




Mississippi Institutions of Higher Learning A Component Unit of the State of Mississippi

Financial Statements

June 30, 2024 and 2023



MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
A Component Unit of the State of Mississippi

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Independent Auditor's Report

Board of Trustees
Mississippi Institutions of Higher Learning
Jackson, Mississippi

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the Mississippi Institutions of Higher Learning (the IHL System), a Component Unit of the State of Mississippi, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the IHL System's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the IHL System, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Mississippi State University Foundation, Inc., the University of Mississippi Foundation, and the University of Southern Mississippi Foundation, which are discretely presented component units of the IHL System. Those statements, which reflect 100% of the assets, net position, and revenues of the aggregate discretely presented component units as of and for the year ended June 30, 2024 were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Mississippi State University Foundation, Inc., the University of Mississippi Foundation, and the University of Southern Mississippi Foundation, is based solely on the reports of the other auditors.

We did not audit the financial statements of the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund and the State Institutions of Higher Learning Tort Liability Fund, which are included in the business-type activities of the IHL System. Those statements, which reflect approximately .7%, 1.0%, and 0.4%, respectively, of the assets, net position, and revenues of the business-type activities of the IHL System as of and for the year ended June 30, 2024, were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund and the State Institutions of Higher Learning Tort Liability Fund, is based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit

of the Financial Statements” section of our report. We are required to be independent of the IHL System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the discretely presented component units listed above and the State Institutions of Higher Learning Self-Insured Workers’ Compensation Fund and the State Institutions of Higher Learning Tort Liability Fund were not audited in accordance with *Government Auditing Standards*.

Prior Year Audited by Other Auditors

The 2023 financial statements were audited by other auditors, and their report thereon, dated December 28, 2023, expressed an unmodified opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the IHL System’s ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 IHL System’s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the IHL System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension, and other postemployment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the IHL System's basic financial statements. The combining supplementary statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining supplementary statements and component unit combining schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2025 on our consideration of the IHL System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over

Board of Trustees
Mississippi Institutions of Higher Learning

financial reporting and compliance and the results on that testing and not to provide an opinion on the effectiveness of the IHL System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the IHL System's internal control over financial reporting and compliance.

Forvis Mazars, LLP

**Jackson, Mississippi
January 10, 2025**

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
A Component Unit of the State of Mississippi
Management's Discussion and Analysis (Unaudited)
June 30, 2024 and 2023



Introduction

The Board of Trustees of Mississippi's Institutions of Higher Learning (IHL System) governs the state's public four-year institutions. The Constitutional Governing Board was created in 1943 for the purpose of overseeing and directing Mississippi's eight public universities including the University of Mississippi Medical Center, various off-campus centers and multiple research institutes located throughout Mississippi.

The institutions serve approximately 77,000 students with an employee base of 27,900 individuals. Faculty makes up approximately 6,000 of the total employee count. The system offers over 800 degree programs and awarded approximately 19,600 degrees in academic year 2023.

In addition to regular operations, each university has established its own educational building corporation (EBC) in accordance with Section 37-101-61 of the Mississippi Code Annotated of 1972. The purpose of these corporations is to provide a means to acquire land or buildings, construct or renovate facilities, and/or equip facilities. Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, 39, *Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14*, and 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, deem EBCs to be component units of the IHL System; therefore, they are included as blended component units in the basic financial statements. In addition to EBCs, the IHL System has three additional component units considered significant to the financial statements. The three units are Mississippi State University Foundation, Inc., the University of Mississippi Foundation and the University of Southern Mississippi Foundation. These audited financial statements are discretely presented following the IHL System's financial statements.

This report was prepared in accordance with GASB Statements 34 and 35, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – An Amendment of GASB Statement No. 34*, and present financial data for the fiscal period ending June 30, 2024. The IHL System reports as a special purpose government, engaged solely in business-type activities. This section should be read in conjunction with the financial statements and the notes that follow.

The following is a list of abbreviations used throughout this financial report for the member universities of the IHL System:

ASU	Alcorn State University
DSU	Delta State University
JSU	Jackson State University
MSU	Mississippi State University
MUW	Mississippi University for Women

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MVSU	Mississippi Valley State University
UM	University of Mississippi
USM	University of Southern Mississippi
UMMC	University of Mississippi Medical Center
IHL Executive Office	Institutions of Higher Learning – Executive Office
UPM	University Press of Mississippi
MCVS	Mississippi Commission for Volunteer Service – Off-campus entity

The discussion and analysis below provide an overview of the financial position and activities of the IHL System for the years ended June 30, 2024 and 2023. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes that follow this section.

Financial Highlights

The IHL System recorded an increase in net position of \$134 million in fiscal year 2024. Net tuition and fees revenue was up 8.8%, or \$60.3 million. Operating expenses increased by \$568 million, where the major contributor to this increase was personnel cost. The IHL System experienced a 45% (or \$278 million) rise in fringe benefits expense coupled with an 11% (or \$206 million) increase in salaries and wage expense. Excluding the effects of pension and other postemployment benefit (opecb) liabilities, the increase to fringe benefits expense is only \$49 million. Patient care revenues of the medical center experienced a 15.8% growth, or \$216 million.

Financial highlights (in millions)	Years ended June 30,		
	2022	2023	2024
Total operating revenues	\$ 3,045	3,219	3,620
Total operating expenses	3,847	4,226	4,794
Operating loss	(802)	(1,007)	(1,174)
State appropriations	711	812	868
Gifts	337	220	258
Investment income	(69)	35	115
Interest expense on capital asset-related debt	(42)	(46)	(52)
Other nonoperating revenues, net			
and other revenue, expenses, gains and losses	114	79	119
Increase in net position	250	93	134
Net position, beginning of the year	2,432	2,682	2,775
Net position, end of year	\$ 2,682	2,775	2,909

Operating revenues minus operating expenses typically result in an operating loss in the IHL System's financial statements. Nonoperating items, however, including state support, investment income, and gifts have typically enabled the IHL System to reflect an increase in the net position, or "equity" each year. This surplus has been reinvested within the IHL System to add a margin of educational excellence, upgrade the IHL System's facilities and provide a prudent reserve for contingencies such as the recent period of economic instability.

Overview of the Financial Statements

The IHL System's financial report consists of management's discussion and analysis, financial statements including notes, and financial statements of the discretely presented component units. The statements of the System include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; the Statement of Cash Flows; and the Statement of Financial Position and Statement of Activities for the discretely presented component units.

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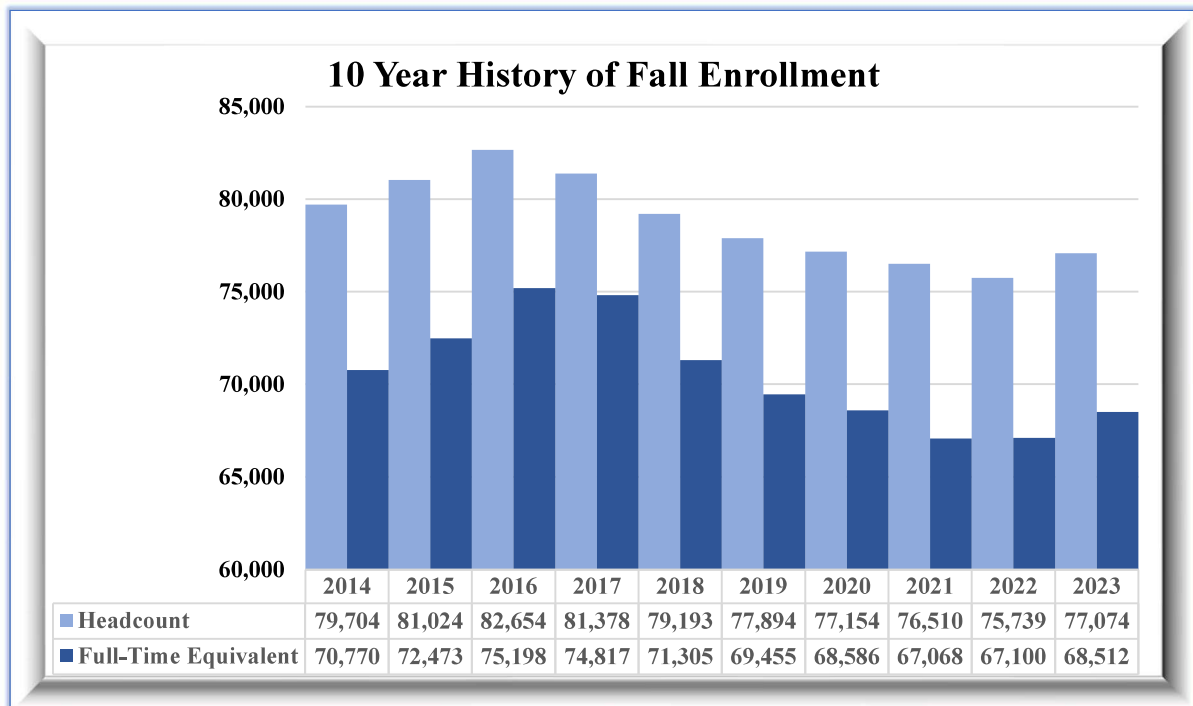
Financial Statements

The financial statements present information for the IHL System as a whole. The Statement of Net Position presents the financial position of the IHL System at the end of fiscal years 2024 and 2023 and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources for all institutions within the IHL System. The difference between total assets, deferred outflows of resources, total liabilities, and deferred inflows of resources – net position – is one measure of the IHL System's financial health or position. The change in net position is a useful indicator of financial health. Over time, increases or decreases in the IHL System's net position provide a useful trend in assessing whether its financial health is improving. Other nonfinancial factors such as enrollment trends and the condition of the physical plant are also useful in evaluating the overall financial health of the IHL System.

