788,669	6,969,927
Total current assets	<u>\$ 171,821,475</u>	<u>\$ 157,015,431</u>
Non-Current Assets:		
Restricted cash and cash equivalents	\$ 10,598,377	\$ 11,190,419
Endowment investments (Note 2)	10,089,891	9,791,065
Other long term investments (Note 2)	38,593,168	48,415,217
Student notes receivable, net (Note 5)	7,497,600	8,883,031
Capital assets, net (Note 6)	580,191,175	591,202,608
Other non-current assets	1,681,369	13,359,026
Total noncurrent assets	<u>\$ 648,651,579</u>	<u>\$ 682,841,366</u>
Total assets	<u>\$ 820,473,054</u>	<u>\$ 839,856,797</u>
Deferred outflows of resources:		
Accumulated deferred amount of debt refundings	8,794,002	9,641,648
Pension related deferred outflows	42,867,782	33,074,972
OPEB related deferred outflows	2,031,100	2,412,754
Total deferred outflows of resources	<u>\$ 53,692,884</u>	<u>\$ 45,129,374</u>
Total assets and deferred outflows of resources	<u>\$ 874,165,937</u>	<u>\$ 884,986,171</u>
Liabilities, Deferred Inflows and Net Position		
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities (Note 7)	\$ 21,932,415	\$ 23,645,845
Unearned revenues (Note 8)	15,342,768	15,192,627
Accrued leave liabilities-current portion (Note 9)	1,300,390	1,235,048
Long term liabilities-current portion (Note 9)	6,514,927	6,097,950
Other current liabilities	1,439,696	1,030,019
Total Current liabilities	<u>\$ 46,530,196</u>	<u>\$ 47,201,489</u>
Non-current liabilities:		
Net pension liability (Note 9)	\$ 264,972,272	\$ 191,741,041
Net OPEB liability	8,920,294	11,548,533
Deposits refundable (Note 9)	2,866	2,986
Accrued leave liabilities (Note 9)	10,521,333	9,992,663
Long term liabilities (Note 9)	135,494,097	145,169,473
Other non-current liabilities (Note 9)	18,655,480	18,416,913
Total non-current liabilities	<u>\$ 438,566,342</u>	<u>\$ 376,871,609</u>
Total liabilities	<u>\$ 485,096,538</u>	<u>\$ 424,073,098</u>
Deferred inflows of resources:		
Difference between projected and actual earnings on pension plan	\$ 2,438,876	\$ 60,904,809
Deferred Inflows - Leases	1,823,765	15,317,138
OPEB related deferred inflows	4,766,713	4,106,175
Total liabilities and deferred inflows of resources	<u>\$ 494,125,891</u>	<u>\$ 504,401,220</u>
Net Position:		
Net Invested in Capital Assets	\$ 419,115,574	\$ 425,383,963
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships	5,569,090	5,569,090
Expendable:		
Scholarships and fellowships	869,404	1,296,428
Unexpended Plant	-	1,842,302
Debt service	25,984,213	25,496,452
Loans	4,231,292	4,582,814
Other purposes	12,558,210	11,206,543
Unrestricted	(88,287,737)	(94,792,641)
Total net position	<u>\$ 380,040,046</u>	<u>\$ 380,584,951</u>

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

THE UNIVERSITY OF SOUTHERN MISSISSIPPI

	Year Ended June 30	
	2023	2022
Operating revenues:		
Tuition and fees:	\$ 139,121,997	\$ 143,020,692
Less: Scholarship Allowances	(49,357,391)	(48,691,721)
Less: Bad Debt Expense	(997,793)	(1,446,490)
Net tuition and fees	\$ 88,766,813	\$ 92,882,481
Federal grants and contracts	62,169,256	58,743,161
State grants and contracts	13,307,338	9,368,652
Local grants and contracts	-	-
Nongovernmental grants and contracts	11,596,158	13,619,351
Sales and services of educational departments	1,354,268	1,772,715
Auxiliary enterprises:		
Student housing	20,187,424	18,323,656
Food services	3,122,577	3,110,671
Bookstore	753,690	821,671
Athletics	12,896,664	11,460,794
Other auxiliary revenues	6,592,988	5,568,285
Less auxiliary enterprise scholarship allowances	(3,431,225)	(4,001,220)
Other operating revenues, net	4,896,997	5,068,875
Total operating revenues	\$ 222,212,949	\$ 216,739,092
Operating expenses:		
Salaries and wages	\$ 158,673,900	\$ 149,254,153
Fringe benefits	60,808,567	46,254,864
Travel	8,012,469	5,837,740
Contractual services	68,270,955	70,296,115
Utilities	11,857,971	10,808,140
Scholarships and fellowships	22,346,117	38,339,389
Commodities	17,945,603	17,508,862
Depreciation	19,171,605	19,019,264
Total operating expenses (Note 11)	\$ 367,087,186	\$ 357,318,527
Operating Loss	\$ (144,874,237)	\$ (140,579,435)
Nonoperating revenues (expenses):		
State appropriations	\$ 100,798,430	\$ 89,085,790
Gifts and grants	35,334,903	64,166,339
Investment income	3,924,300	44,386
Interest expense on capital asset-related debt	(5,509,838)	(5,184,153)
Total nonoperating revenues (expenses), net	\$ 134,547,796	\$ 148,112,362
Gain or Loss before other revenues, expenses, gains and losses	\$ (10,326,441)	\$ 7,532,926
Other revenues, expenses, gains and losses:		
Capital grants and gifts	\$ 4,665,131	\$ 9,109,665
State appropriations restricted for capital purposes	5,239,563	5,070,663
Other additions	1,151,947	889,968
Other deletions	(621,150)	(1,548,434)
Change in net position	\$ 109,051	\$ 21,054,788
Net position - beginning of year, as adjusted	\$ 380,584,951	\$ 359,530,163
Period Period Adjustment	(653,956)	-
Net position - beginning of year, as restated	\$ 379,930,995	\$ 359,530,163
Net position - end of year	\$ 380,040,046	\$ 380,584,951

STATEMENTS OF CASH FLOWS

THE UNIVERSITY OF SOUTHERN MISSISSIPPI

	<u>2023</u>	<u>2022</u>
Operating Activities:		
Tuition and fees	\$ 97,705,515	73,509,473
Grants and contracts	87,072,752	81,731,165
Sales and services of educational departments	1,354,268	1,772,715
Payments to suppliers	(83,663,488)	(90,150,408)
Payments to employees for salaries and benefits	(228,147,741)	(186,844,318)
Payments for utilities	(11,857,971)	(10,808,140)
Payments for scholarships and fellowships	(22,346,117)	(38,339,389)
Collection of loans to students	2,282,498	3,688,179
Auxiliary enterprise charges:		
Student housing	20,187,424	18,323,656
Food services	3,122,577	3,110,671
Bookstore	753,690	821,671
Athletics	9,615,465	7,459,574
Other auxiliary enterprises	6,592,988	5,568,285
Other receipts	4,896,997	5,068,873
Other payments	-	2,082,195
Net cash used in operating activities	<u>(112,431,143)</u>	<u>(123,005,798)</u>
Noncapital financing activities:		
State appropriations	100,798,430	89,085,790
Gifts and grants for other than capital purposes	35,334,903	64,166,339
Federal loan program receipts	73,875,748	73,875,748
Federal loan program disbursements	(73,637,181)	(77,054,164)
Other sources	1,151,947	889,968
Other uses	(621,150)	(99,835)
Net cash provided by noncapital financing activities	<u>136,902,697</u>	<u>150,863,846</u>
Capital and related financing activities:		
Cash paid for capital assets	(8,160,172)	(25,008,165)
Capital appropriations received	5,239,563	5,070,662
Capital grants and contracts received	4,665,131	9,109,665
Principal paid on capital debt and leases	(9,258,400)	(7,025,027)
Interest paid on capital debt and leases	(5,509,837)	(5,184,153)
Other sources	(653,955)	-
Other uses	-	(1,448,596)
Net cash provided by (used in) capital and related financing activities	<u>(13,677,670)</u>	<u>(24,485,614)</u>
Investing activities:		
Proceeds from sales and maturities of investments	4,676,549	17,024,231
Interest received on investments	3,924,300	205,357
Purchases of investments	(9,822,049)	(39,518,659)
Net cash used in investing activities	<u>(1,221,200)</u>	<u>(22,289,071)</u>
Net change in cash and cash equivalents	9,572,684	(18,916,637)
Cash and cash equivalents, beginning of the year	<u>112,714,808</u>	<u>131,631,446</u>
Cash and cash equivalents, end of the year	<u><u>122,287,492</u></u>	<u><u>112,714,808</u></u>

STATEMENTS OF CASH FLOWS

THE UNIVERSITY OF SOUTHERN MISSISSIPPI (Continued)

	<u>2023</u>	<u>2022</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	(144,874,237)	(140,579,436)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	19,171,605	19,019,264
Provision for uncollectible accounts receivable	(1,000,000)	-
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Receivables, net	12,221,200	(15,684,829)
Inventories	10,377	(19,147)
Prepaid expenses	181,258	(1,990,321)
Deferred outflow of resources	(8,563,510)	(2,782,013)
Other assets	11,677,657	-
Increase (decrease) in liabilities:		
Accounts payables and accrued liabilities	(1,713,430)	5,570,601
Unearned revenue	150,141	2,082,295
Deposits refundable	(120)	(100)
Accrued leave liability	594,012	1,233,293
Net pension liability	73,231,231	(61,346,854)
Net OPEB liability	(2,628,239)	(2,433,329)
Deferred inflow of resources	(71,298,768)	73,993,602
Other liabilities	409,677	(68,824)
Total adjustments	<u>32,443,091</u>	<u>17,573,638</u>
Net cash used in operating activities	<u>(112,431,146)</u>	<u>(123,005,798)</u>
Reconciliation of cash and cash equivalents:		
Current assets - cash and cash equivalents	111,689,115	101,524,390
Noncurrent assets - restricted cash and cash equivalents	10,598,377	11,190,419
Cash and cash equivalents - end of year	<u>\$ 122,287,492</u>	<u>112,714,809</u>

See accompanying notes to financial statements.



