MISSISSIPPI STATE UNIVERSITY™

CONSOLIDATED FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2015

MISSISSIPPI STATE UNIVERSITY™

MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion and Analysis (MD&A) is provided to allow an overview of Mississippi State University's financial position and performance. The discussion focuses on the reasons for material change as they relate to specific categories in the statements and is intended to be read in conjunction with the financial statements and accompanying note disclosures. This MD&A presents financial information for the fiscal year ended June 30, 2015, and comparative data for the fiscal year ended June 30, 2014 to aid in the analysis of the financial performance for the institution. It should be noted that single-column presentation is allowed for the financial statements following this discussion due to the implementation of Governmental Accounting Standards Board pronouncement 68. Restatement of the prior fiscal year is not a requirement of this pronouncement. The accompanying financial statements, notes and this discussion are the responsibility of management.

OVERVIEW OF THE INSTITUTION

Mississippi State University (the University) is designated as a Doctorate granting university with very high research activity by the Carnegie Foundation for the Advancement of Teaching. The University began as The Agricultural and Mechanical College of the State of Mississippi, one of the national Land Grant Colleges established after Congress had passed the Morrill Act in 1862. It was created by the Mississippi Legislature on February 28, 1878, to fulfill the mission of offering training in "agriculture, horticulture and the mechanical arts… without excluding other scientific and classical studies, including military tactics". In 1887 Congress passed the Hatch Act, which provided for the establishment of the Agricultural Experiment Station in 1888. Two other pieces of federal legislation provided funds for extending the mission of the College: in 1914, the Smith Lever Act called for "instruction in practical agriculture and home economics to persons not attendant or resident," thus creating the state wide effort which led to Extension offices in every county of the State; and, in 1917, the Smith Hughes Act which provided for the training of teachers in vocational education.

The University now comprises the following academic units: the College of Agriculture and Life Sciences including the School of Human Sciences; the College of Architecture, Art and Design; the College of Arts and Sciences; the College of Business, including the Adkerson School of Accountancy; the College of Education; the Bagley College of Engineering, including the Swalm School of Chemical Engineering; the College of Forest Resources; the Shackouls Honors College; the Office of the Graduate School; and the College of Veterinary Medicine. In addition, the Mississippi Agricultural and Forestry Experiment Station, operating 16 branch stations throughout the State of Mississippi, conducts research in a variety of areas and assists in the University's teaching and service functions. Finally, the Mississippi State University Extension Service offers programs and services to the people of the State of Mississippi through campus and county offices and personnel.

Mississippi State University operates an off campus degree granting center in Meridian where both undergraduate and graduate programs are offered and a program center at the Stennis Space Center. In cooperation with the U.S. Army Engineer Waterways Experiment Station, the College of Engineering offers the Master of Science degree to qualified students in Vicksburg.

Mississippi State University offers more than 180 degrees, which includes 14 master's degrees in 59 programs, an educational specialist degree in 8 programs, and doctoral degrees in 35 programs. The University had an enrollment of 20,138 students as of the Fall of 2014 and employs 4,663 employees including 1,159 full time faculty and 177 part time faculty.

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 assets, deferred outflows, liabilities, deferred inflows and net position of the University as of the fiscal year ended June 30, 2015, and is prepared under the accrual basis of accounting. Revenues and assets are recognized when the goods and services are provided, and expenses and liabilities are recognized when goods and services are received, regardless of when cash is exchanged. It is also important to note both assets and liabilities are presented as current and noncurrent. This distinction allows readers to determine the availability of assets to continue current operations and also provides a long term perspective. Likewise, the reader is also able to determine from the presentation of liabilities the current obligations due within one year, as well as, future obligations due more than one year from the date of the statement. Net position is further broken down into three categories: (1) net invested in capital assets, which represents the historical cost of property and equipment reduced by the balance of related debt outstanding and depreciation expense charged over the years; (2) the restricted component of net position which relates to assets with constraints imposed by third parties; (3) and the unrestricted component of net position that can be used at the discretion of University administration within the bounds of state law. Additionally, assets within the restricted component are either nonexpendable, as in the case of endowment gifts to be held in perpetuity, or expendable, as in the case of funds for scholarships, research, or other purposes.

Due to the implementation of GASB 68 and GASB 71 the University was required to recognize its proportionate share of the net pension liability of the Mississippi Public Employees Retirement System. As a result, the University restated the FY 2015 beginning net position recording a prior period adjustment of $396 million. The prior period adjustment was netted against the unrestricted net position balance resulting in a deficit balance of $243 million at the beginning of the fiscal year.

The University's financial position for fiscal year 2015 increased by $36.2 million after other revenues, expenses, gains and losses. Total assets for the year increased by $91 million. Capital assets, net of depreciation, increased $41.6 million as a result of continued construction of the classroom and parking garage building, the Fresh Foods Company dining facility and various additions to the utility distribution systems and streets and roads. Current assets increased $42.1 million with cash and cash equivalents accounting for $22.3 million as a result of a conversion of $11.8 million in securities at Trinity Capital and another $10.5 million of cash equivalents awaiting conversion to long term investments. Another large increase in prepaid expenses of $13.6 million was a result of payments to the Mississippi Bureau of Buildings for the University's share of state bond projects. Finally, other current assets increased $6 million with short term investments growing by $3 million, accounts receivables by $2 million, and student notes receivable by approximately $1 million.

Noncurrent assets, other than capital assets, increased $7.3 million with the largest increase recorded in restricted cash and cash equivalents of $22 million. Restricted cash and cash equivalents are classified as restricted non-current assets due to external restrictions. The majority of these assets are held by external trustees for use on specific capital projects; as in this case, with the issuance of $56 million in long term bonds for the construction of two residence halls and the Center for American Veterans. Other long-term investments decreased $15.8 million as a result of the University repositioning investments out of Trinity Capital, as well as, additional transfers out of other government securities.

Deferred outflows of resources were recognized during fiscal year 2015 as a result of two GASB pronouncements. $2.5 million was recognized in accordance with GASB 65 related to an advanced refunding of a majority of the 2005 debt issuance and current refunding of the 2004 and 2004A issuances. As mentioned above, the implementation of GASB 68 and 71 for fiscal year 2015 required the University to report deferred outflows of $5.9 million related to differences between expected and actual experience, $3.9 million as changes in proportion and differences between employer contributions and proportionate share of contributions, and $30.8 million as contributions subsequent to the measurement date of June 30, 2014. These deferred outflows are related to pensions that will be recognized as pension expense in future years.

The largest components of current liabilities are accounts payable and unearned revenues. The increase in accrual for payables is attributed to an increase in subcontracts for grant payments of $1.2 million and $2.1 million for manual accruals for invoices received after the end of the fiscal year that were not back dated. Accruals for unearned revenues include tuition payments for an upcoming academic semester, athletic ticket revenue for future events, and bond premiums on debt issuances. These bond premiums accounted for the majority of the increase in unearned revenues over the previous fiscal year.

Noncurrent liabilities are defined as amounts due and payable more than twelve months from the end of the current fiscal year. The majority of the category is now comprised of a net pension liability representing the University's proportionate share of the net pension liability and unfunded long term debt associated with capital projects through the issuance of bonds. As prescribed by GASB 68 the University recognized $378 million as its proportionate share of the net pension liability. The other significant liability balance is due to long-term debt. For the current fiscal year the University issued $56 million for the construction of two new residence halls and for the Center for American Veterans. Additional detail about long-term debt can be found in Note 8 of the Notes to Financial Statements.

As noted above, net position increased approximately $36 million for the current fiscal year. The increase in net invested in capital assets is responsible for a majority of the change in net position and is reflective of the University's commitment to provide a modern, functional environment to support the primary missions of the institution.

CONDENSED STATEMENT OF NET POSITION

	FY 2015	FY2014	Difference	Percentage
ASSETS:				
Current assets	$180,820,441	$138,713,391	$42,107,050	30%
Capital Assets, Net	863,933,259	822,354,690	41,578,569	5%
Other Noncurrent Assets	185,116,965	177,769,263	7,347,702	4%
Total Assets	**$1,229,870,665**	**$1,138,837,344**	**$91,033,321**	**8%**
Deferred Outflows	**$43,115,759**	**$2,621,626**	**$40,494,133**	**1545%**
LIABILITIES:				
Current liabilities	$69,275,614	$58,122,528	$11,153,086	19%
Non-Current liabilities	733,398,470	308,158,408	425,240,062	138%
Total Liabilities	**$802,674,084**	**$366,280,936**	**$436,393,148**	**119%**
NET POSITION:				
Invested in Capital Assets, Net of Related Debt	$580,946,218	$566,923,176	$14,023,042	2%
Restricted:				
Nonexpendable -	15,775,719	17,015,911	(1,240,192)	-7%
Expendable -	34,838,649	38,341,201	(3,502,552)	-9%
Unrestricted	(215,994,092)	152,897,746	(368,891,838)	-241%
Total Net Position	**$415,566,494**	**$775,178,034**	**($359,611,540)**	**-46%**

Similar investments in plant will continue as enrollment growth dictates. The $396 million prior period adjustment to Unrestricted Net Position for the net pension liability changed the beginning balance from a positive $153 million to a negative balance of $243 million.

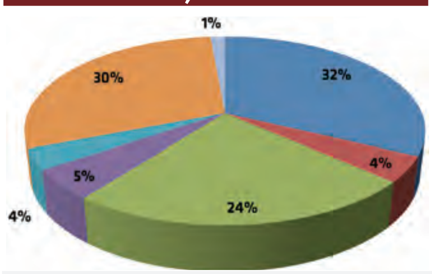
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and the expenses incurred during the year, regardless of when cash is received or disbursed. Activities in this statement are presented as either operating or non-operating. Operating revenues are recorded in exchange for providing goods and services. Operating expenses are incurred as a result of normal operations of the University but also include depreciation on capital assets. The University relies on state appropriations, gifts and investment income to support day-to-day operations. However, those revenue categories are required by the Government Accounting Standards Board to be classified as non-operating revenues. Non-operating expenses include capital financing costs and loan cancellation expenses.

Total operating revenues increased $25.1 million for fiscal year 2015 as compared to fiscal year 2014. A large portion of the increase is attributed to athletics revenues, sales and services of educational departments and federal appropriations. For fiscal year 2015 tuition increased 5.5% for resident and 11.29% for non-resident students. Non-resident undergraduate tuition realized during the fiscal year was a category leader as compared to budget. Resident undergraduate tuition was another item with significant gain over the prior fiscal year. It should also be noted that a reallocation of the scholarship allowance was implemented in the current fiscal year to recognize the continued reduction of education and general required fees to the athletic auxiliary operation. The allocation of scholarship allowance was reduced from 18% to 9% to recognize the reduction in distribution of required tuition and fees.

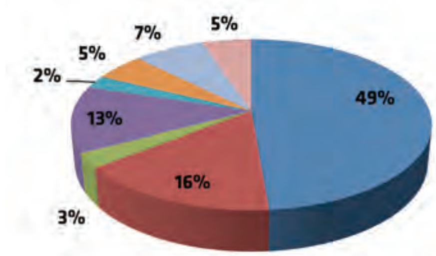
Total operating expenses also increased $34.4 million with salaries and fringes accounting for $15.2 million of the change. The

OPERATING REVENUES, FY 2015



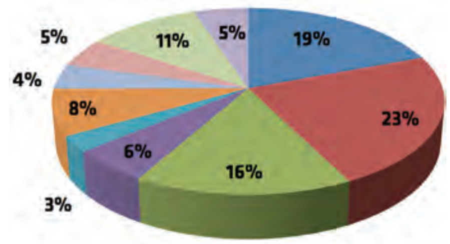
32%	Net tuition and fees	134,396,877
4%	Federal appropriations	18,137,773
24%	Federal grants and contracts	100,035,954
5%	State grants and contracts	21,458,976
4%	Nongovernmental grants and contracts	14,689,450
30%	Sales and services	123,341,658
1%	Other	5,805,434
Total Operating Revenues		**$417,866,122**

OPERATING EXPENSES BY OBJECT, FY 2015



49%	Salaries and Wages	308,064,986
16%	Fringe Benefits	100,337,652
3%	Travel	17,675,824
13%	Contractual Services	79,134,693
2%	Utilities	15,510,031
5%	Scholarships & Fellowships	32,680,760
7%	Commodities	47,012,372
5%	Depreciation	32,665,470
Total Operating Expenses		**$633,081,788**

OPERATING EXPENSES BY FUNCTION, FY 2015



19%	Instruction	122,267,508
23%	Research	146,627,654
16%	Public service	100,006,255
6%	Academic support	36,814,949
3%	Student services	17,651,549
8%	Institutional support	50,912,692
4%	Operation of plant	27,511,497
5%	Student aid	31,731,568
11%	Auxiliary enterprises	66,892,646
5%	Depreciation	32,665,470
Total Operating Expenses		**$633,081,788**