The Statement of Revenues, Expenses and Changes in Net Position presents the operating results of the IHL System, as well as nonoperating revenues and expenses for the years ended June 30, 2024 and 2023. Operating revenues are received for providing goods and services to various customers and constituencies of the IHL System. Operating expenses are incurred to acquire or produce the goods and services provided in return for the operating revenues. Nonoperating revenues are received for which goods and services are not provided as an exchange transaction. State appropriations, which represent 17.4% and 18.5% of total IHL System net revenues for fiscal years 2024 and 2023, respectively, are classified as nonoperating revenue because these revenues are appropriated at the state level rather than at the institutional level. This accounting treatment for this revenue classification typically results in the IHL System showing an operating loss. Other typical nonoperating revenue sources include gifts, grants, and appropriations restricted for capital purposes.

The Statement of Cash Flows provides information about the cash sources and uses of the IHL System. Additional information for these statements is provided later in this report.

The following chart depicts a ten-year history of fall enrollment.



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Statement of Net Position

The Statement of Net Position presents the financial position as of the end of the fiscal year and includes all assets, liabilities, deferred outflows of resources, and deferred inflows of resources of the IHL System. Cash and investments are generally reported at fair values. Capital assets are reported at historical cost less an allowance for depreciation and amortization. The difference between total assets and deferred outflows, and total liabilities and deferred inflows – net position – is one indicator of the current financial condition, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the current year. From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the entity, and how much is owed to vendors, investors, and lending institutions. Finally, the Statement of Net Position provides a picture of the net position and its availability for expenditure.

Net position is classified into components as follows:

- Net investment in capital assets represents the investment in property, plant, equipment, and lease and subscription assets less any related debt used to acquire those assets.
- Restricted nonexpendable net position consists of the IHL System's permanent endowment funds.
- Restricted expendable net position is available for expenditure but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.
- Unrestricted net position is available for any lawful purpose of the IHL System.

Summary of Net Position (Condensed)

				Changes between years		
		June 30, 2022	June 30, 2023	June 30, 2024	2022 to 2023	2023 to 2024
Assets:						
Current assets	\$	1,593,367,919	1,664,166,596	1,855,867,179	4.4 %	11.5 %
Capital assets, net		4,606,960,130	4,761,080,932	4,977,803,909	3.3	4.6
Other assets		1,387,646,550	1,453,631,905	1,613,779,474	4.8	11.0
Deferred outflows of resources		490,752,155	599,243,678	1,012,936,286	22.1	69.0
Total assets and deferred outflows of resources	\$	8,078,726,754	8,478,123,111	9,460,386,848	4.9 %	11.6 %
Liabilities:						
Current liabilities	\$	635,609,005	640,907,085	738,035,180	0.8	15.2
Noncurrent liabilities		3,880,941,613	4,881,193,506	5,642,661,356	25.8	15.6
Deferred inflows of resources		880,392,415	181,518,420	171,089,398	(79.4)	(5.7)
Total liabilities and deferred inflows of resources	\$	5,396,943,033	5,703,619,011	6,551,785,934	5.7 %	14.9 %
Net position (deficit):						
Investment in capital assets, net of debt	\$	3,349,669,211	3,446,878,219	3,679,812,504	2.9 %	6.8 %
Restricted – nonexpendable		185,522,926	190,390,227	201,036,313	2.6	5.6
Restricted – expendable		395,157,663	433,967,475	484,825,848	9.8	11.7
Unrestricted		(1,248,566,079)	(1,296,731,821)	(1,457,073,751)	(3.9)	(12.4)
Total net position	\$	2,681,783,721	2,774,504,100	2,908,600,914	3.5 %	4.8 %

At June 30, 2024, 2023, and 2022, current assets totaled \$1.86 billion, \$1.66 billion, and \$1.59 billion, respectively, and consisted primarily of cash and cash equivalents, short-term investments and net receivables. Current assets increased 11.5% (or \$191.7 million) and 4.4% (or \$70.8 million) from June 30, 2023 to 2024 and from June 30, 2022 to 2023, respectively. Cash and cash equivalents, and short-term investments constituted approximately 67%

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June 30, 2024 and 2023

and 66% of current assets as of June 30, 2024 and 2023, respectively, while net receivables constituted approximately 28.5% and 28.6% of current assets as of June 30, 2024 and 2023, respectively. Approximately 45.6% and 46.1% of these net receivables are amounts due from gifts, contracts and grants, and the State of Mississippi for appropriations as of June 30, 2024 and 2023, respectively, while 26.1% and 24.5%, respectively, were related to patient care receivables from UMMC. The remaining receivables were primarily owed from students for tuition, room and board charges.

At June 30, 2024, 2023, and 2022, noncurrent assets totaled \$6.6 billion, \$6.2 billion and \$6.0 billion, respectively, which included capital assets of \$5.0 billion, \$4.8 billion and \$4.6 billion, respectively. Noncurrent cash and investments, that are restricted externally by endowment arrangements or specific grant and contract arrangements, approximated \$235 million and \$212 million at June 30, 2024 and 2023, respectively. These amounts are reflected in net position expendable for scholarships and fellowships and other purposes in the statement of net position. Unspent bond proceeds amounted to \$66.6 million and \$109.8 million at June 30, 2024 and 2023, respectively. One other significant noncurrent asset of the IHL System is student loans receivable which equaled \$64.2 million and \$64.6 million at June 30, 2024 and 2023, respectively. In total, noncurrent assets increased by 6.1% (or \$376.9 million). Net capital assets increased by 4.6%, or \$216.7 million, to \$4.98 billion at 2024. Additional details about the IHL System's most recent capital asset growth can be seen in the Capital Asset and Debt Administration section of this report.

At June 30, 2024, 2023, and 2022, current liabilities equaled \$738 million, \$640.9 million, and \$635.6 million, respectively, and consisted primarily of accounts payable and accrued liabilities, and unearned revenues. Unearned revenues include advance receipts for athletic ticket sales, summer tuition, fees, and student housing.

Noncurrent liabilities are those liabilities due and payable more than twelve months from year-end. Noncurrent liabilities equaled \$5.6 billion, \$4.9 billion, and \$3.9 billion, at June 30, 2024, 2023, and 2022, respectively. The IHL System's proportionate share of the PERS collective net pension liability increased by \$703.4 million (22%) and \$887.7 million (38%) as of June 30, 2024 and 2023, respectively. The IHL System's proportionate share of the collective net OPEB liability reported by the State and School Employees' Life and Health Insurance Plan increased \$13 million (14.4%) as of June 30, 2024 and decreased by \$29.2 million (24.5%) as of June 30, 2023.

Deferred outflows of resources increased by \$413.7 million in 2024 which was mainly caused by the pension and OPEB adjustments for GASB No. 68 and 75. The IHL System recorded \$938.6 million of pension-related deferred outflows at the end of fiscal year 2024, primarily representing the deferral of pension contributions paid during the year for the IHL System's participation in the cost-sharing, defined benefit pension plan administered by PERS, in conjunction with the change of assumption in the discount rate to 7.00% from 7.55%. Deferred inflows of resources changed nominally with a decrease of \$10.4 million, or 5.7%.

Restricted nonexpendable net position equaled \$201.0 million, \$190.4 million, and \$185.5 million, at June 30, 2024, 2023, and 2022, respectively, and consisted of endowment and similar type funds, in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal be maintained intact and invested for the purpose of producing income that may either be expended or added to principal. The value of this net position has increased 5.6% (or \$10.6 million) and 2.6% (or \$4.9 million) from June 30, 2023 to 2024 and June 30, 2022 to 2023, respectively.

Restricted expendable net position equaled \$484.8 million, \$434.0 million, and \$395.2 million, at June 30, 2024, 2023, and 2022, respectively, and consisted of resources that the IHL System is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. The value of this net position has increased 11.7% (or \$50.9 million) and 9.8% (or \$38.8 million) from June 30, 2023 to 2024 and June 30, 2022 to 2023, respectively.

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Unrestricted net position (deficit) equaled \$(1.5) billion, \$(1.3) billion, and \$(1.2) billion, at June 30, 2024, 2023 and 2022, respectively, and represents those assets that are available to the IHL System for any lawful purpose. The value of unrestricted net position worsened by 13.9% (or \$180.6 million) from June 30, 2023 to 2024, and also by 3.9% (or \$48.2 million) from June 30, 2022 to 2023. The unrestricted deficit is the result of the implementation of GASB Statement Nos. 68 and 75, under which IHL recognizes a liability for its net pension and OPEB obligations. At June 30, 2024, 2023, and 2022, the net pension liability was \$3.9 billion, \$3.2 billion, and \$2.3 billion, respectively.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. Operating revenues are earned by providing goods and services to various customers and constituencies. Operating expenses are incurred to acquire or produce the goods and services and to carry out the mission of the IHL System. Nonoperating revenues are revenues received for which goods and services are generally not provided. A public university's dependence on state aid and gifts usually results in operating deficits because state appropriations and gifts are classified as nonoperating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which spreads the cost of an asset over its expected useful life.