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

THE UNIVERSITY OF SOUTHERN MISSISSIPPI FOUNDATION

ASSETS	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 3,373,595	\$ 3,453,276
Accrued Earnings	115,371	93,215
Prepaid Assets and Other Receivables	687,108	282,023
Pledges Receivable, Net	3,503,864	2,168,021
Investments	142,958,995	132,382,433
Cash Surrender Value of Life Insurance	2,814,064	2,775,374
Amounts Due from Externally Managed Trusts	11,967,432	10,266,352
Property and Equipment, Net	<u>85,476</u>	<u>52,163</u>
Total Assets	<u>\$ 165,505,905</u>	<u>\$ 151,472,857</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 834,718	\$ 1,062,133
Gift Annuities Payable	<u>55,605</u>	<u>60,174</u>
Total Liabilities	890,323	1,122,307
NET ASSETS		
Without Donor Restrictions	16,632,108	14,652,167
With Donor Restrictions	<u>147,983,474</u>	<u>135,698,383</u>
Total Net Assets	<u>164,615,582</u>	<u>150,350,550</u>
Total Liabilities and Net Assets	<u>\$ 165,505,905</u>	<u>\$ 151,472,857</u>



CONSOLIDATED STATEMENTS OF ACTIVITIES

THE UNIVERSITY OF SOUTHERN MISSISSIPPI FOUNDATION

YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 302,341	\$ 13,726,192	\$ 14,028,533
Non-Financial Contributions	1,914,693	369,299	2,283,992
Net Investment Gain	3,662,504	6,560,415	10,222,919
Gain on Externally Managed Trusts	-	269,954	269,954
Change in Value of Split Interest Agreements	-	1,422,425	1,422,425
Change in Value - Other	260	38,430	38,690
Other	68,006	32,279	100,285
Total Revenues, Gains, and Other Support	5,947,804	22,418,994	28,366,798
CHANGES IN RESTRICTIONS			
Change in Restriction by Donors	1,600	(1,600)	-
Net Assets Released from Restrictions	10,132,303	(10,132,303)	-
Total Changes in Restrictions	10,133,903	(10,133,903)	-
EXPENSES			
Program Services:			
Contributions and Support for The University of Southern Mississippi	10,838,436	-	10,838,436
Supporting Services:			
General and Administrative	1,962,146	-	1,962,146
Fundraising	1,301,184	-	1,301,184
Total Supporting Services	3,263,330	-	3,263,330
Total Expenses	14,101,766	-	14,101,766
CHANGE IN NET ASSETS	1,979,941	12,285,091	14,265,032
Net Assets - Beginning of Year	14,652,167	135,698,383	150,350,550
NET ASSETS - END OF YEAR	<u>\$ 16,632,108</u>	<u>\$ 147,983,474</u>	<u>\$ 164,615,582</u>

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 188,843	\$ 5,652,727	\$ 5,841,570
Non-Financial Contributions	1,644,352	173,642	1,817,994
Net Investment Loss	(1,740,563)	(11,944,342)	(13,684,905)
Loss on Externally Managed Trusts	-	(605,577)	(605,577)
Change in Value of Split Interest Agreements	-	(3,834,760)	(3,834,760)
Change in Value - Other	565	12,146	12,711
Other	683,582	46,300	729,882
Total Revenues, Gains (Losses), and Other Support	776,779	(10,499,864)	(9,723,085)
CHANGES IN RESTRICTIONS			
Change in Restriction by Donors	(30,000)	30,000	-
Net Assets Released from Restrictions	11,093,577	(11,093,577)	-
Total Changes in Restrictions	11,063,577	(11,063,577)	-
EXPENSES			
Program Services:			
Contributions and Support for The University of Southern Mississippi	12,025,607	-	12,025,607
Supporting Services:			
General and Administrative	1,544,525	-	1,544,525
Fundraising	1,213,245	-	1,213,245
Total Supporting Services	2,757,770	-	2,757,770
Total Expenses	14,783,377	-	14,783,377
CHANGE IN NET ASSETS	(2,943,021)	(21,563,441)	(24,506,462)
Net Assets - Beginning of Year	17,595,188	157,261,824	174,857,012
NET ASSETS - END OF YEAR	<u>\$ 14,652,167</u>	<u>\$ 135,698,383</u>	<u>\$ 150,350,550</u>

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

THE UNIVERSITY OF SOUTHERN MISSISSIPPI FOUNDATION

YEAR ENDED JUNE 30, 2023

	Program Services	General and Administrative	Fundraising	2023 Total
Grants and Other Assistance	\$ 8,906,824	\$ -	\$ -	\$ 8,906,824
Salaries and Wages	153	1,033,404	886,012	1,919,569
Legal Fees	-	16,879	-	16,879
Accounting Fees	-	42,292	-	42,292
Professional Fees and Services	320,157	192,570	69,425	582,152
Advertising and Promotion	166,252	118,775	55,878	340,905
Office Expenses	53,769	38,063	20,216	112,048
Information Technology	20,891	76,140	55,687	152,718
Occupancy	150	125,955	-	126,105
Travel	173,328	19,869	20,129	213,326
Meetings, Activities and Receptions	310,269	113,269	66,088	489,626
Depreciation	-	24,911	-	24,911
Insurance	10,207	35,923	1,769	47,899
Capital Outlay	671,242	14,359	-	685,601
Dues and Subscriptions	88,925	60,352	108,052	257,329
Meals and Entertainment	99,905	12,305	7,970	120,180
Training and Development	16,364	8,537	9,958	34,859
Bad Debt Expense	-	28,543	-	28,543
Total Expenses	<u>\$ 10,838,436</u>	<u>\$ 1,962,146</u>	<u>\$ 1,301,184</u>	<u>\$ 14,101,766</u>

YEAR ENDED JUNE 30, 2022

	Program Services	General and Administrative	Fundraising	2022 Total
Grants and Other Assistance	\$ 10,246,572	\$ -	\$ -	\$ 10,246,572
Salaries and Wages	-	957,375	713,206	1,670,581
Legal Fees	-	8,275	-	8,275
Accounting Fees	-	68,533	-	68,533
Professional Fees and Services	510,558	160,597	105,288	776,443
Advertising and Promotion	158,698	94,780	54,841	308,319
Office Expenses	46,944	35,875	16,727	99,546
Information Technology	7,711	53,655	51,565	112,931
Occupancy	92,802	122,384	-	215,186
Travel	127,064	19,464	16,303	162,831
Meetings, Activities and Receptions	169,424	178,175	171,807	519,406
Depreciation	9,556	37,713	-	47,269
Insurance	13,272	39,560	3,073	55,905
Capital Outlay	511,060	11,895	4,600	527,555
Dues and Subscriptions	24,518	36,716	63,240	124,474
Meals and Entertainment	67,870	8,031	6,063	81,964
Training and Development	39,558	6,390	6,532	52,480
Recovery of Previously Written Off Receivables	-	(294,893)	-	(294,893)
Total Expenses	<u>\$ 12,025,607</u>	<u>\$ 1,544,525</u>	<u>\$ 1,213,245</u>	<u>\$ 14,783,377</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

THE UNIVERSITY OF SOUTHERN MISSISSIPPI FOUNDATION

YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 14,265,032	\$ (24,506,462)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	24,911	47,269
Fair Value of Donated Property and Equipment	-	(5,000)
Noncash Contributions of Investments	-	(167,965)
Realized and Unrealized Loss (Gain) on Investments, Net (Gain) Loss on Disposal of Furniture, Equipment and Construction in Progress	(7,709,195)	15,945,387
Receipts of Restricted Contributions to be Held in Perpetuity	(5,021,596)	(3,648,718)
Restricted Dividends and Interest to be Held in Perpetuity	19,670	6,938
Change in Cash Surrender Value of Life Insurance	(38,690)	(10,194)
Change in Amounts Due from Externally Managed Trusts	(1,701,080)	4,342,636
Change in Gift Annuities	(1,520)	12,701
Present Value Adjustments in Annuities	13,165	8,978
Changes in Operating Assets and Liabilities:		
Accrued Earnings	(22,156)	10,980
Prepaid Assets and Other Receivables	(405,085)	958,355
Pledges Receivable, Net	(1,335,843)	1,596,131
Accounts Payable and Accrued Expenses	(227,415)	(4,143)
Net Cash Used by Operating Activities	<u>(2,195,382)</u>	<u>(2,823,068)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Property and Equipment	130,252	750,000
Purchases of Property and Equipment	(132,896)	(1,871,991)
Purchases of Investments	(41,606,167)	(33,332,383)
Proceeds from Sales and Maturities of Investments	<u>38,740,320</u>	<u>33,112,720</u>
Net Cash Used by Investing Activities	<u>(2,868,491)</u>	<u>(1,341,654)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts of Restricted Contributions to be Held in Perpetuity	5,021,596	3,648,718
Restricted Dividends and Interest to be Held in Perpetuity	(19,670)	(6,938)
Annuity Payments	<u>(17,734)</u>	<u>(17,733)</u>
Net Cash Provided by Financing Activities	<u>4,984,192</u>	<u>3,624,047</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(79,681)</u>	<u>(540,675)</u>
Cash and Cash Equivalents - Beginning of Year	<u>3,453,276</u>	<u>3,993,951</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 3,373,595</u></u>	<u><u>\$ 3,453,276</u></u>
NONCASH ACTIVITIES		
Property and Equipment Additions Included in Accounts Payable and Accrued Expenses	<u>\$ -</u>	<u>\$ 180,115</u>





NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The University of Southern Mississippi is a public, comprehensive, research-extensive University. Our primary mission is to cultivate intellectual development and creativity through the generation, dissemination, application, and preservation of knowledge.

Reporting Entity

The Mississippi Constitution was amended in 1943 to create a Board of Trustees of State Institutions of Higher Learning (IHL). This constitutional Board provides management and control of Mississippi's system of public higher education. The Board members are to be appointed by the Governor with the approval of the Senate. The IHL is considered a component unit of the State of Mississippi reporting entity.

The current 12 Board members of the IHL System were appointed by the Governor and approved by the Senate for 12-year terms as follows: one from each of the seven Congressional districts, one from each of the three Supreme Court districts, and two appointed from the state-at-large. The Mississippi Constitution was amended in 2003 to change the length of terms and appointment districts for Board members. New appointments will occur from the three current Supreme Court districts for terms of nine years. The amendment provides for these new appointments and tenures to be gradually implemented. Full implementation occurred in 2012.

The University of Southern Mississippi has established its own educational building corporation (SMEBC, a nonprofit corporation incorporated in the State of Mississippi) in accordance with Section 37-101-61 of the Mississippi Code Annotated of 1972. The purpose of this corporation is for the acquisition of land and the construction, improvements and equipping of facilities for the University. In accordance with Governmental Accounting Standards Board (GASB) Statements No. 14 and No. 61, this educational building corporation is deemed a component unit of the University and is included as a blended component unit in the general purpose financial statements.

The University of Southern Mississippi has established its own Real Estate Foundation to engage in the design-build delivery system of auxiliary facilities as authorized by Section 37-101-44, Mississippi Code Annotated. The purpose of this Foundation is to construct, improve and equip auxiliary facilities for the University. In accordance with Governmental Accounting Standards Board (GASB) Statements No. 14 and No. 61, this Foundation is deemed a component unit of the University and is included as a blended component unit in the general purpose financial statements.

