MISSISSIPPI STATE UNIVERSITY™

CONSOLIDATED FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

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, 2021, and comparative data for the fiscal year ended June 30, 2020, to aid in the analysis of the financial performance for the institution. The financial statements, the accompanying notes and this discussion are the responsibility of management.

OVERVIEW OF THE INSTITUTION

Mississippi State University (the "University") is designated by the Carnegie Commission on Higher Education as a doctoral university with very high research activity. The University began as The Agricultural and Mechanical College of the State of Mississippi, one of the national Land Grant Colleges established after Congress 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 operates 12 branch stations and 4 research and extension centers 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 190 degrees, which includes 17 master's degrees in 68 programs, an educational specialist degree, doctoral degrees in 34 programs, and 7 certificates. The University had an enrollment of 22,986 students as of the fall of 2020 and employs 4,983 employees including 1,276 full-time faculty and 189 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, 2021 and is prepared under the accrual basis of accounting.

CONDENSED STATEMENT OF NET POSITION

	FY 2021	FY 2020	Difference	Percentage
Assets and Deferred Outflows				
Current Assets	$397,884,771	$326,522,263	$71,362,508	22%
Capital assets, net	1,135,763,582	1,103,666,323	32,097,259	3%
Other noncurrent assets	151,193,711	142,555,218	8,638,493	6%
Total Assets	**$1,684,842,064**	**$1,572,743,804**	**$112,098,260**	7%
Deferred Outflows of Resources	**$100,867,989**	**$62,754,212**	**$38,113,777**	61%
Liabilities and Deferred Inflows				
Current Liabilities	115,067,609	68,332,828	46,734,781	68%
Noncurrent Liabilities	982,451,704	935,583,339	46,868,365	5%
Total liabilities	**$1,097,519,313**	**$1,003,916,167**	**$93,603,146**	9%
Deferred inflows of resources	**$6,870,592**	**$9,116,026**	**($2,245,434)**	-25%
Net Position				
Net Invested in Capital Assets	$836,921,485	$791,717,304	$45,204,181	6%
Restricted:				
Nonexpendable	18,227,700	13,253,983	4,973,717	38%
Expendable	31,620,655	48,021,110	(16,400,455)	-34%
Unrestricted	(205,449,692)	(230,526,574)	25,076,882	-11%
Total Net Position	**$681,320,148**	**$622,465,823**	**$58,854,325**	9%

Revenues and assets are recognized when 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. Deferred Outflows of Resources represent items that will lead to the consumption of net assets in a future year. Conversely, Deferred Inflows of Resources delineate acquisitions of net assets that are applicable to future years. Net position is broken down into three categories: (1) net invested in capital assets 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 relates to assets with constraints imposed by third parties; (3) and the unrestricted component of net position 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.

The University's net position increased by $58.9 million in fiscal year 2021. This significant gain was largely due to material increases in cash and cash equivalents, additions to capital assets, and larger deferred outflows related to pension and other post-retirement benefits. The growth in these asset categories outpaced the overall increase in liabilities of $93.6 million.

Total assets grew by over $112 million bolstered by increases in both cash and cash equivalents and capital assets. The $79 million rise in cash and cash equivalents is the result of factors related to the COVID-19 pandemic. The University received approximately $13.2 million from the Department of Education as a result of lost revenue due to the pandemic. Also related, University leadership elected to take advantage of COVID relief legislation which allowed for the deferral of the employer share of Social Security for a specified period of time to be paid back 50% by 12/31/21 and the rest by 12/31/22. Finally, to curb the intense effect of the pandemic on Athletics departments, the SEC granted an advance to member institutions. MSU Athletics received an advance of $23.3 million.

The University also added $32 million to capital assets. The upturn in the capital assets balances is due to several on-going projects including a Science and Engineering Complex, Music Building and Parking Garage along with vitally important new road project Bulldog Way and a substantial parking project on Stone Boulevard.

The sharp increase in Deferred Outflows related to pensions is attributable to differences between expected and actual experience (increase of $5.4 million), change in the University's proportionate share of the IHL pension liability (increase of $6.6 million) and recognition of a new deferred outflow for the difference in projected versus actual earnings of $25.6 million.

The University's liabilities rose by $93.6 million in fiscal year 2021. The principal cause of the increase was a significant rise in the liabilities for pension and benefits, which grew by $65.4 million. The University also elected to take advantage of COVID relief legislation which allowed employers to defer the payment of the employer contributions for social security. At fiscal year-end, MSU had deferred over $12 million. Finally, there was an almost $9 million increase for Accounts Payable for invoices.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

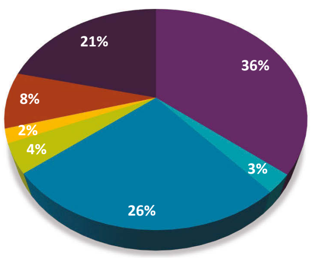
The Statement of Revenues, Expenses and Changes in Net Position represents the revenues earned and the expenses incurred during the year, regardless of when cash is received or disbursed. Activities in this statement are presented as either operating or non-operating. Operating revenues are recorded 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.

Operating revenues were up by approximately $25 million for fiscal year 2021. The growth can mostly be attributed to increases in both tuition and fees revenue (up $9.8 million), and larger revenues recognized

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

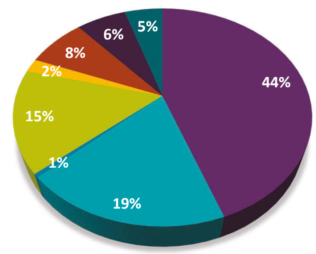
	FY 2021	FY 2020	Difference	Percentage
Total Operating Revenues	$572,552,519	$547,530,430	$25,022,089	5%
Total Operating Expenses	807,236,431	786,499,808	20,736,623	3%
Operating Income (Loss)	**($234,683,912)**	**($238,969,378)**	**$4,285,466**	-2%
Total Nonoperating Revenues (Expenses), Net	275,677,257	268,984,112	6,693,145	2%
Income (Loss) Before Other Revenues, Expenses, Gains and Losses	**$40,993,345**	**$30,014,734**	**$10,978,611**	37%
Other Revenues, Expenses, Gains and Losses:	17,860,980	38,879,487	(21,018,507)	-54%
Change in Net Position	**$58,854,325**	**$68,894,221**	**(10,039,896)**	-15%
Net Position - Beginning of Year	**622,465,823**	**553,571,602**	**68,894,221**	12%
Net Position - End of Year	**$681,320,148**	**$622,465,823**	**$58,854,325**	9%

OPERATING REVENUES, FY 2021



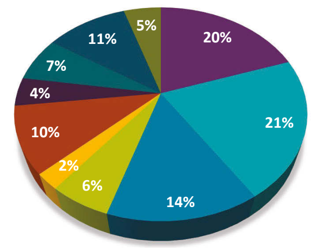
36%	Net Tuition and Fees	$205,679,535
3%	Federal Appropriations	15,519,984
26%	Federal Grants and Contracts	146,621,004
4%	State Grants and Contracts	24,466,905
2%	Nongovernmental Grants and Contracts	11,703,492
8%	Sales and Services	47,257,629
21%	Other	121,303,970
	Total Operating Revenues	**$572,552,519**

OPERATING EXPENSES BY OBJECT, FY 2021



44%	Salaries and Wages	$358,596,963
19%	Fringe Benefits	151,678,487
1%	Travel	4,191,401
15%	Contractual Services	123,258,032
2%	Utilities	16,152,012
8%	Scholarships and Fellowships	61,316,933
6%	Commodities	51,997,576
5%	Depreciation	40,045,027
	Total Operating Expenses	**$807,236,431**

OPERATING EXPENSES BY FUNCTION, FY 2021



20%	Instruction	$159,519,044
21%	Research	169,804,198
14%	Public Service	114,229,159
6%	Academic Support	46,185,646
2%	Student Services	19,225,889
10%	Institutional Support	81,180,070
4%	Operation of Plant	34,757,302
7%	Student Aid	54,874,532
11%	Auxiliary Enterprises	87,415,564
5%	Depreciation	40,045,027
	Total Operating Expenses	**$807,236,431**

for Athletics. There was not a tuition increase for fall 2020. The University did have a small enrollment increase, but the upturn in tuition and fees revenue is largely due to increases in total Distance Education tuition and fees. The rise in Athletics revenue was the result of a COVID relief advance from the Southeastern Conference meant to bridge the gap due to reduced capacity for sporting events.

Total operating expenses were $20.7 million more than in fiscal year 2020. Salaries and wages rose 2% (about $8 million) mostly due to reclassifications and promotions, though some new employees were hired to address pandemic issues. No University-wide raises were given for fiscal year 2021. The accompanying fringe associated with new positions led to a small rise in fringe expense. In addition, the University’s share of pension expense was almost $7 million more than in fiscal year 2020. Contractual services expenses increased by almost $19 million, which was mostly attributable to expenses related to facilities. Much of the money received as a result of CARES grants was expended in the contractual category in order to make changes to facilities to meet COVID safety protocols. In addition, the University spent $6.4 million more on Scholarships and Fellowships than in fiscal year 2020.

Net non-operating revenues and expenses increased by $6.7 million (2%). State appropriations were down a little over $8 million (4%) from the fiscal year 2020 total. However, CARES grants through the Department of Education led to an $11.6 million upturn for Gifts and Grants. Investment income also saw a sharp upturn, mostly due to unrealized gains. However, the University did pay over $4 million more for interest on capital debt in fiscal year 2021.

The overall positive change in net position of almost $58.9 million reflects the University’s continued strong fiscal position, especially given the challenges posed by the pandemic during the last two fiscal years.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows must also be evaluated when considering the financial condition of the University and its 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.

The University used $57.4 million less in cash for operations than in fiscal year 2020. Cash received for tuition was up $7.3 million, but the largest contributors were grants and contracts (up $20.1 million) and Athletics, which also received $20.1 million more in cash than in FY20. In addition, payments to contractors were down considerably ($16.4 million). Some operating activities did use more cash in FY21 than the previous year. Those include $3.3 million more used for Salaries and Benefits and an increase of $6.4 million paid for Scholarships and Fellowships.

Noncapital financing activities provided about $17 million more in cash than in fiscal year 2020. Gifts and Grants for Other than Capital Purposes grew by $11.6 million, and cash received for State Appropriations grew by almost $5 million.

The University used $24 million more for financing activities than in fiscal year 2020. This was a combination of paying over $15.3 million more for capital assets along with

CONDENSED STATEMENT OF CASH FLOWS

	FY 2021	FY 2020	Difference	Percentage
Cash Provided (Used) by:				
Operating Activities	($130,982,169)	($188,408,174)	$57,426,005	-30%
Noncapital Financing Activities	273,682,897	256,599,381	17,083,516	7%
Capital and Related Financing Activities	(67,184,413)	(43,274,440)	(23,909,973)	55%
Investing Activities	2,054,407	4,019,936	(1,965,529)	-49%
Net Change in Cash and Cash Equivalents	**77,570,722**	**28,936,703**	**48,634,019**	**168%**
Cash and Cash Equivalents - Beginning of Year	224,835,306	195,898,603	28,936,703	15%
Cash and Cash Equivalents - End of Year	**$302,406,028**	**$224,835,306**	**$77,570,722**	**35%**

receiving almost $8 million less in capital appropriations and grants.

Cash provided by investing declined by $1.9 million mostly due to a $2.5 million decrease in interest income.

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of June 30, 2021 and 2020, the University had $1.1 billion invested in capital assets for each fiscal year, net of accumulated depreciation of $635.1 million and $600.7 million, respectively. Depreciation expense totaled $39.6 million and $39.3 million for fiscal years 2021 and 2020, respectively.

THE FOLLOWING NEW CONSTRUCTION PROJECTS WERE COMPLETED IN FISCAL YEAR 2021:

•Central Plant Piping

MAJOR PROJECTS ONGOING IN FISCAL YEAR 2021:

- Engineering and Science Complex
- Music Building
- Bulldog Way
- Parking Garage (North)
- Meats Science Laboratory
- Poultry Science Building

ENROLLMENT

Total enrollment for the fall 2020 semester was 22,986 students, which was an increase of 760 students over the fall of 2019 semester when 22,226 students were enrolled. Mississippi residents accounted for 64% of the total enrollment in both fall 2020 and fall 2019. Enrollment totals are unduplicated and include all campuses of the University.

DEGREES AWARDED

A total of 5,510 degrees were awarded in 2020 2021: 4,371 undergraduate and 1,139 were graduate degrees. A breakdown by college is shown in the accompanying table. Information from 2019-2020 is included for comparison.

FINANCIAL SUMMARY AND OUTLOOK

Mississippi State University experienced a strong financial position in FY 2021 and strong enrollment growth for the last several years, including fall 2021. For the seventh year in a row, enrollment increased, resulting in a record number of students during fall 2021. The completion of the multi-million-dollar Richard A. Rula Engineering and Science Complex, combined with the ongoing construction of a new multi-million-dollar parking garage, new multi-million-dollar Music Building, and new multi-million-dollar High Performance Computing Center are indications of continued growth and improvements at MSU.

Despite the global economic uncertainty resulting from the continuing COVID-19 pandemic, state revenues exceeded estimates for the past four fiscal years; and, at present, FY 2022 revenues exceed estimates. As a result, Mississippi State University experienced a modest increase in state appropriations for fiscal year 2022.