Change in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues earned, both operating and nonoperating, and the expenses incurred, operating and nonoperating, and any other revenues, expenses, gains or losses received or incurred by the IHL System.

Summary of Revenues, Expenses and Changes in Net Position (Condensed)

	Years ended June 30,			Changes between years	
	2022	2023	2024	2022 to 2023	2023 to 2024
Operating revenues	\$ 3,044,979,771	3,218,887,338	3,619,687,857	5.7 %	12.5 %
Operating expenses	3,847,088,067	4,225,681,463	4,793,513,092	9.8	13.4
Operating loss	(802,108,296)	(1,006,794,125)	(1,173,825,235)	25.5	16.6
Nonoperating revenues	\$ 937,246,927	1,021,384,917	1,183,374,917	9.0	15.9
Income before other revenues, expenses, gains or losses	135,138,631	14,590,792	9,549,682	(89.2)	(34.5)
Other revenues, expenses, gains or losses	114,506,471	78,129,587	124,547,132	(31.8)	59.4
Change in net position	249,645,102	92,720,379	134,096,814	(62.9)	44.6
Net position, beginning of the year	2,432,138,619	2,681,783,721	2,774,504,100	10.3	3.5
Net position, end of the year	\$ 2,681,783,721	2,774,504,100	2,908,600,914	3.5 %	4.8 %

Operating Revenues

Operating revenues for the IHL System equaled \$3.6 billion, \$3.2 billion and \$3.0 billion for fiscal years 2024, 2023 and 2022, respectively. Operating revenues increased 12.5% (or \$400.8 million) and 5.7% (or \$174 million) during 2024 and 2023, respectively. Major components of operating revenues are the UMMC patient care revenues (43.7% in 2024, 42.4% in 2023 and 41.1% in 2022), net tuition and fees (20.6% in 2024, 21.3% in 2023 and 22.2% in 2022), grants and contracts revenues (17.6% in 2024, 17.2% in 2023 and 17.7% in 2022), and sales and service revenues from auxiliary activities (9.9% in 2024, 10.5% in 2023 and 10.3% in 2022). The following table summarizes the IHL System's operating revenues for the past three fiscal years.

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Operating Revenues					
	Years ended June 30,			Changes between years	
	2022	2023	2024	2022 to 2023	2023 to 2024
Tuition and fees, net	\$ 677,300,039	686,127,990	746,389,758	1.3 %	8.8 %
Grants and contracts	539,365,631	553,921,626	635,281,528	2.7	14.7
Federal appropriations	14,800,675	16,065,608	14,525,612	8.5	(9.6)
Sales and services of					
educational departments	80,870,946	85,816,824	89,284,655	6.1	4.0
Auxiliary enterprises, net	312,545,905	338,374,559	358,197,146	8.3	5.9
Patient care revenues	1,251,077,962	1,365,774,381	1,581,873,502	9.2	15.8
Other	169,018,613	172,806,350	194,135,656	2.2	12.3
Total operating revenues	\$ 3,044,979,771	3,218,887,338	3,619,687,857	5.7 %	12.5 %

Net tuition and fee revenues increased 8.8% (\$60.3 million) and 1.3% (\$8.8 million) during 2024 and 2023, respectively. In 2024, the average increase in the in-state tuition rate was \$255 (or 2.9%), and the average increase in the out-of-state tuition rate was \$823 (or 5.8%). All universities except Alcorn State and Delta State raised its tuition rate in 2024, and four universities do not charge out-of-state tuition surcharges (ASU, DSU, MUW and MVSU).

Patient care revenues at UMMC increased 15.8%, or \$216 million from June 30, 2023 to 2024, and 9.2%, or \$115 million, from June 30, 2022 to 2023.

Operating Expenses

Operating expenses for the IHL System totaled \$4.8 billion, \$4.2 billion, and \$3.8 billion for fiscal years 2024, 2023 and 2022, respectively. Operating expenses increased by 13.4% (or \$568 million) during 2024. Personnel costs (including fringe benefits) were the largest expense component for the IHL System, representing 61% of the total in 2024 and 58% in 2023. Other major components include contractual services (15.3% in 2024, 16.7% in 2023, and 15.3% in 2022), commodities (11.0% in 2024, 11.9% in 2023, and 12.3% in 2022), and scholarships and fellowships (4.5% in 2024, 4.7% in 2023, and 7.4% in 2022). The following table summarizes the IHL System's operating expenses (by major object category) for the past three fiscal years.

Operating Expenses					
	Years ended June 30,			Changes between years	
	2022	2023	2024	2022 to 2023	2023 to 2024
By major object category:					
Salaries and wages	\$ 1,731,655,127	1,832,509,450	2,038,509,330	5.8 %	11.2 %
Fringe benefits	444,696,977	620,724,480	898,597,459	39.6	44.8
Travel	43,247,698	60,886,146	66,647,565	40.8	9.5
Contractual services	590,337,899	705,279,482	733,091,415	19.5	3.9
Utilities	82,054,505	92,259,266	86,549,400	12.4	(6.2)
Scholarships and fellowships	286,515,653	198,441,231	213,789,531	(30.7)	7.7
Commodities	474,328,091	502,057,442	529,676,245	5.8	5.5
Depreciation and amortization	190,762,209	204,527,031	217,406,550	7.2	6.3
Other	3,489,908	8,996,935	9,245,597	157.8	2.8
Total operating expenses	\$ 3,847,088,067	4,225,681,463	4,793,513,092	9.8 %	13.4 %

The IHL System's personnel expenses increased in both 2024 (19.7%, or 484 million) and 2023 (12.7%, or \$277 million). All institutions experienced increases in personnel costs in 2023. In 2024, DSU and MUW managed to decrease personnel cost, net of the pension effect; however, all institutions felt an increase after the pension and

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OPEB adjustments. Travel expenses experienced a modest increase in 2024, \$5.8 million (or 9.5%) after a significant 40.8% increase (\$17.6 million) in 2023. Travel had been down for two consecutive years post-pandemic. Contractual services increased another 3.9% (\$27.8 million) after jumping 19.5% for two consecutive years (\$115 million in 2023 and \$97 million in 2022). The cost of commodities continues to rise, by 5.5% (or \$27.6 million) in 2024 and 5.8% (or \$27.7 million) in 2023. Scholarship and fellowship expenses rose by 7.7% (\$15.3 million) from 2023 to 2024 after experiencing a sharp decline of 30.7%, or \$88 million, from 2022 to 2023.

As an alternative presentation model, the IHL System's operating expenses are shown below by major functional classification. Functional classifications are the traditional categories that universities have used in past financial presentations (pre-GASB 34). These functions represent the types of programs and services that the universities generally provide. For example, funds utilized to compensate a classroom professor or provide classroom materials would be classified as instruction.

	Operating Expenses			Changes between years	
	Years ended June 30,				
	2022	2023	2024	2022 to 2023	2023 to 2024
By function:					
Instruction	\$ 659,968,760	749,533,168	838,682,971	13.6 %	11.9 %
Research	378,964,397	419,809,462	455,322,103	10.8	8.5
Public service	176,410,298	205,796,670	231,914,325	16.7	12.7
Academic support	158,428,564	179,234,949	183,767,933	13.1	2.5
Student services	96,673,649	110,644,231	121,978,850	14.5	10.2
Institutional support	322,249,724	361,920,362	478,414,174	12.3	32.2
Operations and maintenance of plant	201,203,141	219,168,191	228,299,076	8.9	4.2
Student aid	285,645,522	211,506,885	224,583,891	(26.0)	6.2
Auxiliary enterprises	290,072,412	325,801,025	365,227,062	12.3	12.1
Depreciation and amortization	190,819,779	204,527,031	212,361,798	7.2	3.8
Hospital	1,176,207,392	1,328,080,110	1,542,391,673	12.9	16.1
Other	1,691,621	2,487,707	4,625,508	47.1	85.9
Eliminations	(91,247,192)	(92,828,328)	(94,056,272)	1.7	1.3
Total operating expenses	\$ 3,847,088,067	4,225,681,463	4,793,513,092	9.8 %	13.4 %

Funding for the Instruction function continues to be one of the IHL System's highest priorities. Instruction costs increased by 11.9% (or \$89 million) in 2024 and 13.6% (or \$89.6 million) in 2023. For the past three years, this percentage share of total operations has hovered around 17.5%, while the 10-year average is 19.1%. Institutional research (internal and external) and public service costs have always commanded one of the System's primary cost missions. Research expenses grew by 8.5% (or \$35.5 million) in 2024 after a 10.8% (or \$40.8 million) increase in 2023; these costs represent approximately 14.3% and 14.8% of the IHL System's total focus during 2024 and 2023, respectively. Institutional support costs typically present the functions of the executive management department, general administration, logistical support services, computing, public relations and development. These costs increased by 32.2% (or \$116.5 million) in 2024 and by 12.3% (or \$39.7 million) in 2023 after experiencing a 10.9% decline in 2022. Auxiliary enterprise costs include all expenses associated with departments that primarily exist to furnish goods or services to students, faculty, or staff and that charge a fee directly related to, although not necessarily equal to, the cost of the goods and services. Auxiliary departments are required to be essentially self-supporting activities. Examples are (1) student housing, (2) food services, (3) bookstores, and (4) intercollegiate athletics. Auxiliary expenses increased by 12.1% (\$39.4 million) in 2024 and by 12.3% (\$35.7 million) in fiscal year 2023. Student Aid expenses rose modestly by 6.2% (or \$13 million) in 2024 after experiencing the first decline since 2017 in the amount of \$74 million (or 26%). Finally, hospital expenses increased for the third year in a row, by 16.1% (or \$214 million) in 2024 and 13% (\$152 million) in 2023. The hospital operations contribution ratio remained steady at 73.5%.