The University of Southern Mississippi Foundation is a legally separate, tax-exempt organization. The Foundation raises and manages funds that predominately act to supplement the resources that are available to the University in support of its programs. The Board of Directors of the Foundation consists of alumni and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or incomes thereon, which the Foundation holds and invests, are restricted to the activities of the University by donors. Because the majority of these restricted resources held by the Foundation can only be used by or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

Although the University is the primary beneficiary of the Foundation, the Foundation is independent of the University in all respects. The Foundation is not a subsidiary of the University and is not directly or indirectly controlled by the University. Moreover, the assets of the Foundation are the exclusive property of the Foundation and do not belong to the University. The University is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. The University does not have the power or authority to mortgage, pledge or encumber the assets of the Foundation. The Board of Directors of the Foundation is entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the University. Third parties dealing with the University, the IHL and the State of Mississippi (or any agency thereof) should not rely upon the financial statements of the Foundation for any purpose without consideration of all the foregoing conditions and limitations.

During the year ended June 30, 2023, the Foundation provided \$10.8 million of support for the University for both restricted and unrestricted purposes. Separate financial statements for the Foundation can be obtained at 118 College Drive #5210, Hattiesburg, MS 39406, or at usmfoundation.com.

The following investment disclosures pertain to The University of Southern Mississippi Foundation:

The following schedule summarizes the net investment gain (loss) and related net asset classification in the consolidated statement of activities:

	2023	2022
Fixed Income:		
U.S. Government Securities	\$ -	\$ 2,117,380
Corporate Bonds	-	2,920,771
Municipal Bonds	-	42,151
Mutual Funds	34,400,571	24,682,576
Other Fixed Income Securities	-	474,872
Total Fixed Income	<u>34,400,571</u>	<u>30,237,750</u>
Equities:		
Mutual and Common Stock Funds	71,076,292	67,694,890
Alternative Investments:		
Hedge Funds	23,905,361	22,390,883
Real Estate Investment Funds	5,759,484	6,176,908
Private Equity Funds	7,592,628	5,546,651
Total Alternative Investments	<u>37,257,473</u>	<u>34,114,442</u>
Cash and Cash Equivalents	162	110,854
Investments Held at Cost	224,497	224,497
Total Investments	<u>\$ 142,958,995</u>	<u>\$ 132,382,433</u>

Investments are summarized as follows at June 30, 2023, and 2022:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and Interest (Net of Expenses of \$763,784)	\$ 2,358,577	\$ 155,147	\$ 2,513,724
Realized Gains (Losses), Net	(99,086)	123,566	24,480
Unrealized Gains, Net	1,403,013	6,281,702	7,684,715
Total	<u>\$ 3,662,504</u>	<u>\$ 6,560,415</u>	<u>\$ 10,222,919</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and Interest (Net of Expenses of \$699,298)	\$ 2,261,340	\$ (858)	\$ 2,260,482
Realized Gains, Net	1,630,445	7,605,822	9,236,267
Unrealized Losses, Net	(5,632,348)	(19,549,306)	(25,181,654)
Total	<u>\$ (1,740,563)</u>	<u>\$ (11,944,342)</u>	<u>\$ (13,684,905)</u>

Basis of Presentation

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis of Public Colleges and Universities*, issued in June and November 1999, respectively. The University follows the “business type activities” reporting requirements of GASB Statement No. 34, which provides a comprehensive presentation of the University’s financial activities.

The Foundation is a private, nonprofit corporation that reports under the Financial Accounting Standards Board (FASB) Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial statement information in the University’s financial reporting entity for these differences.

Basis of Accounting

The financial statements of the University have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when reduced to a legal or contractual obligation to pay. All significant intra-institutional transactions have been eliminated.

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

Use of Estimates

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

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

Significant estimates also include the determination of the allowances for uncollectible accounts and notes receivable. As a result, there is at least a reasonable possibility that recorded estimates associated with these assets could change by a material amount in the near term. In connection with the preparation of the financial statements, management evaluated subsequent events through the date the financial statements were available to be issued.

Cash Equivalents

For purposes of the Statement of Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Short Term Investments

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

Accounts Receivable, Net

Accounts receivable consist mainly of tuition and fee charges to students, as well as amounts due from federal and state governments and nongovernmental sources, in connection with reimbursement of allowable expenses made pursuant to University grants and contracts. Accounts receivable are recorded net of an allowance for doubtful accounts.

Student Notes Receivable, Net

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

In fiscal year 2022, the University converted its allowance calculations on Student Accounts Receivable from the Direct Write-Off Method to the Allowance Method in order to bring its statements in line with its sister institutions.

Inventories

Inventories consist of items stocked for repairs, maintenance, retail operations and the student pharmacy. These inventories are generally valued at the lower of cost or market, on either the first-in, first-out ("FIFO") basis or the weighted average cost basis.

Prepaid Expenses

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

Noncurrent Restricted Cash and Investments

Cash and investments that are externally restricted to make debt service payments, to maintain sinking or reserve funds, or to purchase or construct capital or noncurrent assets, are classified as noncurrent assets in the Statement of Net Position.

Endowment Investments

Endowment investments are generally subject to the restrictions of donor gift instruments. They include true endowment funds, which are funds received from a donor with the restriction that only the income is to be utilized, and funds functioning as endowments, which are funds established by the governing board to function like an endowment fund but may be totally expended at any time at the discretion of the governing board.

Other Long Term Investments

Investments are reported at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Position.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. For movable property, the University's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional categories. See Note 6 for additional details concerning useful lives, salvage values and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. Certain maintenance and replacement reserves have been established to fund costs relating to residences and other auxiliary activity facilities.

Collections

On occasion, the University may obtain collections of art or historical treasures (usually as private donations to the institution). These collections are usually held for public exhibition, education or research. The University is not required to capitalize these collections and in practice generally does not capitalize their value in the financial presentation.

Accounts Payable and Accrued Liabilities

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

Unearned Revenues

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

Deposits Refundable

Deposits refundable represent good faith deposits from students to secure admission to various programs and to reserve housing assignments.

Income Taxes

The University of Southern Mississippi is considered an agency of the State and is treated as a governmental entity for tax purposes. As such, the University generally is not subject to federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the University does remain subject to income taxes on any income that is derived from a trade or business regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded because, in the opinion of management, there is no significant amount of taxes on such unrelated business income.

Compensated Absences

Twelve-month employees earn annual personal leave at a rate of 12 hours per month for zero to three years of service; 14 hours per month for three to eight years of service; 16 hours per month for eight to fifteen years of service; and 18 hours per month for fifteen years of service and over. There is no requirement that annual leave be taken, and there is no maximum accumulation. At termination, these employees are paid for up to 240 hours of accumulated leave.

Nine-month employees earn major medical leave at a rate of 13 1/3 hours per month for one month to three years of service; 14 1/5 hours per month for three to eight years of service; 15 2/5 hours per month for eight to fifteen years of service; and 16 hours per month for fifteen years of service and over. There is no limit on the accumulation of major medical leave. At retirement, these employees are paid for up to 240 hours of accumulated major medical leave.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Noncurrent Liabilities

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

Government Advances Refundable

The University participates in the Federal Perkins Loan and Nursing Loan Programs, which are funded through a combination of federal and institutional resources. The portion of the Federal Perkins Loan program that has been funded with federal funds is ultimately refundable to the U.S. government upon the termination of the University's participation in the program. The portion that would be refundable if the program was terminated has been presented as other long-term liabilities and approximated \$15.9 million as of June 30, 2023.

Classification of Revenues and Expenses

The University has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

Operating revenues and expenses have the characteristics of exchange transactions. These transactions can be defined as an exchange in which two or more entities both receive and sacrifice value, such as purchases and sales of goods or services. Examples of operating revenues include (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; (3) most federal, state and local grants and contracts (non-Title IV financial aid); and (4) other operating revenues. Examples of operating expenses include (1) employee compensation, benefits and related expenses; (2) scholarships and fellowships, net of scholarship discounts and allowances; (3) utilities, supplies and other services; (4) professional fees; and (5) depreciation expenses related to certain capital assets.

Nonoperating revenues and expenses have the characteristics of non-exchange transactions and are defined in GASB No. 9, *Reporting Cash Flows of Proprietary Fund Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34. Examples of nonoperating revenues include state appropriations, gifts and contributions, and investment income. Included in nonoperating gifts and grants are federally awarded student financial aid program revenues of approximately \$29 million for the year ending June 30, 2023. Examples of non-operating expenses include interest on capital asset related debt and bond expenses.

Auxiliary Enterprise Activities

Auxiliary enterprises typically exist to furnish goods or services to students, faculty or staff, and charge a fee directly related to, although not necessarily equal to, the cost of the goods or services. One distinguishing characteristic of auxiliary enterprises is that they are managed as essentially self-supporting activities. Examples are residence halls, food services and intercollegiate athletic programs (only if they are essentially self-supporting). The general public may be served incidentally by auxiliary enterprises.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a university basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.



Net Position

Net position represents the difference between all other elements in a statement of financial position and is displayed in three components - net investment in capital assets, net of related debt, restricted and unrestricted.

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

Restricted nonexpendable: Net position subject to externally imposed constraints that they be maintained permanently by the University. Such assets include the University's permanent endowment funds.

Restricted expendable: Net position whose use by the University is subject to externally imposed constraints that can be fulfilled by actions of the University pursuant to those constraints or that expire by the passage of time.

Unrestricted: Net positions that are not subject to externally imposed constraints. Unrestricted net positions may be designated for specific purposes by action of management or the board or may otherwise be limited by contractual agreements with outside parties. Substantially, all unrestricted net positions are designated for academic, research and outreach programs and initiatives, operating and stabilization reserves, capital projects, and capital asset renewals and replacements.

Unclaimed Property

The Mississippi Unclaimed Property Act Miss. Statute Section 89-12-1 to 89-12-57 requires businesses and other organizations to report and remit to the State Treasurer certain funds and securities that have remained unclaimed for five years. The University of Southern Mississippi is considered a government or political subdivision or agency qualifying holder. As such, we assume the obligation to communicate with the owner and take reasonable steps to prevent abandonment from being presumed. Under the statute, the mailing of notice to the last known address of the owner by the holder shall constitute compliance with the act. Annually reporting is required through 1984. Thereafter, reporting requirements are every third year on November 1. Reporting requirements will be as of June 30 preceding (2023, 2026, 2029, etc.). On June 30, 2023, the University had unclaimed property funds totaling \$30,388.

Adoption of New Standards

During the year ended June 30, 2023, the University adopted GASB Statement No. 87, Leases, as amended by GASB No. 95, which improves accounting and financial reporting for leases. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The University only has lessor and lessee arrangements. As a result, the University now includes a receivable for the present value of payments expected to be received and deferred inflows of resources that will be recognized as revenue over the term of the lease. Additionally, the University now includes a liability for the present value of payments expected to be paid and deferred outflows of resources that will be recognized as an expense over the term of the lease. Lease activity is further described in Note 4 and Note 10.



In May 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs), which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2023; see Note 10.

NOTE 2 CASH AND INVESTMENTS

Cash, Cash Equivalents and Short-Term Investments

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

For purposes of the Statement of Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents representing assets of the University's endowments are included as noncurrent. Short term investments are investments that are not cash equivalents but mature within the next fiscal year.