MSU will face more funding obstacles in the future due to the continued uncertainty surrounding the economic impact of the COVID-19 pandemic. 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. These efforts continue to be supported by rising enrollment, and 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 and CFO for Division of Finance and Administration

DEGREES AWARDED, 2020-2021

	UNDERGRADUATE	GRADUATE	TOTAL
Agriculture and Life Sciences	467	117	584
Architecture, Art and Design	150		150
Arts and Sciences	1,237	213	1,450
Business (Includes Accountancy)	767	206	973
Education	706	283	989
Engineering	856	141	997
Forest Resources	115	33	148
Veterinary Medicine	30	105	135
Academic Affairs	43	41	84
Total	4,371	1,139	5,510

DEGREES AWARDED, 2019-2020

	UNDERGRADUATE	GRADUATE	TOTAL
Agriculture and Life Sciences	481	117	598
Architecture, Art and Design	106		106
Arts and Sciences	1,166	195	1,361
Business (Includes Accountancy)	772	176	948
Education	614	251	865
Engineering	754	179	933
Forest Resources	107	33	140
Veterinary Medicine	28	103	131
Academic Affairs	85		85
Total	4,113	1,054	5,167

ANNUAL FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2021

STATEMENT OF NET POSITION

ASSETS	2021	2020
CURRENT ASSETS:		
Cash and cash equivalents	$298,970,968	$219,945,041
Short term investments	16,566,518	13,965,726
Accounts receivables, net	65,588,040	64,729,515
Student notes receivables, net	3,685,085	4,095,974
Inventories	3,437,542	3,078,163
Prepaid expenses	8,502,241	19,439,549
Other current assets	1,134,377	1,268,295
Total current assets	**$397,884,771**	**$326,522,263**
NON-CURRENT ASSETS:		
Restricted cash and cash equivalents	$3,435,060	$4,890,265
Endowment investments	52,591,932	39,507,069
Other long term investments	82,347,831	85,029,503
Student notes receivable, net	12,818,888	13,128,381
Capital assets, net	1,135,763,582	1,103,666,323
Total Non-Current Assets	**$1,286,957,293**	**$1,246,221,541**
Total Assets	**$1,684,842,064**	**$1,572,743,804**
DEFERRED OUTFLOWS OF RESOURCES:		
Difference between expected and actual experience	$5,413,364	$330,226
Changes in proportionate share	9,071,948	2,484,622
Contributions subsequent to the measurement date	37,491,151	36,670,189
Changes in assumptions	3,488,725	5,472,766
Resources due to refunding	12,938,891	13,685,866
Implicit Rate Subsidy	1,074,873	1,236,638
Difference between actual and expected earnings	25,617,196	
Difference between actual and expected experience	39,528	49,979
Difference between projected and actual earnings	996	623
Changes in assumptions	4,814,450	2,464,331
Change in Proportionate Share	916,867	358,972
Total Deferred Outflows of Resources	**$100,867,989**	**$62,754,212**
Total Assets and Deferred Outflows of Resources	**$1,785,710,053**	**$1,635,498,016**

LIABILITIES	2021	2020
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$59,512,304	$37,675,544
Unearned revenues	38,335,280	12,907,299
Accrued leave liabilities-current portion	2,871,569	3,571,419
Long term liabilities-current portion	14,348,456	14,178,566
Total Current liabilities	**$115,067,609**	**$68,332,828**
NON-CURRENT LIABILITIES:		
Accrued leave liabilities	$22,876,297	$22,563,409
Deposits refundable	45,348	43,053
Long term liabilities	298,233,224	312,581,682
Net pension liability	623,650,981	558,213,479
OPEB liability	31,009,098	33,054,895
Other non-current liabilities	6,636,756	9,126,822
Total Non-Current Liabilities	**$982,451,704**	**$935,583,340**
Total Liabilities	**$1,097,519,313**	**$1,003,916,168**
DEFERRED INFLOWS OF RESOURCES:		
Difference between projected and actual earnings on pension plan		$6,107,135
Difference in Expected & Actual Experience		600,861
Change in assumptions	1,310,402	1,714,058
Difference in Expected & Actual Experience	5,396,412	473,147
Change in proportionate share	163,778	220,825
Total Deferred Inflows of Resources	**6,870,592**	**9,116,026**
Total Liabilities and Deferred Inflows of Resources	**$1,104,389,905**	**$1,013,032,194**

NET POSITION	2021	2020
Net Invested in Capital Assets	**$836,921,485**	**$791,717,304**
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships	3,076,532	2,005,893
Research	5,680,110	3,986,028
Other purposes	9,471,058	7,262,062
Expendable:		
Scholarships and fellowships	2,187,262	2,214,989
Research	14,258,051	36,252,543
Capital projects	5,340,819	606,364
Debt service	(4,596,223)	(4,474,414)
Loans	12,975,614	12,022,649
Other purposes	1,455,132	1,398,979
Unrestricted	(205,449,692)	(230,526,575)
Total Net Position	**$681,320,148**	**$622,465,822**

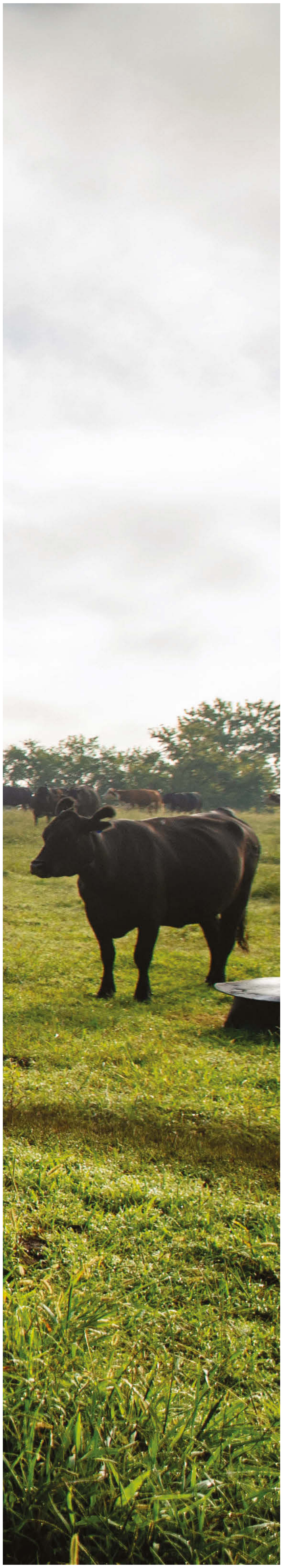
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

OPERATING REVENUES	2021	2020
Tuition and fees:	$319,085,911	$309,664,773
Less scholarship allowances	(111,828,077)	(110,576,249)
Less bad debt expense	(1,578,299)	(3,197,344)
Net tuition and fees	205,679,535	195,891,180
Federal appropriations	15,519,984	15,047,436
Federal grants and contracts	146,621,004	153,312,827
State grants and contracts	24,466,905	22,894,042
Nongovernmental grants and contracts	11,703,492	15,343,258
Sales and services of educational departments	47,257,629	41,725,202
Auxiliary enterprises:		
Student housing	29,635,640	27,489,346
Food services	2,145,131	2,310,191
Bookstore	1,255,703	667,839
Athletics	81,352,390	63,499,853
Other auxiliary revenues	12,080,955	12,049,203
Less auxiliary enterprise scholarship allowances	(11,861,865)	(11,729,081)
Interest earned on loans to students	298,849	344,380
Other operating revenues, net	6,397,167	8,684,754
Total Operating Revenues	**$572,552,519**	**$547,530,430**

OPERATING EXPENSES		
Salaries and wages	$358,596,963	$353,486,058
Fringe benefits	151,678,487	143,615,846
Travel	4,191,401	11,944,648
Contractual services	123,258,032	104,349,840
Utilities	16,152,012	15,261,917
Scholarships and fellowships	61,316,933	54,835,404
Commodities	51,997,576	63,658,378
Depreciation	40,045,027	39,347,717
Total Operating Expenses	**$807,236,431**	**$786,499,808**
Operating Income (Loss)	**($234,683,912)**	**($238,969,378)**

NONOPERATING REVENUES (EXPENSES)		
State appropriations	$170,976,311	$178,996,310
Gifts and grants	100,080,540	88,425,830
Investment income	14,979,916	7,641,178
Interest expense on capital asset-related debt	(8,802,950)	(4,734,555)
Other nonoperating expenses	(1,556,560)	(1,344,651)
Total Net Nonoperating Revenues (Expenses)	**$275,677,257**	**$268,984,112**
Income (Loss) Before Other Revenues, Expenses, Gains and Losses	**$40,993,345**	**$30,014,734**
Other revenues, expenses, gains and losses:		
Capital grants and gifts	$15,233,400	$9,268,200
State appropriations restricted for capital purposes	3,437,515	29,919,681
Other deletions	(809,934)	(308,395)
Net Increase in Net Assets	**$58,854,326**	**$68,894,220**

NET POSITION		
Net Position - Beginning of Year	$622,465,822	$553,571,602
Net Position - End of Year	**$681,320,148**	**$622,465,822**



STATEMENT OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES

	2021	2020
Tuition and Fees	$207,943,853	$200,575,216
Grants and Contracts	202,472,513	181,592,565
Sales and Services of Educational Departments	46,686,300	42,863,380
Payments to Suppliers	(169,854,115)	(186,286,069)
Payments to Employees for Salaries and Benefits	(477,659,941)	(474,364,137)
Payments for Utilities	(16,152,013)	(15,261,917)
Payments for Scholarships and Fellowships	(61,316,933)	(54,835,404)
Loans Issued to Students and Employees	(2,469,267)	(2,373,094)
Collection of Loans to Students and Employees	3,185,489	3,469,751
Student Housing	28,818,927	27,290,408
Food Services	2,173,409	2,284,940
Bookstore	1,280,842	667,839
Athletics	82,231,154	61,334,488
Other Auxiliary Enterprises	1,313,820	1,099,915
Other Receipts	20,363,793	23,533,945
Net Cash Used by Operating Activities	**($130,982,169)**	**($188,408,174)**

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	$174,897,030	$169,913,518
Gifts and Grants for Other Than Capital Purposes;	100,111,712	88,452,376
Federal Loan Program Receipts	129,473,709	130,539,789
Federal Loan Program Disbursements	(129,291,546)	(131,015,306)
Other Uses	(1,508,008)	(1,290,996)
Net Cash Provided by Noncapital Financing Activities	**$273,682,897**	**$256,599,381**

CASH FLOW FROM CAPITAL FINANCING ACTIVITIES

Cash Paid for Capital Assets	($50,855,406)	($35,539,536)
Capital Appropriations Received	1,202,287	3,819,858
Capital Grants and Contracts Received	6,925,823	12,241,941
Proceeds from Sales of Capital Assets	429,203	336,594
Principal Paid on Capital Debt and Leases	(11,645,000)	(11,290,000)
Interest Paid on Capital Debt and Leases	(13,264,133)	(13,709,915)
Other Source	915,324	3,163,235
Other Uses	(892,511)	(2,296,617)
Net Cash Used by Capital Related Financing Activities	**($67,184,413)**	**($43,274,440)**

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	$68,816,686	$99,153,638
Interest Received on Investments	3,550,456	5,440,443
Purchases of Investments	(70,312,735)	(100,574,145)
Net Cash Provided (Used) by Investing Activities	**$2,054,407**	**$4,019,936**
Net Change in Cash and Cash Equivalents	77,570,722	28,936,703
Cash and Cash Equivalents - Beginning of Year	**$224,835,306**	**$195,898,603**
Cash and Cash Equivalents - End of Year	**$302,406,028**	**$224,835,306**

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

	2021	2020
Operating Income (Loss)	($234,683,912)	($238,969,378)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation expense	40,045,027	39,347,717
Bad debt expense	1,578,299	3,197,344
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Receivables, Net	(5,374,868)	(5,118,641)
Inventories	(359,379)	(587,043)
Prepaid Expenses	918,927	(278,808)
Deferred Outflows	(38,860,752)	(21,272,246)
Increase (Decrease) in Liabilities:		
Accounts Payables and Accrued Liabilities	19,359,383	(1,344,672)
Unearned Revenue	25,635,798	(3,768,089)
Accrued Leave Liabilitiy	(386,963)	2,860,281
Net pension liability	65,437,502	40,252,631
Net OPEB liability	(2,045,797)	3,319,181
Deferred Inflows of resources	(2,245,434)	(6,046,451)
Total Adjustments	**$103,701,743**	**$50,561,204**
Net Cash Provided (Used) by Operating Activities	**($130,982,169)**	**($188,408,174)**
Reconciliation of Cash and Cash Equivalents:		
Current Assets - Cash and Cash Equivalents	298,970,968	219,945,041
Noncurrent Assets - Restricted Cash and Cash Equivalents	3,435,060	4,890,265
Cash and Cash Equivalents - End of Year	**$302,406,028**	**$224,835,306**

NON-CASH TRANSACTIONS

1) Bureau of Buildings and Grounds Construction-in-Progress	$3,437,515	$29,919,681
2) Donation of Capital Assets	8,388,880	9,157,594

MISSISSIPPI STATE UNIVERSITY™

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1:
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(A) 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.

(B) 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.

(C) BASIS OF ACCOUNTING

The financial statements of the University have been prepared in accordance with GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as amended by GASB Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities. The University is reporting as a special-purpose government engaged in business-type activities. In accordance with business-type activity reporting, the University presents management's discussion and analysis, statements of net position, statements of revenues, expenses and changes in net position, statements of cash flows and notes to the financial statements. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant transactions among departments, campuses, and auxiliary units of the University have been eliminated.

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

(D) 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.

(E) CASH EQUIVALENTS

The University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

(F) SHORT TERM INVESTMENTS

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

(G) 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.

(H) 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.

(I) 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.

(J) PREPAID EXPENSES

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

(K) 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.

(L) 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.

(M) OTHER LONG-TERM 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.

(N) INVESTMENT VALUATION

GASB Statement No. 72 enhances comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted valuation techniques. The standard establishes a hierarchy of inputs used to measure fair value that prioritizes the inputs into three categories –

Level 1, Level 2 and Level 3 inputs – considering the relative reliability of the inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

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

The level in the fair value hierarchy in which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment risk.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified as Level 2 of the fair value hierarchy are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. There are no investments classified in Level 3.

(O) 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 6 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.

(P) DEFERRED INFLOWS AND OUTFLOWS

The University has deferred inflows of resources. The deferred inflows of resources are an acquisition of net assets by the University that is applicable to a future reporting period and include pension and OPEB related deferred inflows and deferred amounts on debt refunding.

The University has deferred outflows of resources. The deferred outflows of resources are consumption of net assets by the University that are applicable to a future reporting period and include the unamortized amounts for losses on the refunding of bond debt, pension, and OPEB related deferred outflows, and beneficial interests in irrevocable trusts.

(Q) NET PENSION AND OPEB LIABILITIES

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, and OPEB and OPEB expense, respectively, information about the fiduciary net position of the University's proportionate share of the liability for pension and OPEB, and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the Public Employees' Retirement System of Mississippi (PERS) and the State and School Employees' Life and Health Insurance Plan (OPEB Plan). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

(R) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

(S) 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.

(T) 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.

(U) 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.

(V) 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).