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The IHL System identified millions of dollars in inter-campus transactions that required elimination for financial statement presentation purposes. Examples of such transactions would be student financial aid funds administered by the IHL Executive Office that were directed to the campuses, as well as grant agreements between one or more IHL System institutions in which one campus served as a primary recipient and the other campus acted as a sub-recipient.

Capital Asset and Debt Administration

At June 30, 2024, 2023, and 2022, the IHL System had approximately \$5.0 billion, \$4.8 billion, and \$4.6 billion, respectively, invested in a broad range of capital assets. These assets comprise land, construction in progress, livestock, buildings and improvements (infrastructure), equipment, lease and subscription assets, and library books. They are stated net of accumulated depreciation or amortization. The following table summarizes the IHL System's capital assets for the past three fiscal years.

Capital Asset Summary					
	Years ended June 30,			Changes between years	
	2022	2023	2024	2022 to 2023	2023 to 2024
Capital assets not being depreciated/amortized	\$ 496,119,089	544,995,179	761,475,731	9.9 %	39.7 %
Depreciable/amortizable capital assets:					
Improvements other than buildings	537,431,932	552,874,686	586,610,046	2.9	6.1
Buildings	4,804,079,522	4,959,955,773	4,993,064,567	3.2	0.7
Equipment	983,447,633	1,001,978,681	1,031,843,864	1.9	3.0
Lease assets	132,889,845	145,773,309	185,275,657	9.7	27.1
Subscription-based software	—	60,525,298	81,943,458		
Library books	475,850,653	484,665,708	488,683,455	1.9	0.8
Total depreciable/amortizable capital assets	6,933,699,585	7,205,773,455	7,367,421,047	3.9	2.2
Total cost of capital assets	7,429,818,674	7,750,768,634	8,128,896,778	4.3	4.9
Less accumulated depreciation/amortization	(2,822,858,544)	(2,989,687,702)	(3,151,092,869)	5.9	5.4
Capital assets, net	\$ 4,606,960,130	4,761,080,932	4,977,803,909	3.3 %	4.6 %

Non-depreciable/amortizable capital assets equaled \$761 million, \$545 million, and \$496 million at June 30, 2024, 2023, and 2022, respectively. These assets principally consisted of land and construction in progress. The 39.7% increase (\$216 million) in 2024 was the result of \$280 million in additions to construction projects.

At June 30, 2024, 2023, and 2022, the IHL System had \$1.5 billion, \$1.5 billion, and \$1.3 billion, respectively, in bonded debt, notes payable, lease and subscription liabilities. This represents a 3.2% (or \$46.5 million) increase in 2024 after a 13.3% (\$170.6 million) increase in 2023. The following table summarizes the IHL System's long-term debt for the past three fiscal years.

Long-Term Debt Summary					
	Years ended June 30,			Changes between years	
	2022	2023	2024	2022 to 2023	2023 to 2024
Bonds payable	\$ 1,151,530,267	1,286,420,515	1,313,988,192	11.7 %	2.1 %
Notes payable and financed purchases	13,803,408	10,452,123	7,020,497	(24.3)	(32.8)
Lease liability	115,969,533	112,394,899	135,623,576	(3.1)	20.7
Subscription liability	—	42,597,970	41,757,389		(2.0)
Total long-term debt	\$ 1,281,303,208	1,451,865,507	1,498,389,654	13.3 %	3.2 %

Bonded debt increased 2.1% (\$27.6 million) in 2024 and 11.7% (or \$134.9 million) in 2023. In February 2024, the MSU EBC issued \$82,650,000 of Series 2024A Revenue Refunding Bonds and \$48,325,000 of Series 2024B

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Refunding Bonds to finance construction of a new residence hall and fund renovations for Humphrey Coliseum. During fiscal year 2023, the UM EBC issued \$72,760,000 of Series 2022 tax-exempt revenue bonds to construct and equip the Jim and Thomas Duff Center for Science and Technology Innovation. In May 2023, The Medical Center EBC issued \$82,500,000 of Series 2023A and \$27,500,000 of Series 2023B to acquire and construct the Colony Park teaching campus located in Ridgeland, MS.

Designated Revenues

Bond indentures previously issued, and those that may be issued in the future by the institution's Educational Building Corporations (EBC) are payable from designated revenues. The IHL Board covenants under terms of its various bond agreements that if designated revenues are insufficient to satisfy the IHL Board's obligations, the IHL Board will provide amounts from any other legally available source and will then allocate the same to cure the insufficiency. The following table provides a history of all designated revenues available to the IHL Board from fiscal years 2020 through 2024.

Designated Revenues¹ and Unrestricted Net Position (excludes UMMC, Board Office, and MCVS)					
	Years ended June 30,				
	2020	2021	2022	2023	2024
Tuition, net ²	\$ 620,923,011	613,221,706	638,637,295	644,384,339	702,848,167
Sales and services	57,514,245	57,399,481	78,926,608	83,868,049	87,416,981
Auxiliary enterprises, net ²	272,846,066	298,444,150	307,701,350	333,966,266	353,304,835
Other ³	52,735,117	55,455,591	64,907,297	58,085,791	63,189,741
Sub-total	1,004,018,439	1,024,520,928	1,090,172,550	1,120,304,445	1,206,759,724
State appropriations	477,248,168	465,521,243	485,292,014	564,979,454	610,581,942
Unrestricted net position ⁴	—	—	—	—	—
Total	<u>\$ 1,481,266,607</u>	<u>1,490,042,171</u>	<u>1,575,464,564</u>	<u>1,685,283,899</u>	<u>1,817,341,666</u>

¹ Designated Revenues represent all unrestricted revenues of the IHL System (excluding the member Universities indicated above) which include without limitation, net tuition and auxiliary fees, sales and services, other operating revenue, state appropriations and unrestricted net position balances.

² Tuition and auxiliary enterprise revenues are net of scholarship allowances in the form of reduced tuition, room and board.

³ Other designated revenues include federal appropriations, other operating revenues, and interest earned on loans to students.

⁴ The unrestricted net position of \$(572,666,659) for 2020, \$(447,531,102) for 2021, \$(345,796,497) for 2022, \$(344,025,203) for 2023, and \$(371,270,200) for 2024, did not contribute to total designated revenues since fiscal year 2015, and therefore have been excluded from the table. The decline in the unrestricted net position balance since 2015 is the result of the implementation of GASB Statement Nos. 68 and 75 for pension and OPEB liabilities.

Economic Outlook

The IHL System began the 2025 fiscal year with an anticipated systemwide operating budget increase of \$64.9 million. Fiscal year 2024 closed strong with a \$134 million net increase (see the SRECNP summary table on page 10 of management discussion and analysis). For fiscal year 2025, general education funding from the State of Mississippi will decrease by 5% (or \$28 million), and the IHL system expects tuition to increase by \$68.8 million and

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auxiliary revenues to increase by \$24 million. In 2025, state-appropriated revenues will comprise approximately 32% of the total E&G budget, while self-generated tuition revenues will approximate 58% of the total revenues. In comparison, in fiscal year 2010, state appropriations represented 42% of revenues, while tuition revenue equaled 48% of the total.

The IHL System maintains high credit ratings from Moody's (Aa2), Fitch (AA) and Standard & Poor's (AA-). Achieving and maintaining these high credit ratings provide the IHL System higher degree of flexibility in securing capital funds on the most competitive terms. This flexibility, along with ongoing efforts toward revenue diversification and cost containment, will enable the IHL System to provide the necessary resources to support a level of excellence in service to students, patients, the research community, the State of Mississippi and the nation as a whole.

As a labor-intensive organization, the IHL System faces competitive pressures related to attracting and retaining faculty and staff. Moreover, consistent with the national landscape, the cost of the IHL System's health benefits for its employees continues to increase. Beginning on July 1, 2024, the employer contribution to the Public Employees' Retirement System is expected to increase by \$69 million for the IHL system. For fiscal year 2025, the Legislature provided funds to cover this cost increase. A similar increase is expected in fiscal year 2026, beginning on July 1, 2025. The IHL System has in the past and will continue to take proactive steps to respond to these challenges of rising costs. An example of continued steps includes the preparation of three-year business plans by the institutions and financial monitoring through the Board's financial sustainability policy.

While it is not possible at this time to predict the ultimate results, management at each institution has a proven track record of successfully adapting to this present economic environment while continuing to search for new opportunities to complement state support. The IHL System's financial goal, as always, is to deliver quality services to its customers and constituents while maintaining financial integrity.