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	FY 2015	FY2014	Difference	Percentage
Total Operating Revenues	$417,866,122	$392,802,280	$25,063,842	6%
Total Operating Expenses	633,081,788	598,644,903	34,436,885	6%
Operating Loss	**($215,215,666)**	**($205,842,623)**	**($9,373,043)**	**5%**
Total Net Non-operating Revenues	238,138,998	222,289,325	15,849,673	7%
Income (loss) Before other Revenues, Expenses, Gains and Losses	**22,923,332**	**16,446,702**	**6,476,630**	**39%**
Other revenues, expenses, gains and losses	13,297,132	48,094,544	(34,797,412)	-72%
Net Increase in Net Assets	**$36,220,464**	**$64,541,246**	**($28,320,782)**	**-44%**
Net Position - Beginning of Year, as adjusted	379,346,030	710,636,788	(331,290,758)	-47%
Net Position - End of Year	**$415,566,494**	**$775,178,034**	**($359,611,540)**	**-46%**

CONDENSED STATEMENT OF CASH FLOWS

	FY 2015	FY2014	Difference	Percentage
Cash Provided (used) by:				
Operating Activities	($183,951,753)	($176,509,738)	($7,442,015)	4%
Noncapital Financing Activities	242,938,420	226,881,817	16,056,603	7%
Capital and Related Financing Activities	(17,918,344)	(9,977,347)	(7,940,997)	80%
Investing Activities	(3,279,848)	(4,355,096)	1,075,248	-25%
Net Increase (Decrease) in Cash and Cash Equivalents	**$44,348,171**	**$36,039,636**	**$8,308,535**	**23%**
Cash and Cash Equivalents - Beginning of the Year	99,630,040	63,590,404	36,039,636	57%
Cash and Cash Equivalents - End of the Year	**$143,978,211**	**$99,630,040**	**$44,348,171**	**45%**

University funded a 2% merit based increase for fiscal year 2015. Travel expenses showed a moderate increase for the year of $1.3 million while contractual services increased by $11 million. Much of the contractual services increase can be attributed to increases in physical plant services for projects related to the appropriated Capital Expense Fund from the Mississippi Legislature, additional payments to subcontractors for grants and prior period adjustments. Commodities experienced an increase in expenditures of $4 million. This increase can be attributed to an unusually large amount of commodities expense for capital purposes that was capitalized in the prior fiscal year, thereby reducing expense in the prior fiscal year. A major portion of this prior year capitalization of commodities expense was for the football stadium expansion.

Non-operating revenues net of expenses increased $15.8 million with the change in state appropriations accounting for most of the net increase. As the state economy continues to show improvement, this trend is expected to continue. Another notable positive increase for this category was gifts and grants income.

Other revenues, expenses, gains and losses for the current fiscal year decreased as compared to the prior fiscal year which included capital gifts for the Seal Football complex and capital appropriations for infrastructure through the State of Mississippi Bureau of Buildings

STATEMENTS OF CASH FLOWS

The Statement of Cash Flows must also be evaluated when considering the financial condition of the University's ability to meet financial obligations over time. This statement presents information related to cash inflows and outflows summarized in the categories of operating activities, noncapital financing activities, capital and related financing activities and investing activities. Its purpose is to assist in the evaluation of the institution's ability to meet its obligations as they come due and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from capital financing activities include all plant funds and related long term debt activities. Cash flows from investing activities display the use of cash and cash equivalents to purchase investments. Cash flows from noncapital financing activities are those not covered in other sections.

Cash flows from operating activities reveal little change for fiscal year 2015 compared to the prior fiscal year. Increased cash realized through tuition increases and sales and services was used for a 2% salary increase and increased costs of goods. The activity shown in this section of the statement mirrors the accounts in the operating section of the Statement of Revenues, Expenses and Changes in Net Position.

The cash flows from noncapital financing activities experienced more of a change over fiscal year 2014 with additional cash provided though state appropriations and grants for other than capital purposes. Both areas reflect the improving financial conditions of the economy.

Cash flows from capital and related financing activities experienced the largest variance with cash provided through issuance of debt for the capital projects in fiscal year 2015 significantly lower than the prior fiscal year. $56 million of capital debt was issued in the current fiscal year as compared to $174 million of capital debt issued through the Educational Building Corporation.

Cash flows from investing activities show a neutral use of cash in sales and purchases of investments with a positive cash position based on interest received from investments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of June 30, 2015 and 2014, the University had $864 million and $822 million invested in capital assets, net of accumulated depreciation of $459 million and $435 million, respectively. Depreciation expense totaled $33 million and $31 million for fiscal years 2015 and 2014, respectively. Major capital improvements completed for the year are summarized below:

NEW CONSTRUCTION

- Oak Hall
- Magnolia Hall
- North Campus Entrance
- Chadwick Lake Walking Track

MAJOR RENOVATIONS

- Main Campus Lighting Retrofit

As of the end of fiscal year 2015, the University continues to invest in capital facilities as part of a long range plan to provide a modern and functional environment for its faculty, staff and students. Major projects underway at fiscal year-end include a classroom and parking garage project situated strategically in the center of campus which will provide 20 new classrooms on the upper level and a 150-space, two-story parking garage. All but the finishing touches were completed on a new dining facility with an indoor seating capacity of 480 and a 48-seat outdoor dining area along with a student lounge during the summer of 2015. Finally, construction on two new residence halls and the Center for American Veterans will continue into the next fiscal year.

ENROLLMENT

Enrollment remained steady in FY 2015. Total enrollment for the fall 2014 semester was 20,138 students. In the fall of 2013 semester, 20,161 students were enrolled. Mississippi residents accounted for 68% of the total enrollment in fall 2014 and for 70% of total enrollment for fall 2013. Enrollment totals are unduplicated and include all campuses of the University.

DEGREES AWARDED

A total of 4,222 degrees were awarded in 2014-2015: 3,211 undergraduate and 1,011 graduate. A breakdown by college is shown in the accompanying table. Information from 2013 2014 is included for comparison.

FINANCIAL SUMMARY AND OUTLOOK

Mississippi State University experienced a strong financial position in FY 2015 and substantial enrollment growth for fall 2015. Enrollment increased by over 700 students resulting in a record 20,873 students during fall 2015. The completion of the multi-million-dollar renovation of historic Lee Hall, completion of the new Fresh Food Company Dining Facility, and ongoing construction of the multi-million-dollar state-of-the-art classroom building with parking and 750 bed Azalea & Dogwood Residence Halls are indications of the continued growth and improvements at MSU.

After three years of economic uncertainty and appropriation cuts through FY 2012, state revenue collections have since exceeded estimates, and FY 2016 is at present forecast to experience modest growth. As a result, Mississippi State University experienced an increase in state appropriations for fiscal years 2014, 2015, and 2016.

While the current economic outlook for Mississippi's future is favorable, the University will continue to face uncertainty surrounding the timing and pace of the economic recovery and state funding priorities. However, the leadership's focus and flexibility combined with the dedication of the University's employees have positioned the University to weather any potential storms. Mississippi State's leadership continues its proactive approach to address funding needs. Successful efficiency efforts and tuition and appropriation increases have helped provide funding for the hiring of new faculty and merit pay increases. Mississippi State University remains committed to a long-term financial plan that will sustain the university and allow it to continue to provide world-class teaching, research and service for the State of Mississippi and beyond.

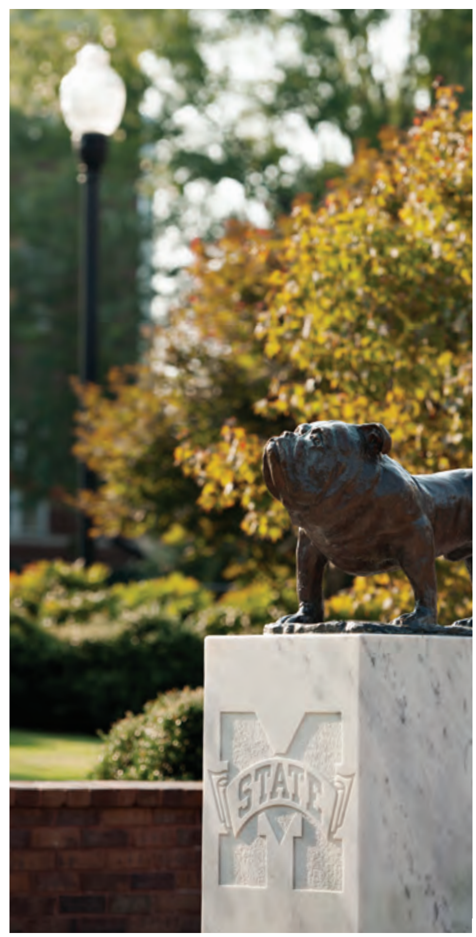
Don A. Zant
Vice President for Budget and Planning

DEGREES AWARDED, 2014-2015

	UNDERGRADUATE	GRADUATE	TOTAL
Agriculture and Life Sciences	313	104	417
Architecture, Art and Design	111	0	111
Arts and Sciences	1,036	253	1,289
Business (Includes Accountancy)	588	149	737
Education	612	246	858
Engineering	472	132	604
Forest Resources	67	34	101
Veterinary Medicine	12	93	105
Total	**3,211**	**1,011**	**4,222**

DEGREES AWARDED, 2013-2014

	UNDERGRADUATE	GRADUATE	TOTAL
Agriculture and Life Sciences	323	110	433
Architecture, Art and Design	127	1	128
Arts and Sciences	1,024	253	1,277
Business (Includes Accountancy)	587	183	770
Education	651	246	897
Engineering	453	142	595
Forest Resources	69	33	102
Veterinary Medicine	21	92	113
Total	**3,255**	**1,060**	**4,315**



MISSISSIPPI STATE UNIVERSITY™

ANNUAL FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE YEAR ENDED JUNE 30, 2015

STATEMENT OF NET POSITION

ASSETS

CURRENT ASSETS:	2015
Cash and Cash Equivalents	$81,146,392
Short Term Investments	9,202,433
Accounts Receivables, Net	59,389,364
Student Notes Receivables, Net	4,266,651
Inventories	2,011,752
Prepaid Expenses	24,803,849
Total Current Assets	**$180,820,441**
NON-CURRENT ASSETS:	
Restricted Cash and Cash Equivalents	$62,831,819
Endowment Investments	38,207,799
Other Long Term Investments	71,838,822
Student Notes Receivable, Net	12,238,525
Capital Assets, Net	863,933,259
Total Non-Current Assets	**$1,049,050,224**
Total Assets	**$1,229,870,665**
DEFERRED OUTFLOWS:	
Difference Between Expected and Actual Experience	$5,891,523
Changes in Proportionate Share	3,926,582
Contributions Subsequent to the Measurement Date	30,807,627
Resources Due to Refunding	2,490,027
Total Deferred Outflows of Resources	**$43,115,759**
Total Assets and Deferred Outflows of Resources	**$1,272,986,424**

LIABILITIES

CURRENT LIABILITIES:	
Accounts Payable and Accrued Liabilities	$27,448,970
Unearned Revenues	30,110,730
Accrued Leave Liabilities - Current Portion	1,905,475
Long Term Liabilities - Current Portion	9,725,000
Other Current Liabilities	85,439
Total Current liabilities	**$69,275,614**
NON-CURRENT LIABILITIES:	
Net pension liability	$377,668,592
Deposits refundable	31,635
Accrued leave liabilities	23,325,699
Long term liabilities	318,465,000
Other non-current liabilities	13,907,544
Total Non-Current liabilities	**$733,398,470**
Total Liabilities	**$802,674,084**
DEFERRED INFLOWS OF RESOURCES:	
Difference between projected and actual earnings on pension plan	$54,745,846
Total liabilities and deferred inflows of resources	**$857,419,930**

NET POSITION:

Net Invested in Capital Assets	**$580,946,218**
Restricted for:	
Nonexpendable -	
Scholarships and Fellowships	$2,728,141
Research	4,826,225
Other Purposes	8,221,353
Expendable -	
Scholarships and Fellowships	2,954,372
Research	22,596,145
Capital Projects	548,003
Debt Service	4,142,286
Loans	3,171,703
Other Purposes	1,426,140
Unrestricted	(215,994,092)
Total Net Position	**$415,566,494**

OPERATING REVENUES:

	2015
Tuition and Fees	$206,409,769
Less: Scholarship Allowances	(70,732,840)
Less: Bad Debt Expenses	(1,280,052)
Net Tuition and Fees	134,396,877
Federal Appropriations	18,137,773
Federal Grants and Contracts	100,035,954
State Grants and Contracts	21,458,976
Nongovernmental Grants and Contracts	14,689,450
Sales and Services of Educational Departments	41,736,224
Auxiliary Enterprises:	
Student Housing	24,561,074
Food Services	2,187,892
Bookstore	716,055
Athletics	49,620,102
Other Auxiliary revenues	12,023,109
Less: Auxiliary Enterprise Scholarship Allowances	(7,502,798)
Interest Earned on Loans to Students	290,943
Other Operating Revenues, Net	5,514,491
Total Operating Revenues	**$417,866,122**

OPERATING EXPENSES:

Salaries and Wages	$308,064,986
Fringe Benefits	100,337,652
Travel	17,675,824
Contractual Services	79,134,693
Utilities	15,510,031
Scholarships and Fellowships	32,680,760
Commodities	47,012,372
Depreciation/Amortization Expense	32,665,470
Total Operating Expenses	**$633,081,788**
Operating Income (Loss)	**$(215,215,666)**

NONOPERATING REVENUES (EXPENSES):

State Appropriations	$180,278,300
Gifts and Grants	62,336,654
Investment Income (Loss)	1,922,709
Interest Expense on Capital Asset---Related Debt	(5,926,081)
Other Nonoperating Revenues	1,031,500
Other Nonoperating Expenses	(1,504,084)
Total Net Nonoperating Revenues (Expenses)	**$238,138,998**
Income (Loss) Before Other Revenues, Expenses, Gains and Losses	**$22,923,332**

Other revenues, expenses, gains and losses:	
Capital Grants and Gifts	$304,081
State Appropriations Restricted for Capital Purposes	14,183,891
Other Deletions	(1,190,840)
Net Increase in Net Assets	**$36,220,464**

NET POSITION

Net Position - Beginning of Year, as adjusted (note)	$379,346,030
Net Position - End of Year	**$415,566,494**

STATEMENT OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES:

	2015
Tuition and Fees	$137,273,762
Grants and Contracts	133,654,860
Sales and Services of Educational Departments	42,155,694
Payments to Suppliers	(145,013,844)
Payments to Employees for Salaries and Benefits	(410,968,908)
Payments for Utilities	(15,507,690)
Payments for Scholarships and Fellowships	(32,683,760)
Loans Issued to Students and Employees	(5,378,349)
Collection of Loans to Students and Employees	3,949,647
Auxiliary Enterprise Charges:	
Student Housing	24,348,532
Food Services	2,298,246
Bookstore	716,055
Athletics	49,982,151
Other Auxiliary Enterprises	7,568,691
Other Receipts	23,653,160
Net Cash (Used) by Operating Activities	**$(183,951,753)**

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

State Appropriations	$179,759,412
Gifts and Grants for Other Than Capital Purposes;	63,818,816
Federal Loan Program Receipts	108,425,515
Federal Loan Program Disbursements	(108,069,472)
Other Sources	15,743
Other Uses	(1,011,594)
Net Cash Provided by Noncapital Financing Activities	**$242,938,420**

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:

Proceeds from Capital Debt	$56,010,000
Cash Paid for Capital Assets	(77,710,926)
Capital Appropriations Received	2,806,426
Capital Grants and Contracts Received	303,782
Proceeds from Sales of Capital Assets	1,095,125
Principal Paid on Capital Debt and Leases	(9,725,000)
Interest Paid on Capital Debt and Leases	(6,224,706)
Other Sources	15,949,135
Other Uses	(422,180)
Net Cash Used by Capital and Related Financing Activities	**$(17,918,344)**

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from Sales and Maturities of Investments	$ 76,789,432
Interest Received on Investments	3,155,115
Purchases of Investments	(76,664,699)
Net Cash Provided (Used) by Investing Activities	**$3,279,848**
Net Increase (Decrease) in Cash and Cash Equivalents	44,348,171
Cash and Cash Equivalents - Beginning of the Year	**$99,630,040**
Cash and Cash Equivalents - End of the Year	**$143,978,211**

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES

	2015
Operating Income (Loss)	$(215,215,666)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation/Amortization Expense	32,665,469
Bad debt expense	1,280,052
Other	217
Changes in Assets and Liabilities:	
(Increase) Decrease in Assets:	
Receivables, Net	(5,748,749)
Inventories	375,616
Prepaid Expenses	(41,149,975)
Increase (Decrease) in Liabilities:	
Accounts Payables and Accrued Liabilities:	(12,955,849)
Deferred Revenue	57,922,779
Accrued Leave Liabilitiy	(1,125,647)
Total Adjustments:	**$ 31,263,913**
Net Cash Provided (Used) by Operating Activities:	**$(183,951,753)**

NON-CASH TRANSACTIONS:

1) Unrealized Gain/(Loss) on Fair Value of Investments	$(263,392)
2) Bureau of Buildings and Grounds Construction-in-Progress	11,377,466
3) Provision for Bad Debts	(1,280,052)

MISSISSIPPI STATE UNIVERSITY™

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1:
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
NATURE OF OPERATIONS

Mississippi State University (the University) is a comprehensive, doctoral degree granting university offering to a diverse and capable student body, a wide range of opportunities and challenges for learning and growth; to the world of knowledge, vigorous and expanding contribution in research, discovery, and application; and to the State of Mississippi (the State) and its people in every region, a variety of expert services.

REPORTING ENTITY

The Mississippi Constitution was amended in 1943 to create a separate legal entity and establish a Board of Trustees of State Institutions of Higher Learning (Board). This constitutional Board provides management and control of Mississippi's system of universities. The University is a member (department) of the State of Mississippi Institutions of Higher Learning (IHL System).

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

The current twelve Board members of the IHL System were appointed by the Governor and approved by the Senate for twelve year terms as follows: one from each of the seven congressional districts, one from each of the three Supreme Court Districts, and two appointed from the state at large. The Mississippi Constitution was amended in 2003 to change the length of terms and appointment districts for Board members. New appointments will occur from 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's financial statements include the accounts of the Mississippi State University Educational Building Corporation, an educational building corporation and a nonprofit corporation incorporated in the State of Mississippi established in accordance with Section 37 101 61 of the Mississippi Code Annotated of 1972. The purpose of this corporation is for the acquisition, construction and equipping of facilities and land for the University.

In accordance with GASB Statement Nos. 14 and 61, this educational building corporation is deemed a component unit of the State of Mississippi Institutions of Higher Learning and is included as a blended component unit in the general purpose financial statements.

The State of Mississippi Institutions of Higher Learning is considered a component unit of the State of Mississippi reporting entity.

Legally separate, tax exempt organizations whose activities primarily support members of the IHL System, which are component units of the IHL System reporting entity, are considered potential component units of the State. See note 17 for additional information.

BASIS OF PRESENTATION

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles as prescribed by the GASB. The University's financial statements follow the "business type activities" reporting model which provides a comprehensive one look at the University's financial activities.

BASIS OF ACCOUNTING

The financial statements of the University have been prepared on the accrual basis whereby all revenues are recorded when earned and expenses are recorded when an obligation has been incurred.

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.

In accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the University follows all applicable GASB pronouncements. Previously, the University applied all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflicted with or contradicted GASB pronouncements. However, GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements codified those pre-GASB pronouncements and made it possible for Universities to find all authoritative guidance within the GASB pronouncement framework.

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

CASH EQUIVALENTS

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 of tuition and fee charges to students. Accounts receivable also include amounts due from federal and state governments, and nongovernmental sources, in connection with reimbursement of allowable expenses made pursuant to the University's 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 expected to be paid during the next fiscal year are presented on the statements 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.

INVENTORIES

Inventories consist of central supply inventories and storeroom inventories. These inventories are generally valued at the lower of cost or market, on the first in, first out (FIFO) basis.

PREPAID EXPENSES

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

RESTRICTED CASH AND CASH EQUIVALENTS

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

ENDOWMENT INVESTMENTS

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

INVESTMENTS

Substantially all investments are reported at fair value. Unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position.

CAPITAL ASSETS

Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair value at the date of donation. For movable property, the 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 expenditure categories. See note 5 for additional details concerning useful lives and salvage values. The University uses the composite method for library book depreciation if the books are considered to have a useful life of greater than one year. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose if material.

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

COMPENSATED ABSENCES/ACCRUED LEAVE

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

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

UNEARNED REVENUES

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

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.

INCOME TAXES

As a state institution of higher learning, the income of the University is generally exempt from federal and state income taxes under Section 115(1) of the Internal Revenue Code; however, income generated from activities unrelated to the University's exempt purpose is subject to income taxes under Internal Revenue Code Section 511(a)(2)(B).

CLASSIFICATION OF REVENUES AND EXPENDITURES

The University has classified its revenues as either operating or non-operating revenues according to the following criteria:

OPERATING REVENUES AND EXPENSES

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition, net of scholarship discounts and allowances and bad debt expense,

(2) sales and services of educational departments and auxiliary enterprises (net of scholarship discounts and allowances), (3) Federal, state and local grants and contracts (non Title IV financial aid) and Federal appropriations, if any, and (4) interest on institutional student loans and other revenues. Examples of operating expenses include (1) employee compensation, benefits, and related expense; (2) scholarships and fellowships, net of scholarship discounts and allowances; (3) utilities, commodities (supplies), and contractual services; (4) professional fees; and (5) depreciation expenses related to certain capital assets.

NONOPERATING REVENUES AND EXPENSES

Non-operating revenues have the characteristics of non-exchange transactions. Non-operating revenues include activities that have the characteristics of non-exchange transactions, including state appropriation for operations and capital uses, federal grants for financial aid, gifts, investment income, and other revenue sources that are defined as non-operating revenues by GASB No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. 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.

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

SCHOLARSHIP DISCOUNTS AND ALLOWANCES

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

Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed 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

The University adopted GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position in fiscal year 2013, and, as a result, began reporting equity balances (previously referred to as "Net Assets") as "Net Position."

Net position represents the difference between all other elements in a statement of financial position and is displayed in three components-net investment in capital assets; restricted (distinguishing between major categories of restrictions); and unrestricted.

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

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

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

policy to utilize restricted resources first and then unrestricted resources as needed.

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, sales and services of educational activities, unrestricted gifts and grants, and auxiliary enterprises. While unrestricted net assets may be designated for specific purposes by action of management or the Board, they are available for use at the discretion of the governing board, to meet current expenses for any purpose. Substantially all unrestricted net assets are designated by the Board for academic and research programs and initiatives and capital programs.

The unrestricted net position balance of -$215,994,092 at June 30, 2015, includes $10,131,067 reserved for academic programs and research, $25,999,540 reserved for capital projects, $12,831,069 reserved for repairs and maintenance, with -$264,995,768 remaining for other purposes.

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.

NEW ACCOUNTING STANDARD

The IHL System adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions, for the year ended June 30, 2015. The Statement established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. As a result, costs related to the pension plan previously expensed were adjusted through an adjustment to net position as of July 1, 2013.

The implementation of this standard resulted in a net pension liability and the effect of adoption is a reduction of beginning net position. The schedule below titled "Impact on Net Position" summarizes the impact on net position for fiscal year 2014.

NOTE 2
CASH AND INVESTMENTS

(A) POLICIES

CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Investment policies, as set forth by the IHL System Board of Trustees policy and state statute, authorize the University to invest in demand deposits and interest bearing time deposits such as savings accounts, certificates of deposit, money market funds, U.S. Treasury bills and notes, and repurchase agreements. Investment policy at the University is governed by state statute (Section 27 105 33, MS Code Ann. 1972) and the Uniform Prudent Management of Institutional Funds Act of 2006, which was adopted by the State, effective July 1, 2012.