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



Investments

Investment policies, as set forth by Board policy as authorized by Section 37-101-15, Mississippi Code Annotated (1972), authorize the University to invest in equity securities, bonds and other securities. An institution may, at its discretion, adopt policies affecting investments beyond the standards cited above. Investments are reported at fair value (market).

The following table summarizes the fair value of investments at June 30, 2023, and 2022:

Statement of Net Position Classification	June 30, 2023 Fair Value	June 30, 2022 Fair Value
Short term investments - current assets	\$ 16,761,803	\$ 2,093,080
Noncurrent assets:		
Endowment investments	10,089,891	9,791,065
Other long term investments	38,593,168	48,415,217
Total	\$ 65,444,862	\$ 60,299,362

The following table summarizes the fair value of investments at June 30, 2023, and 2022:

Investment Type	June 30, 2023 Fair Value	June 30, 2022 Fair Value
U.S. government agency obligations	\$ 26,258,165	\$ 25,768,998
Collateralized mortgage obligations	10,191,476	11,725,699
Mortgage backed securities	-	-
Asset backed securities	-	2,000
U.S. treasury obligations	19,755,393	14,142,302
Certificate of deposit	83,292	82,126
Domestic equity mutual funds	405,501	466,001
International equity mutual funds	-	-
Fixed income mutual funds	1,011,079	518,887
Money market funds	427,071	514,293
Domestic equity securities	5,822,540	5,614,741
Global equity securities	488,341	423,622
Municipal bonds	99,112	103,660
Corporate bonds	902,892	937,033
Total	\$ 65,444,862	\$ 60,299,362

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The State of Mississippi Institutions of Higher Learning System does not presently have a formal policy for custodial credit risk. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered with securities held by the counterparty's trust department or agent, but not held in the government's name. The University had no investments exposed to custodial credit risk at June 30, 2023, and 2022.

Interest Rate Risk

Interest rate risk is defined as the risk a government may face should interest rate variances adversely affect the fair value of investments. The State of Mississippi Institutions of Higher Learning System does not presently have a formal policy that addresses interest rate risk. As of June 30, 2023, and 2022, the University had the following investments subject to interest rate risk:

Investment Type	June 30, 2023				
	Fair Value	Investment Maturities (in years)			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. government agency obligations	\$ 26,258,165	\$ 810,506	\$ 25,129,001	\$ 237,648	\$ 81,010
Collateralized mortgage obligations	10,191,477	-	-	38,400	10,153,077
Asset backed securities	-	-	-	-	-
U.S. Treasury obligations	19,755,392	14,548,124	4,959,339	157,379	90,550
Certificates of deposit - negotiable	83,292	83,292	-	-	-
Fixed income mutual funds	1,011,079	-	-	1,011,079	-
Municipal bonds	99,112	-	99,112	-	-
Corporate bonds	902,893	21,679	483,120	389,034	9,060
Total	<u>\$ 58,301,410</u>	<u>\$ 15,463,601</u>	<u>\$ 30,670,572</u>	<u>\$ 1,833,540</u>	<u>\$ 10,333,697</u>

Investment Type	June 30, 2022				
	Fair Value	Investment Maturities (in years)			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. government agency obligations	\$ 25,768,998	\$ 1,018,008	\$ 24,574,202	\$ 57,921	\$ 118,867
Collateralized mortgage obligations	11,725,699	-	-	-	11,725,699
Asset backed securities	2,000	-	2,000	-	-
U.S. Treasury obligations	14,142,302	1,245,676	12,609,898	171,295	115,433
Certificates of deposit - negotiable	82,126	82,126	-	-	-
Fixed income mutual funds	518,887	-	-	518,887	-
Municipal bonds	103,660	-	103,660	-	-
Corporate bonds	937,033	52,580	373,247	443,009	68,197
Total	<u>\$ 53,280,705</u>	<u>\$ 2,398,390</u>	<u>\$ 37,663,007</u>	<u>\$ 1,191,112</u>	<u>\$ 12,028,196</u>

Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The State of Mississippi Institutions of Higher Learning System does not presently have a formal policy that addresses credit risk. The risk ratings are issued upon standards set by S&P Global Ratings or Moody's. As of June 30, 2023, and 2022, the University had the following investments subject to credit risk:

Rating	June 30, 2023	June 30, 2022
	Fair Value	Fair Value
AAA	\$ 21,487,516	\$ 21,415,551
AA	1,332,283	506,502
A	255,984	179,246
BA	-	-
BAA	53,855	59,046
BBB	-	-
Rating not available	15,416,378	16,978,058
Total	<u>\$ 38,546,016</u>	<u>\$ 39,138,403</u>

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State of Mississippi Institutions of Higher Learning System does not presently have a formal policy that addresses concentration of credit risk. The University had the following issuers holding investments that exceeded five percent of total investments as of June 30, 2023, and 2022:

Issuer	June 30, 2023	
	Fair Value	Percentage
Federal Home Loan Bank	\$ 14,619,494	22.3%
Federal Home Loan Mortgage Corporation	10,154,452	15.5%

Issuer	June 30, 2022	
	Fair Value	Percentage
Federal Home Loan Bank	\$ 14,547,611	24.1%
Federal Home Loan Mortgage Corporation	10,751,119	17.8%

Foreign Currency Risk

Foreign currency risk is defined as the risk that changes in exchange rates will adversely affect the fair value of an investment. The State of Mississippi Institutions of Higher Learning System does not presently have a formal policy that addresses foreign currency risk. The University's exposure to foreign currency risk was limited to American Depository Receipts (ADRs) for non-U.S. equities of \$488,341 and \$423,622 at June 30, 2023, and 2022, respectively.



NOTE 3 INVESTMENT FAIR VALUE MEASUREMENT

Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, enhances comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted valuation techniques. The standard establishes a hierarchy of inputs used to measure fair value that prioritizes the inputs into three categories – Level 1, Level 2 and Level 3 inputs – considering the relative reliability of the inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The following tables present the financial assets carried at fair value by level within the valuation hierarchy, as of June 30, 2023, and 2022.

	2023			
	Level 1	Level 2	Level 3	Total
Investment strategy:				
U.S. Treasury securities	\$ 19,755,393	\$ -	\$ -	\$ 19,755,393
Fixed income mutual funds	-	1,011,079	-	1,011,079
U.S. Government agency securities	-	26,258,165	-	26,258,165
Mortgage obligations and asset backed securities	-	10,191,476	-	10,191,476
Corporate bonds and notes	-	902,892	-	902,892
Certificates of deposit	-	83,292	-	83,292
Municipal bonds	-	99,112	-	99,112
Money market funds	-	427,071	-	427,071
Repurchase agreements	-	-	-	-
Total fixed income investments	\$ 19,755,393	\$ 38,973,087	\$ -	\$ 58,728,480
Equity securities:				
Domestic equity securities	\$ 5,822,540	\$ -	\$ -	\$ 5,822,540
Equity mutual funds	405,501	-	-	405,501
Global equity securities	-	488,341	-	488,341
International equity	-	-	-	-
Total equity securities	\$ 6,228,041	\$ 488,341	\$ -	\$ 6,716,382
Investments measured at NAV as a practical expedient:				
Equity long/short hedge funds	\$ -	\$ -	\$ -	\$ -
Venture capital	-	-	-	-
Mississippi State Foundation Investment Pool	-	-	-	-
University of Mississippi Foundation Investment Pool	-	-	-	-
Other miscellaneous investments	-	-	-	-
Total investments measured at NAV				\$ -
Total investments measured at fair value				\$ 65,444,862
2022				
	Level 1	Level 2	Level 3	Total
Investment strategy:				
U.S. Treasury securities	\$ 14,142,302	\$ -	\$ -	\$ 14,142,302
Fixed income mutual funds	-	518,887	-	518,887
U.S. Government agency securities	-	25,768,998	-	25,768,998
Mortgage obligations and asset backed securities	-	11,727,699	-	11,727,699
Corporate bonds and notes	-	937,033	-	937,033
Certificates of deposit	-	82,126	-	82,126
Municipal bonds	-	103,660	-	103,660
Money market funds	-	514,293	-	514,293
Repurchase agreements	-	-	-	-
Total fixed income investments	\$ 14,142,302	\$ 39,652,696	\$ -	\$ 53,794,998
Equity securities:				
Domestic equity securities	\$ 5,614,741	\$ -	\$ -	\$ 5,614,741
Equity mutual funds	466,001	-	-	466,001
Global equity securities	-	423,622	-	423,622
International equity	-	-	-	-
Total equity securities	\$ 6,080,742	\$ 423,622	\$ -	\$ 6,504,364
Investments measured at NAV as a practical expedient:				
Equity long/short hedge funds	\$ -	\$ -	\$ -	\$ -
Venture capital	-	-	-	-
Mississippi State Foundation Investment Pool	-	-	-	-
University of Mississippi Foundation Investment Pool	-	-	-	-
Other miscellaneous investments	-	-	-	-
Total investments measured at NAV				\$ -
Total investments measured at fair value				\$ 60,299,362

The three levels of the fair value hierarchy are as follows:

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

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

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2023, and 2022:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Student tuition	\$ 40,012,985	\$ 6,162,766
Scholarships	1,110,223	808,046
Auxiliary enterprises and other operating activities	3,094,739	2,885,455
Federal, state and private grants and contracts	19,727,816	31,859,598
State appropriations	4,800,317	2,755,515
Accrued interest	231,808	269,171
Accrued lease receivable	382,334	2,290,058
Other	<u>989,744</u>	<u>684,812</u>
 Total Accounts Receivable	 \$ 70,349,965	 \$ 47,715,421
 Less allowance for doubtful accounts	 <u>(36,005,247)</u>	 <u>(4,432,000)</u>
 Accounts Receivable, Net	 <u>\$ 34,344,719</u>	 <u>\$ 43,283,421</u>

As a component unit of the State of Mississippi, the IHL System is precluded by statute from discharging amounts owed. Accordingly, gross accounts receivables and the allowance for doubtful accounts include amounts considered to be 100% uncollectible and fully reserved in prior years.