This financial report is designed to provide a general overview of the finances of the IHL System. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Board of Trustees
Department of Finance
3825 Ridgewood Road
Jackson, MS 39211

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BASIC FINANCIAL STATEMENTS

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MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
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STATEMENTS OF NET POSITION
JUNE 30, 2024 AND 2023

	2024	2023
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 716,130,485	\$ 679,420,417
Short term investments	523,255,686	419,249,145
Accounts receivable, net	517,189,950	463,146,924
Student notes receivable, net	12,366,354	13,813,069
Inventories	45,300,326	44,027,961
Prepaid expenses	36,623,636	35,858,542
Other current assets	5,000,742	8,650,538
Total current assets	<u>1,855,867,179</u>	<u>1,664,166,596</u>
NONCURRENT ASSETS		
Restricted cash and cash equivalents	244,003,456	158,581,930
Restricted investments	56,280,673	43,663,791
Endowment investments	396,912,159	370,470,102
Other long-term investments	757,300,378	746,266,336
Student notes receivable, net	64,201,638	64,650,488
Beneficial interest in irrevocable trust	47,374,211	41,652,408
Capital assets, net	4,977,803,909	4,761,080,932
Other noncurrent assets	47,706,959	28,346,850
Total noncurrent assets	<u>6,591,583,383</u>	<u>6,214,712,837</u>
Total assets	<u>8,447,450,562</u>	<u>7,878,879,433</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,012,936,286</u>	<u>599,243,678</u>
Total assets and deferred outflows of resources	<u>\$ 9,460,386,848</u>	<u>\$ 8,478,123,111</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 351,085,106	\$ 292,709,552
Unearned revenues	163,745,299	151,881,374
Accrued leave liabilities - current portion	14,826,027	14,312,867
Long-term liabilities - current portion	111,367,957	105,260,650
Other current liabilities	97,010,791	76,742,642
Total current liabilities	<u>738,035,180</u>	<u>640,907,085</u>
NONCURRENT LIABILITIES		
Accrued leave liabilities	133,578,801	126,422,626
Deposits refundable	1,419,430	1,373,261
Long-term liabilities	1,446,613,241	1,405,153,460
Net pension liability	3,933,233,377	3,229,875,677
Net OPEB liability	103,055,815	90,089,029
Other noncurrent liabilities	24,760,692	28,279,453
Total noncurrent liabilities	<u>5,642,661,356</u>	<u>4,881,193,506</u>
Total liabilities	<u>6,380,696,536</u>	<u>5,522,100,591</u>
DEFERRED INFLOWS OF RESOURCES	<u>171,089,398</u>	<u>181,518,420</u>
Total liabilities and deferred inflows of resources	<u>6,551,785,934</u>	<u>5,703,619,011</u>
NET POSITION		
Net investment in capital assets	3,679,812,504	3,446,878,219
Restricted for		
Nonexpendable		
Scholarships and fellowships	33,367,491	30,067,293
Research	5,299,679	4,895,630
Other purposes	162,369,143	155,427,304
Expendable		
Scholarships and fellowships	49,599,049	49,782,825
Research	106,070,961	97,275,794
Capital projects	31,279,563	40,536,336
Debt service	48,597,679	23,037,177
Loans	63,847,239	61,062,143
Other purposes	185,431,357	162,273,200
Unrestricted	<u>(1,457,073,751)</u>	<u>(1,296,731,821)</u>
Total net position	<u>\$ 2,908,600,914</u>	<u>2,774,504,100</u>

See accompanying notes to financial statements.

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DISCRETELY PRESENTED COMPONENT UNIT --
MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.

Consolidated Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 1,420,265	\$ 3,200,533
Restricted cash	4,567,124	6,340,757
Restricted short-term investments	7,381,396	4,105,021
Accrued interest, other receivables and prepaid assets	123,395	296,901
Receivable from MSU	—	1,125,520
Receivable from MSU Alumni Association	125,944	156,878
Pledges receivable, net	48,800,243	143,299,975
Investments	861,331,701	689,496,771
Present value of amounts due from externally managed trusts	60,183,393	56,102,682
Land, buildings, and equipment, net	30,660,056	25,507,114
Total assets	<u>\$ 1,014,593,517</u>	<u>\$ 929,632,152</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 2,345,085	\$ 2,840,121
Agency payable	11,948,520	10,445,778
Liabilities under split interest agreements	7,889,201	8,179,931
Deferred revenue	1,845,913	1,995,496
Payable to Mississippi State University	459,829	358,348
Note payable	2,092,686	2,383,405
Total liabilities	<u>26,581,234</u>	<u>26,203,079</u>
NET ASSETS		
Without donor restrictions:		
Net assets attributable to the Foundation	79,520,934	73,848,874
Net assets attributable to noncontrolling interest	53,585,591	49,194,917
Total net assets without donor restrictions	<u>133,106,525</u>	<u>123,043,791</u>
With donor restrictions	<u>854,905,758</u>	<u>780,385,282</u>
Total net assets	<u>988,012,283</u>	<u>903,429,073</u>
Total liabilities and net assets	<u>\$ 1,014,593,517</u>	<u>\$ 929,632,152</u>

See accompanying notes to financial statements.

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DISCRETELY PRESENTED COMPONENT UNIT --
THE UNIVERSITY OF MISSISSIPPI FOUNDATION

Statements of Financial Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 17,311,446	\$ 7,201,219
Pledges receivable, net	77,637,445	77,341,370
Investments	714,471,712	657,110,451
Beneficial interest in remainder trust	11,258,475	10,306,177
Property and equipment, net	1,761,815	1,703,735
Other assets	<u>1,908,597</u>	<u>1,572,427</u>
Total assets	<u>\$ 824,349,490</u>	<u>\$ 755,235,379</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Funds held for others	\$ 30,659,907	\$ 28,333,235
Liabilities under remainder trusts and gift annuities	2,952,569	4,076,806
Other liabilities	<u>3,725,044</u>	<u>3,501,708</u>
Total liabilities	<u>37,337,520</u>	<u>35,911,749</u>
NET ASSETS		
Without donor restrictions	25,563,854	20,391,402
With donor restrictions	<u>761,448,116</u>	<u>698,932,228</u>
Total net assets	<u>787,011,970</u>	<u>719,323,630</u>
Total liabilities and net assets	<u>\$ 824,349,490</u>	<u>\$ 755,235,379</u>

See accompanying notes to financial statements.

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DISCRETELY PRESENTED COMPONENT UNIT --
THE UNIVERSITY OF SOUTHERN MISSISSIPPI FOUNDATION

Consolidated Statements of Financial Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 2,864,221	\$ 3,373,595
Accrued earnings	148,702	115,371
Prepaid assets and other receivables	1,000,326	687,108
Pledges receivable, net	7,055,548	3,503,864
Investments	165,754,750	142,958,995
Cash surrender value of life insurance	2,802,540	2,814,064
Amounts due from externally managed trusts	13,397,807	11,967,432
Property and equipment, net	<u>1,233,789</u>	<u>85,476</u>
Total assets	<u>\$ 194,257,683</u>	<u>\$ 165,505,905</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 682,162	\$ 834,718
Gift annuities payable	<u>55,918</u>	<u>55,605</u>
Total liabilities	<u>738,080</u>	<u>890,323</u>
NET ASSETS		
Without donor restrictions	20,483,651	16,632,108
With donor restrictions	<u>173,035,952</u>	<u>147,983,474</u>
Total net assets	<u>193,519,603</u>	<u>164,615,582</u>
Total liabilities and net assets	<u>\$ 194,257,683</u>	<u>\$ 165,505,905</u>

See accompanying notes to financial statements.

MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
A Component Unit of the State of Mississippi

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
OPERATING REVENUES		
Tuition and fees	\$ 1,140,213,761	\$ 1,058,830,917
Less scholarship allowances	(385,164,330)	(367,397,299)
Less bad debt expense	(8,659,673)	(5,305,628)
Net tuition and fees	746,389,758	686,127,990
Federal appropriations	14,525,612	16,065,608
Federal grants and contracts	471,180,195	419,081,396
State grants and contracts	63,547,230	42,042,613
Nongovernmental grants and contracts	100,554,103	92,797,617
Sales and services of educational departments	89,284,655	85,816,824
Auxiliary enterprises:		
Student housing	130,689,770	118,624,384
Food services	39,556,345	35,659,007
Bookstore	5,511,518	5,993,374
Athletics	183,368,859	174,523,010
Other auxiliary revenues	42,228,825	38,774,693
Less auxiliary enterprise scholarship allowances	(43,158,171)	(35,199,909)
Interest earned on loans to students	1,085,699	1,696,532
Patient care revenues, net	1,581,873,502	1,365,774,381
Other operating revenues, net	193,049,957	171,109,818
Total operating revenues	3,619,687,857	3,218,887,338
OPERATING EXPENSES		
Salaries and wages	2,038,509,330	1,832,509,450
Fringe benefits	898,597,459	620,724,480
Travel	66,647,565	60,886,146
Contractual services	733,091,415	705,279,482
Utilities	86,549,400	92,259,266
Scholarships and fellowships	213,789,531	198,441,231
Commodities	529,676,245	502,057,442
Depreciation and amortization	217,406,550	204,527,031
Other operating expenses	9,245,597	8,996,935
Total operating expenses	4,793,513,092	4,225,681,463
Operating loss	(1,173,825,235)	(1,006,794,125)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	867,778,793	811,969,862
Gifts and grants	257,785,320	220,034,058
Investment income, net of investment expense	114,642,380	34,874,048
Interest expense on capital asset-related debt	(51,511,518)	(46,108,722)
Other nonoperating revenues	5,489,783	20,790,499
Other nonoperating expenses	(10,809,841)	(20,174,828)
Total nonoperating revenues, net	1,183,374,917	1,021,384,917
Income before other revenues, expenses, gains and losses	9,549,682	14,590,792
OTHER REVENUES, EXPENSES, GAINS AND LOSSES		
Capital grants and gifts	41,873,222	29,361,319
State appropriations restricted for capital purposes	76,024,252	43,314,625
Additions to permanent endowments	2,092,888	1,812,265
Other additions	8,452,966	7,790,443
Other deletions	(3,896,196)	(4,149,065)
CHANGE IN NET POSITION	134,096,814	92,720,379
Net position, beginning of the year	2,774,504,100	2,681,783,721
NET POSITION, END OF THE YEAR	\$ 2,908,600,914	\$ 2,774,504,100

See accompanying notes to financial statements.

MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
A Component Unit of the State of Mississippi

DISCRETELY PRESENTED COMPONENT UNIT --
MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.

Consolidated Statement of Activities
Year ended June 30, 2024

	Without donor restrictions	With donor restrictions	Total
REVENUES AND SUPPORT			
Contributions	\$ 21,218,106	39,893,575	61,111,681
Investment return, net	11,343,911	68,567,200	79,911,111
Change in value of split interest agreements	—	4,936,116	4,936,116
Other	8,948,410	394,344	9,342,754
Net assets released from restrictions	39,270,759	(39,270,759)	—
Total revenues, gains, and other support	80,781,186	74,520,476	155,301,662
EXPENDITURES			
Program services:			
Contributions and support for Mississippi State University	52,610,149	—	52,610,149
Contributions and support for Bulldog Club	2,253,784	—	2,253,784
Contributions and support for MSU Alumni Association	1,338,369	—	1,338,369
Total program services	56,202,302	—	56,202,302
Supporting services:			
General administrative	8,462,886	—	8,462,886
Fund raising	5,237,020	—	5,237,020
Total supporting services	13,699,906	—	13,699,906
Total expenditures	69,902,208	—	69,902,208
Change in net assets before noncontrolling interests	10,878,978	74,520,476	85,399,454
Payments to noncontrolling interests	(816,244)	—	(816,244)
CHANGE IN NET ASSETS	10,062,734	74,520,476	84,583,210
Net assets, beginning of the year	123,043,791	780,385,282	903,429,073
NET ASSETS, END OF THE YEAR	<u>\$ 133,106,525</u>	<u>854,905,758</u>	<u>988,012,283</u>

See accompanying notes to financial statements.

MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
A Component Unit of the State of Mississippi

DISCRETELY PRESENTED COMPONENT UNIT --
MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.

Consolidated Statement of Activities
Year ended June 30, 2023

	Without donor restrictions	With donor restrictions	Total
REVENUES AND SUPPORT			
Contributions	\$ 21,229,349	132,321,672	153,551,021
Investment return, net	6,120,059	56,383,077	62,503,136
Change in value of split interest agreements	—	1,653,487	1,653,487
Other	19,903,127	776,327	20,679,454
Net assets released from restrictions	35,458,795	(35,458,795)	—
Total revenues, gains, and other support	82,711,330	155,675,768	238,387,098
EXPENDITURES			
Program services:			
Contributions and support for Mississippi State University	46,990,867	—	46,990,867
Contributions and support for Bulldog Club	1,799,555	—	1,799,555
Contributions and support for MSU Alumni Association	1,259,471	—	1,259,471
Total program services	50,049,893	—	50,049,893
Supporting services:			
General administrative	7,585,140	—	7,585,140
Fund raising	4,814,077	—	4,814,077
Total supporting services	12,399,217	—	12,399,217
Total expenditures	62,449,110	—	62,449,110
Change in net assets before noncontrolling interests	20,262,220	155,675,768	175,937,988
Payments to noncontrolling interests	(716,441)	—	(716,441)
CHANGE IN NET ASSETS	19,545,779	155,675,768	175,221,547
Net assets, beginning of the year	103,498,012	624,709,514	728,207,526
NET ASSETS, END OF THE YEAR	<u>\$ 123,043,791</u>	<u>780,385,282</u>	<u>903,429,073</u>

See accompanying notes to financial statements.

MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
A Component Unit of the State of Mississippi

DISCRETELY PRESENTED COMPONENT UNIT --
THE UNIVERSITY OF MISSISSIPPI FOUNDATION

Statement of Activities
Year ended June 30, 2024

	Without donor restrictions	With donor restrictions	Total
REVENUES AND SUPPORT			
Contributions, gifts and bequests	\$ 40,000	53,349,455	53,389,455
Investment return, net	4,629,027	58,115,549	62,744,576
Change in value of split interest agreements	—	1,555,229	1,555,229
Management fees	1,763,243	(1,763,243)	—
Development fees	1,763,243	(1,763,243)	—
Other income	1,063,333	2,647,715	3,711,048
Total revenues, gains, and other support	9,258,846	112,141,462	121,400,308
 Net assets released from restrictions/ redesignated by donor:			
Appropriation from donor endowment	10,907,665	(10,907,665)	—
Satisfaction of program restrictions	38,717,909	(38,717,909)	—
 EXPENDITURES			
Support for University activities:			
Academic	5,651,299	—	5,651,299
Scholarship	10,872,227	—	10,872,227
Programmatic	25,503,334	—	25,503,334
University of Mississippi Medical Center	5,471,158	—	5,471,158
General and administrative expenses	3,250,634	—	3,250,634
Fund-raising expenses	2,963,316	—	2,963,316
Total expenses	53,711,968	—	53,711,968
 CHANGE IN NET ASSETS	5,172,452	62,515,888	67,688,340
Net assets, beginning of the year	20,391,402	698,932,228	719,323,630
NET ASSETS, END OF THE YEAR	<u>\$ 25,563,854</u>	<u>761,448,116</u>	<u>787,011,970</u>

See accompanying notes to financial statements.

MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
A Component Unit of the State of Mississippi

DISCRETELY PRESENTED COMPONENT UNIT --
THE UNIVERSITY OF MISSISSIPPI FOUNDATION

Statement of Activities
Year ended June 30, 2023

	Without donor restrictions	With donor restrictions	Total
REVENUES AND SUPPORT			
Contributions, gifts and bequests	\$ 9,174	79,631,313	79,640,487
Investment return, net	3,467,743	31,615,651	35,083,394
Change in value of split interest agreements	—	(217,005)	(217,005)
Management fees	1,670,559	(1,670,559)	—
Development fees	1,670,559	(1,670,559)	—
Other income	1,045,110	1,395,500	2,440,610
Total revenues, gains, and other support	7,863,145	109,084,341	116,947,486
 Net assets released from restrictions/ redesignated by donor:			
Appropriation from donor endowment	11,011,884	(11,011,884)	—
Satisfaction of program restrictions	28,348,541	(28,348,541)	—
 EXPENDITURES			
Support for University activities:			
Academic	5,578,762	—	5,578,762
Scholarship	10,744,264	—	10,744,264
Programmatic	18,436,538	—	18,436,538
University of Mississippi Medical Center	5,102,676	—	5,102,676
General and administrative expenses	3,156,287	—	3,156,287
Fund-raising expenses	2,873,965	—	2,873,965
Total expenses	45,892,492	—	45,892,492
 CHANGE IN NET ASSETS	1,331,078	69,723,916	71,054,994
Net assets, beginning of the year	19,060,324	629,208,312	648,268,636
NET ASSETS, END OF THE YEAR	<u>\$ 20,391,402</u>	<u>698,932,228</u>	<u>719,323,630</u>

See accompanying notes to financial statements.

MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
A Component Unit of the State of Mississippi

DISCRETELY PRESENTED COMPONENT UNIT --
THE UNIVERSITY OF SOUTHERN MISSISSIPPI FOUNDATION

Consolidated Statement of Activities
Year ended June 30, 2024

	Without donor restrictions	With donor restrictions	Total
REVENUES AND SUPPORT			
Contributions	\$ 2,193,305	21,067,350	23,260,655
Investment return, net	5,362,498	12,165,736	17,528,234
Gain on externally managed trusts	—	423,359	423,359
Change in value of split interest agreements	—	994,401	994,401
Change in value - other	(1,424)	10,552	9,128
Other	13,182	53,581	66,763
Total revenues, gains, and other support	7,567,561	34,714,979	42,282,540
Changes in restrictions:			
Change in restriction by donors	(14,021)	14,021	—
Net assets released from restrictions	9,676,522	(9,676,522)	—
EXPENDITURES			
Program services:			
Contributions and support for The University of Southern Mississippi	10,420,857	—	10,420,857
Supporting services:			
General and administrative	1,792,636	—	1,792,636
Fund-raising	1,165,026	—	1,165,026
Total expenses	13,378,519	—	13,378,519
CHANGE IN NET ASSETS	3,851,543	25,052,478	28,904,021
Net assets, beginning of the year	16,632,108	147,983,474	164,615,582
NET ASSETS, END OF THE YEAR	<u>\$ 20,483,651</u>	<u>173,035,952</u>	<u>193,519,603</u>

See accompanying notes to financial statements.

MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
A Component Unit of the State of Mississippi

DISCRETELY PRESENTED COMPONENT UNIT --
THE UNIVERSITY OF SOUTHERN MISSISSIPPI FOUNDATION

Consolidated Statement of Activities
Year ended June 30, 2023

	Without donor restrictions	With donor restrictions	Total
REVENUES AND SUPPORT			
Contributions	\$ 2,217,034	14,095,491	16,312,525
Investment return, net	3,662,504	6,560,415	10,222,919
Gain on externally managed trusts	—	269,954	269,954
Change in value of split interest agreements	—	1,422,425	1,422,425
Change in value - other	260	38,430	38,690
Other	68,006	32,279	100,285
Total revenues, gains, and other support	5,947,804	22,418,994	28,366,798
Changes in restrictions:			
Change in restriction by donors	1,600	(1,600)	—
Net assets released from restrictions	10,132,303	(10,132,303)	—
EXPENDITURES			
Program services:			
Contributions and support for The University of Southern Mississippi	10,838,436	—	10,838,436
Supporting services:			
General and administrative	1,962,146	—	1,962,146
Fund-raising	1,301,184	—	1,301,184
Total expenses	14,101,766	—	14,101,766
CHANGE IN NET ASSETS	1,979,941	12,285,091	14,265,032
Net assets, beginning of the year	14,652,167	135,698,383	150,350,550
NET ASSETS, END OF THE YEAR	<u>\$ 16,632,108</u>	<u>147,983,474</u>	<u>164,615,582</u>

See accompanying notes to financial statements.

MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
A Component Unit of the State of Mississippi

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
OPERATING ACTIVITIES		
Tuition and fees	\$ 744,403,223	\$ 705,410,489
Grants and contracts	643,354,191	529,331,204
Sales and services of educational departments	84,992,511	86,147,600
Payments to suppliers	(1,293,523,663)	(1,279,240,529)
Payments to employees for salaries and benefits	(2,633,520,351)	(2,426,298,212)
Payments for utilities	(85,825,065)	(92,390,167)
Payments for scholarships and fellowships	(212,579,324)	(202,908,683)
Loans issued to students	(9,885,014)	(8,725,754)
Collection of loans from students	8,401,171	10,312,836
Federal loan program receipts	456,338,862	448,090,547
Federal loan program disbursements	(455,366,322)	(442,106,412)
Auxiliary enterprise charges:		
Student housing	109,745,802	99,742,479
Food services	34,482,573	31,857,784
Bookstore	4,640,141	5,526,408
Athletics	183,613,259	174,206,535
Other auxiliary enterprises	30,977,375	27,247,138
Patient care services	1,579,060,350	1,327,146,048
Interest earned on loans to students	1,117,069	1,535,892
Other receipts	212,235,870	176,415,395
Other payments	(21,761,707)	(20,305,870)
Net cash used in operating activities	<u>(619,099,049)</u>	<u>(849,005,272)</u>
NONCAPITAL FINANCING ACTIVITIES		
State appropriations	850,546,244	802,473,210
Gifts and grants for other than capital purposes	242,759,622	218,125,169
Private gifts for endowment purposes	2,291,141	1,717,683
Other sources	18,356,868	22,014,305
Other uses	(7,331,278)	1,764,585
Net cash provided by noncapital financing activities	<u>1,106,622,597</u>	<u>1,046,094,952</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	142,602,294	186,736,047
Cash paid for capital assets	(350,215,937)	(252,034,171)
Capital appropriations received	45,862,363	10,766,661
Capital grants and contracts received	38,393,404	18,347,113
Proceeds from sales of capital assets	340,819	258,766
Principal paid on capital debt, leases and subscriptions	(155,366,603)	(91,601,404)
Interest paid on capital debt, leases and subscriptions	(50,083,561)	(45,489,459)
Other sources	7,849,865	3,736,932
Other uses	(2,228,513)	(4,853,249)
Net cash used in capital and related financing activities	<u>(322,845,869)</u>	<u>(174,132,764)</u>
INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	527,238,886	817,775,531
Interest received on investments	78,390,957	43,143,136
Purchases of investments	(648,175,928)	(902,460,270)
Net cash used in investing activities	<u>(42,546,085)</u>	<u>(41,541,603)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>122,131,594</u>	<u>(18,584,687)</u>
Cash and cash equivalents, beginning of the year	<u>838,002,347</u>	<u>856,587,034</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u><u>\$ 960,133,941</u></u>	<u><u>838,002,347</u></u>

MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
A Component Unit of the State of Mississippi

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (1,173,825,235)	(1,006,794,125)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	217,406,550	204,527,031
Actuarial change in self-insured claims expense	10,219,284	7,980,656
Provision for uncollectible receivables	127,381,114	171,756,235
Other	3,213,069	(513,682)
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Receivables, Net	(141,499,953)	(224,177,557)
Inventories	(1,272,363)	(1,738,745)
Prepaid Expenses	(1,997,982)	(7,326,119)
Loans to Students	(2,525,179)	(1,926,348)
Deferred outflows of resources	(414,571,986)	(110,117,876)
Other Assets	3,763,380	13,123,920
Increase (Decrease) in Liabilities:		
Accounts Payables and Accrued Liabilities	32,644,898	(42,126,701)
Unearned Revenue	840,780	20,399,662
Deposits Refundable	2,323	(289,351)
Accrued Leave Liability	7,669,335	2,703,799
Net pension liability	703,357,700	887,719,490
Net OPEB liability	12,966,786	(29,182,986)
Deferred inflows of resources	(15,016,705)	(705,429,851)
Other Liabilities	12,145,135	(27,592,724)
Total Adjustments	<u>554,726,186</u>	<u>157,788,853</u>
Net cash used in operating activities	<u>\$ (619,099,049)</u>	<u>(849,005,272)</u>
Reconciliation of cash and cash equivalents:		
Current assets - cash and cash equivalents	\$ 716,130,485	679,420,417
Noncurrent assets - restricted cash and cash equivalents	<u>244,003,456</u>	<u>158,581,930</u>
Cash and cash equivalents, end of the year	<u>\$ 960,133,941</u>	<u>838,002,347</u>
Noncash capital related financing and investing activities:		
Gifts and contributions of capital assets	\$ 709,907	2,535,314
Net unrealized gain (loss) on investments	\$ 36,251,423	(8,269,088)
Right-to-use assets acquired under lease obligations	\$ 44,827,769	20,599,515
Assets acquired under subscription-based information technology arrangements	\$ 26,649,150	60,525,298

MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

Note 1

Summary of Significant Accounting Policies

(a) Nature of Operations

Through its member universities, the State of Mississippi Institutions of Higher Learning (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 Mississippi and throughout the world.

(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 (the Board). This constitutional board provides management and control of Mississippi's system of universities. The Board meets monthly and oversees the eight public universities, the University of Mississippi Medical Center and various off-campus centers and locations throughout the state. Each of these member universities is a member of the IHL System. The IHL System is considered a component unit of the State of Mississippi reporting entity.

The current twelve Board members of the IHL System were appointed by the Governor and confirmed by the Mississippi Senate for nine-year terms, representing the three Supreme Court Districts.

Each of the eight universities and the University of Mississippi Medical Center has established its own educational building corporation (a nonprofit corporation incorporated in the State of Mississippi) in accordance with Section 37-101-61 of the Mississippi Code Annotated of 1972. The purpose of these corporations is for the acquisition, construction and equipping of facilities and land for the various universities. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*, the educational building corporations are deemed to be material component units of the IHL System but are presented on a blended basis in the accompanying operations. These blended component units provide services entirely, or almost entirely, to their respective universities. See note 9 for detailed educational building corporation activities.

The IHL System reports the following discretely presented component units, which also have separate stand-alone audits performed, which can be obtained by requesting a copy from the finance department of each respective university below:

(i) Mississippi State University Foundation, Inc.

The Mississippi State University Foundation, Inc. is a legally separate, tax-exempt not for profit entity established to solicit and manage funds for the benefit of Mississippi State University.

(ii) University of Mississippi Foundation

The University of Mississippi Foundation is a legally separate, tax-exempt not for profit nonstock corporation formed for the benefit of the University of Mississippi.

(iii) University of Southern Mississippi Foundation

The University of Southern Mississippi Foundation is a legally separate, tax-exempt not for profit entity formed to provide support to the University of Southern Mississippi and its students.

These foundations are private nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards, including Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the foundations' financial information in the IHL System's financial reporting entity for these differences.

MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

These foundations act primarily as fund-raising organizations to supplement the resources that are available to the respective universities in support of their programs. The governing body of each foundation is self-perpetuating and consists of graduates and friends of the respective universities. Although the respective universities do not control the timing or amount of receipts from the foundations, most resources, or income thereon, which the foundations hold and invest are restricted to the activities of the respective universities by the donors. Because these restricted resources held by the foundations can only be used by, or for the benefit of, the respective universities, these foundations are considered discretely presented component units of the IHL System.