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

INVESTMENTS

Investment policies as set forth by Board policy as authorized by Section 37 101 15,

IMPACT ON NET POSITION

June 30, 2014:

Net Position - Beginning of period, as previously reported	$710,636,788
Less: Proportionate Shre of Net Pension Liability	(425,776,446)
Beginning of Period, as adjusted	284,860,342
Change in Net Position, as previously reported	64,541,246
Impact of GASB no. 68 implementation	29,944,442
Change in Net Position, as adjusted	94,485,688
Net Position - End of Period, as adjusted	$379,346,303

FAIR VALUE OF INVESTMENT TYPE

Investment Type	FY 2015
U.S. Government Agency Obligations	$46,780,887
Repurchase Agreements	
U.S. Treasury Obligations	13,678,149
Certificates of Deposit	9,469,000
Corporate Bonds	
Commercial Mortgage Backed Securities	
Collateralized Mortgage Obligations	3,957,465
Municipal Bonds	6,237,361
Mutual Funds	
Asset Backed Securities	1,207,860
Equity Securities	926,013
International Obligations	
Landgrant	239,789
Mississippi State Investment Pool	36,752,530
Total	**$119,249,054**

INTEREST RATE RISK

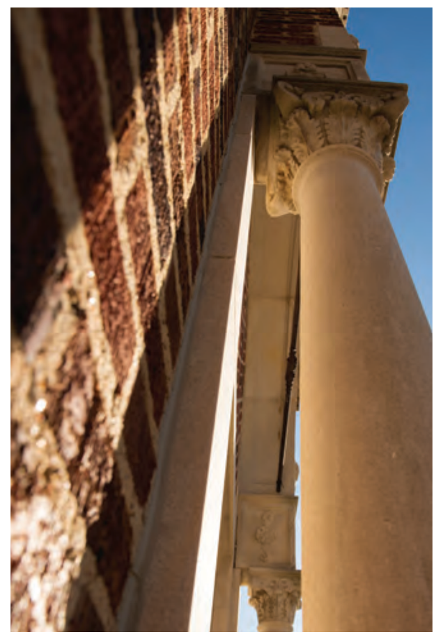
		Fair Investment	Maturities (in years)		
Investment Type	**Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
U.S. Government Agency Obligations	$46,763,381	$3,007,860	$30,236,089	$7,006,719	$6,512,713
U.S. Treasury Obligations	13,678,149	5,031,180	8,646,969		
Collateralized Mortgage Obligations	3,957,465				3,957,465
Municipal Bonds	6,240,727	254,838	3,419,089	2,566,800	
Asset Backed Securities	1,207,859			1,207,859	
Total	**$71,847,581**	**$8,293,878**	**$42,302,147**	**$10,781,378**	**$10,470,178**

FY 2015 CONCENTRATION OF CREDIT RISK

Issuer	Fair Value	Percentage
Mississippi State Investment Pool	$36,752,530	35.53%
Federal Home Loan Bank Notes	15,297,797	14.79%
U.S. Treasury Obligations	13,678,149	13.22%
Federal National Mortgage Association	12,756,278	12.33%
Federal Farm Credit Bank	10,231,750	9.89%
Federal Home Loan Mortgage Corporation	8,477,554	8.20%
Municipal Bond	$6,237,361	6.03%

CREDIT RISK

Credit Rating	FY2015
AA	$4,911,558
AA+	31,832,545
AAA	18,975,820
Rating Not Available	16,127,658
Total	**$71,847,581**



Mississippi Code Annotated (1972), authorize the University to invest in equity securities, bonds, and other securities. Investments are reported at fair value.

A summary of cash and investments as of June 30, 2015 can be found on page 19.

MISSISSIPPI STATE INVESTMENT POOL

The Mississippi State University Foundation, the University, the MSU Alumni Foundation, and the MSU Bulldog Club, Inc. are participants in a joint venture, the Mississippi State Investment Pool (MSIP), whereby certain assets are pooled for investment purposes. The Foundation is the investment pool's managing member, manages the assets of the pool, and maintains separate accounts for each participant. Investment income, gains and losses, and expenses of the MSIP are allocated to each participant based on their share of ownership of the MSIP. As of June 30, 2015, the University owned an approximate 10.01% interest in the assets of the MSIP.

(B) CUSTODIAL CREDIT RISK

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered with securities held by the counterparty's trust department or agent, but not held in the government's name. The University had no investments exposed to custodial credit risk at June 30, 2015.

(C) INTEREST RATE RISK

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

As of June 30, 2015, the University had the following investments subject to interest rate risk as shown in the table above.

(D) CREDIT RISK

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

As of June 30, 2015, the University had the following investments subject to credit risk:

The credit risk ratings listed above are issued based upon standards set by Moody's Investors Service.

(E) 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 University does not presently have a formal policy that addresses concentration of credit risk.

As of June 30, 2015, the University had the following issuers, shown above, holding investments that exceeded 5% of total investments:

NOTE 3
ACCOUNTS RECEIVABLE

Accounts receivable are detailed in the table below at June 30, 2015.

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.

NOTE 4
NOTES RECEIVABLE FROM STUDENTS

Notes receivable from students are payable in installments over a period of up to ten years, commencing three to twelve months from the date of separation from the University.

The schedule shown below is of interest rates and unpaid balances as of June 30, 2015:

NOTE 5
CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2015 is presented on page 22.

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

ACCOUNTS RECEIVABLE

Type of Receivable:	**2015**
Student tuition	$24,235,907
Auxiliary enterprises and other operating activities	4,369,744
Contributions and gifts	64,014
Federal, state, and private grants and contracts	36,804,649
State Appropriations	2,946,425
Accrued Interest	1,011,253
Patient Income	-
Total Accounts receivable	$69,431,992
Less allowance for doubtful accounts	10,042,628
Net Accounts receivable	**$59,389,364**

NOTES RECEIVABLE FROM STUDENTS

	Interest Rates	June 30, 2015	Current Portion	Non-Current Portion
Perkins student loans	3% to 9%	$17,429,806	$4,061,646	$13,368,160
Institutional loans	0% to 9%	967,391	205,005	762,386
Total Notes receivable		18,397,197	4,266,651	14,130,546
Less allowance for doubtful accounts		1,892,021		1,892,021
Net Notes receivable		**$16,505,176**	**$4,266,651**	**$12,238,525**

CAPITAL ASSETS

	July 1, 2014	Additions	Deletions/Transfers	June 30, 2015
Nondepreciable Capital Assets:				
Land	$17,747,092	$317,958		$18,065,050
Construction in Progress	177,430,804	56,444,257	62,493,598	171,381,463
Livestock	1,631,833	177,866	57,490	1,752,209
Total Nondepreciable Capital Assets	**$196,809,729**	**$56,940,081**	**$62,551,088**	**$191,198,722**
Depreciable Capital Assets:				
Improvements other than Buildings	$78,564,331	$12,968,748		$91,533,079
Buildings	722,965,830	49,903,478	1,690,276	771,179,032
Equipment	158,416,430	13,662,555	7,743,280	164,335,705
Library Books	100,313,345	4,517,241	252,408	104,578,178
Total Depreciable Capital Assets	**$1,060,259,936**	**$81,052,022**	**$9,685,964**	**$1,131,625,994**
Less Accumulated Depreciation for:				
Improvements other than Buildings	$29,798,109	$3,185,802		$32,983,911
Buildings	195,703,052	13,772,712	982,103	208,493,661
Equipment	128,171,419	11,379,970	7,254,477	132,296,912
Library Books	81,042,395	4,326,986	252,408	85,116,973
Total Accumulated Depreciation	**$434,714,975**	**$32,665,470**	**$8,488,988**	**$458,891,457**
Capital Assets, Net	**$822,354,690**	**$105,326,633**	**$63,748,064**	**$863,933,259**

ACCOUNTS PAYABLE & ACCRUED LIABILITIES

	2015
Payable to vendors and contractors	$15,227,312
Accrued salaries, wages and employee withholdings	12,613,356
Accured interest	(391,698)
Total	**$27,448,970**

UNEARNED REVENUES

	2015
Unearned summer school revenue	$2,808,530
Unearned grants and contract revenue	38,057
Other	27,264,143
Total	**$30,110,730**

NOTE 6
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2015 are shown above.

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

NOTE 7
UNEARNED REVENUES

Unearned revenues as of June 30, 2015 are shown above.

DEPRECIATION

	Estimated Useful Lives	Salvage Value	Capitalization Threshold
Buildings	40 years	20%	$50,000
Improvements Other Than Buildings	20 years	20%	25,000
Equipment	3-15 years	1-10%	5,000
Library Books	10 years	0%	0

NOTE 8
LONG-TERM LIABILITIES

Long term liabilities of the University which consist of bonds payable, capital lease obligations, and certain other liabilities that are expected to be liquidated at least one year from June 30, 2015 are presented on page 23. Annual requirements to repay outstanding debt are also displayed on page 23.

BONDS PAYABLE

The University has issued bonds to construct, renovate, and improve various campus facilities. As noted in the summary of significant accounting policies, the University established the Mississippi State University Educational Building Corporation (MSUEBC). This nonprofit Mississippi corporation was established in accordance with Section 37-101-61 of the Mississippi Code Annotated, 1972, for the purpose of acquiring, constructing, renovating, improving, and equipping University facilities. In accordance with GASB Statement Nos. 14 and 61, MSUEBC is considered a blended component unit of the university and is included in the general purpose financial statements.

1981, Series C – United States Housing and Urban Development, Dormitory Renovation Loan – MSU issued bonds totaling $2,250,000 in June 1981 (Series 1981C) for the renovation of residence halls on the main campus of MSU. Outstanding coupons bear interest at a rate of 3.00% with the final maturity in December 2020.

1981 Student Housing Revenue Bond of 1981 – MSU issued bonds totaling $2,038,000 in December 1981 (Series 1981) for the constructing of married student apartments and housing for graduate students on the main campus of MSU. Outstanding coupons bear interest at a rate of 3.00% with a final maturity in December 2021.

Series 1998 – MSUEBC issued bonds totaling $31,865,000 in August 1998 (Series 1998) for the construction, repairs, renovations, equipping, and improvements to student housing as well as other buildings on and off campus. $16,535,000 of outstanding coupons were called and redeemed on May 5, 2009.

Series 2004 – MSUEBC issued bonds totaling $17,000,000 in January 2004 (Series 2004) for the construction of energy production, management, and storage facilities to enable Mississippi State University to take full advantage of lower cost variable price interruptible (VPI) electrical power rates offered by TVA and the City of Starkville, MS. Outstanding coupons bear interest at rates ranging from 3.50% to 4.60% with final maturity in August 2028.

Series 2004-A – MSUEBC issued bonds totaling $28,790,000 in November 2004 (Series 2004-A) for (i) the construction of Roy H. Ruby Hall ("Ruby Hall") for student housing and (ii) the refunding of MSUEBC bonds issued in November 1993 (Series 1993), MSUEBC bonds issued in June 1995 (Series 1995), and the partial refund of MSUEBC bonds issued in December 1996 (Series 1996). All remaining Series 1996 bonds matured in August 2007.

Series 2005 – MSUEBC issued bonds totaling $58,965,000 in November 2005 (Series 2005) for construction of new student housing facilities, the Palmeiro Center, the building to house the Barnes & Noble Bookstore, the MSU Welcome Center, and additional infrastructure. Outstanding coupons bear interest rates of 5.00% with final maturity in August 2035.

Series 2007A – MSUEBC issued bonds totaling $6,110,000 in July 2007 (Series 2007A) for the (i) construction, rehabilitation, renovation, improving, repairing, equipping, and installing Colvard Student Union on the main campus of MSU, (ii) provide for capitalized interest in connection with the project, and (iii) pay the cost of issuing the bonds. Outstanding coupons bear interest at rates ranging from 4.125% to 5.00% with final maturity in August 2027.

LONG-TERM LIABILITIES

Description and Purpose	Original Issue	Annual Interest Rate	Maturity	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Bonded Debt								
Dormitory Revenue System	$2,250,000	3.00%	2021	$610,000		$80,000	$ 530,000	$80,000
Student Apartments	2,038,000	3.00%	2022	640,000		70,000	570,000	75,000
EBC98 - Revenue Bonds	31,865,000	3.75% - 5.25%	2018	6,025,000		1,385,000	4,640,000	1,465,000
EBC04 - Revenue Bonds	17,000,000	2.00% - 5.00%	2029	595,000		595,000	-	-
EBC04A - Revenue Bonds	28,790,000	2.00% - 5.00%	2030	1,625,000		1,625,000	-	-
EBC05 - Revenue Bonds	58,965,000	4.00% - 5.00%	2036	3,585,000		1,750,000	1,835,000	1,835,000
EBC07A - Revenue Bonds	6,110,000	4.50% - 4.75%	2028	4,825,000		255,000	4,570,000	265,000
EBC09A-1 Revenue Bonds	29,615,000	3.00% - 5.25%	2029	27,820,000		630,000	27,190,000	650,000
EBC09A-2 Refunding Bonds	17,105,000	3.00% - 5.25%	2024	11,910,000		-	11,910,000	-
EBC11 Refunding Bonds	54,370,000	2.00% - 5.00%	2042	50,555,000		1,970,000	48,585,000	2,040,000
EBC13 - Revenue Bonds	60,470,000	2.00% - 5.00%	2044	60,470,000		490,000	59,980,000	505,000
EBC14A - Revenue Bonds	89,810,000	2.00% - 5.00%	2044	89,810,000		-	89,810,000	2,230,000
EBC14B - Revenue Bonds	23,435,000	0.29% - 5.00%	2044	23,435,000		875,000	22,560,000	580,000
EBC15 - Renvenue Bonds	56,010,000	2.00-5.00%	2045		5,601,000		56,010,000	-
Total Bonded Debt				**$281,905,000**	**$5,601,000**	**$9,725,000**	**$328,190,000**	**$ 9,725,000**
Commercial Paper								
Total Commercial Paper				**-**	**-**		**-**	**-**
Other Long-term Liabilities								
Net Pension Liability				-	$377,668,592		$377,668,592	
Accrued leave liabilities				24,105,527	1,125,647		25,231,174	1,905,475
Deposits refundable				30,305	1,330		31,635	
Federal Portion - Perkins Loans				13,837,235	70,309		13,907,544	
Total Other liabilities				**$37,973,067**	**$1,197,286**	**-**	**$416,838,945**	**$1,905,475**
Total				**$319,878,067**	**$6,798,286**	**$9,725,000**	**$745,028,945**	**$11,630,475**
Due within one year							**(11,630,475)**	
Total long-term liabilities							**$733,398,470**	

Series 2009A-1 – MSUEBC issued bonds totaling $29,615,000 in May 2009 (Series 2009A-1) for (i) constructing, furnishing, and equipping a new residence hall on the main campus of MSU, (ii) demolishing an abandoned residence hall, (iii) providing capitalized interest in connection with the project, and (iv) paying the costs of issuing the Bonds. Outstanding coupons bear interest at rates ranging from 2.75% to 5.25% with the final maturity in August 2038.