The University, acting as lessor, leases buildings, land, and other various equipment under long-term, non-cancelable lease agreements. The leases expire at various dates through 2030 and provide for renewal options ranging from three months to six years. During the year ended June 30, 2023, the University recognized \$182,311 and \$52,427 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Total future minimum lease payments to be received under lease agreements are as follows:

<u>Year Ending June 30, 2023</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 382,334	\$ 43,481	\$ 425,815
2025	395,865	34,737	430,601
2026	389,187	25,598	414,785
2027	257,224	17,984	275,208
2028	199,998	12,974	212,972
2029 - 2033	439,096	12,314	451,409
Total minimum lease payment:	<u>\$ 2,063,703</u>	<u>\$ 147,088</u>	<u>\$ 2,210,791</u>

NOTE 5 NOTES RECEIVABLE FROM STUDENTS

Notes receivable from students are payable in installments over a period of up to 10 years, commencing 12 months from the date of separation from the institution or the date that the enrollment status of the student drops below half-time. The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the University at June 30, 2023, and 2022:

	Interest Rates	2023		
		June 30, 2023	Current Portion	Noncurrent Portion
Perkins student loans	3% to 5%	\$ 11,322,465	\$ 2,072,346	\$ 9,250,119
Institutional loans	0% to 3%	103,290	2,692	100,598
Nursing faculty loans	3%	701,417	28,576	672,841
Total Notes Receivable		\$ 12,127,172	\$ 2,103,614	\$ 10,023,558
Less allowance for doubtful accounts		(2,600,000)	(74,042)	(2,525,958)
Notes Receivable, Net		\$ 9,527,172	\$ 2,029,572	\$ 7,497,600

	Interest Rates	2022		
		June 30, 2022	Current Portion	Noncurrent Portion
Perkins student loans	3% to 5%	\$ 14,449,421	\$ 2,976,380	\$ 11,473,041
Institutional loans	0% to 3%	105,636	5,009	100,627
Nursing faculty loans	3%	854,613	47,770	806,843
Total Notes Receivable		\$ 15,409,670	\$ 3,029,159	\$ 12,380,511
Less allowance for doubtful accounts		(3,600,000)	(102,520)	(3,497,480)
Notes Receivable, Net		\$ 11,809,670	\$ 2,926,639	\$ 8,883,031



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

	<u>Estimated Useful Lives</u>	<u>Salvage Value</u>	<u>Capitalization Threshold</u>
Buildings	40 years	20%	\$ 50,000
Improvements other than buildings	20 years	20%	25,000
Equipment	3 - 15 years	1 - 10%	5,000
Library materials	10 years	0%	0

NOTE 7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following as of June 30, 2023, and 2022:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Payable to vendors and contractors	\$ 7,706,140	\$ 10,215,341
Accrued salaries, wages and employee withholdings	10,841,833	9,326,425
Accrued interest	20,871	2,012,283
Other	<u>3,363,571</u>	<u>2,091,796</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 21,932,415</u>	<u>\$ 23,645,845</u>

All amounts are considered current and expected to be settled within one year.

NOTE 8 UNEARNED REVENUES

Unearned revenues consisted of the following as of June 30, 2023, and 2022:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Tuition and fees	\$ 7,193,974	\$ 7,077,267
Athletics ticket sales	831,169	780,850
Federal, state and private grants and contracts	6,608,574	5,281,646
Auxiliary room and board	128,751	97,445
Other	<u>580,300</u>	<u>1,955,418</u>
Total Unearned Revenues	<u>\$ 15,342,768</u>	<u>\$ 15,192,627</u>

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

NOTE 9 LONG TERM LIABILITIES

Long term liabilities include notes and bonds payable, certificates of participation, capital lease obligations, compensated absences, federal loan fund contingency, and certain other liabilities that are expected to be liquidated at least one year from fiscal year end. This contingency represents the federal portion of the Perkins Loan program, which would be due and payable to the U.S. government if the University ceases to participate in this program.

The University has one note payable, which was issued to construct a football stadium scoreboard on the Hattiesburg campus. Bonds payable consist of debt instruments issued for the construction of buildings, major renovations, and improvements on the Hattiesburg campus.

The University participates in the master lease/purchase program, which is a centralized program maintained by the IHL Board office of the Mississippi Institutions for Higher Learning in which the universities' essential governmental-use equipment needs are consolidated into and financed as one request. This consolidation means the cost of issuance is lower and the institutions collectively receive a better interest rate than they would have received individually. Lease terms for equipment purchased through

the master lease/purchase program cover a period not to exceed five years. The University has the option to prepay all outstanding payments less any unearned interest to fully satisfy the obligation. There is also a fiscal funding addendum stating that if funds are not appropriated for periodic payment for any future fiscal period, the lessee will not be obligated to pay the remainder of the total payments due beyond the end of the current fiscal period.

Information regarding original issue amounts, interest rates and maturity dates for bonds, notes and capital leases included in the long term liabilities balance at June 30, 2023 and June 30, 2022, is listed in the following schedules. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (Fiscal Year)	Year ended June 30, 2023				
				Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Bonded Debt								
SMEBC Series 2013	51,875,000	2.00 - 5.00%	2044	\$ 6,705,000	\$ -	\$ 655,000	\$ 6,050,000	\$ 750,000
SMEBC Series 2015A	38,600,000	2.00 - 5.00%	2034	30,870,000	-	1,825,000	29,045,000	1,975,000
SMEBC Series 2015B	16,690,000	0.50 - 3.25%	2027	3,230,000	-	605,000	2,625,000	630,000
SMEBC Series 2016	58,870,000	2.00 - 5.00%	2040	54,950,000	-	1,570,000	53,380,000	1,800,000
SMEBC Series 2017	44,005,000	2.00 - 5.00%	2043	42,730,000	-	180,000	42,550,000	185,000
Unamortized Premium				9,621,968	-	1,262,950	8,359,018	1,174,927
Total Bonded Debt				\$ 148,106,968	\$ -	\$ 6,097,950	\$ 142,009,018	\$ 6,514,927
Other Long Term Liabilities								
Accrued leave liabilities				\$ 11,227,713	\$ 594,010	\$ -	\$ 11,821,723	\$ 1,300,390
Net pension liability				191,741,041	73,231,231	-	264,972,272	-
Net OPEB liability				11,548,533	-	2,628,239	8,920,294	-
Lease liability				4,126,098	568,130	1,084,164	3,610,064	1,105,661
Subscription Liability *				-	1,030,586	488,876	541,710	284,508
Deposits refundable				2,986	-	120	2,866	-
Federal Loan Fund Repayment Contingency				18,416,913	-	2,523,036	15,893,877	-
Total Other Liabilities				\$ 237,063,284	\$ 75,423,957	\$ 6,724,435	\$ 305,762,806	\$ 2,690,559
Total				\$ 385,170,252	\$ 75,423,957	\$ 12,822,385	\$ 447,771,824	\$ 9,205,486
Due within one year							(9,205,486)	
Total Noncurrent Liabilities							\$ 438,566,341	

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (Fiscal Year)	Year ended June 30, 2022				
				Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Bonded Debt								
SMEBC Series 2013	51,875,000	2.00 - 5.00%	2044	\$ 7,265,000	\$ -	\$ 560,000	\$ 6,705,000	\$ 655,000
SMEBC Series 2015A	38,600,000	2.00 - 5.00%	2034	32,500,000	-	1,630,000	30,870,000	1,825,000
SMEBC Series 2015B	16,690,000	0.50 - 3.25%	2027	5,175,000	-	1,945,000	3,230,000	605,000
SMEBC Series 2016	58,870,000	2.00 - 5.00%	2040	56,330,000	-	1,380,000	54,950,000	1,570,000
SMEBC Series 2017	44,005,000	2.00 - 5.00%	2043	42,905,000	-	175,000	42,730,000	180,000
Unamortized Premium				10,956,998	-	1,335,030	9,621,968	1,262,950
Total Bonded Debt				\$ 155,131,998	\$ -	\$ 7,025,030	\$ 148,106,968	\$ 6,097,950
Other Long Term Liabilities								
Accrued leave liabilities				\$ 9,994,418	\$ 1,233,295	\$ -	\$ 11,227,713	\$ 1,235,048
Net pension liability				253,087,895	-	61,346,854	191,741,041	-
Net OPEB liability				13,981,862	-	2,433,329	11,548,533	-
Lease liability				-	5,174,978	1,048,880	4,126,098	965,646
Deposits refundable				3,086	-	100	2,986	-
Federal Loan Fund Repayment Contingency				21,595,328	-	3,178,415	18,416,913	-
Total Other Liabilities				\$ 298,662,589	\$ 6,408,273	\$ 68,007,578	\$ 237,063,284	\$ 2,200,694
Total				\$ 453,794,587	\$ 6,408,273	\$ 75,032,608	\$ 385,170,252	\$ 8,298,644
Due within one year							(8,298,644)	
Total Noncurrent Liabilities							\$ 376,871,608	

S.M. Educational Building Corporation issued bonds totaling \$49,900,000 in February 2009 (Series 2009) to provide funds for the construction, equipping and landscaping of student housing facilities, including appropriate external infrastructure improvements such as parking, utilities, streets and drives on the Hattiesburg campus. The bonds bear interest rates ranging from 2.75% to 5.375%, payable semi-annually with a final maturity in September 2020. \$44,005,000 of this Series was refinanced and is part of the Series 2017 Bonds with a final maturity date of March 2043.

S.M. Educational Building Corporation issued bonds totaling \$51,875,000 in June 2013 (Series 2013) to provide funds for the construction, furnishing and equipping of a 954-bed student residential complex on the Hattiesburg campus known as Century Park South, which includes a student health clinic, administrative offices and a large multi-purpose space, and demolishing of abandoned facilities. A portion of the proceeds (\$1,160,000) were utilized to refund all the outstanding SMEBC Revenue Bonds, Series 1997A (Payne Center Project) originally issued in December 1997 in the principal amount of \$5,335,000. The bonds bear interest at rates ranging from 2% to 5%, payable semi-annually with a final maturity in March 2044.

S.M. Educational Building Corporation issued bonds totaling \$55,290,000 in April 2015 (Series 2015A & 2015B) for refunding of portions of SMEBC bonds issued in June 2006 (Series 2006A & 2006B) and April 2007 (Series 2007). Outstanding coupons bear interest at rates ranging from .50% to 5.00% with final maturity in March 2034. Net proceeds of the refunding were deposited into irrevocable trusts for each of the refunded issues to provide all future debt service of the refunded debt. Accordingly, for financial reporting purposes, the defeased bonds and related trust accounts are not included in the financial statements. As a result of the refunding, the University reduced its debt service by \$6.6 million over the next 19 years and obtained an economic gain of \$5.1 million.

S.M. Educational Building Corporation issued bonds totaling \$58,870,000 in February 2016 (Series 2016) for refunding of portions of SMEBC bonds issued in February 2009 (Series 2009) and all the Certificates of Participation issued through the University of Southern Mississippi Real Estate Foundation in November 2009 (Series 2009). Outstanding coupons bear interest at rates ranging from 2.00% to 5.00% with final maturity in September 2040. Net proceeds of the refunding were deposited into irrevocable trusts for each of the refunded issues to provide all future debt service of the refunded debt. Accordingly, for financial reporting purposes, the defeased bonds and related trust accounts are not included in the financial statements. As a result of the refunding, the University reduced its debt service by \$8.7 million over the next 23 years and obtained an economic gain of \$5.6 million.

S.M. Educational Building Corporation issued bonds totaling \$44,005,000 in December 2017 (Series 2017) for a partial refunding of SMEBC bonds issued in May 2013 (Series 2013) for the Century Park South facilities. Outstanding coupons bear interest at rates ranging from 2.00% to 5.00% with final maturity in September 2043. Net proceeds of the refunding were deposited into irrevocable trusts for each of the refunded issues to provide all future debt service of the refunded debt. Accordingly, for financial reporting purposes, the defeased bonds and related trust accounts are not included in the financial statements.