(W) 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.

NON-OPERATING REVENUES AND EXPENSES

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.

(X) 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.

(Y) SCHOLARSHIP DISCOUNT 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

FAIR VALUE OF INVESTMENT TYPE		
Investment Type	**2021**	**2020**
Cash	$298,970,968	$219,945,041
Restricted Cash	3,435,060	4,890,265
U.S. Government Agency Obligations	58,949,483	46,109,999
U.S. Treasury Obligations	19,455,040	21,613,024
Certificates of Deposit	12,240,757	18,535,296
Collateralized Mortgage Obligations	7,149,598	10,504,530
Other fixed income securities	0	0
Municipal Bonds	1,021,415	2,047,595
Mutual Funds	1,216,913	1,219,154
Asset Backed Securities	0	0
Equity Securities	1,483,512	1,119,301
Landgrant	239,789	239,789
Mississippi State Investment Pool	49,749,774	37,113,610
Total	**$453,912,309**	**$363,337,604**

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.

(Z) 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 -$205,287,927 at June 30, 2021, includes $50,998,073 reserved for academic programs and research, -$11,508,380 related to capital projects, $54,796,891 reserved for repairs and maintenance, with $274,027,062 remaining for other purposes and -$573,601,573 related to the University's pension and OPEB liability.

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, 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, 2021 and 2020 is shown above.

MISSISSIPPI STATE INVESTMENT POOL

The Mississippi State University Foundation, the University, 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, 2021 and 2020, the University owned

FY 2021 INTEREST RATE RISK

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
U.S. Government Agency Obligations	$58,949,483	$8,692,738	$26,330,322	$23,926,423	
U.S. Treasury Obligations	19,455,040	2,110,285	14,294,410	3,050,345	
Collateralized Mortgage Obligations	6,891,708		1,669,057	2,409,181	2,813,470
Municipal Bonds	1,021,415	504,065	517,350		
Asset Backed Securities	-				
Other fixed income securities	257,890				257,890
Certificates of Deposit	12,240,757	5,161,375	6,506,397	572,985	
Total	**$98,816,293**	**$16,468,463**	**$49,317,536**	**$29,958,934**	**$3,071,360**

FY 2020 INTEREST RATE RISK

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
U.S. Government Agency Obligations	$46,109,999	$2,002,592	$29,748,132	$13,359,195	1,000,080.00
U.S. Treasury Obligations	21,613,024	3,953,169	11,553,368	6,106,487	
Collateralized Mortgage Obligations	10,197,374			2,394,301	7,803,073
Municipal Bonds	2,047,595	1,007,520	1,040,075		
Asset Backed Securities	-				
Other fixed income securities	307,157				307,157
Certificates of Deposit	18,535,295	6,817,659	11,116,846	600,790	
Total	**$98,810,444**	**$13,780,940**	**$53,458,421**	**$22,460,773**	**$9,110,310**

CREDIT RISK

	2021	2020
Credit Rating	**Fair Value**	**Fair Value**
AA	$1,021,415	$2,047,595
AA+	51,586,468	41,594,244
AAA	3,424,046	2,515,174
Rating Not Available	11,088,567	12,505,110
Total	**$67,120,496**	**$58,662,123**

an approximate 7.78% and 8.19% 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, 2021 and 2020.

(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, 2021 and 2020, the University had investments subject to interest rate risk shown 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, 2021 and 2020, the University had the following investments subject to credit risk shown above. The credit risk ratings are issued based upon standards set by Standard and Poor's Financial Services.

(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, 2021 and 2020, the University had the following issuers holding investments that exceeded 5% of total investments as shown on the following page.

NOTE 3:

FAIR VALUE MEASUREMENT

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

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

FY 2021 CONCENTRATION OF CREDIT RISK

Issuer	Fair Value	% of Total Investments
Mississippi State Investment Pool	$49,749,774	32.84%
FFCB	22,709,308	14.99%
U.S. Treasury Obligations	19,455,040	12.84%
FHLB	18,043,630	11.91%
FHLMC	9,290,191	6.13%
FNMA	8,906,355	5.88%
Total	**$128,154,298**	

FY 2020 CONCENTRATION OF CREDIT RISK

Issuer	Fair Value	% of Total Investments
Mississippi State Investment Pool	$37,113,610	26.80%
U.S. Treasury Obligations	21,613,025	15.60%
FFCB	20,564,609	14.85%
FHLB	12,540,126	9.05%
FNDB	9,127,871	6.59%
Total	**$100,959,241**	

FY 2021 FAIR VALUE MEASUREMENT

	Level 1	Level 2	Level 3	Total
Investment Strategy				
Fixed Income				
U.S. Treasury securities	$ 11,211,892	$ 8,243,148		$19,455,040
U.S. Government agency securities	398,328	58,551,155		58,949,483
Mortgage Obligations and asset backed securities		6,891,708		6,891,708
Certificates of deposit		12,240,757		12,240,757
Municipal bonds		1,279,305		1,279,305
Other fixed income securities				-
Total fixed income	**$11,610,220**	**$87,206,073**	-	**$98,816,293**
Equities				
Common stocks		$1,483,512		$1,483,512
Common stock funds				-
Mutual funds		1,216,913		1,216,913
Index funds				-
Total equities	-	**$2,700,425**	**-**	**$2,700,425**
Hedge funds				
Venture capital				
Mississippi State Investment Pool			$49,749,774	$49,749,774
Other short-term investments			**239,789**	**239,789**
Total investments	**$11,610,220**	**$89,906,498**	**$49,989,563**	**$151,506,281**

FY 2020 FAIR VALUE MEASUREMENT

	Level 1	Level 2	Level 3	Total
Investment Strategy				
Fixed income				
U.S. Treasury securities	$12,507,876	$9,105,148		$21,613,024
U.S. Government agency securities		46,109,999		46,109,999
Mortgage Obligations and asset backed securities		10,197,374		10,197,374
Certificates of deposit		18,535,296		18,535,296
Municipal bonds		2,354,752		2,354,752
Other fixed income securities				-
Total fixed income	**$12,507,876**	**$86,302,569**	-	**$98,810,445**
Equities				
Common stocks		$1,119,300		$1,119,300
Common stock funds				-
Mutual funds		1,219,154		1,219,154
Index funds				-
Total equities	**-**	**$2,338,454**	-	**$2,338,454**
Hedge funds				
Venture capital				
Mississippi State Investment Pool			$37,113,610	$37,113,610
Other short-term investments			**239,789**	**239,789**
Total investments	**$12,507,876**	**$88,641,023**	**$37,353,399**	**$138,502,298**

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

The tables on pages 21 and 22 present the financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2021 and 2020.

NOTE 4:
ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2021 and 2020 consisted of the amounts shown in the top right.

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 5:
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 schedules above show interest rates and unpaid balances as of June 30, 2021 and 2020.

NOTE 6:
CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2021 and 2020 is presented on the following page.

Depreciation is computed on a straight line basis with the exception of library books,

ACCOUNTS RECEIVABLE

	2021	2020
Type of Receivable		
Student tuition	$37,053,606	$36,768,683
Auxiliary enterprises and other operating activities	6,542,784	4,920,476
Contributions and gifts	66,105	44,660
Federal, state, and private grants and contracts	43,321,961	42,706,916
State Appropriations	2,451,018	2,558,673
Accrued Interest	1,057,188	1,101,638
Total Accounts receivable	$90,492,662	$88,101,047
Less allowance for doubtful accounts	24,904,622	23,371,532
Net Accounts Receivable	**$65,588,040**	**$64,729,515**

FY 2021 NOTES RECEIVABLE FROM STUDENTS

	Interest Rates	June 30, 2021	Current Portion	Non-Current Portion
Perkins student loans	3% to 9%	$7,666,625	$2,547,345	$5,119,280
Institutional loans	0% to 9%	10,439,777	1,137,740	9,302,037
Total Notes receivable		$18,106,402	$3,685,085	$14,421,317
Less allowance for doubtful accounts		$1,602,429		$1,602,429
Net Notes receivable		**$16,503,973**	**$3,685,085**	**$12,818,888**

FY 2020 NOTES RECEIVABLE FROM STUDENTS

	Interest Rates	June 30, 2020	Current Portion	Non-Current Portion
Perkins student loans	3% to 9%	$9,659,972	$3,381,007	$6,278,965
Institutional loans	0% to 9%	9,342,885	714,967	8,627,918
Total Notes receivable		$19,002,857	$4,095,974	$14,906,883
Less allowance for doubtful accounts		$1,778,502		$1,778,502
Net Notes receivable		**$17,224,355**	**$4,095,974**	**$13,128,381**

FY 2021 CAPITAL ASSETS

	June 30, 2020	Additions	Deletions/Transfers	June 30, 2021
Nondepreciable Capital Assets:				
Land	$23,557,295	$574,825	$97,000	$24,035,120
Construction in Progress	137,971,563	40,666,127	6,332,200	172,305,490
Livestock	1,468,420	67,940	429,203	1,107,157
Total Nondepreciable Capital Assets	**$162,997,278**	**$41,308,892**	**$6,858,403**	**$197,447,767**
Depreciable Capital Assets:				
Improvements other than Buildings	$130,582,225	$9,771,771		$140,353,996
Buildings	1,100,288,666	10,487,933	261,910	1,110,514,689
Equipment	181,364,190	11,830,043	5,980,032	187,214,201
Library Books	129,177,892	6,411,985	219,240	135,370,637
Total Depreciable Capital Assets	**$1,541,412,973**	**$38,501,732**	**$6,461,182**	**$1,573,453,523**
Less Accumulated Depreciation for:				
Improvements other than Buildings	$53,635,296	$3,878,269	$0	$57,513,565
Buildings	285,185,669	20,759,414	158,377	305,786,706
Equipment	155,087,877	10,482,171	5,273,631	160,296,417
Library Books	106,835,086	4,925,174	219,240	111,541,020
Total Accumulated Depreciation	**$600,743,928**	**$40,045,028**	**$5,651,248**	**$635,137,708**
Capital Assets, Net	**$1,103,666,323**	**$39,765,596**	**$7,668,337**	**$1,135,763,582**

** As of June 30, 2021, capital assets did not include any assets under capital lease.

FY 2020 CAPITAL ASSETS

	June 30, 2019	Additions	Deletions/Transfers	June 30, 2020
Nondepreciable Capital Assets:				
Land	$22,807,295	$750,000		$23,557,295
Construction in Progress	160,937,306	40,112,792	63,078,535	137,971,563
Livestock	1,713,053	91,962	336,595	1,468,420
Total Nondepreciable Capital Assets	**$185,457,654**	**$40,954,754**	**$63,415,130**	**$162,997,278**
Depreciable Capital Assets:				
Improvements other than Buildings	$124,588,444	$5,993,785	$3	$130,582,225
Buildings	1,028,774,778	71,800,388	286,500	1,100,288,666
Equipment	179,426,778	9,193,333	7,255,921	181,364,190
Library Books	123,103,742	6,074,904	754	129,177,892
Total Depreciable Capital Assets	**$1,455,893,741**	**$93,062,410**	**$7,543,178**	**$1,541,412,973**
Less Accumulated Depreciation for:				
Improvements other than Buildings	$48,631,780	$5,003,516		$53,635,296
Buildings	267,750,738	19,498,995	2,064,064	285,185,669
Equipment	150,128,657	11,974,426	7,015,206	155,087,877
Library Books	102,249,290	4,586,549	753	106,835,086
Total Accumulated Depreciation	**$568,760,465**	**$41,063,487**	**$9,080,023**	**$600,743,928**
Capital Assets, Net	**$1,072,590,930**	**$92,953,677**	**$61,878,284**	**$1,103,666,323**

** As of June 30, 2020, capital assets did not include any assets under capital lease.

for which depreciation is computed using a composite method. Schedules of useful life, salvage values, and capitalization thresholds used to compute depreciation are presented to the right.

DEPRECIATION

	Estimated Useful Life	Salvage Value	Capitalization Threshold
Buildings	40 Years	20%	$50,000
Improvments other than buildings	20 Years	20%	$25,000
Equipment	3-15 Years	1-10%	$5,000
Library Books	10 Years	0%	$0

NOTE 7:
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2021 and 2020 are shown to the right.

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

ACCOUNTS PAYABLE & ACCRUED LIABILITIES

	2021	2020
Payable to vendors and contractors	$27,818,862	$17,340,638
Accrued salaries, wages and employee withholdings	27,597,683	16,078,192
Other	4,095,759	4,256,715
Total	**$59,512,304**	**$37,675,544**

NOTE 8:
UNEARNED REVENUES

Unearned revenues as of June 30, 2021 and 2020 are shown to the right.

UNEARNED REVENUES

	2021	2020
Unearned summer school revenue	$2,417,877	$2,716,929
Unearned grants and contract revenue	26,609,263	(6,996)
Other	9,308,140	10,197,366
Total	**$38,335,280**	**$12,907,299**

NOTE 9:
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, 2021 and 2020 are presented on the following page.

Annual requirements to repay outstanding debt are shown on page 27.

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 2021.

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 2022.

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.