Series 2009A-2 – MSUEBC issued bonds totaling $17,105,000 in May 2009 (Series 2009A-2) for refunding of a portion of the MSUEBC bonds issued August 1998 (Series 1998). Outstanding coupons bear interest at rates ranging from 3.00% to 4.50% with the final maturity in August 2023.

Series 2011 – MSUEBC issued bonds totaling $54,370,000 in July 2011 (Series 2011) for (i) constructing, furnishing, and equipping new residence halls on the main campus of MSU and (ii) refunding of MSUEBC bonds issued in February 2001 (Series 2001). Outstanding coupons bear interest at rates ranging from 2.00% to 5.00% with the final maturity in August 2041. The University defeased $8,940,000 of the outstanding EBC Revenue Bonds, Series 2001. The balance of the proceeds ($45,990,000) funded the construction of two new student housing facilities. As a result of the refunding, the University reduced its debt service requirement by $1,352,050 over the next 15 years and obtained an economic gain of $954,015.

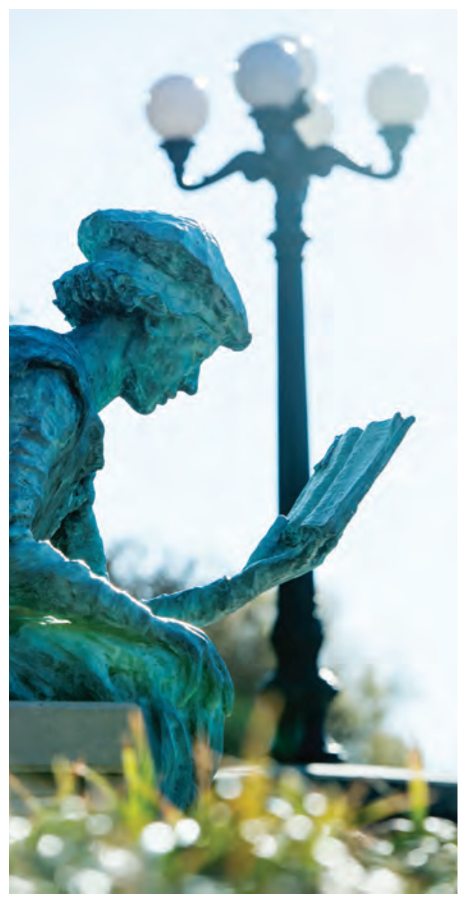
Series 2013 – MSUEBC issued bonds totaling $60,470,000 in October 2013 (Series 2013) for (i) refunding of commercial paper and (ii) renovating Davis Wade Stadium. Outstanding coupons bear interest at rates ranging from 2.00% to 5.00% with final maturity in August 2043. The University refunded $45,000,000 in commercial paper with the balance of the proceeds ($15,470,000) funding the renovation of Davis Wade Stadium.

Series 2014A – MSUEBC issued bonds totaling $89,810,000 in May 2014 (Series 2014A) for (i) refunding of MSUEBC bonds issued in January 2004 (Series 2004), bonds issued in November 2004 (Series 2004A), and bonds issued in November 2005 (Series 2005) and (ii) construction of a new classroom building/parking garage. Outstanding coupons bear interest at rates ranging from 2.00% to 5.00% with final maturity in August 2043. The University defeased $71,245,000 of the outstanding EBC-Revenue Bonds (Series 2004, 2004A and 2005). 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 $8,309,325 over the next 21 years and obtained an economic gain of $6,406,286. The balance outstanding at June 30, 2015 related to the defeased bonds was $44,030,000.

Series 2014B – MSUEBC issued bonds totaling $23,435,000 in May 2014 (Series 2014B) for construction of a new classroom building/parking garage and a new fresh foods facility. Outstanding coupons bear interest at

OUTSTANDING DEBT AMORTIZATION SCHEDULE

Fiscal Year	Bonded Debt	Interest	Total
2016	$9,725,000	$14,514,128	$24,239,128
2017	11,385,000	14,010,324	25,395,324
2018	9,775,000	13,678,756	23,453,756
2019	10,195,000	13,330,186	23,525,186
2020	10,565,000	12,956,199	23,521,199
2021-2025	57,145,000	57,541,651	114,686,651
2026-2030	55,340,000	44,521,450	99,861,450
2031-2035	56,985,000	31,769,173	88,754,173
2036-2040	59,960,000	17,721,061	77,681,061
2041-2045	47,115,000	4,525,923	51,640,923
Totals	**$328,190,000**	**$224,568,851**	**$552,758,852**



rates ranging from .29% to 4.813% with final maturity in August 2043.

Series 2015 – MSU EBC issued bonds totaling $56,010,000 in April, 2015 (Series 2015) for certain improvements and capital expenditures, including but not limited to, constructing, furnishing and equipping residence halls and a Center for America's Vets, and demolishing abandoned facilities, and to pay the related costs of the issuance, sale and delivery of the Series 2015 Bonds. Outstanding coupons bear interest at rates ranging from 2.00% to 5.00% with final maturity in November 2044.

COMMERCIAL PAPER

In February 2012, the Board of Trustees of State Institutions of Higher Learning authorized the MSU Educational Building Corporation to establish an extendible commercial paper program that allows the institution to issue up to a maximum aggregate principal amount of $50 million in the form of commercial paper. The commercial paper program was utilized in fiscal year 2013 as an interim financing vehicle for the renovation of Davis Wade Stadium but was converted into long-term debt by the MSUEBC 2013 Bond Issue. The University's commercial paper program is currently dormant, with no balance outstanding; however, the program could be reactivated at any time should the University deem it necessary.

OPERATING LEASES

2016	$3,690,197
2017	3,690,197
2018	3,690,197
2019	3,690,197
2020	3,690,197
Total Minimum Payments Required	**$18,450,985**

NOTE 9
OPERATING LEASES

Leased property under operating leases is composed of office rent, land, computer software, and equipment. The following is a schedule by year of the future minimum rental payments required under those non-cancelable leases: The total rental expense for all operating leases, except those with terms of one month or less that were renewed, for the fiscal year ended June 30, 2015 was $2,843,117. Beginning with fiscal year 2016, an operating lease with Cooley Center, LLC will be in effect for the lease of approximately 36,000 square feet in the Cooley Building. The initial term is for 15 years with 4 optional terms of 5 years and a final optional term of 6 years for a total potential term of 41 years including all optional terms.

NOTE 10
NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The table below lists the operating expenses of the University by functional classification for the fiscal year ended June 30, 2015.

NOTE 11
CONSTRUCTION COMMITMENTS AND FINANCING

The University has contracted for various construction projects as of June 30, 2015. Estimated costs to complete the various projects and the sources of anticipated funding are presented on the table on page 26.

NOTE 12
PENSION PLAN

(A) PLAN DESCRIPTION

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

NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total
Instruction	$86,240,573	$28,781,617	$1,622,954	$3,633,839	$52,368		$1,936,157		$122,267,508
Research	77,003,627	26,982,909	4,491,062	22,425,354	2,822,426		12,902,276		146,627,654
Public Service	55,285,510	17,948,694	4,699,506	16,100,538	854,288		5,117,719		100,006,255
Academic Support	20,372,836	5,829,592	693,631	6,201,399	208,178		3,509,313		36,814,949
Student Services	10,300,633	3,204,013	489,278	2,619,775	135,293		902,557		17,651,549
Institutional Support	21,057,356	3,688,231	332,343	10,077,076	(879,290)		16,636,976		50,912,692
Operation of Plant	13,387,888	4,389,859	39,607	0	8,312,982		1,381,161		27,511,497
Student Aid	1,023,067	3,583,269	3,215	265,580	3,146,629	23,576,731	133,077		31,731,568
Auxiliary Enterprises	23,393,496	5,929,468	5,304,228	17,811,132	857,157	9,104,029	4,493,136		66,892,646
Depreciation Expense								32,665,470	32,665,470
Total Operating Expenses	**$308,064,986**	**$100,337,652**	**$17,675,824**	**$79,134,693**	**$15,510,031**	**$32,680,760**	**$47,012,372**	**$ $32,665,470**	**$633,081,788**

CONSTRUCTION COMMITMENTS AND FINANCING

	Total Costs to Complete	Funded by Federal Sources	State Sources	Institutional Funds	Other
105-329 Pre-Plan Lee Hall Renovation	$206,377		$206,377		
105-332 IT Pre-Plan Lee Hall Renovation	479		479		
105-341 Hand Lab Safety Upgrades	112,853		112,853		
105-343 Lee Hall Renovations	20,661,171		20,661,171		
105-345 Classroom Bldg with Parking	41,472,749		11,834,841	29,637,908	
105-351 YMCA Renovation	9,800,000		9,800,000		
105-352 Library Expansion	8,300,000		7,200,000	1,100,000	
South Campus Entrance (MDOT)	5,000,000	5,000,000			
EBC 2011 Parking Garage	37,509,471		12,012,400	25,497,071	
EBC 2012 Aiken Village	14,000,000			14,000,000	
EBC 2012 Add & Reno Davis Wade	80,000,000			80,000,000	
Fresh Food Co Facility	12,500,000			12,500,000	
Harned Teaching Lab Renovation	375,550			375,550	
Robert L. Jones Circle Extension	1,260,314			1,260,314	
Roberts Building Renovation	1,691,040			1,691,040	
Facilities Mgt Shop Building	2,000,000			2,000,000	
Radio Tower Upgrade	1,755,063			536,751	1,218,312
New Residence Hall North	56,600,000			56,600,000	
MDOT Blackjack Fence Project	360,000	288,000		72,000	
Horsepark Expansion	199,262			199,262	
Industrial Education Building	486,538		486,538		
113-110 Pre-plan Wise Center Renovation	338,678		338,678		
113-115 Lloyd-Ricks Renovation	11,520,261	2,942,035	8,578,226		
113-122 IT Lloyd-Ricks Renovation	462,694	302,694	160,000		
113-130 Wise Center Necropsy Renovation	12,118,489		12,118,489		
113-134 Wise Center Classroom Addition	3,774,107		3,774,107		
113-136 Preplan Meat Processing Bldg	2,199,029		2,199,029		
113-137 Pinecote Pavillion Restoration	280,000		280,000		
Wetlands Project	810,000			150,000	660,000
North Hall	58,250,000			58,250,000	
Center for America's Veterans	2,250,000				2,250,000
Total	**$386,294,125**	**$8,532,729**	**$89,763,188**	**$283,869,896**	**$4,128,312**

(B) VESTING PERIOD

In 2007, the Mississippi Legislature amended the PERS Plan to change the vesting period from four to eight years for members who entered the IHL System after July 1, 2007. A member who entered the IHL System prior to July 1, 2007 is still subject to the four year vesting period provided that the member does not subsequently refund their account balance.

(C) FUNDING POLICY

PERS members are required to contribute 9.0% of their annual salary and the institution is required to contribute at an actuarially determined rate. The actuarially determined rate was 15.75% of annual covered payroll at June 30, 2015 and 2014. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The University's contributions to PERS for the years ended June 30, 2015, 2014, and 2013, were $31,033,765, $29,944,442, and $26,782,199, respectively. Such contributions equaled the required contributions for each respective year.