Annual debt service requirements for the outstanding debt as of June 30, 2023, are as follows:

Fiscal Year	Bonded Debt	Capital Leases	Notes Payable	Interest	Total
2024	6,514,927	-	-	5,774,466	12,289,393
2025	6,937,129	-	-	5,538,026	12,475,155
2026	7,304,230	-	-	5,278,009	12,582,239
2027	7,893,054	-	-	4,989,569	12,882,622
2028	7,851,334	-	-	4,670,531	12,521,865
2029 - 2033	46,446,866	-	-	17,967,275	64,414,141
2034 - 2038	37,647,271	-	-	7,773,194	45,420,464
2039 - 2043	21,414,208	-	-	2,327,719	23,741,927
Total	\$ 142,009,018	\$ -	\$ -	\$ 54,318,789	\$ 196,327,807

NOTE 10 LEASES

Lease Liability

The University leases equipment, vehicles, land, as well as certain operating and office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2033 and provide for renewal options ranging from three months to six years.

Total future minimum lease payments under lease agreements are as follows:

<u>Year Ending June 30, 2023</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,105,661	\$ 74,062	\$ 1,179,723
2025	1,037,636	47,908	1,085,544
2026	675,678	26,223	701,901
2027	392,466	13,980	406,446
2028	257,954	5,766	263,720
2029 - 2033	140,668	8,061	148,729
Total minimum lease payments	<u>\$ 3,610,064</u>	<u>\$ 176,000</u>	<u>\$ 3,786,063</u>

Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class:

Land	\$ 277,247
Buildings	4,675,223
Equipment, vehicles, other	687,024
Less: accumulated amortization	(2,097,917)
	<u>\$ 3,541,578</u>

The University subscribes to software for various terms under long-term, non-cancelable subscription arrangements. The agreements expire at various dates through 2026.

Total future minimum subscription payments under software arrangements are as follows:

<u>Year Ending June 30, 2023</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 284,508	\$ 17,613	\$ 302,121
2025	201,446	8,235	209,681
2026	55,756	1,840	57,596
Total Minimum Lease Payments	<u>\$ 541,710</u>	<u>\$ 27,687</u>	<u>\$ 569,397</u>





NOTE 11 NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The University's operating expenses by functional classification were as follows for the year ended June 30, 2023, and 2022, respectively:

Functional Classification	2023								
	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total
Instruction	\$ 66,631,884	\$ 24,346,278	\$ 2,004,533	\$ 4,371,836	\$ 3,875	-	\$ 2,017,329	-	\$ 99,375,736
Research	22,214,120	9,352,326	1,334,725	22,097,338	488,489	-	4,440,782	-	59,927,780
Public service	9,493,704	2,886,898	433,775	5,393,729	9,820	-	1,378,628	-	19,596,554
Academic support	13,259,842	4,268,444	218,875	5,613,692	-	-	1,774,865	-	25,135,719
Student services	8,005,820	2,598,572	256,082	1,895,332	86	-	1,290,469	-	14,046,361
Institutional support	14,222,941	8,907,992	194,139	3,911,217	-	-	863,525	-	28,099,813
Operation of plant	8,069,727	3,524,522	17,815	16,176,416	7,609,662	-	1,877,435	-	37,275,577
Student aid	-	-	-	-	-	22,346,117	-	-	22,346,117
Auxiliary enterprises	16,775,862	4,923,534	3,552,526	8,811,395	3,746,039	-	4,302,568	-	42,111,923
Depreciation	-	-	-	-	-	-	-	19,171,605	19,171,605
Total Operating Expenses	\$ 158,673,900	\$ 60,808,566	\$ 8,012,469	\$ 68,270,955	\$ 11,857,971	\$ 22,346,117	\$ 17,945,603	\$ 19,171,605	\$ 367,087,186

Note: IDC is subtracted from contractual services by function

Functional Classification	2022								
	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total
Instruction	\$ 63,674,718	\$ 19,589,934	\$ 1,343,789	\$ 4,020,303	\$ 612	\$ -	\$ 2,435,668	\$ -	\$ 91,065,023
Research	21,012,757	8,002,707	802,696	19,096,776	440,406	-	4,358,671	-	53,714,012
Public service	8,178,038	1,911,625	276,041	5,874,318	7,034	-	801,136	-	17,048,193
Academic support	12,439,060	3,213,830	146,233	9,798,287	-	-	2,195,768	-	27,793,178
Student services	7,453,600	2,003,487	208,629	1,735,766	-	-	1,182,807	-	12,584,290
Institutional support	13,322,330	4,943,127	114,086	3,395,527	18,008	-	641,018	-	22,434,096
Operation of plant	7,734,827	2,837,351	43,810	16,920,762	6,940,749	-	1,949,173	-	36,426,672
Student aid	-	7,344	-	-	-	38,339,389	-	-	38,346,733
Auxiliary enterprises	15,438,824	3,745,458	2,902,455	9,454,376	3,401,331	-	3,944,621	-	38,887,066
Depreciation	-	-	-	-	-	-	-	19,019,264	19,019,264
Total Operating Expenses	\$ 149,254,154	\$ 46,254,864	\$ 5,837,740	\$ 70,296,115	\$ 10,808,140	\$ 38,339,389	\$ 17,508,862	\$ 19,019,264	\$ 357,318,528

Note: IDC is subtracted from contractual services by function

NOTE 12 CONSTRUCTION COMMITMENTS AND FINANCING

The University has contracted or made commitments for various construction projects as of June 30, 2023. Estimated costs to complete the various projects and the sources of anticipated funding are presented below:

Projects	2023				
	Total Costs	Remaining	Funded by Federal Sources	Funded by State Sources	Institutional Funds
		Estimated Costs to Complete			
Invertebrate Growout II Design	\$ 10,000,000	\$ 9,235,269	\$ 7,000,000	\$ -	\$ 2,235,269
Esports Arena	1,000,000	993,200	-	-	993,200
Preplan Criminal Justice Renovations	16,600,000	16,196,975	-	15,599,800	597,175
Science Bldg Infiltration Repairs	3,604,891	163,376	-	163,376	-
Preplan Hickman Hall Renovation	11,350,000	10,907,541	-	10,907,541	-
Preplan New Science Research Facility	750,000	567,150	-	567,150	-
New Marine Ops Building	365,000	41,525	-	-	41,525
Halstead Harbor Bulkhead Project	981,309	622,394	-	622,394	-
Friendship Oak Sidewalk and Lighting	825,000	770,777	-	605,777	165,000
Gulf Park Executive Education Center	4,800,000	4,578,322	-	4,578,322	-
Forrest Ave. Pedestrian Plaza	1,053,413	992,815	-	782,132	210,683
506 N. 36th Avenue Purchase	130,250	129,500	-	-	129,500
Transclosure and Vault Replacements	800,000	603,580	-	114,130	489,450
JST Elevator Replacements	708,146	327,386	-	170,089	157,297
Chain Tec Elevator Replacements	477,426	238,461	-	-	238,461
Reed Green Coliseum Renovation	15,125,000	15,000,000	-	3,500,000	11,500,000
NPHC Park Project	920,000	912,089	-	-	912,089
Peck House Chiller	75,000	21,180	-	21,180	-
Campus Mechanical Upgrades	785,000	457,768	-	457,768	-
Football Turf Replacement	672,241	3,857	-	-	3,857
209 N. 36th Avenue Purchase & Renovation	484,185	14,428	-	14,428	-
Data Center Chiller Replacement	360,000	359,955	-	159,955	200,000
Gulf Park One-Stop Relocation	1,300,000	1,297,417	-	-	1,297,417
Gulf Park Language & Speech Therapy Ctr	7,900,000	7,867,979	7,867,979	-	-
Total	\$ 81,066,861	\$ 72,302,944	\$ 14,867,979	\$ 38,264,042	\$ 19,170,923

Projects	2022				
	Total Costs	Remaining	Funded by Federal Sources	Funded by State Sources	Institutional Funds
		Estimated Costs to Complete			
MDOT Montague Pedestrian Pathway	\$ 866,047	\$ 4,720	\$ -	\$ -	\$ 4,720
Invertebrate Growout II Design	10,658,116	10,000,000	7,000,000	-	3,000,000
MDOT Hardy St. Pedestrian Pathway	1,102,504	26,978	-	-	26,978
Cook Library	11,085,134	492,867	-	492,867	-
Esports Arena	1,000,000	993,200	-	-	993,200
New Marine Ops Building	273,790	250,000	-	-	250,000
Halstead Harbor Bulkhead Project	606,888	600,000	600,000	-	-
Friendship Oak Sidewalk and Lighting	839,899	800,000	-	640,000	160,000
Forrest Ave. Pedestrian Plaza	939,061	895,328	-	716,262	179,066
Gulf Park Library Exterior Repairs	1,866,053	180,208	-	-	180,208
Gulf Park FEC Exterior Repairs	2,574,408	205,625	-	-	205,625
Montague Parking Improvements	2,750,000	482,284	-	482,284	-
N35th Avenue Parking Improvements	680,000	105,565	-	105,565	-
Montague Roadway Extension	950,000	96,575	-	96,575	-
Preplan Criminal Justice Renovations	9,350,000	9,112,598	-	9,112,598	-
4th Street Sidewalk	620,000	610,454	-	610,454	-
Science Bldg Infiltration Repairs	3,604,891	2,208,852	-	2,208,852	-
Preplan Hickman Hall Renovation	10,500,000	10,433,974	-	10,433,974	-
Gulf Park Executive Education Center	1,216,000	1,070,571	-	1,070,571	-
Total	\$ 61,482,791	\$ 38,569,799	\$ 7,600,000	\$ 25,970,002	\$ 4,999,797

NOTE 13 DONOR RESTRICTED ENDOWMENTS

The net appreciation on investments of donor restricted endowments as of June 30, 2023, and 2022, that is available for authorization for expenditure is \$4,520,801 and \$4,221,975, respectively. This amount is included in the Statement of Net Position as endowment investments.

NOTE 14 EMPLOYEE BENEFITS – PENSION PLANS

The University participates in the following separately administered plans maintained by Public Employees' Retirement System of Mississippi (PERS):

<u>Plan Type</u>	<u>Plan Name</u>
Multiple-employer, defined benefit	PERS Defined Benefit Plan
Multiple-employer, defined contribution	Optional Retirement Plan (ORP) Defined Contribution Plan

The employees of the University are covered by one of the pension plans outlined above (collectively, the Plans). The Plans do not provide for measurements of assets and pension benefit obligations for individual entities. The measurement date of the Plans is June 30, 2022, for fiscal year 2023.

The funding methods and determination of benefits payable were established by the legislative acts creating such plans, as amended, and in general, provide that the funds are to be accumulated from employee contributions, participating entity contributions, and income from the investment of accumulated funds. The plans are administered by separate boards of trustees.

Information included within this note is based on the certification provided by consulting actuary, Cavanaugh Macdonald Consulting, LLC.