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

FY 2020 LONG-TERM LIABILITIES

Description and Purpose	Original Issue	Annual Interest Rate	Maturity	June 30, 2019	Additions	Deletions	June 30, 2020	Due Within One Year
Bonded Debt								
Dormitory Revenue System	$2,250,000	3.00%	2022	$190,000		$90,000	$100,000	$100,000
Student Apartments	2,038,000	3.00%	2023	260,000		85,000	175,000	85,000
EBC09A-1 Revenue Bonds	29,615,000	2.50%-5.25%	2040	755,000		755,000	0	0
EBC09A-2 Refunding Bonds	17,105,000	2.75%-5.00%	2025	1,860,000		1,860,000	0	0
EBC11 - Refunding Bonds	54,370,000	2.00%-5.00%	2043	3,825,000		1,225,000	2,600,000	1,270,000
EBC13 - Revenue Bonds	60,470,000	2.00%-5.00%	2044	10,115,000		570,000	9,545,000	585,000
EBC14A - Revenue Bonds	89,810,000	2.00%-5.00%	2044	76,555,000		3,625,000	72,930,000	3,790,000
EBC14B - Revenue Bonds	23,435,000	.29%-4.813%	2044	19,225,000		950,000	18,275,000	975,000
EBC15-Revenue Bonds	56,010,000	2.00%-5.00%	2046	52,945,000		1,090,000	51,855,000	1,130,000
EBC17- Revenue Bonds	63,270,000	2.00%-5.00%	2046	62,660,000		835,000	61,825,000	3,500,000
EBC17A - Revenue Bonds	92,075,000	2.00%-5.00%	2044	91,870,000		205,000	91,665,000	210,000
Total Bonded Debt				**$320,260,000**	**$0**	**$11,290,000**	**$308,970,000**	**$11,645,000**
Unamortized Bond Premiums				20,460,048		2,669,800	17,790,248	2,533,566
Total Bonded Debt, net				**$340,720,048**	**$0**	**$13,959,800**	**$326,760,248**	**$14,178,566**
Other Long-term Liabilities								
Net Pension Liability				517,960,848	40,252,631		558,213,479	
OPEB Liability				29,735,714	3,319,181		33,054,895	
Accrued Leave Liabilities				23,274,547	2,860,281		26,134,828	$3,571,419
Deposits Refundable				48,907		5,854	43,053	
Total Other Liabilities				**$571,020,016**	**$46,432,093**	**$5,854**	**$617,446,255**	**$3,571,419**
Federal Portion of NDSL				13,331,471		4,204,649	9,126,822	
Total				**$925,071,535**	**$46,432,093**	**$18,170,303**	**$953,333,325**	**$17,749,985**
Due Within One Year							**$17,749,985**	
Total Long-term Liabilities							**$935,583,339**	

FY 2021 LONG-TERM LIABILITIES

Description and Purpose	Original Issue	Annual Interest Rate	Maturity	June 30, 2020	Additions	Deletions	June 30, 2021	Due Within One Year
Bonded Debt								
Dormitory Revenue System	$2,250,000	3.00%	2022	$100,000		$100,000	$0	$0
Student Apartments	2,038,000	3.00%	2023	175,000		85,000	90,000	90,000
EBC11 - Refunding Bonds	54,370,000	2.00%-5.00%	2043	2,600,000		1,270,000	1,330,000	1,330,000
EBC13 - Revenue Bonds	60,470,000	2.00%-5.00%	2044	9,545,000		585,000	8,960,000	605,000
EBC14A - Revenue Bonds	89,810,000	2.00%-5.00%	2044	72,930,000		3,790,000	69,140,000	3,990,000
EBC14B - Revenue Bonds	23,435,000	.29%-4.813%	2044	18,275,000		975,000	17,300,000	1,005,000
EBC15-Revenue Bonds	56,010,000	2.00%-5.00%	2046	51,855,000		1,130,000	50,725,000	1,185,000
EBC17- Revenue Bonds	63,270,000	2.00%-5.00%	2046	61,825,000		3,500,000	58,325,000	3,635,000
EBC17A - Revenue Bonds	92,075,000	2.00%-5.00%	2044	91,665,000		210,000	91,455,000	215,000
Total Bonded Debt				**$308,970,000**	**$0**	**$11,645,000**	**$297,325,000**	**$12,055,000**
Unamortized Bond Premiums				17,790,248		2,533,568	15,256,680	2,293,456
Total Bonded Debt, net				**$326,760,248**	**$0**	**$14,178,568**	**$312,581,680**	**$14,348,456**
Other Long-term Liabilities								
Net Pension Liability				558,213,479	65,437,502		623,650,981	
OPEB Liability				33,054,895		2,045,797	31,009,098	
Accrued Leave Liabilities				26,134,828		386,962	25,747,866	$2,871,569
Deposits Refundable				43,053	2,295		45,348	
Total Other Liabilities				**$617,446,255**	**$65,439,797**	**$2,432,759**	**$680,453,293**	**$2,871,569**
Federal Portion of NDSL				9,126,822		2,490,066	6,636,756	
Total				**$953,333,325**	**$65,439,797**	**$19,101,393**	**$999,671,729**	**$17,220,025**
Due Within One Year							**17,220,025**	
Total Long-term Liabilities							**$982,451,704**	

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.

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

FY 2021 OUTSTANDING DEBT AMORTIZATION SCHEDULE

Fiscal Year	Bonded Debt	Interest	Total
2022	14,348,456	12,756,523	27,104,979
2023	14,545,103	12,228,438	26,773,541
2024	14,899,553	11,645,381	26,544,934
2025	13,053,348	11,049,615	24,102,963
2026	13,403,753	10,471,990	23,875,743
2027-2031	64,216,439	43,824,427	108,040,866
2032-2036	68,139,535	29,581,817	97,721,352
2037-2041	66,090,530	15,846,452	81,936,982
2042-2046	43,884,963	3,302,331	47,187,294
Totals	**$312,581,680**	**$150,706,974**	**$463,288,654**

FY 2020 OUTSTANDING DEBT AMORTIZATION SCHEDULE

Fiscal Year	Bonded Debt	Interest	Total
2021	14,178,567	13,264,134	27,442,701
2022	14,348,457	12,756,523	27,104,980
2023	14,545,103	12,228,438	26,773,541
2024	14,899,553	11,645,381	26,544,934
2025	13,053,348	11,049,615	24,102,963
2026-2030	65,427,903	46,675,047	112,102,950
2031-2035	65,653,534	32,438,523	98,092,057
2036-2040	67,601,914	18,503,377	86,105,291
2041-2045	55,250,566	5,374,073	60,624,639
2046-2050	1,801,303	36,000	1,837,303
Totals	**$326,760,248**	**$163,971,111**	**$490,731,359**

Series 2015 – MSUEBC 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.

Series 2017 – MSUEBC issued bonds totaling $63,270,000 in May 2017 (Series 2017) for (i) refunding of MSUEBC bonds issued in July 2007 (Series 2007A) and bonds issued in May 2009 (SeriesA-1 and SeriesA-2) and (ii) for certain improvements and capital expenditures, including but not limited to, financing the addition and renovation to Dudy Noble Field-Polk Dement Stadium, and to pay the related costs of the issuance, sale and delivery of the Series 2017 Bonds. Outstanding coupons bear interest at rates ranging from 2.00% to 5.00% with final maturity in August, 2045. The University defeased $35,680,000 of the outstanding EBC Revenue Bonds (Series 2007A, Series 2009A-1 and Series 2009A-2). 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 $4,472,046 over the next 21 years and obtained an economic gain of $3,364,020. The balance in the escrow account at June 30, 2017 was $38,499,750.

Series 2017A – MSUEBC issued bonds totaling $92,075,000 in December 2017 (Series 2017A) for (i) refunding of MSUEBC bonds issued in July 2011 (Series 2011) and bonds issued in October 2013 (Series 2013) and (ii) to pay the related costs of the issuance, sale and delivery of the Series 2017A Bonds. Outstanding coupons bear interest at rates ranging from 2.00% to 5.00% with final maturity in August, 2043. The University defeased $86,005,000 of the outstanding EBC Revenue Bonds (Series 2011 and Series 2013). 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 $5,716,209 over the next 26 years and obtained an economic gain of $4,304,723. The balance in the escrow account at June 30, 2018 was $95,011,278.

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.

NOTE 10:
OPERATING LEASES

Leased property under operating leases is composed of office rent, land, computer software, and equipment. The table to the right 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 years ended June 30, 2021 and 2020 was $5,359,146 and $3,319,767, respectively.

NOTE 11:
NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The table on page 29 lists the operating expenses of the University by functional classification for the fiscal year ended June 30, 2021 and 2020.

NOTE 12:
CONSTRUCTION COMMITMENTS AND FINANCING

The University has contracted for various construction projects as of June 30, 2021. Estimated costs to complete various projects

FY 2021 OPERATING LEASES	
2021	
2022	5,359,146
2023	5,359,146
2024	5,359,146
2025	5,367,341
2026	5,457,481
Total Minimum Payments Required	**$26,902,260**

FY 2020 OPERATING LEASES	
2021	3,409,335
2022	3,409,335
2023	3,409,335
2024	3,409,335
2025	3,409,335
2026	
Total Minimum Payments Required	**$17,046,675**

NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

FY 2021

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total
Instruction	$105,916,541	$46,306,506	$182,880	$4,165,943	$264,032		$2,683,142		$159,519,044
Research	$86,916,375	$39,837,704	$598,858	$26,140,318	$3,335,764		$12,975,180		$169,804,199
Public Service	$59,182,943	$24,223,353	$840,104	$22,086,123	$1,068,037		$6,828,599		$114,229,159
Academic Support	$22,532,085	$8,188,503	$51,626	$8,817,338	$203,431		$6,392,663		$46,185,646
Student Services	$10,912,903	$4,334,296	$38,340	$2,930,226	$196,195		$813,928		$19,225,888
Institutional Support	$26,146,006	$7,034,744	$50,616	$34,760,250	$472,270		$12,716,185		$81,180,071
Operation of Plant	$15,003,804	$6,238,049	$6,079	$1,105,451	$7,169,009		$5,234,909		$34,757,301
Student Aid	$746,159	$5,579,837	$3,647	$292,290		$48,169,697	$82,902		$54,874,532
Auxiliary Enterprises	$31,240,147	$9,935,495	$2,419,251	$22,960,093	$3,443,274	$13,147,236	$4,270,068		$87,415,564
Depreciation								$40,045,027	$40,045,027
Total Operating Expenses	**$358,596,963**	**$151,678,487**	**$4,191,401**	**$123,258,032**	**$16,152,012**	**$61,316,933**	**$51,997,576**	**$40,045,027**	**$807,236,431**

NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

FY 2020

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total
Instruction	$102,254,436	$43,660,177	$1,511,291	$4,708,708	$243,272		$3,599,853		$155,977,736
Research	88,843,238	39,363,193	$3,862,844	33,930,472	3,108,250		21,435,724		190,543,721
Public Service	55,963,283	22,205,740	$2,044,571	17,185,979	883,848		11,761,661		110,045,082
Academic Support	21,978,347	7,641,002	$357,802	6,487,482	201,942		4,926,143		41,592,719
Student Services	10,714,631	4,080,872	$297,174	3,478,014	127,149		1,184,236		19,882,076
Institutional Support	25,923,016	5,869,944	$203,741	16,975,114	127,065		9,279,205		58,378,086
Operation of Plant	14,777,048	5,987,565	$49,381		7,234,081		6,530,983		34,579,058
Student Aid	1,145,188	4,678,208	$2,003	320,827		41,180,448	80,913		47,407,587
Auxiliary Enterprises	31,886,872	10,129,145	$3,615,842	21,263,244	3,336,310	13,654,955	4,859,658		88,746,026
Depreciation								39,347,717	39,347,717
Total Operating Expenses	**$353,486,058**	**$143,615,846**	**$11,944,648**	**$104,349,840**	**$15,261,917**	**$54,835,404**	**$63,658,378**	**$39,347,717**	**$786,499,808**

for June 30, 2021 and 2020 and the sources of anticipated funding are presented on the following page.

NOTE 13:

EMPLOYEE BENEFITS-PENSION PLANS

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

PLAN TYPE

- Multiple-employer, defined benefit
- Multiple-employer, defined contribution

PLAN NAME

- PERS Defined Benefit Plan
- Optional Retirement Plan (ORP) Defined Contribution Plan

The employees of the University are covered by one of the pension plans outlined above (collectively, the Plans). The Plans do not provide for measurements of assets and pension benefit obligations for individual entities. The measurement date of the Plans is June 30, 2020 for fiscal year 2021 and June 30, 2019 for fiscal year 2020.

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

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

A stand-alone audited financial report is issued for the Plans and can be obtained at www.pers.ms.gov.

Disclosures under GASB Statement No. 68

The pension disclosures that follow for fiscal year 2021 and 2020 include all disclosures for GASB Statement No. 68 using the latest valuation reports available (June 30, 2019). For fiscal year 2021, the measurement date for the PERS defined benefit plan is June 30, 2020. For fiscal year 2020, the measurement date for the PERS defined benefit plan is June 30, 2019. The University is presenting net pension liability as of June 30, 2020 and 2019 for the fiscal years 2021 and 2020 financials, respectively.

(A) PERS DEFINED BENEFIT PLAN

PLAN DESCRIPTION

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

FY21 CONSTRUCTION COMMITMENTS AND FINANCING

	Total Costs to Complete	Funded by Federal Sources	State Sources	Institutional Funds	Other
Engineering &Science Complex	4,141,664			2,873,369	1,268,295
Music Building	13,391,321		6,484,990	6,206,331	700,000
Preplan Meat Processing Bldg	396,924		396,924		
Pincote Pavillion Restoration	1,215		1,215		
Pre-Plan ADS/Poultry	1,132,436		1,132,436		
Bulldog Way	6,221,163	5,352,019	869,144		
Parking Garage North	4,730,181			4,730,181	
Stone Blvd Parking Project	707,554			707,554	
Humphrey Coliseum Renovation	48,317,538			23,317,538	25,000,000
Parking & Transit Services Facility	1,600,000		1,600,000		
Kinesiology Building	29,753,221		29,753,221		
Butler Hall Mech & Envelope Reno	1,519,106			1,519,106	
IED ADA Project	-				
Animal Emer & Referral Ctr	6,774,268			6,774,268	
HPCC Plant Fund Phase III	407,534	407,534			
SMART Transit Admin Building	2,155,275	2,155,275			
Anatomy Lab Renovation	32,087			32,087	
RCU SC Plant Fund	49,668			49,668	
Swalm Building 4th Floor Renov	728,238			728,238	
Second Year Surgery Lab Renovation	79,674			79,674	
IHL 205-309 MSU Ice Plant Expansion	6,459,356			6,459,356	
McComas Hall Basement Renovation	228,485			116,857	111,628
VPADI Office Renovation	447,447			447,447	
Robers Building Canopy	166,861			166,861	
Stone Blvd Sidewalk Project	223,854	223,854			
Outdoor Seating Capacity HEERF	347,280	347,280			
UV Bipolar	368,068	368,068			
Indoor Ventilation Enhancement HEERF	657,863	657,863			
Network Infrastructure	214,527			214,527	
IHL#205-306 Parking Lot Improvements for IED	1,252,530			1,252,530	
Vista Avenue Road Project	402,014	350,000		2,014	50,000
213-413 FW Blackjack Project	2,934,966		2,934,966		
113-146 Ballew Renovation	495,811		495,811		
Headhouse (North MS R & E Verona)	50,925			50,925	
Riding Arena Companion Fund	395,700			150,000	245,700
Total	**$136,784,754**	**$9,861,893**	**$43,668,707**	**$55,878,531**	**$27,375,623**