The membership of the ORP is composed of teachers and administrators of the IHL System appointed or employed on or after July 1, 1990, who elect to participate in

DEFERRED RESOURCES

Deferred Outflows of Resources					Deferred inflows of Resources			
Differences between expected and actual experience	Change of assumption	Changes in proportion and differences between Empoyer contributions and proportionate share of contributions	Contributions subsequent to the measurement date	**Total deferred outflows of resources**	Differences between expected and actual experience	Net difference between projected and actual investment earnings on pension plan investments	Change of assumption	**Total deferred inflows of resources**
$5,891,523	-	$3,926,582	$(226,124)	**$9,591,982**	-	$54,745,846	-	**$54,45,846**

ASSET ALLOCATION

ASSETS	Target Allocation	Long-term Expected Real Rate of Return
U.S. Broad	34.00%	5.20%
International equity	19.00%	5.00%
Emerging markets equity	8.00%	5.45%
Fixed income	20.00%	0.25%
Real assets	10.00%	4.00%
Private equity	8.00%	6.15%
Cash	1.00%	-0.50%
Total	**100%**	

DEFFERED INFLOWS OF RESOURCES, NET

Mississippi State University	2015
2016	$10,154,769
2017	10,157,769
2018	10,931,742
2019	13,686,460
2020	-
Thereafter	-
Total	**$44,927,740**

ORP and reject membership in PERS. The University's contribution to ORP for the years ended June 30, 2015. 2014 and 2013, were $12,478,307, $11,590,077 and $10,098,676 respectively. Such contribution equaled the required contribution.

(D) PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED

At June 30, 2015, the University reported a liability of $377.7 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the net pension liability was based on a projection of the University's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The University's proportionate share of the net pension liability as of June 30, 2014 and 2013 was 3.11 and 3.07 percent, respectively.

For the year ended June 30, 2015, the University recognized pension expense of $26,990,466. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources shown above.

$226,124 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as an increase to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows shown above.

Actuarial assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the actuarial assumptions outlined in the table

ACTUARIAL ASSUMPTIONS

Valuation date	**June 30, 2014**
Measurement date	**June 30, 2014**
Actuarial cost method	**Entry age, normal**
Actuarial assumption:	
Discount rate	8.00%
Inflation	3.50%
Payroll growth	4.25%
Project salary increase	4.50-20.00%(1)
investment rate of return	8.00%(2)

(1) Depending on age, serivce, and type of employment, including inflation

(2) Net of pension plan investment expenses, including inflation

PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Mississippi State University	2015
1% Decrease (7.00%)	$514,874,932
Current Discount Rate (8.00%)	$377,668,606
1% Increase (9.00%)	$263,218,130

SCHEDULE OF NET PENSION LIABILITY

Last 10 Fiscal Years*	June 30, 2014
Proportion of the net pension liability	3.1114%
Proportionate share of the net pension liability	$377,668,606
Covered-employee payroll	190,123,441
Contributions subsequent to the measurement date	198.64%
Plan fiduciary net position	24,877,119
Plan fiduciary net position as a precentage of the total pension liability	67.21%

Note to Schedule: Changes in assumptions. In 2013 and later, the expectations of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2013. In 2013, withdrawal rates, pre-retirement mortality rates, disability rates and retirement rates were adjusted to more closely reflect actual experience. In 2013, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

** Fiscal year 2015 was the 1st year of implementation, therefore only one year is presented.*

SCHEDULE OF MSU CONTRIBUTIONS

Last 10 Fiscal Years*	June 30, 2014
Statutorily required employer contribution	$29,944,442
Contributions relation to statutorial required contributions	$29,944,442
Annual contribution deficiency (exess)	-
Covered-employee payroll	$190,123,441
Actual contributions as a percentage of covered-employee payroll	15.75%

NOTES TO SCHEDULE : Valuation Date	
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	5-year smoothed maket
Price inflation	3.50 percent
Salary increase	4.50 percent to 20.00 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

** Fiscal year 2015 was the 1st year of implementation, therefore only one year is presented.*

on page 27, applied to all periods included in the measurement.

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

Discount rate – The discount rate used to measure the total pension liability was 8.00 percent. 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 (15.75%). 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.

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 are summarized in the table shown on page 27.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The table on page 27 presents the University's proportionate share of the net pension liability, calculated using the discount rate of 8.00%, as well as what the IHL System's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage point higher (9.00%) than the current rate:

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

NOTE 13
DONOR RESTRICTED ENDOWMENTS

The net appreciation on investments of donor restricted endowments that is available for appropriation for expenditure as of June 30, 2015 was $2,044,758. These amounts are included in the accompanying statements of net position in "restricted - expendable for other purposes" and "restricted - expendable for scholarships and fellowships."

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

NOTE 14

FEDERAL LOAN PROGRAM DISBURSEMENTS

The University distributed $108,069,472 for the year ended June 30, 2015, for student loans through the U.S. Department of Education lending programs. These distributions and their related funding sources are included as cash flows from capital and noncapital financing activities in the statements of cash flows.

NOTE 15

WORKERS' COMPENSATION, UNEMPLOYMENT, AND TORT LIABILITY FUNDS

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 University and the other member institutions 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 institutions 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 totaled approximately $1,135,296 for the fiscal year ended June 30, 2015.

The Unemployment Trust Fund operates in the same manner as the Workers' Compensation Program. The Fund does not pay benefits directly to former employees. The Unemployment Fund reimburses the Mississippi Employment Security Commission for benefits that the Commission pays directly to former employees. Payments by the University to the Unemployment Trust Fund totaled approximately $254,129 for the fiscal year ended June 30, 2015.

The Tort Liability Fund was established in accordance with Section 11 46 of Mississippi State Law. The Mississippi Tort Claims Board has authorized the Board of Trustees of State Institutions of Higher Learning (IHL Board) to establish a fund in order to self insure certain portions 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. The IHL Board has authorized the Tort Liability Fund to acquire an educator's legal liability policy with a deductible of $1,000,000. Further, the IHL Board has designated that $1,000,000 be reserved from the IHL Tort Liability Fund Net Assets to be used towards any future payment of this insurance deductible. The IHL Tort Liability claims pool also purchases insurance premiums for fleet automobile policies and blanket public officials bond annually. The share of the annual payments to the Tort Liability Fund and the various insurance premiums paid by the University totaled approximately $1,100,161 for the fiscal year ended June 30, 2015.

NOTE 16

AFFILIATED ORGANIZATIONS

The University has seven 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 Mississippi State University Educational Building Corporation, Mississippi State University Foundation, Inc., Mississippi State University Alumni Foundation, Inc., Mississippi State University Research Technology Corporation, The Bulldog Club, Inc., The Bulldog Foundation, Inc., and Mississippi State University Alumni Association. These affiliated entities are audited separately and, with the exception of the Mississippi State University Foundation and Mississippi State University Educational Building Corporation, have not been included in these financial statements. Therefore, the financial statements include the operations of the University, the Mississippi State University Foundation, and the Educational Building Corporation. The Mississippi State University Foundation financial statements are presented discreetly following the University's financial statements. In accordance with paragraph 54a of GASB Statement No. 61, the Educational Building Corporation is reported as a blended component unit. Required condensed combining information is presented below:

CONDENSED COMBINING INFORMATION

Total Current Assets	2015
Total Noncurrent Assets	$327,090,000
Total Assets	**$327,090,000**
Total Current Liabilities	$9,570,000
Total Noncurrent Liabilities	17,520,000
Total Liabilities	**$327,090,000**
Total Net Position	-
Total Operating Revenues	-
Total Operating Expenses	-
Operating Income (Loss)	**-**
Total Nonoperating Revenues	$11,113,540
Total Nonoperating Expenses	
Change in Net Position	**$11,113,540**

MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.

JUNE 30, 2015 AND 2014

(WITH INDEPENDENT AUDITORS' REPORT THERON)

THE MSU FOUNDATION
P.O. BOX 6149, MISSISSIPPI STATE, MS 39762
WWW.MSUFOUNDATION.COM

MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.

Consolidated Financial Statements

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

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

Independent Auditors' Report

The Board of Directors
Mississippi State University Foundation, Inc.:

We have audited the accompanying consolidated financial statements of Mississippi State University Foundation, Inc. (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mississippi State University Foundation, Inc. as of June 30, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Jackson, Mississippi
October 30, 2015

MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.

Consolidated Statements of Financial Position

June 30, 2015 and 2014

Assets		2015	2014
Cash	$	4,079,094	2,079,027
Restricted cash		5,688,326	5,044,019
Accrued interest, other receivables and prepaid assets		179,206	177,921
Receivable from MSU Alumni Foundation		225,844	11,411
Receivable from MSU Alumni Association		139,586	261,573
Note receivable (note 4)		—	32,269
Pledges receivable, net (note 3)		35,432,295	29,985,477
Investments (notes 2 and 7)		433,875,820	431,095,474
Present value of amounts due from externally managed trusts		40,230,993	41,317,126
Land, buildings, and equipment (note 5)		9,335,303	9,809,390
Total assets	$	529,186,467	519,813,687
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	3,358,390	1,674,568
Agency payable		5,688,326	5,044,019
Liabilities under split interest agreements		4,794,949	4,144,163
Payable to Mississippi State University		93,407	175,379
Total liabilities		13,935,072	11,038,129
Net assets:			
Unrestricted:			
Net assets controlled by the Foundation		40,627,525	42,659,191
Net assets related to noncontrolling interests (note 1(g))		59,352,202	57,104,998
Total unrestricted net assets		99,979,727	99,764,189
Temporarily restricted (note 6)		99,907,112	100,573,717
Permanently restricted (note 6)		315,364,556	308,437,652
Total net assets		515,251,395	508,775,558
Total liabilities and net assets	$	529,186,467	519,813,687

See accompanying notes to consolidated financial statements.

MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.

Consolidated Statement of Activities

Year ended June 30, 2015

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and support:				
Contributions	$ 8,134,446	23,268,033	5,004,703	36,407,182
Net investment income (loss) (note 2)	(3,282,026)	1,555,626	17,217	(1,709,183
Change in value of split interest agreements	—	(27,044)	154,984	127,940
Change in restrictions by donors	—	(1,750,000)	1,750,000	—
Other	4,982,409	345,668	—	5,328,077
Net assets released from restrictions	24,058,888	(24,058,888)	—	—
Total revenues and support	33,893,717	(666,605)	6,926,904	40,154,016
Expenditures:				
Program services:				
Contributions and support for Mississippi State University	27,865,923	—	—	27,865,923
Contributions and support for Bulldog Club	600,475	—	—	600,475
Contributions and support for MSU Alumni Association	530,386	—	—	530,386
Total program services	28,996,784	—	—	28,996,784
Supporting services:				
General and administrative	3,660,974	—	—	3,660,974
Fund raising	3,706,107	—	—	3,706,107
Total supporting services	7,367,081	—	—	7,367,081
Total expenditures	36,363,865	—	—	36,363,865
Change in net assets	(2,470,148)	(666,605)	6,926,904	3,790,151
Change in net assets related to noncontrolling interests (note 1(g))	438,482	—	—	438,482
Change in net assets controlled by Foundation	$ (2,031,666)	(666,605)	6,926,904	4,228,633

See accompanying notes to consolidated financial statements.

MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.

Consolidated Statement of Activities

Year ended June 30, 2014

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and support:				
Contributions	$ 5,665,561	15,910,707	16,869,629	38,445,897
Net investment income (loss) (note 2)	18,541,977	45,281,426	347,882	64,171,285
Change in value of split interest agreements	—	167,466	4,447,716	4,615,182
Change in restrictions by donors	—	—	—	—
Other	4,600,496	243,546	—	4,844,042
Net assets released from restrictions	24,100,001	(24,100,001)	—	—
Total revenues and support	52,908,035	37,503,144	21,665,227	112,076,406
Expenditures:				
Program services:				
Contributions and support for Mississippi State University	23,343,857	—	—	23,343,857
Contributions and support for Bulldog Club	3,980,737	—	—	3,980,737
Contributions and support for MSU Alumni Association	505,069	—	—	505,069
Total program services	27,829,663	—	—	27,829,663
Supporting services:				
General and administrative	3,524,125	—	—	3,524,125
Fund raising	3,571,797	—	—	3,571,797
Total supporting services	7,095,922	—	—	7,095,922
Total expenditures	34,925,585	—	—	34,925,585
Change in net assets	17,982,450	37,503,144	21,665,227	77,150,821
Change in net assets related to noncontrolling interests	(14,597,056)	—	—	(14,597,056
Change in net assets controlled by Foundation	$ 3,385,394	37,503,144	21,665,227	62,553,765

See accompanying notes to consolidated financial statements.

MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2015 and 2014

	Unrestricted net assets controlled by Foundation	Unrestricted net assets related to noncontrolling interests	Total unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total net assets
Net assets as of June 30, 2013	$ 39,273,797	45,953,315	85,227,112	63,070,573	286,772,425	435,070,11
Change in net assets from statement of activities	3,385,394	14,597,056	17,982,450	37,503,144	21,665,227	77,150,82
Payments to noncontrolling interests	—	(3,445,373)	(3,445,373)	—	—	(3,445,37
Change in total net assets	3,385,394	11,151,683	14,537,077	37,503,144	21,665,227	73,705,44
Net assets as of June 30, 2014	42,659,191	57,104,998	99,764,189	100,573,717	308,437,652	508,775,55
Change in net assets from statement of activities	(2,031,666)	(438,482)	(2,470,148)	(666,605)	6,926,904	3,790,15
Proceeds from noncontrolling interests	—	4,172,424	4,172,424	—	—	4,172,42
Payments to noncontrolling interests	—	(1,486,738)	(1,486,738)	—	—	(1,486,73
Change in total net assets	(2,031,666)	2,247,204	215,538	(666,605)	6,926,904	6,475,83
Net assets as of June 30, 2015	$ 40,627,525	59,352,202	99,979,727	99,907,112	315,364,556	515,251,39

See accompanying notes to consolidated financial statements.

MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.

Consolidated Statements of Cash Flows

Years ended June 30, 2015 and 2014

		2015	2014
Cash flows from operating activities:			
Change in net assets	$	3,790,151	77,150,821
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation		574,543	777,448
Realized and unrealized losses/(gains) on investments, net		11,965,959	(56,198,472)
Change in value of internally managed split interest agreements		111,170	107,205
Fair value of donated investments		(2,470,860)	(5,925,000)
Change in accrued interest, other receivables and prepaid assets		(1,285)	2,270,412
Change in pledges receivable, net		(5,446,818)	(9,470,199)
Change in externally managed trusts		1,086,133	(2,829,613)
Change in accounts payable and accrued liabilities		1,683,822	451,937
Change in payable to Mississippi State University		(81,972)	80,190
Change in receivable from MSU Alumni Foundation		(214,433)	20,205
Change in receivable from MSU Alumni Association		121,987	(185,553)
Permanently restricted contributions		(8,970,658)	(8,605,334)
Net cash provided by (used in) operating activities		2,147,739	(2,355,953)
Cash flows from investing activities:			
Purchases of land, buildings and equipment		(100,456)	(257,313)
Purchases of investments		(218,456,273)	(182,886,748)
Proceeds from sales and maturities of investments		206,180,828	180,840,787
Payments on note receivable		32,269	61,766
Net cash used in investing activities		(12,343,632)	(2,241,508)
Cash flows from financing activities:			
Permanently restricted contributions		8,970,658	8,605,334
New liabilities under split interest agreements		1,208,032	242,371
Payments to split interest agreement beneficiaries		(668,416)	(639,296)
Principal payments on capital lease obligation		—	(28,750)
Proceeds from noncontrolling interests		4,172,424	—
Payments to noncontrolling interests		(1,486,738)	(3,445,373)
Net cash provided by financing activities		12,195,960	4,734,286
Net increase in cash		2,000,067	136,825
Cash at beginning of year		2,079,027	1,942,202
Cash at end of year	$	4,079,094	2,079,027
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	$	—	2,520

See accompanying notes to consolidated financial statements.

(1) Organization and Significant Accounting Policies

(a) Organization

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

(b) Basis of Accounting

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

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

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

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

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

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of intellectual property are based on its estimated fair value, considering the characteristics specific to the assets and estimated usage during the term of the agreement. Contributed goods and services are recorded as revenues and expenses in the consolidated statements of activities at estimated fair value.

Income from and realized and unrealized gains and losses on investments of permanently restricted net assets are reported as follows:

– as increases in permanently restricted net assets if the terms of the gift or the Foundation's interpretation of relevant state law require that gains be added to the principal of a permanent endowment fund; and

– as increases or decreases in temporarily restricted net assets in all other cases and released from restriction when appropriated for expenditure, except as described in note 8(d) for endowment funds whereby the fair value of the fund is less than the historical cost value.

(c) Use of Estimates

The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

An estimate that is particularly susceptible to significant change in the near term relates to the allowance for uncollectible pledges.

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

(d) Restricted Cash

Funds held for an unaffiliated organization that retains control over the expenditures of such funds are classified as restricted cash in the consolidated statements of financial position with a corresponding amount in agency payable.

(e) Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost, if purchased, or at fair value on the date of gift, if donated. Depreciation of buildings and equipment, including assets acquired under capital leases, is provided on the straight-line method over the shorter of the estimated useful life of the assets or the term of the lease. The estimated useful lives for buildings are 30-40 years and furniture, fixtures, and equipment are 5-10 years.

The Foundation assesses potential impairment to its long-lived assets when there is evidence that events or changes in circumstances have made recovery of the carrying value of the assets unlikely. An impairment loss is recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset.

(f) Fair Value Measurements

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical financial assets or liabilities that the Foundation 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; and
- 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.

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

(g) Investments

Overall Investment Objective

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

Mississippi State Investment Pool

The Foundation, the University, the MSU Alumni Foundation, Inc. and the MSU Bulldog Club, Inc. are participants in a joint venture, the Mississippi State Investment Pool (MSIP), whereby certain assets are pooled for investment purposes. The Mississippi State University Alumni Association, Inc. was added as a participant on March 2, 2015. The Foundation is the investment pool's managing member, manages the assets of the pool, and maintains separate accounts for each participant.

in and control of the MSIP, the Foundation has consolidated the MSIP reflecting the noncontrolling interests of the other participants in the consolidated financial statements. As of June 30, 2015 and 2014, the Foundation's consolidated financial statements include $59,352,202 and $57,104,998, respectively, related to these Noncontrolling interests. The Foundation recorded $(438,482) and $14,597,056 of gains (losses) associated with these investments for fiscal 2015 and 2014, respectively, which is reported in net investment income (loss).

Allocation of Investment Strategies

The Foundation invests in four broad asset classes; those asset classes include global fixed income, global equities, real assets, and diversifying strategies. Global fixed income investments consist of both interest rate sensitive and credit sensitive publicly-traded credit securities. Global equities consist of domestic and international equity securities, as well as a number of private equity and hedged equity strategies. The private equity funds employ buyout and venture capital strategies and focus on investments in turn-around and start-up situations. The hedged equity strategies include a long-short equity fund of funds. Real assets include investments in a timber management organization, mid-stream MLPs, and upstream energy investments. Diversifying strategies include a variety of non-traditional investments designed specifically to dampen portfolio volatility. These strategies may include investments in stock, bonds, put or call options, swaps, currency hedges, and other instruments. Private equity, real asset strategies, and diversifying strategies often require the estimation of fair values by the fund managers in the absence of readily determinable fair market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the Foundation's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets. Short-term investments consists of cash held by the investment pool, held primarily for capital calls and reinvestments.

Basis of Reporting

Investments are reported at estimated fair value. If an investment is held directly by the Foundation and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in mutual funds registered with the U.S. Securities and Exchange Commission are based on share prices reported by the funds as of the last business day of the fiscal year. Fixed income securities are based on quoted market prices or other observable inputs such as quoted prices for similar assets or inputs corroborated by observable market data. The Foundation's interests in alternative investment funds are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value of the Foundation's interest therein, unless it is probable that all or a portion of the investment will be the investments. The Foundation considers recent comparables, among other things, to adjust for any changes in fair value between the most recent appraisal date and year-end.

(h) Pledges

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

(i) Split Interest Agreements

The Foundation accepts gifts subject to split interest agreements. These gifts may be in the form of gift annuities, charitable lead trusts, charitable remainder trusts, or perpetual trusts. At the time of receipt, a gift is recorded based upon the fair value of assets donated less any applicable liabilities. Liabilities include the present value of projected future distributions to the annuity or trust beneficiary and are determined using appropriate discount rates (at June 30, 2015 and 2014 rates ranged from approximately 1% to 8%). For certain split interest agreements where the measurement objective is fair value, the discount rate is adjusted to a current market rate at each reporting date. The Foundation's estimated remainder interests in split interest agreements are classified as temporarily restricted or permanently restricted net assets based upon donor designations.

Externally managed trusts consist of irrevocable charitable remainder trusts and perpetual trusts whereby the Foundation is the beneficiary, not the trustee. The Foundation records these trusts, after discovery of their existence, at the present value of the estimated future cash receipts from the assets of the trust.

Present value of amounts due from externally managed trusts and liabilities under split interest agreements are classified as Level 3 fair value measurements.

Contribution revenue attributable to split interest agreements for the fiscal years ended June 30, 2015 and 2014 was $1,547,283 and $337,588, respectively.

(j) Income Taxes

The Foundation is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for income taxes has been made. As of June 30, 2015 and 2014, there were no material uncertain tax positions.

(k) Liquidity

Assets are presented according to their nearness to cash and liabilities are presented according to their nearness to payment or use of cash.

(l) Reclassifications

(m) Recent Accounting Pronouncements

Effective July 1, 2014, the Foundation implemented Accounting Standards Update (ASU) No. 2013-06 Not-for-Profit Entities (Topic 958): *Services Received from Personnel for an Affiliate (a consensus of the FASB Emerging Issues Task Force*), which requires not-for-profit entities to recognize contributed services at fair value if employees of separately governed affiliated entities regularly perform services for and under the direction of the donee. The implementation of the ASU did not have a material impact to the accompanying consolidated financial statements.

In May 2015, FASB issued ASU No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2015-07). This ASU eliminates the requirement to categorize investments in the fair value hierarchy if their fair value is measured at NAV per share (or its equivalent) using the practical expedient as discussed in FASB Subtopic 820-10. Retrospective application to all prior periods presented in the notes to the financial statements will be required. The ASU will be effective for the Foundation’s fiscal year 2018; however, early adoption is permitted.

(n) Subsequent Events

The Foundation evaluated all events or transactions that occurred after June 30, 2015, through October 30, 2015, the date the consolidated financial statements were available to be issued. The Board of Trustees of the State of Mississippi Institutions of Higher Learning (IHL) provides oversight and governance for Mississippi's eight public higher education institutions. In reaction to a number of challenges arising at certain other institutions under its control, the IHL began more than ten years ago to exercise increased scrutiny and oversight of each institution's affiliated organizations. As a part of this effort, IHL expected each institution to reduce the number of affiliated foundations and organizations to the extent possible. As a result of this mandate, during the fiscal year 2015, the Mississippi State University Foundation, Inc. and the Mississippi State University Alumni Foundation, Inc. voted to merge into a single organization, with the Mississippi State University Foundation, Inc. being the surviving corporation. This merger was effected on July 1, 2015, at 12:01 a.m. There were no additional material subsequent events that required accounting or disclosure recognition in the Foundation's June 30, 2015 consolidated financial statements.

(2) Investments

Investments are summarized as follows as of June 30, 2015 and 2014:

		2015	2014
Short-term investments	$	4,677,914	22,536,712
Global fixed income		100,020,834	82,399,264
Global equities		167,987,738	184,511,682
Real assets		51,424,962	46,537,187
Diversifying strategies		76,906,108	62,179,540
Contributed properties held for investment		30,980,754	31,188,074
Cash-surrender value of life insurance		1,877,510	1,743,015
	$	433,875,820	431,095,474

Total investments include a portion of an investment vehicle controlled by the Foundation (note 1(g)). These investments represent the amounts related to noncontrolling interests included within the accompanying consolidated financial statements and totaled $59,352,202 and $57,104,998 as of June 30, 2015 and 2014, respectively

The Foundation has entered into various split interest agreements, including charitable remainder unitrusts and charitable gift annuities, whereby the Foundation serves as trustee. The assets held under these split interest agreements are included in investments at June 30, 2015 and 2014 with an approximate fair value of $7,279,000 and $6,685,000, respectively.

The following schedule summarizes net investment income (loss) in the consolidated statements of activities for the years ended June 30, 2015 and 2014:

		2015	2014
Dividends and interest (net of expenses of $548,745 and $726,884, respectively)	$	10,256,776	7,972,813
Net realized and unrealized (losses) gains		(11,965,959)	56,198,472
	$	(1,709,183)	64,171,285

(3) Pledges Receivable

Pledges receivable, net, are summarized as follows at June 30, 2015 and 2014:

		2015	2014
Unconditional promises expected to be collected in:			
Less than one year	$	10,152,495	9,897,207
One year to five years		22,738,141	17,408,819
Over five years		8,517,019	4,720,167
		41,407,655	32,026,193
Less unamortized discount (rates ranging from 1% to 5%)		(5,148,849)	(1,424,031)
		36,258,806	30,602,162
Less allowance for uncollectible pledges		(826,511)	(616,685)
	$	35,432,295	29,985,477

(4) Note Receivable

At June 30, 2014, the Foundation had a note receivable from a related party totaling $32,269, which had an interest rate of 6% and was paid in full as scheduled in August 2014.