A stand-alone audited financial report is issued for the Plans and is available at pers.ms.gov.

Disclosures Under GASB Statement No. 68

The pension disclosures that follow for fiscal year 2023 include all disclosures for GASB Statement No. 68 using the latest valuation report available (June 30, 2021). For fiscal year 2023, the measurement date for the PERS defined benefit plan is June 30, 2022. The University is presenting net pension liability as of June 30, 2022, for the fiscal year 2023 financials.

(a) PERS Defined Benefit Plan

Plan Description

The PERS of Mississippi was created with the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employees whose employers have elected to participate in PERS, elected members of the State Legislature and the President of the Senate. PERS administers a cost-sharing, multiple-employer defined benefit pension plan. PERS is administered by a 10-member Board of Trustees that includes the State Treasurer; one gubernatorial appointee who is a member of PERS; two state employees; two PERS retirees; and one representative each from public schools and community colleges, state universities, municipalities and counties. With the exception of the State Treasurer and the gubernatorial appointee, all members are elected to staggered six-year terms by the constituents they represent.

Membership and Benefits Provided

Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi (the State), state universities, community and junior colleges, and teachers and employees of the public school districts. Members and employers are statutorily required to contribute certain percentages of salaries and wages as specified by the Board of Trustees. A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a full refund of his or her accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions.

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon

application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0% of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0% compounded for each fiscal year thereafter.

Contributions

Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. § 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature.

Policies for PERS provide for employer and member contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. PERS members were required to contribute 9.00% of their annual pay. The institution's contractually required contribution rate for the year ended June 30, 2023, was 17.40% for each year of annual payroll. Contributions from the University are recognized when legally due based on statutory requirements.

Employer Contributions

The University's contributions to PERS for the year ended June 30, 2023, were \$16.2 million. The University's proportionate share was calculated on the basis of historical contributions. Employer allocation percentages are based on the ratio of each employer's actual contribution to the Plan's total actual contributions.

The following table provides the University's contributions used in the determination of its proportionate share of collective pension amount reported:

<u>Proportionate share of contributions</u>	<u>Allocation percentage of proportionate share of collective pension amount</u>	<u>Change in proportionate share of collective pension amount</u>
\$ 15,420,139	1.29%	-0.01%

Net Pension Liability

The University's proportion of the net pension liability at June 30, 2023, is as follows:

<u>Proportionate share of net pension liability</u>	<u>Proportion of net pension liability</u>
\$ 264,972,272	1.29%

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

Annual changes to the net pension liability resulting from differences between expected and actual experience with regard to economic and demographic factors and from changes of assumptions about future economic or demographic factors or other inputs are deferred and amortized over the average of the expected remaining service life of active and inactive members. For the year ended June 30, 2023, the remaining service life was 3.73 years. Differences between projected and actual earnings on pension plan investments are amortized over a closed period of five years. The first year of amortization is recognized as pension expense

with the remaining years shown as a deferred outflow of resources. The deferred outflow of resources reported by an employer should include contributions made by the employer during its fiscal year that will be reflected in the net pension liability in the next measurement period.

The University's proportionate share of the collective pension expense for the year ended June 30, 2023, is equal to the collective pension expense multiplied by the employer's allocation percentage, or \$23.8 million. Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense, they are labeled deferred inflows; if they will increase pension expense, they are labeled deferred outflows. The table below provides a summary of the deferred outflows and inflows of resources related to pensions:

Deferred outflows					Deferred inflows		
Differences between expected and actual experience	Changes of assumptions	Changes in proportion and differences between employer contributions and proportionate share of contributions	Contributions subsequent to the measurement date	Net difference between projected and actual investment earnings on pension plan investment	Total deferred outflows of resources	Changes in proportion and differences between employer contributions and proportionate share of contributions	
						proportionate share of contributions	Total deferred inflows of resources
\$ 3,751,823	9,164,373	—	16,033,951	13,917,635	42,867,782	2,438,876	2,438,876

Contributions subsequent to the measurement date of \$16.0 million reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Deferred outflows of resources, Year Ended June 30					
2024	2025	2026	2027	Total	
\$ 8,401,638	6,189,622	(2,135,549)	14,378,120	26,833,831	

Deferred inflows of resources, Year Ended June 30				
2024	2025	2026	Total	
\$ 1,194,936	895,602	348,338	2,438,876	

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations, and new estimates are made about the future. Mississippi state statute requires that an actuarial experience study be completed at least once in each five-year period. The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the four-year period ending June 30, 2020.

The following table provides a summary of the actuarial methods and assumptions used to determine the contribution rate reported for PERS for the year ended June 30, 2023:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Asset valuation method	Market value
Actuarial assumptions:	
Inflation rate	2.40 %
Salary increases	2.65
Investment rate of return	7.55

Mortality

Mortality rates were based on the PubS. H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2023, are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Domestic Equity	25.00 %	4.60 %
International equity	20.00	4.50
Global Equity	12.00	4.85
Debt Securities	18.00	1.40
Real Estate	10.00	3.65
Private Equity	10.00	6.00
Private Infrastructure	2.00	4.00
Private Credit	2.00	4.00
Cash Equivalents	1.00	(0.10)
	<u>100.00</u>	

Discount Rate

For the year ended June 30, 2023, the discount rate used to measure the total pension liability was 7.55%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (17.40%) for the year ended June 30, 2023. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following table presents the University's proportionate share of the net pension liability of the cost-sharing plan for 2023, calculated using the discount rate of 7.55%, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.55%) than the current rate:

<u>Discount Rate Sensitivity</u>		
	<u>Current</u>	
<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
<u>(6.55%)</u>	<u>(7.55%)</u>	<u>(8.55%)</u>
\$ 345,815,876	264,972,272	198,320,832

(b) PERS Defined Contribution Plan, the Optional Retirement Plan

The Optional Retirement Plan (ORP) was established by the Mississippi Legislature in 1990 to help attract qualified and talented institutions of higher learning teaching and administrative faculty in Mississippi. This alternative plan is structured to be portable and transferable to accommodate teaching and administrative faculty who move from one state to another throughout their careers. The membership of the ORP is composed of teachers and administrators appointed or employed on or after July 1, 1990, who elect to participate in ORP and reject membership in PERS. The ORP provides funds at retirement for employees, and in the event of death, the ORP provides funds for their beneficiaries through an arrangement by which contributions are made to this plan. The current contribution rate of both the employee and the University are identical to that of the PERS defined benefit plan. An employee is

automatically a member of PERS unless the employee elects ORP within 30 days of initial employment in an ORP-eligible position. Once made, the decision is irrevocable. The ORP uses the accrual basis of accounting. Investments are reported at fair value, based on quoted market prices. Employees immediately vest in plan contributions upon entering the plan. The University's contributions to the ORP for the year ended June 30, 2023, were \$8,098,324, which equaled its required contribution for the period.

NOTE 15 POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Plan Description

In addition to providing pension benefits, the University provides other postemployment benefits (OPEB) such as health care and life insurance benefits to all eligible retirees and dependents. The State and School Employees' Life and Health Insurance Plan (the Plan) is self-insured and financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan.

The 14-member board is comprised of the Chairman of the Workers' Compensation Commission; the State Personnel Director; the Commissioner of Insurance; the Commissioner of Higher Education; the State Superintendent of Public Education; the Executive Director of the Department of Finance and Administration; the Executive Director of the Mississippi Community College Board; the Executive Director of the Public Employees' Retirement System; two appointees of the Governor; the Chairman of the Senate Insurance Committee, or his or her designee; the Chairman of the House of Representatives Insurance Committee, or his or her designee; the Chairman of the Senate Appropriations Committee, or his or her designee; and the Chairman of the House of Representatives' Appropriations Committee, or his or her designee. The Board has a fiduciary responsibility to manage the funds of the Plan. The Plan maintains a budget approved by the Board.

Membership and Benefits Provided

The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan for units of state government, political subdivisions, community colleges and school districts. A trust was created June 28, 2018, for the OPEB Plan, and the Plan is considered a cost-sharing multiple-employer defined benefit OPEB plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between claims cost and premiums received for retirees.

Contributions

Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance will have the full cost of such insurance premium deducted monthly from his or her state retirement plan check or direct billed for the cost of the premium if the retirement check is insufficient to pay for the premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance.

Pursuant to the authority granted by Mississippi Statute, the Board has the authority to establish and change premium rates for the participants, employers and other contributing entities. An outside consulting actuary advises the Board regarding changes in premium rates. If premium rates are changed, they generally become effective at the beginning of the next calendar year or next fiscal year.

Plan participants are not subject to supplemental assessment in the event of a premium deficiency. At the time of premium payment, the risk of loss due to incurred benefit costs is transferred from the participant to the Plan. If the assets of the Plan were to be exhausted, participants would not be responsible for the Plan's liabilities.

Information included within this note is based on the certification provided by consulting actuary, Cavanaugh Macdonald Consulting, LLC.

The audited financial report for the Plan can be found at knowyourbenefits.dfa.ms.gov.

At June 30, 2022, the Plan provided health coverage to 325 employer units.

Disclosures Under GASB Statement No. 75

The disclosures that follow for fiscal year 2023 include all disclosures for GASB Statement No. 75 using the latest valuation report available (June 30, 2022). For fiscal year 2023, the measurement date for the State and School Employees' Life and Health Insurance Plan is June 30, 2022. The University is presenting net OPEB liability as of June 30, 2022, for the fiscal year 2023 financials.

Proportionate Share Allocation Methodology

The basis for an employer's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the plan in the fiscal year of all employers. This allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by an employee.

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

At June 30, 2023, the University reported a liability of \$8.9 million for its proportionate share of the net OPEB liability (NOL). For fiscal year ending June 30, 2023, the NOL was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. At June 30, 2023, the University's proportion was 1.81%.

For the year ended June 30, 2023, the University recognized OPEB expense of (\$1,216,654).

See the following table for deferred outflows and inflows of resources related to OPEB from the following sources:

Deferred outflows						Deferred inflows				
Differences between expected and actual experience	Net difference between projected and actual earnings on OPEB Plan investments	Changes of assumptions	Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	Implicit rate subsidy	Total deferred outflows of resources	Changes of assumptions	Differences between expected and actual experience	Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	Total deferred inflows of resources	
										\$ 7,387

\$444,047 reported as deferred outflows of resources related to OPEB resulting from the University contributions subsequent to the measurement date (presented above as the implicit rate subsidy) will be recognized as a reduction of the NOL in the year ending June 30, 2024.