FY20 CONSTRUCTION COMMITMENTS AND FINANCING

	Total Costs to Complete	Funded by Federal Sources	State Sources	Institutional Funds	Other
YMCA Renovation	175,841		175,841		
Engineering &Science Complex	13,687,726			12,419,431	1,268,295
Music Building	19,879,094		12,966,096	6,212,998	700,000
MDOT Blackjack Fence Project	354,208	288,000		66,208	
Preplan Meat Processing Bldg	396,924		396,924		
Pincote Pavillion Restoration	1,215		1,215		
Pre-Plan ADS/Poultry	2,968,443		2,968,443		
Bulldog Way	8,084,804	7,000,000	869,144	215,660	
Parking Garage North	11,351,992			11,351,992	
Stone Blvd Parking Project	3,174,260			3,174,260	
Humphrey Coliseum Renovation	49,767,281			24,767,281	25,000,000
Parking & Transit Services Facility	1,840,171		1,600,000	240,171	
Kinesiology Building	29,772,868		29,772,868		
Butler Hall Mech & Envelope Reno	2,834,999			2,834,999	
IED ADA Project	529,689			529,689	
Animal Emer & Referral Ctr	6,996,354			6,996,354	
Total	**$151,815,870**	**$7,288,000**	**$48,750,531**	**$68,809,044**	**$26,968,295**

SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE PENSION

Mississippi State University	2021	2020
Proportionate share of contributions	$37,325,436	$32,548,449
Allocation percentage of proportionate share of collective pension amount	3.22%	3.17%
Change in proportionate share of collective pension amount	0.05%	0.06%

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Mississippi State University	2021	2020
Proportion of the net pension liability	3.22%	3.17%
Proportionate share of the net pension liability	$623,650,981	$558,213,479

MEMBERSHIP AND BENEFITS PROVIDED

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

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

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

CONTRIBUTIONS

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

Policies for PERS provide for employer and member contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. PERS members were required to contribute 9.00% of their annual pay. The institution's contractually required contribution rate for the year ended June 30, 2021 and 2020 was 17.40% for each year of annual payroll. Contributions from the University are recognized when legally due, based on statutory requirements.

EMPLOYER CONTRIBUTIONS

The University's contributions to PERS for the years ended June 30, 2021 and 2020 was $37.9 million and $37.3 million, respectively. The University's proportionate share was calculated on the basis of historical contributions. Employer allocation percentages are based on the ratio of each employer's actual contribution to the Plan's total actual contributions.

The table above provides the institution's contributions used in the determination of its proportionate share of collective pension amount reported.

NET PENSION LIABILITY

The University's proportion of the net pension liability at June 30, 2021 and 2020 is shown above.

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

Annual changes to the net pension liability resulting from differences between expected and actual experience with regard to economic and demographic factors and from changes of assumptions about future economic or demographic factors or other inputs are deferred and amortized over the average of the expected remaining service life of active and inactive members. For the years ended June 30, 2021 and 2020, the remaining service life was 3.66 and 3.76 years, respectively. Differences between projected and actual earnings on pension plan investments are amortized over a closed period of 5 years. The first year of amortization is recognized

DEFERRED OUTFLOWS & INFLOWS OF RESOURCES 2021

Deferred Outflows of Resources						Deferred Inflows of Resources		
Differences between expected and actual experience	Changes of assumptions	Changes in proportion and differences between employer contributions and proportionate share of contributions	Contributions subsequent to the measurement date	Net difference between projected and actual investment earnings on pension plan investment	**Total deferred outflows of resources**	Changes of assumptions	Differences between expected and actual experience	**Total deferred inflows of resources**
$5,413,364	$3,488,725	$9,071,948	$37,491,151	$25,617,196	**$81,082,384**			

DEFERRED OUTFLOWS & INFLOWS OF RESOURCES 2020

Deferred Outflows of Resources					Deferred Inflows of Resources			
Differences between expected and actual experience	Changes of assumptions	Changes in proportion and differences between employer contributions and proportionate share of contributions	Contributions subsequent to the measurement date	**Total deferred outflows of resources**	Net difference between projected and actual investment earnings on pension plan investment	Changes of assumptions	Differences between expected and actual experience	**Total deferred inflows of resources**
$330,226	$5,472,766	$2,484,622	$36,670,189	**$44,957,803**	$6,107,135		$600,861	**$6,707,996**

DEFERRED OUTFLOWS & INFLOWS OF RESOURCES

Deferred outflows of resources year ended June 30

	2022	2023	2024	2025	Total
Mississippi State University	$5,382,552	$16,269,685	$13,684,297	$8,254,699	$43,591,233

Deferred inflows of resources year ended June 30

	2022	2023	2024	2025	Total
Mississippi State University	-	-	-	-	-

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

The University's proportionate share of the collective pension expense for the years ended June 30, 2021 and 2020 is equal to the collective pension expense multiplied by the employer's allocation percentage, or $59.2 million and $53.9 million, respectively. Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense, they are labeled deferred inflows; if they will increase pension expense, they are labeled deferred outflows. The University's total pension expense at June 30, 2021 and 2020 was $60.8 million and $52.7 million, respectively.

See the table above for deferred outflows and inflows of resources related to pensions.

Contributions subsequent to the measurement date of $37.5 million reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Contributions subsequent to the measurement date of $36.7 million reported as deferred outflows of resources was recognized as a reduction of the net pension liability in the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as shown above and to the left.

ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Mississippi state statute requires that an actuarial experience study be completed at least once in each five-year period. The actuarial assumptions used in the June 30, 2019 valuation were based on the

OPEB ASSUMPTIONS

	2021	2020
Valuation date	June 30, 2019	June 30, 2018
Measurement date	June 30, 2020	June 30, 2019
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Inflation rate	2.75%	2.75%
Salary increases	3.00%	3.00%
Investment rate of return	7.75%	7.75%

ASSET ALLOCATION

	2021		2020	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	27.00%	4.90%	27.00%	4.90%
International equity	22.00%	4.75%	22.00%	4.75%
Emerging markets equity	0.00%	0.00%	0.00%	0.00%
Global equity	12.00%	5.00%	12.00%	5.00%
Debt securities	20.00%	0.50%	20.00%	1.50%
Real assets	10.00%	4.00%	10.00%	4.00%
Private equity	8.00%	6.25%	8.00%	6.25%
Emerging debt	0.00%	0.00%	0.00%	0.00%
Cash	1.00%	0.00%	1.00%	0.25%
Total	**100.00%**		**100.00%**	

PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Mississippi State University	2021	2020
1% Decrease (6.75%)	$807,239,561	$733,790,959
Current Discount Rate (7.75%)	$623,650,981	$558,213,479
1% Increase (8.75%)	$472,116,635	$413,290,033

results of an actuarial experience study for the four-year period ending June 30, 2018.

The table above provides a summary of the actuarial methods and assumptions used to determine the contribution rate reported for PERS for the year ended June 30, 2021 and 2020.

MORTALITY

Mortality rates were based on the PubS. H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

DISCOUNT RATE

For the years ended June 30, 2021 and 2020, the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (17.40%) for the years ended June 30, 2021 and 2020. 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.

LONG-TERM EXPECTED RATE OF RETURN

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 and 2020 are summarized in the table above.

SENSITIVITY OF NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The table above presents the University's proportionate share of the net pension liability of the cost-sharing plan for 2021 and 2020, calculated using the discount rate of 7.75%, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate.

(B) PERS DEFINED CONTRIBUTION PLAN, THE OPTIONAL RETIREMENT PLAN

The Optional Retirement Plan (ORP) was established by the Mississippi Legislature in 1990 to help attract qualified and talented institutions of higher learning teaching and administrative faculty in Mississippi. This alternative plan is structured to be portable and transferable to accommodate teaching and administrative faculty who move from one state to another throughout their careers. The membership of the ORP is composed of teachers and administrators appointed or employed on or after July 1, 1990, who elect to participate in ORP and reject membership in PERS. The ORP provides funds at retirement for employees, and in the event of death, the ORP provides funds for their beneficiaries through an arrangement by which contributions are made to this plan. The current contribution rate of both the employee and the University are identical to that of the PERS defined benefit plan. An employee is automatically a member of PERS unless the employee elects ORP within 30 days of initial employment in an ORP-eligible position. Once made, the decision is irrevocable.

The ORP uses the accrual basis of

accounting. Investments are reported at fair value, based on quoted market prices. Employees immediately vest in plan contributions upon entering the plan. The University's contributions to the ORP for the years ended June 30, 2021 and 2020 were $18.2 million and $17.5 million, respectively, which equaled its required contribution for the period.

NOTE 14:
POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

PLAN DESCRIPTION

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

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

MEMBERSHIP AND BENEFITS PROVIDED

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

CONTRIBUTIONS

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

participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance.

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

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

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

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

At June 30, 2020 and 2019, the Plan provided health coverage to 320 and 321 employer units, respectively.

DISCLOSURES UNDER GASB STATEMENT NO. 75

The disclosures that follow for fiscal years 2021 and 2020 include all disclosures for GASB Statement No. 75 using the latest valuation report available (June 30, 2020). For fiscal year 2021, the measurement date for the State and School Employees' Life and Health Insurance Plan is June 30, 2020. For fiscal year 2020, the measurement date for the State and School Employees' Life and Health Insurance Plan was June 30, 2019. The University is presenting net OPEB liability as of June 30, 2020 and 2019 for the fiscal years 2021 and 2020 financials, respectively.

PROPORTIONATE SHARE ALLOCATION METHODOLOGY

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

OPEB LIABILITY, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

At June 30, 2021 and 2020, the University reported a liability of $31.0 million and $33.1 million, respectively, for its proportionate share of the net OPEB liability (NOL). For fiscal year ending June 30, 2021, the NOL was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. At June 30, 2021 and 2020, the University's proportion was 3.98% and 3.90%, respectively.

For the years ended June 30, 2021 and 2020, the University recognized OPEB expense of $621,172 and $1,832,754, respectively.

See the tables below for deferred outflows and inflows of resources related to OPEB from the following sources.

$1.1 million reported as deferred outflows

OPEB DEFERRED OUTFLOWS & INFLOWS OF RESOURCES 2021

Deferred Outflows of Resources						Deferred Inflows of Resources			
Differences between expected and actual experience	Net difference between projected and actual investment earnings on OPEB Plan investment	Change of assumptions	Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	Implicit rate subsidy	**Total deferred outflows of resources**	Change of assumptions	Differences between expected and actual experience	Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	**Total deferred inflows of resources**
$39,528	$996	$4,814,450	$916,867	$1,074,873	**$6,846,714**	$1,310,402	$5,396,412	$163,778	**$6,870,592**

OPEB DEFERRED OUTFLOWS & INFLOWS OF RESOURCES 2020

Deferred Outflows of Resources						Deferred Inflows of Resources			
Differences between expected and actual experience	Net difference between projected and actual investment earnings on OPEB Plan investment	Change of assumptions	Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	Implicit rate subsidy	**Total deferred outflows of resources**	Change of assumptions	Differences between expected and actual experience	Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	**Total deferred inflows of resources**
$49,979	$623	$2,464,331	$358,972	$1,236,638	**$4,110,543**	$1,714,058	$473,147	$220,825	**$2,408,030**

DEFERRED OUTFLOWS & INFLOWS OF RESOURCES

Deferred outflows (inflows) of resources year ended June 30	2022	2023	2024	2025	2026	Total
Mississippi State University	($367,807)	($367,807)	($271,115)	$53,966	($145,988)	($1,098,751)

OPEB ASSUMPTIONS

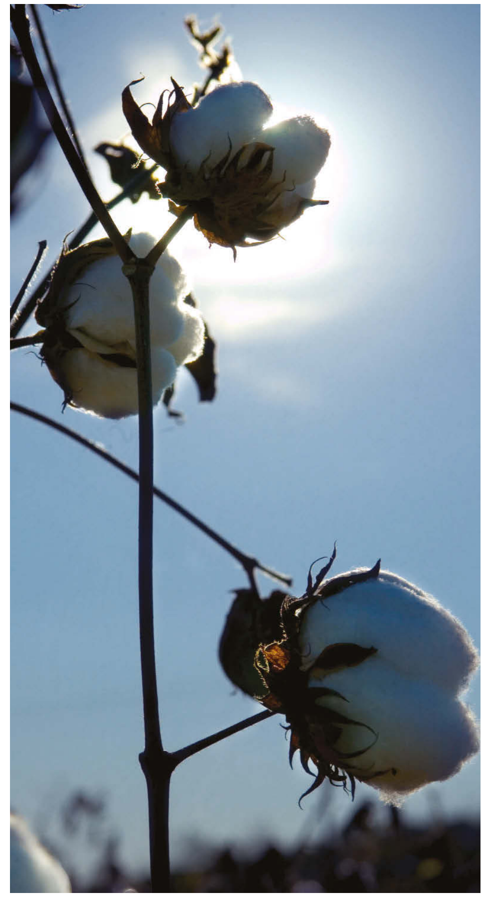
	2021	2020
Valuation date	June 30, 2020	June 30, 2019
Measurement date	June 30, 2020	June 30, 2019
Actuarial assumptions:		
Cost method	Entry age normal	Entry age normal
Inflation rate	2.75%	2.75%
Long-term expected rate of return	4.50%	3.50%
Discount Rate	2.19%	3.50%
Projected cash flows	N/A	N/A
Projected salary increases	3.00%-18.25%	3.00%-18.25%
Healthcare cost trend rates	7.00% decreasing to 4.50% by 2030	7.00% decreasing to 4.75% by 2028

OPEB DISCOUNT RATE SENSITIVITY 2021

Mississippi State University Proportionate Share of NOL	2021
1% Decrease (1.19%)	$34,267,171
Current Discount Rate (2.19%)	$31,009,098
1% Increase (3.19%)	$28,214,562

OPEB DISCOUNT RATE SENSITIVITY 2020

Mississippi State University Proportionate Share of NOL	2020
1% Decrease (2.50%)	$36,718,221
Current Discount Rate (3.50%)	$33,054,895
1% Increase (4.50%)	$29,920,577



of resources related to OPEB resulting from the University contributions subsequent to the measurement date will be recognized as a reduction of the NOL in the year ending June 30, 2022.