(5) Land, Buildings, and Equipment

Land, buildings, and equipment are summarized as follows at June 30, 2015 and 2014:

		2015	2014
Land and buildings	$	12,109,056	12,109,056
Furniture, fixtures, and equipment		8,509,452	8,429,071
		20,618,508	20,538,127
Less accumulated depreciation		(11,283,205)	(10,728,737)
	$	9,335,303	9,809,390

(6) Net Assets

Temporarily restricted and permanently restricted net assets at June 30, 2015 and 2014 were available for the following purposes:

	2015		2014	
	Temporarily restricted	**Permanently restricted**	**Temporarily restricted**	**Permanently restricted**
Specified college programs	$ 37,750,863	106,875,074	35,298,112	104,092,186
Student financial aid	34,245,694	128,995,396	38,512,608	125,069,303
Research	2,645,806	15,148,942	3,383,991	16,561,099
Faculty and staff support	8,668,713	49,330,080	10,640,970	49,573,050
Facilities	13,030,936	6,985,463	7,183,964	6,975,463
Other	3,565,100	8,029,601	5,554,072	6,166,551
Total	$ 99,907,112	315,364,556	100,573,717	308,437,652

(7) Fair Value Measurement

The following tables summarize the Foundation's financial instruments by major category in the fair value hierarchy as of June 30, 2015 and 2014:

	2015					
	Level 1	Level 2	Level 3	Total	Redemption or liquidation	Days' notice
Recurring:						
Short-term investments	$ 4,677,914	—	—	4,677,914	Daily	1
Global fixed income:						
Interest-rate sensitive	59,171,161	8,206,979	—	67,378,140	Daily	1
Credit sensitive	32,642,694	—	—	32,642,694	Daily	1
Total global fixed income	91,813,855	8,206,979	—	100,020,834		
Global equities:						
Domestic	52,143,403	5,371,865	—	57,515,268	Daily	1-3
Non-U.S.	89,743,802	—	—	89,743,802	Daily	1
Private equity	—	—	5,732,669	5,732,669	Illiquid (1)	(1)
Hedged equity	—	—	14,995,999	14,995,999	Annually	75
Total global equities	141,887,205	5,371,865	20,728,668	167,987,738		
Real assets:						
Real estate	—	—	11,256,863	11,256,863	Illiquid (1)	(1)
Natural resources	—	—	40,168,099	40,168,099	Illiquid (2)	(2)
Total real assets	—	—	51,424,962	51,424,962		
Diversifying strategies	6,140,410	—	70,765,698	76,906,108	(3)	(3)
Contributed properties held for investment	—	—	30,980,754	30,980,754	(4)	(4)
Cash-surrender value of life insurance	—	1,877,510	—	1,877,510	(5)	(5)
Total investments	$ 244,519,384	15,456,354	173,900,082	433,875,820		
Nonrecurring:						
Present value of amounts due from externally managed trusts	$ —	—	40,230,993	40,230,993		
Liabilities under split interest agreements	—	—	4,794,949	4,794,949		

	2014					
	Level 1	**Level 2**	**Level 3**	**Total**	**Redemption or liquidation**	**Days' notice**
Short-term investments	$ 22,536,712	—	—	22,536,712	Daily	1
Global fixed income:						
Interest-rate sensitive	48,505,861	8,452,921	—	56,958,782	Daily	1
Credit sensitive	25,440,482	—	—	25,440,482	Daily	1
Total fixed income	73,946,343	8,452,921	—	82,399,264		
Global equities:						
Domestic	33,963,053	37,842,493	—	71,805,546	Daily	1-3
Non-U.S.	94,743,727	—	—	94,743,727	Daily	1
Private equity	—	—	4,126,318	4,126,318	Illiquid (1)	(1)
Hedged equity	—	—	13,836,091	13,836,091	Annually	75
Total equities	128,706,780	37,842,493	17,962,409	184,511,682		
Real assets:						
Real estate	—	—	4,867,076	4,867,076	Illiquid (1)	(1)
Natural resources	—	—	41,670,111	41,670,111	Illiquid (2)	(2)
Total real assets	—	—	46,537,187	46,537,187		
Diversifying strategies	12,829,147	—	49,350,393	62,179,540	(3)	(3)
Contributed properties held for investment	—	—	31,188,074	31,188,074	(4)	(4)
Cash-surrender value of life insurance	—	1,743,015	—	1,743,015	(5)	(5)
Total investments	$ 238,018,982	48,038,429	145,038,063	431,095,474		
Present value of amounts due from externally managed trusts	$ —	—	41,317,126	41,317,126		
Liabilities under split interest agreements	—	—	4,144,163	4,144,163		

(1) These funds have 10-year terms or 12-year terms, with extensions of 1 to 4 years, and are expected to liquidate prior to fund closing; future commitments to these funds approximate $12,000,000 and $21,000,000 at June 30, 2015 and 2014, respectively. Private equity, venture capital, and real estate investments are generally made through limited partnerships. Under the terms of such agreements, the MSIP may be required to provide additional funding when capital or liquidity calls are made by fund managers. These partnerships have a limited existence, and they may provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, or other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. The Foundation cannot anticipate such changes because they generally arise from unforeseeable events, but should they occur they could reduce liquidity or originally anticipated investment returns. Accordingly, the timing and amount of future capital or liquidity calls in any particular future year are uncertain.

(2) MSIP invests in four natural resource investments, three of which have terms ending in 2019, 2022, and 2024; the fourth has no lockup period. Investments with lockup periods are subject to one or more one to two-year extensions. The investment with no lock up period is a master limited partnership that allows for monthly redemptions, with 30-days notice. Future commitments to these funds approximate $11,000,000 and $5,000,000 at June 30, 2015 and 2014, respectively.

(3) Generally, MSIP's investments in diversifying strategies (or hedge funds) allow early redemption for specified fees. With the exception of

years. At June 30, 2015 and 2014, the Foundation had no diversifying strategy investments for which an otherwise redeemable investment was not redeemable.

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

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

The following table presents the Foundation’s activities for the years ended June 30, 2015 and 2014 for investments classified in Level 3:

	Equities	Real assets	Diversifying strategies	Contributed property	Total
Fair value at June 30, 2013	$ 14,889,803	24,496,806	46,506,395	25,533,510	111,426,514
Acquisitions	1,451,905	17,410,039	—	5,925,000	24,786,944
Dispositions	(814,809)	(1,885,780)	(83,417)	(213,084)	(2,997,090)
Net realized and unrealized gains (losses)	2,435,510	6,516,122	2,927,415	(57,352)	11,821,695
Fair value at June 30, 2014	17,962,409	46,537,187	49,350,393	31,188,074	145,038,063
Acquisitions	1,305,455	9,250,765	48,000,000	2,470,860	61,027,080
Dispositions	(854,479)	(1,956,337)	(27,626,922)	(1,290,064)	(31,727,802)
Net realized and unrealized gains (losses)	2,315,283	(2,406,653)	1,042,227	(1,388,116)	(437,259)
Fair value at June 30, 2015	$ 20,728,668	51,424,962	70,765,698	30,980,754	173,900,082

For the years ended June 30, 2015 and 2014, the changes in present value of amounts due from externally managed trusts classified as Level 3 are as follows:

	2015	2014
Balance, beginning of year	$ 41,317,126	38,487,513
Contributions	—	69,573
Terminations	(951,478)	(1,827,865)
Change in valuation	(134,655)	4,587,905
Balance, end of year	$ 40,230,993	41,317,126

For the years ended June 30, 2015 and 2014, the changes in liabilities under split interest agreements classified as Level 3 are as follows:

		2015	2014
Balance, beginning of year	$	4,144,163	4,433,883
Change in valuation		111,170	107,205
Additions		1,208,032	306,032
Annuity payments		(668,416)	(639,296)
Terminations		—	(63,661)
Balance, end of year	$	4,794,949	4,144,163

(a) Pledges Receivable

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary. Amortization of the discounts is recorded as additional contribution revenue.

(b) Other Receivables and Payables

The carrying amounts of receivable from MSU Alumni Foundation, receivable from MSU Alumni Association, note receivable, other receivables, accounts payable and accrued liabilities, and payable to Mississippi State University approximate fair value because of the short-term maturity of these instruments.

(8) Endowment

The Foundation's endowment consists of more than 1,200 individual donor-restricted endowment funds established for a variety of purposes. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors of the Foundation (the Board) to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretations of Relevant Law

The Board has interpreted the State of Mississippi Code of 1972 §79-11-701 through §79-11-719 cited as the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the Board to use reasonable care, skill, and caution as exercised by a prudent investor, in considering the investment management and expenditures of endowment funds. In accordance with UPMIFA, the Board may expend so much of an endowment fund's net appreciation as the Board determines to be prudent for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the long-term purchasing power of the endowment fund. The Board considered the following factors in making its determination:

1) The purpose of the Foundation

2) The intent of the donor of the endowment fund

3) The terms of the applicable instrument

4) The long-term and short-term needs of the Foundation and the University in carrying out their purposes

5) General economic conditions

6) The possible effect of inflation or deflation

7) The other resources of the Foundation and the University

8) Perpetuation of the endowment

As a result of this interpretation, the Board classifies as permanently restricted net assets (a) the original value of gifts donated to a permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

Where the Board designates unrestricted funds to function as endowments, they are classified as unrestricted net assets.

(b) Spending Policy

The Foundation’s spending policy is designed to provide for positive growth in the market value of its endowment, net of distributions, over an extended period of time. In establishing this policy, the Board considered the long-term expected return of the endowment investment pool and the goal of maintaining the purchasing power of the endowment asset. Over the long-term, the current spending policy is designed to return a net positive gain in market value (growth) after spendable transfers.

The annual rate for spendable transfers, distributed semi-annually, is 4% of the investment pool’s average unit value over the most recent 36-month period. In addition, each endowed fund is assessed an annual 1.50% administrative fee. This fee covers administrative costs related to the operations of the MSIP, and is a portion of the funding mechanism for the operations of the Foundation.

(c) Investment Policy

The Foundation’s investment objectives are to provide an annualized real (adjusted for inflation) rate of return of 5.50% or more in order to preserve, or increase, the purchasing power of endowment performance. The endowment assets are invested as a part of the investment pool, as discussed in note 1(g).

To satisfy its long-term rate of return objectives, the pool employs a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation, through the MSIP, targets a diversified asset allocation that includes global fixed income, global equities, real assets, and diversifying strategies to achieve long-term objectives within prudent risk constraints.

Endowment net asset composition by type of fund as of June 30, 2015 and 2014:

		2015			
		Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$	(766,278)	48,813,760	257,042,208	305,089,690
Board-designated endowment funds		21,574,109	—	—	21,574,109
Total funds	$	20,807,831	48,813,760	257,042,208	326,663,799

		2014			
		Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$	(175,064)	61,010,423	249,420,706	310,256,065
Board-designated endowment funds		21,550,474	—	—	21,550,474
Total funds	$	21,375,410	61,010,423	249,420,706	331,806,539

Changes in endowment net assets for the fiscal years ended June 30, 2015 and 2014:

	2015			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets, beginning of year	$ 21,375,410	61,010,423	249,420,706	331,806,539
Investment return:				
Investment income	906,446	3,709,982	—	4,616,428
Net appreciation (depreciation) (realized and unrealized)	(875,300)	(3,554,020)	17,217	(4,412,103)
Total investment return	31,146	155,962	17,217	204,325
Contributions	—	—	5,188,428	5,188,428
Appropriation of endowment assets for expenditure	(855,975)	(12,564,623)	—	(13,420,598)
Other	257,250	211,998	2,415,857	2,885,105
Endowment net assets, end of year	$ 20,807,831	48,813,760	257,042,208	326,663,799

	2014			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets, beginning of year	$ 22,749,137	29,425,866	235,005,290	287,180,293
Investment return:				
Investment income	789,332	1,930,202	—	2,719,534
Net appreciation (depreciation) (realized and unrealized)	1,137,661	42,111,547	347,882	43,597,090
Total investment return	1,926,993	44,041,749	347,882	46,316,624
Contributions	—	—	12,907,398	12,907,398
Appropriation of endowment assets for expenditure	(3,305,116)	(12,457,192)	—	(15,762,308)
Other	4,396	—	1,160,136	1,164,532
Endowment net assets, end of year	$ 21,375,410	61,010,423	249,420,706	331,806,539

(d) Funds with Deficiencies

As a result of market declines for certain recently established endowments, the fair value of certain donor-restricted endowments was less than the historical cost value (original gift/book value) of such funds (underwater) by $766,278 and $175,064 as of June 30, 2015 and 2014, respectively.

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

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