Deferred outflows of resources and deferred inflows of resources are calculated at the plan level and are allocated to employers based on their proportionate share. Changes in employer proportion, an employer specific deferral, is amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. The average remaining service life, determined as of the beginning of the June 30, 2022, measurement period, was 6.4 years. Employers are required to recognize pension expense based on their proportionate share of collective OPEB expense plus amortization of employer-specific deferrals.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred outflows (inflows) of resources year ended June 30						
2024	2025	2026	2027	2028	Thereafter	Total
\$ (754,789)	(679,619)	(756,464)	(577,155)	(294,014)	(117,619)	(3,179,660)

Actuarial Methods and Assumptions

The following table provides a summary of the actuarial methods and assumptions used to determine the discount rate reported for OPEB for the year ended June 30, 2023:

Valuation date	June 30, 2022
Measurement date	June 30, 2022
Actuarial assumptions:	
Cost method	Entry age normal
Inflation rate	2.40 %
Long-term expected rate of return	4.50 %
Discount rate	3.37 %
Projected cash flows	N/A
Projected salary increases	2.65% - 17.90%
Healthcare cost trend rates	7.00% decreasing to 4.50% by 2029

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision, as actual results are compared to past expectations and new estimates are made about the future.

Mortality

Mortality rates for service retirees were based on the PubS H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77; and for females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

Discount Rate

For the year ended June 30, 2023, the discount rate used to measure the total OPEB liability was 3.37%. The discount rate is based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

Long-Term Expected Rate of Return

At June 30, 2023, the long-term expected rate of return, net of OPEB plan investment expense, including inflation was 4.50%.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following table presents the University's proportionate share of the NOL for 2023, calculated using the discount rate of 3.37%, as well as what the University's NOL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Discount Rate Sensitivity		
1% Decrease (2.37%)	Current discount rate (3.37%)	1% Increase (4.37%)
\$ 9,826,801	\$ 8,920,294	\$ 8,141,613

Sensitivity of Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following table presents the NOL of the University, calculated using the health care cost trend rates, as well as what the University's NOL would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Health Care Cost Trend Rates Sensitivity		
1% Decrease	Current discount rate	1% Increase
\$ 8,299,692	\$ 8,920,294	\$ 9,618,696

NOTE 16 FEDERAL DIRECT LENDING AND FEDERAL FAMILY EDUCATION LOAN (FFEL) PROGRAMS

The institution distributed \$72,086,238 and \$77,054,164 for the years ended June 30, 2023, and 2022, respectively, for student loans through the U.S. Department of Education lending programs. These distributions and their related funding sources are included as noncapital financing disbursements and receipts in the Statement of Cash Flows.

NOTE 17 FOUNDATIONS AND AFFILIATED PARTIES

The University has six affiliated organizations that were evaluated in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, which the University adopted on July 1, 2012. These organizations were formed exclusively for the benefit of the University and serve to promote, encourage and assist with educational, scientific, literary, research, athletic, facility improvement and service activities of the University and its affiliates. These organizations include the S.M. Educational Building Corporation (SMEBC), The University of Southern Mississippi Foundation, The University of Southern Mississippi Research Foundation, The University of Southern Mississippi Athletic Foundation, the University of Southern Mississippi Real Estate Foundation, and The University of Southern Mississippi Alumni Association. These affiliated entities are audited separately and, with the exception of The University of Southern Mississippi Foundation, the University of Southern Mississippi Real Estate Foundation and SMEBC, have not been included in these financial statements. The University of Southern Mississippi Foundation financial statements are presented discreetly following the University's financial statements. In accordance with paragraph 54a of GASB Statement No. 61, the SMEBC and the University of Southern Mississippi Real Estate Foundation are reported as blended component units. Required condensed combined information for the SMEBC and the University of Southern Mississippi Real Estate Foundation is presented below:

	<u>2023</u>	<u>2022</u>
Total Current Assets	\$ 6,514,927	\$ 6,097,950
Total Noncurrent Assets	135,494,097	148,106,968
Total Assets	<u>\$ 142,009,024</u>	<u>\$ 154,204,918</u>
Total Current Liabilities	\$ 6,514,927	\$ 6,097,950
Total Noncurrent Liabilities	135,494,097	148,106,968
Total Liabilities	<u>\$ 142,009,024</u>	<u>\$ 154,204,918</u>
Total Net Position	<u>\$ -</u>	<u>\$ -</u>
Total Operating Revenues	\$ -	\$ -
Total Operating Expenses	-	-
Operating Income (Loss)	<u>\$ -</u>	<u>\$ -</u>
Total Nonoperating Revenues	\$ 10,355,850	\$ 10,885,165
Total Nonoperating Expenses	10,355,850	10,885,165
Change in Net Position	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

NOTE 18 CONTINGENCIES

The University is party to various lawsuits arising out of the normal course of operations. Historically, the University has not experienced significant losses from such actions. After taking into consideration legal counsel's evaluation of pending actions, the University is of the opinion that the outcome thereof will not have a material effect on its financial statements.

The University also participates in certain federally sponsored programs. These programs are subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursement from the granting agency for expenditures disallowed under the terms of the grant. Management believes disallowances, if any, will not have a material adverse impact on the financial position of the University.

NOTE 19 IMPAIRMENT OF CAPITAL ASSETS

GASB No. 42 establishes accounting and financial reporting standards for impairment of capital assets. Governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. There were no capital assets considered impaired in fiscal year 2023.

NOTE 20 RISK MANAGEMENT

Several types of risk are inherent in the operation of an institution of higher learning. There are several methods in which the institution can mitigate the risks. One of these methods is the pooling of resources among the institutions. The eight public Mississippi universities have pooled their resources to establish professional and general liability trust funds. Funds have been established for Workers' Compensation, Unemployment and Tort Liability.

The Workers' Compensation program provides a mechanism for the University to fund and budget for the costs of providing worker compensation benefits to eligible employees. The program does not pay benefits directly to employees. Funds are set aside in trust, and a third-party administrator is utilized to distribute the benefits to eligible employees. Payments by the university to the Workers' Compensation Fund for the fiscal years ended June 30, 2023, and 2022 were \$308,662 and \$189,246, respectively.

The Unemployment Trust Fund operates in the same manner as the Workers' Compensation Fund. The fund does not pay benefits directly to former employees. The Fund reimburses the Mississippi Department of Employment Security (MDES) for benefits the MDES pays directly to former employees. Payments by the university to the Unemployment Trust Fund for the fiscal years ended June 30, 2023, and 2022 were \$15,735 and \$78,706, respectively.

The Tort Liability Fund was established in accordance with Section 11-46 of Mississippi State Law. The Mississippi Tort Claims Board authorized the IHL to establish a fund in order to self-insure a certain portion of its liability under the Mississippi Tort Claims Act. Effective July 1, 1993, Mississippi statute permitted tort claims to be filed against public institutions. A maximum liability limit of \$500,000 per occurrence is currently permissible. During the year ended June 30, 2003, the IHL Board authorized the Tort Fund and subsequently acquired an educator's legal liability policy with a deductible of \$1,000,000. The IHL Board designated \$1,000,000 of IHL Tort Fund net assets toward any future payment of this deductible. The Tort claims pool also purchases a fleet automobile policy. University payments to the Tort Liability Fund for the fiscal years ended June 30, 2023, and 2022 were \$182,688 and \$193,034, respectively. The University's payments for the fleet automobile policy and a blanket public official bond for the fiscal years 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Fleet Automobile Policy	\$112,331	\$99,482
Blanket Public Official Bond	3,850	2,800

NOTE 21 RELATED PARTY

The University has a long-term lease agreement with The University of Southern Mississippi Athletic Foundation (Foundation) for facilities to be constructed on property donated to the Foundation for the use and benefit of the University's golf teams. The Foundation will raise funds for the construction of golf facilities and upon completion of the construction of Phase 1 and Phase 2, the University will pay rent to the Foundation in the amount of two percent of the cost of the facilities. Until completion of Phase 1 and 2, the University will pay rent in the amount of \$1,000 per year to the Foundation. The term of the lease agreement is 20 years, and the University has the right to extend the agreement for an additional six five-year option periods.



REQUIRED SUPPLEMENTAL INFORMATION (UNAUDITED)



NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Net pension liability

(a) Schedule of Proportionate Share of the Net Pension Liability

This schedule presents historical trend information about the IHL System's proportionate share of the net pension liability for its employees who participate in the PERS. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the plan. Trend information will be accumulated to display a ten-year presentation.

(b) Schedule of Proportionate Share of Contributions to the PERS-Defined Benefit Plan

The required contributions and percentage of those contributions actually made are presented in the schedule. Trend information will be accumulated to display a ten-year presentation.

(c) Changes of Assumptions and in Benefit Provisions (pension plan)

Changes of assumptions:

2023

- There were no changes of assumptions.

2022

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77;
 - For females, 84% of the female rates up to age 72, 100% for ages above 76; and
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:
 - For males, 134% of male rates at all ages;
 - For females, 121% of female rates at all ages; and
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:
 - For males, 97% of male rates at all ages;
 - For females, 110% of female rates at all ages;
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 2.75% to 2.40%;

- The wage inflation assumption was reduced from 3.00% to 2.65%;
- The investment rate of return assumption was changed from 7.75% to 7.55%;
- The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll;
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely;
- The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%; and
- The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

2020

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119;
 - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119; and
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 - For males, 137% of male rates at all ages;
 - For females, 115% of female rates at all ages; and
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%;
- The wage inflation assumption was reduced from 3.25% to 3.00%;
- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience; and
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

2018

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022;
- The wage inflation assumption was reduced from 3.75% to 3.25%;
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience; and
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2017

- The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2016

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2016;
- The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2016;
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience;
- Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience; and
- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

Change in benefit provisions:

2018-2023

- There were no changes in benefit provisions.

2017

- Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

2. Net OPEB Liability

(a) Schedule of Proportionate Share of the Net OPEB Liability

This schedule presents historical trend information about the IHL System's proportionate share of the net OPEB liability for its employees who participate in the State and School Employees' Life and Health Insurance Plan. The net OPEB liability is measured as the total OPEB liability less the amount of the fiduciary net position of the plan. Trend information will be accumulated to display a ten-year presentation.

(b) Schedule of Proportionate Share of Employer Contributions to the State and School Employees' Life and Health Insurance Plan

The required contributions and percentage of those contributions actually made are presented in the schedule. Trend information will be accumulated to display a ten-year presentation.

(c) Changes of Assumptions and to Benefit Terms (OPEB plan)

Changes of assumptions:

2023

- The SEIR was changed from 2.13% for the prior measurement date to 3.37% to the current measurement date.

2022

- The SEIR was changed from 2.19% for the prior measurement date to 2.13% to the current measurement date.

2021

- The SEIR was changed from 3.50% for the prior measurement date to 2.19% to the current measurement date.

2020

- The SEIR was changed from 3.89% for the prior measurement date to 3.50% to the current measurement date.

2019

- The SEIR was changed from 3.56% for the prior measurement date to 3.89% to the current measurement date.

Changes to benefit terms:

2023

- The schedule of monthly retiree contributions was increased as of January 1, 2023. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2023.

2022

- The schedule of monthly retiree contributions was increased as of January 1, 2022. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2022.

2021

- The schedule of monthly retiree contributions was increased as of January 1, 2021. In addition, the deductibles and coinsurance maximums were increased for Select coverage, and the coinsurance maximums were increased for the Base Coverage beginning January 1, 2021.



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