$1.2 million reported as deferred outflows of resources related to OPEB resulting from the University contributions subsequent to the measurement date was recognized as a reduction of the NOL in the year ended June 30, 2021.

Deferred outflows of resources and deferred inflows of resources are calculated at the plan level and are allocated to employers based on their proportionate share. Changes in employer proportion, an employer specific deferral, is amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. The average remaining service life determined as of the beginning of the June 30, 2020 and 2019 measurement periods was 6.0 years and 6.4 years, respectively. Employers are required to recognize pension expense based on their proportionate share of collective OPEB expense plus amortization of employer specific deferrals.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as shown at the top of the page

ACTUARIAL METHODS AND ASSUMPTIONS

The table above provides a summary of the actuarial methods and assumptions used to determine the discount rate reported for OPEB for the years ended June 30, 2021 and 2020.

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

MORTALITY

Mortality rates were based on the PubS H-2010(b) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

DISCOUNT RATE

For the years ended June 30, 2021 and 2020 the discount rates used to measure the total OPEB liability were 2.19% and 3.50%, respectively. The discount rate is based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

LONG-TERM EXPECTED RATE OF RETURN

At June 30, 2021 and 2020, the long-term expected rate of return, net of OPEB plan investment expense, including inflation was 4.50% and 3.50%, respectively.

SENSITIVITY OF NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The last two tables above present the

University's proportionate share of the NOL for 2021 and 2020, calculated using the discount rate of 2.19% and 3.50%, respectively, as well as what the University's NOL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

SENSITIVITY OF NET OPEB LIABILITY TO CHANGES IN HEALTH CARE COST TREND RATES

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

HEALTH CARE COST TREND RATES SENSITIVITY

Mississippi State University Proportionate Share of NOL	2021	2020
1% Decrease	$28,632,157	$30,630,454
Current Discount Rate	$31,009,098	$33,054,895
1% Increase	$33,702,064	$35,801,376

NOTE 15:
DONOR RESTRICTED ENDOWMENTS

The net appreciation on investments of donor restricted endowments that is available for appropriation for expenditure as of June 30, 2021 and 2020 was $8,203,237 and $342,946 respectively. 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 16:
FEDERAL LOAN PROGRAM DISBURSEMENTS

The University distributed $129,291,546 and $131,015,306 for the years ended June 30, 2021 and 2020, respectively, 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 17:
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 $1,166,224 and $962,961 for the fiscal years ended June 30, 2021 and 2020, respectively.

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 $186,083 and $259,895 for the fiscal years ended June 30, 2021 and 2020, respectively.

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

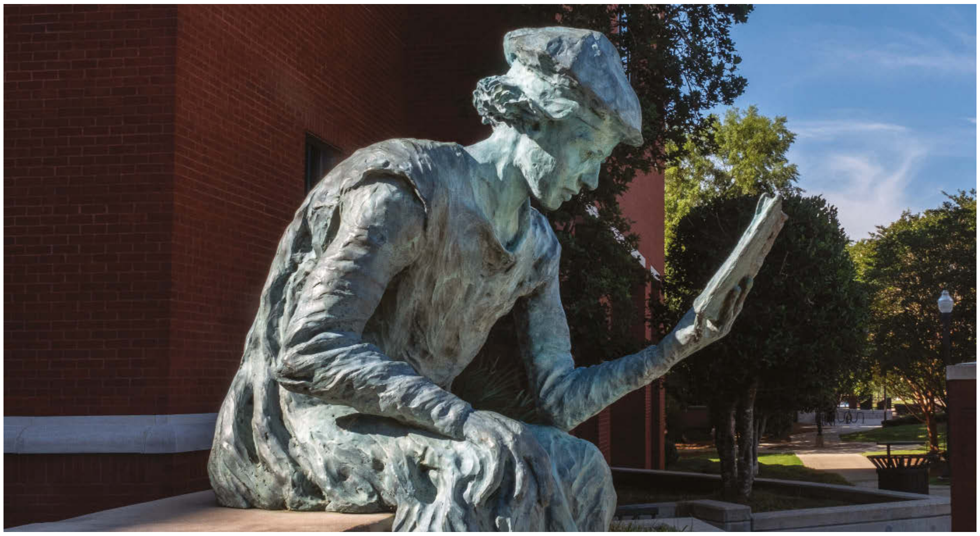
IHL Board has designated that $1,000,000 be reserved from the IHL Tort Liability Fund Net Assets to be used towards any future payment of this insurance deductible. The IHL Tort Liability claims pool also purchases insurance premiums for fleet automobile policies and blanket public officials bond annually. The share of the annual payments to the Tort Liability Fund and the various insurance premiums paid by the University totaled $0 for the fiscal years ended June 30, 2021 and 2020.

NOTE 18:
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 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 above.

EDUCATIONAL BUILDING CORPORATION

	2021	2020
Total Current Assets		
Total Noncurrent Assets	$297,235,000	$308,695,000
Total Assets	**$297,235,000**	**$308,695,000**
Total Current Liabilities	$11,965,000	$11,460,000
Total Noncurrent Liabilities	285,270,000	297,235,000
Total Liabilities	**$297,235,000**	**$308,695,000**
Total Net Position	**$0**	**$0**
Total Operating Revenues		
Total Operating Expenses		
Operating Income (Loss)	**$0**	**$0**
Total Nonoperating Revenues	$13,258,658	$13,699,040
Total Nonoperating Expenses	13,258,658	13,699,040
Change in Net Position	**$0**	**$0**



REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1:

NET PENSION LIABILITY

(A) SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

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

(B) SCHEDULE OF PROPORTIONATE SHARE OF CONTRIBUTIONS TO THE PERS DEFINED BENEFIT PLAN

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

(C) CHANGES OF ASSUMPTIONS AND IN BENEFIT PROVISIONS (PENSION PLAN)

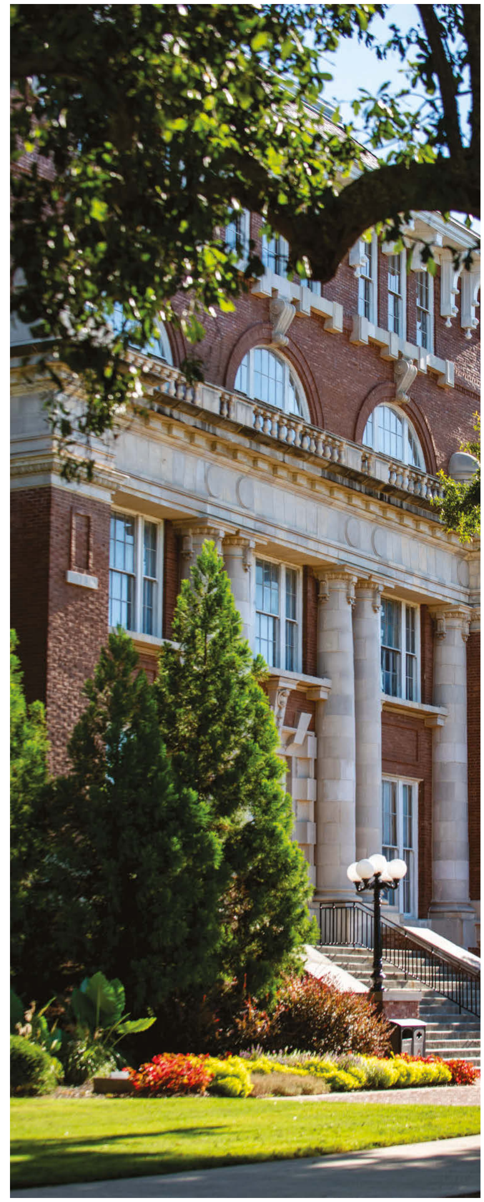
Changes of assumptions:

2020

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

2018

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar



SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year end June 30	2015	2016	2017	2018	2019	2020	2021
Proportionate share of the net pension liability	3.11%	3.15%	3.22%	3.16%	3.11%	3.17%	3.22%
Proportionate share of the net pension liability	377,668,592	487,619,653	575,770,041	525,651,937	517,960,848	558,213,479	623,650,981
Estimated covered-employee payroll provided by PERS	190,123,441	197,073,543	206,205,213	202,851,879	198,862,565	206,656,819	214,514,000
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	199.00%	247.43%	279.22%	259.13%	260.46%	270.12%	290.73%
PERS fiduciary net position as a percentage of the total pension liability	67.00%	61.70%	57.47%	61.49%	62.54%	61.59%	58.97%

SCHEDULE OF PROPORTIONATE SHARE OF CONTRIBUTIONS

Year end June 30	2015	2016	2017	2018	2019	2020	2021
Proportionate share of contributions	30,812,946	32,082,720	32,311,407	31,045,339	32,163,084	36,670,189	37,491,151
Required contributions	30,812,946	32,082,720	32,311,407	31,045,339	32,163,084	36,670,189	37,491,151
Contribution deficiency (excess)	-	-	-	-	-	-	-
Actual covered-employee payroll	195,637,752	203,699,810	205,151,790	197,113,263	204,210,057	210,748,213	215,466,385
Contribution as a percentage of covered-employee payroll	15.75%	15.75%	15.75%	15.75%	15.75%	17.40%	17.40%

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

2017
- The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

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

Changes in benefit provisions:

2017
- Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

June 30	2018	2019	2020	2021
Proportionate Share of the net OPEB liability	3.85%	3.84%	3.90%	3.98%
Proportionate Share of the net OPEB liability	$30,245,677	$29,735,714	$33,054,895	$31,009,098
Covered-employee payroll	$173,188,825	$173,864,154	$178,391,432	$192,035,910
Proportionate Share of the net OPEB liability as a percentage of its covered-employee payroll	17.46%	17.10%	18.53%	16.15%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%

SCHEDULE OF PROPORTIONATE SHARE OF EMPLOYER CONTRIBUTIONS

June 30	2018	2019	2020	2021
Contractually required contribution	$1,683,539	$1,809,398	$1,808,173	$1,983,574
Contributions in relation to the contractually required contribution	$1,190,076	$1,324,240	$1,324,937	$1,236,645
Contribution deficiency (excess)	$493,462	$485,159	$483,236	$746,928
Covered-employee payroll	$173,188,825	$173,864,154	$178,391,432	$192,035,910
Contributions as a percentage of covered-employee payroll	0.69%	0.76%	0.74%	0.64%

NOTE 2:
NET OPEB LIABILITY
(A) SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

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

(B) SCHEDULE OF PROPORTIONATE SHARE OF EMPLOYER CONTRIBUTIONS TO THE STATE AND SCHOOL EMPLOYEES' LIFE AND HEALTH INSURANCE PLAN

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

(C) CHANGES OF ASSUMPTIONS AND TO BENEFIT TERMS (OPEB PLAN)

Changes of assumptions:

2021
- The SEIR was changed from 3.50% for the prior measurement date to 2.19% to the current measurement date.

2020
- The SEIR was changed from 3.89% for the prior measurement date to 3.50% to the current measurement date.

2019
- The SEIR was changed from 3.56% for the prior measurement date to 3.89% to the current measurement date.

Changes to benefit terms:

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

MISSISSIPPI STATE UNIVERSITY FOUNDATION

FOR THE YEAR ENDED JUNE 30, 2021
(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, 2021 and 2020

(With Independent Auditors' Report Thereon)

KPMG
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, 2021 and 2020, 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, 2021 and 2020, 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 21, 2021

MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.

Consolidated Statements of Financial Position

June 30, 2021 and 2020

Assets		2021	2020
Cash	$	3,009,958	1,562,618
Restricted cash		3,301,191	6,273,651
Restricted short-term investments		4,000,000	—
Accrued interest, other receivables and prepaid assets		165,355	120,459
Receivable from MSU Alumni Association		135,249	26,102
Pledges receivable, net (note 3)		40,761,967	32,886,943
Investments (notes 2 and 8)		690,339,682	499,255,570
Present value of amounts due from externally managed trusts		59,215,668	49,559,753
Land, buildings, and equipment (note 4)		13,157,746	9,978,892
Total assets	$	814,086,816	599,663,988
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	1,125,080	1,491,022
Agency payable		7,301,191	6,273,651
Payable to Mississippi State University		382,596	240,771
Payable to Bulldog Club		1,108,900	2,634,238
Liabilities under split interest agreements		8,709,271	8,083,815
Note payable (note 5)		2,941,285	—
Total liabilities		21,568,323	18,723,497
Net assets:			
Without donor restrictions:			
Net assets attributable to the Foundation		55,440,281	50,918,074
Net assets attributable to noncontrolling interests (note 1(g))		52,094,122	38,874,655
Total net assets without donor restrictions		107,534,403	89,792,729
With donor restrictions		684,984,090	491,147,762
Total net assets		792,518,493	580,940,491
Total liabilities and net assets	$	814,086,816	599,663,988

See accompanying notes to consolidated financial statements.

MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.

Consolidated Statement of Activities

Year ended June 30, 2021

	Without donor Restrictions	With donor Restrictions	Total
Revenues and support:			
Contributions	$ 12,143,920	51,225,825	63,369,745
Net investment income	15,783,425	160,523,641	176,307,066
Change in value of split interest agreements	—	9,011,007	9,011,007
Other	4,980,312	328,162	5,308,474
Net assets released from restrictions	27,252,307	(27,252,307)	—
Total revenues and support	60,159,964	193,836,328	253,996,292
Expenditures:			
Program services:			
Contributions and support for Mississippi State University	30,907,506	—	30,907,506
Contributions and support for Bulldog Club	1,231,214	—	1,231,214
Contributions and support for MSU Alumni Association	879,639	—	879,639
Total program services	33,018,359	—	33,018,359
Supporting services:			
General and administrative	4,646,339	—	4,646,339
Fundraising	3,956,030	—	3,956,030
Total supporting services	8,602,369	—	8,602,369
Total expenditures	41,620,728	—	41,620,728
Change in net assets	18,539,236	193,836,328	212,375,564
Change in net assets attributable to noncontrolling interests (note 1(g))	(14,017,029)	—	(14,017,029)
Change in net assets attributable to the Foundation	$ 4,522,207	193,836,328	198,358,535

See accompanying notes to consolidated financial statements.

MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.

Consolidated Statement of Activities

Year ended June 30, 2020

		Without donor Restrictions	With donor Restrictions	Total
Revenues and support:				
Contributions	$	22,613,574	28,555,279	51,168,853
Net investment income		1,288,330	219,333	1,507,663
Change in value of split interest agreements		—	(1,199,648)	(1,199,648)
Other		5,483,673	138,184	5,621,857
Net assets released from restrictions		47,526,386	(47,526,386)	—
Total revenues and support		76,911,963	(19,813,238)	57,098,725
Expenditures:				
Program services:				
Contributions and support for Mississippi State University		55,756,772	—	55,756,772
Contributions and support for Bulldog Club		2,914,009	—	2,914,009
Contributions and support for MSU Alumni Association		874,340	—	874,340
Total program services		59,545,121	—	59,545,121
Supporting services:				
General and administrative		4,665,034	—	4,665,034
Fundraising		3,842,946	—	3,842,946
Total supporting services		8,507,980	—	8,507,980
Total expenditures		68,053,101	—	68,053,101
Change in net assets		8,858,862	(19,813,238)	(10,954,376)
Change in net assets attributable to noncontrolling interests (note 1(g))		(449,477)	—	(449,477)
Change in net assets attributable to the Foundation	$	8,409,385	(19,813,238)	(11,403,853)

See accompanying notes to consolidated financial statements.

MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2021 and 2020

	Net assets without donor restrictions attributable to the Foundation	Net assets without donor restrictions attributable to noncontrolling interests	Total net assets without donor restrictions	Net assets with donor restrictions	Total net assets
Net assets as of June 30, 2019	$ 42,508,689	46,454,039	88,962,728	510,961,000	599,923,728
Change in net assets from statement of activities	8,409,385	449,477	8,858,862	(19,813,238)	(10,954,376)
Payments to noncontrolling interests	—	(8,028,861)	(8,028,861)	—	(8,028,861)
Change in total net assets	8,409,385	(7,579,384)	830,001	(19,813,238)	(18,983,237)
Net assets as of June 30, 2020	50,918,074	38,874,655	89,792,729	491,147,762	580,940,491
Change in net assets from statement of activities	4,522,207	14,017,029	18,539,236	193,836,328	212,375,564
Payments to noncontrolling interests	—	(797,562)	(797,562)	—	(797,562)
Change in total net assets	4,522,207	13,219,467	17,741,674	193,836,328	211,578,002
Net assets as of June 30, 2021	$ 55,440,281	52,094,122	107,534,403	684,984,090	792,518,493

See accompanying notes to consolidated financial statements.

MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.

Consolidated Statements of Cash Flows

Years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets from statement of activities	$ 212,375,564	(10,954,376)
Adjustments to reconcile change in net assets from statement of activities to net cash used in operating activities:		
Depreciation	747,714	745,953
Loss on disposal of land, buildings, and equipment	5,341	7,422
Realized and unrealized (gains) losses on investments, net	(173,218,108)	1,294,827
Change in value of internally managed split interest agreements	771,875	17,242
Fair value of donated investments	(1,531,000)	(1,736,062)
Change in accrued interest, other receivables and prepaid assets	(44,896)	(40,783)
Change in pledges receivable, net	(7,875,024)	(636,800)
Change in present value of amounts due from externally managed trusts	(9,655,915)	1,227,540
Change in accounts payable and accrued liabilities	(365,942)	(322,121)
Change in agency payable	1,027,540	(409,724)
Change in payable to Mississippi State University	141,825	(105,667)
Change in payable to Bulldog Club	(1,525,338)	2,634,238
Change in receivable from MSU Alumni Association	(109,147)	196,532
Proceeds from gifts restricted for long-term investment	(30,217,586)	(12,472,076)
Net cash used in operating activities	(9,473,097)	(20,553,855)
Cash flows from investing activities:		
Purchases of land, buildings and equipment	(3,931,909)	(415,339)
Purchases of restricted short-term investments	(4,000,000)	—
Purchases of investments	(54,747,659)	(23,473,260)
Proceeds from sales and maturities of investments	34,944,655	41,355,431
Net cash (used in) provided by investing activities	(27,734,913)	17,466,832
Cash flows from financing activities:		
Proceeds from note payable	3,080,000	—
Principal payments on note payable	(138,715)	—
Proceeds from gifts restricted for long-term investment	30,217,586	12,472,076
New liabilities under split interest agreements	631,463	235,603
Payments to split interest agreement beneficiaries	(777,882)	(779,160)
Payments to noncontrolling interests	(797,562)	(8,028,861)
Net cash provided by financing activities	32,214,890	3,899,658
Net (decrease) increase in cash, cash equivalents, and restricted cash	(4,993,120)	812,635
Cash, cash equivalents, and restricted cash at beginning of year	11,344,269	10,531,634
Cash, cash equivalents, and restricted cash at end of year	$ 6,351,149	11,344,269
Reconciliation of cash, cash equivalents, and restricted cash		
Cash	$ 3,009,958	1,562,618
Restricted cash	3,301,191	6,273,651
Cash funds and cash equivalents in investments	40,000	3,508,000
	$ 6,351,149	11,344,269

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 and The Bulldog Club, Inc.

The Foundation established a wholly owned subsidiary limited liability company (LLC), Maroon Air, LLC, to hold aviation assets and conduct flight operations on behalf of the Foundation.

During fiscal year 2021, the Foundation created four separate wholly owned subsidiary LLC's to hold certain real estate assets.

(b) Basis of Accounting

The accompanying consolidated financial statements include the Foundation; Maroon Air, LLC; 107 Muldrow Properties, LLC; 111 Muldrow Properties, LLC; 800-804 University Drive Properties, LLC; 806 University Drive Apartments, LLC and the Mississippi State Investment Pool in which the Foundation has a controlling financial interest (note 1(g)). 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. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets with donor restrictions – net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. Net assets in this class include unconditional gifts for restricted purposes and donor-restricted endowment funds.

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.

Net assets without donor restrictions – net assets that represent resources generated from operations or that are not subject to donor-imposed stipulations. Net assets without donor restrictions include contributions designated to a particular college or unit for which the use or purpose is unrestricted.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenditures are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions 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, and grants are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when either the right of return to the donor or barriers to entitlement no longer exist. 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.

(c) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) 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.

The Foundation’s investments are held 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, Restricted Short-term Investments, and Cash Equivalents

Funds held for an unaffiliated organization that retains control over the expenditures of such funds are classified as restricted cash and restricted short-term investments in the consolidated statements of financial position with a corresponding amount in agency payable. Cash equivalents include short-term, highly liquid investments that are readily convertible to cash and have original maturity dates of three months or less and are classified as investments in the consolidated statements of financial position.

(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, with estimated salvage values ranging from 0-40%.

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.

(Continued)

(f) Fair Value Measurement

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, 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.

The Foundation uses net asset value per share (NAV) or its equivalent as a practical expedient to estimate fair value, although NAV in many instances may not equal fair value. The NAV per share or its equivalent was applied to certain investments that do not have readily determinable fair values. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported NAV. The fair value hierarchy requires the use of observable market data when available. The classification of assets and liabilities in the fair value hierarchy is not necessarily an indication of the risks or liquidity, but is based on the observability of the valuation inputs. Therefore, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

(g) Investments

(i) 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 the inflation-adjusted impact of each donor restricted fund. Beginning July 1, 2017, investment decisions have been delegated to Perella Weinberg Partners Capital Management LP, the Foundation’s outsourced chief investment officer that operates under the brand name, “Agility”. Agility executes investment decisions in accordance with the Foundation’s approved investment policy.

(ii) Mississippi State Investment Pool

The Foundation, the University, the Mississippi State University Alumni Association, and The Bulldog Club, Inc. are participants in a joint venture, the Mississippi State Investment Pool (MSIP), whereby investable assets are pooled for investment purposes. The Foundation is the investment pool's managing member 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. Due to the Foundation's controlling financial interest in the MSIP of approximately 92% and 91% as of June 30, 2021 and June 30, 2020, respectively, the Foundation has consolidated the MSIP, reflecting the noncontrolling interests of the other participants in the consolidated financial statements. As of June 30, 2021 and 2020, the Foundation's consolidated financial statements include net assets totaling $52,094,122 and $38,874,655, respectively, related to these noncontrolling interests. The Bulldog Club, Inc. withdrew the entirety of their investment in the MSIP, which totaled approximately $7.2 million, during fiscal year 2020; however, they have the option to re-invest at any time and remain a member of the joint venture. The Foundation recorded $14,017,029 and $449,477 of investment gains attributable to these noncontrolling interests during the years ended June 30, 2021 and 2020, respectively, which is reported in net investment income.

(iii) Allocation of Investment Strategies

The Foundation invests in five broad asset classes: global fixed income, global equities, real assets, absolute return strategies, and private capital. Global equities consist of domestic and international equity securities. Global fixed income investments consist of both interest rate sensitive and credit sensitive publicly traded credit securities. Real assets include upstream energy investments and real estate funds. Absolute return strategies include hedge fund investments. The private capital funds employ buyout and venture capital strategies. Private capital, real asset strategies, and absolute return 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 classified within investments on the statement of financial position consist of cash held by the investment pool, primarily for capital calls and reinvestments.

(iv) 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, then 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 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 sold for an amount different from NAV. As of June 30, 2021 and 2020, the Foundation had no plans or intentions to sell investments at amounts different from NAV. Properties held for investment are reported at estimated fair value based on periodic appraisals conducted by third-party appraisers who utilize the cost, sales comparison, and income capitalization approaches to estimate the fair value of 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, 2021 and 2020 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 net assets with donor restrictions 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 charitable remainder trusts at the present value of the estimated future cash receipts from the assets of the trust and perpetual trusts at the fair value of 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 years ended June 30, 2021 and 2020 was $61,648 and $67,765, 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, 2021 and 2020, there were no material uncertain tax positions.

(k) Liquidity

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

(l) Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). ASU 2016-02 requires the lessee to recognize assets and liabilities for leases with lease terms of more than twelve months. For leases with a term of twelve months or less, the Foundation is permitted to make an accounting policy election by class of underlying asset to recognize lease assets and lease liabilities. Further ASU 2016-02 requires a finance lease to recognize both an interest expense and an amortization of the associated expense. Operating leases generally recognize the associated expense on a straight line basis. ASU 2016-02 requires the Foundation to adopt the standard using a modified retrospective approach and adoption. In June 2020, the FASB issued ASU 2020-05, which deferred the effective date of this standard until annual reporting periods beginning after December 15, 2021, which would be fiscal year 2023 for the Foundation. The Foundation is currently evaluating the impact that ASU 2016-02 will have on its financial reporting.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets,* which enhances disclosure requirements for recognized contributed nonfinancial assets and contributed services for not-for-profit entities. ASU 2020-07 is effective for annual periods beginning after June 15, 2021, which would be fiscal year 2022 for the Foundation, and early adoption is permitted. The Foundation is currently evaluating the impact that ASU 2020-07 will have on its financial reporting.

(m) Subsequent Events

The Foundation evaluated all events or transactions that occurred after June 30, 2021 through October 21, 2021, the date the consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or disclosure in the Foundation's June 30, 2021 consolidated financial statements.

(2) Investments

Investments are summarized as follows as of June 30, 2021 and 2020:

		2021	2020
Short-term investments	$	4,237,024	8,685,646
Agility Comprehensive Solutions Fund		578,730,452	400,156,048
Global fixed income		4,597,936	4,020,077
Global equities		9,375,047	7,874,380
Real assets		24,558,967	23,686,055
Absolute return strategies		145,128	138,669
Private capital		34,932,165	21,856,293
Contributed properties held for investment		30,531,907	29,613,054
Cash-surrender value of life insurance		3,231,056	3,225,348
	$	690,339,682	499,255,570

Total investments include amounts related to noncontrolling interests (note 1(g)) included within the accompanying consolidated financial statements totaling $52,094,122 and $38,874,655 as of June 30, 2021 and 2020, respectively.

Prior to March 2020, the MSIP had invested in a limited partnership interest in the Agility Comprehensive Solutions Feeder Fund LP, a Delaware limited partnership (the Feeder Fund). The Feeder Fund invested all or substantially all of its investable assets, on an investment-by-investment basis, either (i) directly through a “master fund/feeder fund” structure, or (ii) indirectly through Agility Comprehensive Solutions Offshore Fund Ltd., a Cayman Islands exempted company, in Agility Comprehensive Solutions Fund LP, a Delaware limited partnership (the Master Fund). In March 2020, the MSIP transferred its entire interest in the Feeder Fund to a direct investment in the Master Fund. Perella Weinberg Partners Agility Comprehensive Solutions Fund GP LP serves as general partner of both the Feeder Fund and the Master Fund. The Master Fund invests in five broad assets classes with approximate allocation percentages at June 30, 2021 and 2020, respectively: global equities, 70% and 65%; absolute return strategies, 13% and 15%; global fixed income, 5% and 8%; real assets, 5% and 7%; and private capital, 7% and 5%.

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, 2021 and 2020 with a fair value of $14,209,872 and $12,004,094, respectively.

(3) Pledges Receivable

Pledges receivable, net, are summarized as follows at June 30, 2021 and 2020:

	2021	2020
Unconditional promises expected to be collected in:		
Less than one year	$ 12,246,742	11,188,945
One year to five years	20,757,283	21,805,847
Over five years	14,003,510	5,888,251
	47,007,535	38,883,043
Less unamortized discount (rates ranging from 0.3% to 5.0%)	(5,358,965)	(5,031,064)
	41,648,570	33,851,979
Less allowance for uncollectible pledges	(886,603)	(965,036)
	$ 40,761,967	32,886,943

(4) Land, Buildings, and Equipment

Land, buildings, and equipment are summarized as follows at June 30, 2021 and 2020:

	2021	2020
Land and buildings	$ 16,363,736	12,513,736
Furniture, fixtures, and equipment	8,329,228	8,333,518
	24,692,964	20,847,254
Less accumulated depreciation	(11,535,218)	(10,868,362)
	$ 13,157,746	9,978,892

(5) Note Payable

The Foundation entered into a $3,080,000 term note with a bank on December 30, 2020. Monthly principal and interest payments are due in the amount of $29,270 and interest is calculated on the outstanding borrowings based on a fixed rate of 2.63%. The note matures on December 30, 2030, and is secured by real property located in Oktibbeha County, Mississippi. The outstanding balance on the note as of June 30, 2021, was $2,941,285.

Principal and interest payments for each of the next five years and thereafter are the following:

	Principal	Interest	Total
Fiscal year ending June 30:			
2022	$ 276,078	75,163	351,241
2023	283,531	67,710	351,241
2024	291,021	60,220	351,241
2025	299,040	52,201	351,241
2026	307,112	44,129	351,241
Thereafter	1,484,503	92,788	1,577,291
Total future debt service	$ 2,941,285	392,211	3,333,496

(6) Net Assets Without Donor Restrictions

Net assets attributable to the Foundation without donor restrictions as of June 30, 2021 and 2020:

	2021	2020
Spendable funds	$ 21,929,064	17,389,112
Quasi-endowment funds	23,294,756	23,550,070
Net investment in land, buildings and equipment	10,216,461	9,978,892
	$ 55,440,281	50,918,074

Quasi-endowment funds are those funds held by the Foundation to function as endowments for the benefit of the University.

(Continued)

(7) Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

	2021	2020
Subject to expenditure for specified purpose:		
General college support	$ 31,252,606	10,358,473
Student financial aid	30,987,454	12,407,071
Research	456,627	148,719
Faculty and staff support	839,585	281,457
Facilities	(1,088,865)	(782,342)
Other	2,283,817	453,797
	64,731,224	22,867,175
Subject to the passage of time and specified purpose:		
Charitable remainder trusts, cash surrender value of life insurance, gift annuities and other	13,386,255	11,485,256
Pledges receivable restricted by donors	22,574,911	14,559,624
	35,961,166	26,044,880
Donor restricted endowments subject to spending policy and appropriation to support the following purposes (including net accumulated earnings of approximately $136,476,000 and $37,065,000 at June 30, 2021 and 2020, respectively):		
Subject to endowment spending policy and appropriation:		
General college support	130,426,561	99,832,564
Student financial aid	275,154,714	191,775,536
Research	18,809,455	15,892,611
Faculty and staff support	68,899,121	54,966,929
Facilities	8,749,995	7,558,576
Other	8,543,437	7,704,922
	510,583,283	377,731,138
Charitable remainder trusts, gift annuities and other	55,521,361	46,177,250
Pledges receivable restricted to endowment by donors	18,187,056	18,327,319
	$ 684,984,090	491,147,762

(8) Fair Value Measurement

The following tables summarize the Foundation's financial instruments by major category in the fair value hierarchy as of June 30, 2021 and 2020:

	2021				
	Level 1	Level 2	Level 3	Investments at NAV	Total
Recurring:					
Short-term investments	$ 4,237,024	—	—	—	4,237,024
Agility Comprehensive Solutions Fund(1)	—	—	—	578,730,452	578,730,452
Global fixed income:					
Interest-rate sensitive	4,597,936	—	—	—	4,597,936
Global equities:					
Domestic	9,375,047	—	—	—	9,375,047
Real assets:					
Real estate funds(2)	—	—	—	11,516,176	11,516,176
Natural resources(3)	—	—	—	13,042,791	13,042,791
Total real assets	—	—	—	24,558,967	24,558,967
Absolute return strategies(4)	—	—	—	145,128	145,128
Private capital(2)	—	—	—	34,932,165	34,932,165
Contributed properties held for investment(5)	—	—	30,531,907	—	30,531,907
Cash-surrender value of life insurance(6)	—	3,231,056	—	—	3,231,056
Total investments	$ 18,210,007	3,231,056	30,531,907	638,366,712	690,339,682
Present value of amounts due from externally managed trusts	$ —	—	59,215,668	—	59,215,668

	2020				
	Level 1	**Level 2**	**Level 3**	**Investments at NAV**	**Total**
Recurring:					
Short-term investments	$ 8,685,646	—	—	—	8,685,646
Agility Comprehensive Solutions Fund(1)	—	—	—	400,156,048	400,156,048
Global fixed income:					
Interest-rate sensitive	4,020,077	—	—	—	4,020,077
Global equities:					
Domestic	7,874,380	—	—	—	7,874,380
Real assets:					
Real estate funds(2)	—	—	—	15,551,744	15,551,744
Natural resources(3)	—	—	—	8,134,311	8,134,311
Total real assets	—	—	—	23,686,055	23,686,055
Absolute return strategies(4)	—	—	—	138,669	138,669
Private capital(2)	—	—	—	21,856,293	21,856,293
Contributed properties held for investment(5)	—	—	29,613,054	—	29,613,054
Cash-surrender value of life insurance(6)	—	3,225,348	—	—	3,225,348
Total investments	$ 20,580,103	3,225,348	29,613,054	445,837,065	499,255,570
Present value of amounts due from externally managed trusts	$ —	—	49,559,753	—	49,559,753

(1) The Master Fund’s terms allow for 5-day notice withdrawals at any month-end totaling up to 10% of its account balance at the Fund’s previous fiscal year end (plus any capital contributions to the Fund during the current year). In addition, the MSIP may make withdrawals from its capital account, of up to 100% of its Agility Global Equities, Agility Fixed Income, and Agility Real Asset holdings, as well as 25% of its Agility Absolute Return holdings, as of any fiscal quarter end, with at least one quarter’s prior written notice to the general partner. Further, approximately $43.1 million and $19.0 million of MSIP’s investment in the Fund is considered illiquid at June 30, 2021 and 2020, respectively, with up to a 10-year lockup period and 1-3 year extensions.

(2) These funds have initial 10-year terms or 12-year terms, unless extended or dissolved sooner in accordance with the limited partnership agreements. Future commitments to these funds approximate $8,771,000 and $11,274,000 at June 30, 2021 and 2020, respectively. Private capital and real estate funds 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.

(3) The MSIP invests in three natural resource investments at both June 30, 2021 and 2020 which have terms ending in 2023, 2026 and 2027. Investments with lockup periods are subject to one or more one to two-year extensions. Future commitments to these funds approximate $5,435,000 and $7,113,500 at June 30, 2021 and 2020, respectively.

(4) Generally, MSIP's investments in absolute return strategies (or hedge funds) allow early redemption for specified fees. The terms and conditions upon which an investor may redeem an investment vary, usually with the majority requiring 60 days to 12 months notice after the initial lock up period, which may be from one to three years. At June 30, 2021 and 2020, the Foundation had no absolute return strategy investments for which an otherwise redeemable investment was not redeemable.

(5) Bulldog Forest properties totaling $27,877,708 and $27,414,855 at June 30, 2021 and 2020, respectively, may be held in perpetuity or liquidated at the Foundation's discretion. Other properties are for immediate sale.

(6) 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 canceled.

The following table presents the Foundation's activities for the years ended June 30, 2021 and 2020 for contributed properties held for investment classified as Level 3:

		2021	2020
Balance, beginning of year	$	29,613,054	34,594,669
Acquisitions		2,254,000	1,976,062
Dispositions		(2,111,745)	(6,597,267)
Net realized and unrealized gains (losses)		776,598	(360,410)
Balance, end of year	$	30,531,907	29,613,054

For the years ended June 30, 2021 and 2020, the changes in present value of amounts due from externally managed trusts classified as Level 3 are as follows:

		2021	2020
Balance, beginning of year	$	49,559,753	50,787,293
Change in valuation		9,655,915	(1,227,540)
Balance, end of year	$	59,215,668	49,559,753

(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 the MSU Alumni Association, other receivables, accounts payable and accrued liabilities, payable to Mississippi State University, and payable to Bulldog Club approximate fair value because of the short-term maturity of these instruments.

(c) Liabilities under Split Interest Agreements

Liabilities include the present value of projected future distributions to the annuity or trust beneficiary and are determined using appropriate discount rates at the date of contribution.

(9) Liquidity and Availability

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has a liquid operating reserve of approximately $8.4 million and $5.1 million at June 30, 2021 and 2020, respectively. The primary source of this reserve is long-term board-directed prudent budgeting and expenditure management; this reserve may be drawn upon in the event of unusual, extreme, or prolonged financial distress. Other possible uses of the reserve could be a board-approved response to an immediate, unplanned liquidity need outside the typical operating budget life cycle. The current operating reserve exceeds the Foundation's $5.0 million operating reserve target, which is based on management's subjective judgment.

As of June 30, 2021 and 2020, the following assets could readily be available within one year to meet general expenditures:

		2021	2020
Financial assets:			
Unrestricted cash	$	3,009,958	1,562,618
Investments		690,339,682	499,255,570
Current receivables		135,249	26,102
Total financial assets at year-end		693,484,889	500,844,290
Less amounts with limits on usage:			
Amounts held for noncontrolling interests		(52,094,122)	(38,874,655)
Donor restricted endowments		(374,107,220)	(340,666,285)
Internally managed trusts		(14,209,872)	(12,004,094)
Subject to passage of time and/or specified purpose		(201,207,287)	(59,932,028)
Quasi-endowment funds		(23,294,756)	(23,550,070)
Operating reserves		(8,352,668)	(5,107,939)
Total financial assets available for general use within one year	$	20,218,964	20,709,219

(10) Endowment

The Foundation's endowment consists of approximately 1,800 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 net assets with donor restrictions (a) the original value of gifts donated to the endowment and (b) the original value of subsequent gifts to the endowment. The investment income and appreciation of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

Where the Board designates net assets without donor restrictions to function as endowments, they are classified as net assets without donor restrictions.

(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 annually, is 4% of the investment pool’s average unit value over the 36-month period ending September 30 of the previous year. 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 major 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 capital, while generating an income stream to support donor-specified purposes for the funds held for the colleges and units of the University. This policy is designed to tolerate volatility in short and intermediate-term 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 Agility, targets a diversified asset allocation that includes global equities, global fixed income, absolute return, real assets, and private capital to achieve long-term objectives within prudent risk constraints.

Endowment net asset composition by type of fund as of June 30, 2021 and 2020:

	2021		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$ —	510,583,283	510,583,283
Board designated funds	23,294,756	—	23,294,756
Total funds	$ 23,294,756	510,583,283	533,878,039

	2020		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$ —	377,731,138	377,731,138
Board designated funds	23,550,070	—	23,550,070
Total funds	$ 23,550,070	377,731,138	401,281,208

Changes in endowment net assets for the fiscal years ended June 30, 2021 and 2020:

	2021		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ 23,550,070	377,731,138	401,281,208
Investment returns, net	(47,368)	109,963,412	109,916,044
Contributions	57,697	31,889,190	31,946,887
Appropriation of endowment assets for expenditure	(987,485)	(11,343,060)	(12,330,545)
Other	721,842	2,342,603	3,064,445
Endowment net assets, end of year	$ 23,294,756	510,583,283	533,878,039

	2020		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ 19,658,949	375,776,324	395,435,273
Investment returns, net	(719,153)	(907,135)	(1,626,288)
Contributions	9,917	15,394,268	15,404,185
Appropriation of endowment assets for expenditure	(911,943)	(12,873,258)	(13,785,201)
Other	5,512,300	340,939	5,853,239
Endowment net assets, end of year	$ 23,550,070	377,731,138	401,281,208

(d) Underwater Endowment Funds

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 $225,008 and $1,903,505 as of June 30, 2021 and 2020, respectively. These endowments had an original gift value of approximately $5,036,000 and $55,427,000 at June 30, 2021 and 2020, respectively.

(11) Functional and Natural Expenses

Expenses are presented by functional classification in accordance with the overall service mission of the Foundation, which is to provide funds to the University. Program services or distributing to MSU are categorized in the primary areas of student financial aid, research, faculty and staff support, facilities and general college support. The operations of the Foundation are categorized as either fundraising or general and administrative according to the department in which the expense is incurred and allocated with techniques such as time and effort.

	2021					
	Contributions and support for Mississippi State University	Contributions and support for Bulldog Club	Contributions and support for MSU Alumni Association	General and administrative	Fundraising	Total
Distributions for:						
General college support	$ 15,700,366	—	—	—	—	15,700,366
Student financial aid	11,118,386	—	—	—	—	11,118,386
Research	321,180	—	—	—	—	321,180
Faculty and staff support	1,254,608	—	—	—	—	1,254,608
Facilities	1,270,272	—	—	—	—	1,270,272
Other	200,340	1,231,214	879,639	—	—	2,311,193
Compensation	570,710	—	—	2,702,409	2,996,603	6,269,722
Professional fees	18,826	—	—	244,220	11,957	275,003
Travel, events and communications	30,107	—	—	104,872	262,280	397,259
Rentals and other contractual	314,347	—	—	404,663	80,805	799,815
Technology, office services and supplies	108,364	—	—	442,461	604,385	1,155,210
Depreciation	—	—	—	747,714	—	747,714
	$ 30,907,506	1,231,214	879,639	4,646,339	3,956,030	41,620,728

	2020					
	Contributions and support for Mississippi State University	Contributions and support for Bulldog Club	Contributions and support for MSU Alumni Association	General and administrative	Fundraising	Total
Distributions for:						
General college support	$ 24,289,762	—	—	—	—	24,289,762
Student financial aid	12,560,369	—	—	—	—	12,560,369
Research	713,466	—	—	—	—	713,466
Faculty and staff support	1,278,463	—	—	—	—	1,278,463
Facilities	13,269,543	—	—	—	—	13,269,543
Other	2,255,809	2,914,009	874,340	—	—	6,044,158
Compensation	616,575	—	—	2,792,604	2,813,801	6,222,980
Professional fees	66,907	—	—	217,050	4,912	288,869
Travel, events and communications	45,774	—	—	23,958	319,160	388,892
Rentals and other contractual	425,426	—	—	481,466	141,563	1,048,455
Technology, office services and supplies	234,678	—	—	404,003	563,510	1,202,191
Depreciation	—	—	—	745,953	—	745,953
	$ 55,756,772	2,914,009	874,340	4,665,034	3,842,946	68,053,101

(12) COVID-19 Pandemic

During the fourth calendar quarter of 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world and in the U.S. during 2020 and continuing in 2021 caused significant volatility in the global financial markets, including those in the U.S. There is continued uncertainty as to the breadth and duration of this pandemic and the resultant market disruption. Mandates from state and local authorities have required periodic temporary closure and/or limited operations of certain schools, businesses and other facilities and organizations. While such closures and limitations on movement, both globally and in the U.S., are expected to be temporary, the potential continued spread of COVID-19 and its impact on social interaction, economic activity and financial markets may adversely affect the Foundation’s operations and financial position.

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