The Mississippi State University Foundation, Inc., the University of Mississippi Foundation, and the University of Southern Mississippi Foundation each make distributions to their respective universities for support. During the years ended June 30, 2024 and 2023, support distributions, which are included in gifts and grants revenues, were as follows:

	<u>2024</u>	<u>2023</u>
Mississippi State University Foundation, Inc.	\$ 52,610,149	46,990,867
University of Mississippi Foundation	47,498,018	39,862,240
University of Southern Mississippi Foundation	10,420,857	10,838,436

The following is a list of abbreviations used throughout the report for the member universities of the State of Mississippi Institutions of Higher Learning (collectively the IHL System):

ASU	Alcorn State University
DSU	Delta State University
JSU	Jackson State University
MSU	Mississippi State University
MUW	Mississippi University for Women
MVSU	Mississippi Valley State University
UM	University of Mississippi
USM	University of Southern Mississippi
UMMC	University of Mississippi Medical Center
IHL Executive Office	Institutions of Higher Learning – Executive Office
UPM	University Press of Mississippi
MCVS	Mississippi Commission for Volunteer Service – Off-campus entity

(c) Basis of Accounting

The financial statements of the IHL System 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 IHL System is reporting as a special-purpose government engaged in business-type activities. In accordance with business-type activity reporting, the IHL System 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 IHL System 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 nonoperating revenues when eligibility requirements are satisfied.

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(d) New Accounting Standards

During fiscal year 2024, the IHL System adopted GASB Statement No. 100, *Accounting Changes and Error Corrections*. The requirements of this standard will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. The IHL System adopted the requirements of the guidance effective July 1, 2023, and has applied the provisions of this standard to the beginning of the period of adoption.

(e) Recently Issued Accounting Standards

The IHL System is currently evaluating the following pronouncements that are most likely to impact the system's financial reporting.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The primary objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences—by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The effective date of this statement is for fiscal years beginning after December 15, 2023.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. The effective date of this statement is for fiscal years beginning after June 15, 2024.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The primary objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The effective date of this statement is for fiscal years beginning after June 15, 2025.

The impact of these pronouncements on the IHL System's financial statements is currently being evaluated and has not yet been fully determined.

(f) 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 expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates include the determination of the allowances for uncollectible accounts and contractual adjustments and estimated third-party payor settlements, included as other current assets and as other current liabilities, relating to the IHL System's patient services. In addition, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates associated with these programs could change by a material amount in the near term.

Included in other noncurrent liabilities are unpaid claim liabilities relating to the IHL System's self-insured workers' compensation, unemployment, and tort liability funds. The liabilities for these unpaid claims and loss adjustment expenses are determined using both evaluations of each claim and statistical analyses and represent the estimated ultimate net cost of all claims and expenses incurred through the end of the reporting period. The determinations of claims payable include estimates that are particularly susceptible to change in the near term. Management believes that liabilities established for these unpaid claims at June 30, 2024 and 2023 are adequate to cover the ultimate net cost of claims and contractual adjustments, but these liabilities are necessarily based upon estimates, and accordingly, the amount ultimately paid will be more or less than such estimates. The methods for making such

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estimates and for establishing the resulting liabilities are continually reviewed, and any adjustments are reflected in operations currently.

The IHL System'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 IHL System's financial statements.

(g) Cash Equivalents

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

(h) Short-Term Investments

Short-term investments are investments that are not cash equivalents but mature within the next fiscal year and are stated at fair value.

(i) Accounts Receivable, Net

Accounts receivable consist of tuition and fee charges to students and patient accounts at UMMC. 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 IHL System's grants and contracts. Accounts receivable are recorded net of an allowance for doubtful accounts.

(j) Student Loans Receivable, Net

Student loans 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 received during the next fiscal year are presented on the statement of net position as current assets. Those balances that are either in deferment status or are expected to be paid back beyond the next fiscal year are presented as noncurrent assets on the statement of net position.

(k) Inventories

Inventories consist of bookstore, physical plant, agriculture, printing, central supply, food service supply, and various hospital inventories. These inventories are generally valued at the lower of cost or market, on the first-in, first-out (FIFO) basis.

(l) Prepaid Expenses

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

(m) Restricted Cash and Cash Equivalents and Restricted Investments

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

(n) Endowment Investments

The IHL System's endowment investments recorded at fair value, 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 or for which the donor has stipulated that the principal may be expended only after a stated period or upon the occurrence of a certain event, and funds functioning as endowments, which are funds established by the governing board to function similar to an endowment fund but may be fully expended at any time at the discretion of the governing board.

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(o) Other Long-Term Investments

Investments are reported at fair value. Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position. Investments in partnerships for which there are no quoted market prices are valued at net asset value, as a practical expedient in determining fair value.

(p) Investment Valuation

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:

- 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; and
- 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.

(q) Capital Assets

Property, plant and equipment are recorded at cost at the date of acquisition, or, if donated, at the acquisition value at the date of donation. Renovations to buildings and improvements other than buildings, that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional categories. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is expensed in the period in which the cost was incurred.

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at and certain payments made before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

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(r) Impairment of Capital Assets

Management reviews capital assets for impairment whenever events or changes in circumstances indicate that the service utility of an asset has declined significantly and unexpectedly. Any write-downs due to impairment are charged to operations at the time impairment is identified. No write-down of capital assets was required for the years ended June 30, 2024 and 2023.

(s) Deferred Inflows and Outflows of Resources

Deferred inflows of resources are an acquisition of net assets by the IHL System that are applicable to a future reporting period and include pension, OPEB, lease and PPP-related deferred inflows, the unamortized amounts for gains on the refunding of bonded debt, and beneficial interests in irrevocable trusts.

Deferred outflows of resources are consumption of net assets by the IHL System that are applicable to a future reporting period and include pension and OPEB related deferred outflows and the unamortized amounts for losses on the refunding of bonded debt.

(t) 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 IHL System'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.

(u) Accounts Payable and Accrued Liabilities

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

(v) Compensated Absences/Accrued Leave

Twelve-month employees earn annual personal leave at a rate of 12 hours per month for one month 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, these employees are paid for up to 240 hours of accumulated leave.

Nine-month employees earn major medical leave at a rate of 13.36 hours per month for one month to three years of service; 14.24 hours per month for three to eight years of service; 15.12 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, these employees are paid for up to 240 hours of accumulated major medical leave.

(w) Unearned Revenues

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

(x) Deposits Refundable

Deposits refundable represent good-faith deposits from students to reserve housing assignments, key deposits, and post-breakage deposits in the residence halls of the member universities of the IHL System.

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(y) Non-current Liabilities

Non-current liabilities include: (1) carrying amounts of revenue bonds payable, notes payable, lease and subscription-based IT obligations; (2) estimated amounts of proportionate share of net pension and OPEB liabilities; and (3) estimated amounts for accrued compensated absences, deposits refundable, and other liabilities that will not be paid within the next fiscal year.

(z) Government Advances Refundable

The IHL System participates in the Federal Perkins Loan and Nursing Loan Programs, which are funded through a combination of federal and institutional resources. The portion of these programs that has been funded with federal funds is ultimately refundable to the U.S. government upon the termination of IHL System's participation in the programs. Although the federal government has terminated the programs disallowing new loans to be made, institutions may continue to collect and service existing loans. The IHL System does not have a timeline for discontinuing its participation in these programs. The portion that would be refundable if the programs were terminated has been presented as other long-term liabilities and approximated \$24.8 million and \$28.3 million, as of June 30, 2024 and 2023, respectively.

(aa) Income Taxes

As an integral part of the State of Mississippi, a governmental entity, the IHL System is generally not subject to federal income tax, however, income generated from activities unrelated to the IHL System's exempt purpose is subject to income taxes under Internal Revenue Code Section 511(a)(2)(B).

(bb) Classification of Revenues and Expenses

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

Operating revenues and expenses have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances and bad debt expense; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; (3) most federal, state and local grants and contracts (non-Title IV financial aid) and Federal appropriations, if any; (4) interest on institutional student loans and other revenues; and (5) patient care revenues. Examples of operating expenses include (1) employee compensation, benefits and related expenses; (2) scholarships and fellowships, net of scholarship discounts and allowances; (3) utilities, commodities (supplies) and contractual services; (4) professional fees; and (5) depreciation expense related to certain capital assets.

Nonoperating revenues and expenses have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, investment income and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34. Examples of nonoperating expenses include interest on capital asset-related debt and bond expenses.

(cc) 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 essentially managed as self-supporting activities. Examples include residence halls, bookstore, convenience store, laundry, faculty and staff housing, food services and intercollegiate athletic programs (only if they are essentially self-supporting). The general public may be served incidentally by auxiliary enterprises.

(dd) University Press of Mississippi

The University Press of Mississippi (UPM) is an auxiliary enterprise. UPM was founded in 1970 and represents Mississippi's eight public state universities. UPM publishes scholarly work and books that represent Mississippi and

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its culture to the nation and the world. From its offices in Jackson, the University Press of Mississippi acquires, edits, distributes, and promotes more than 85 new books every year. Over the years, the press has published more than 2,000 titles and distributed more than three million copies worldwide, each with the Mississippi imprint. UPM is the only not-for-profit book publisher in the state and is a blended component unit of the IHL Executive Office.

(ee) Patient Care Revenues, Net

UMMC has agreements with third-party payors that provide for payments to the UMMC at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

UMMC's hospital and clinics have agreements with third-party payors that provide for payments to UMMC at amounts different from its established rates. These payment arrangements include:

Medicare

Inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors. Certain services are paid based on cost-reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates. UMMC is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the UMMC and audits thereof by the Medicare administrative contractor. UMMC's cost reports have been audited by the Medicare Administrative Contractor through June 30, 2019. Revenue from the Medicare program accounted for approximately 34% and 37% of UMMC's net patient service revenue for the years ended June 30, 2024 and 2023, respectively.

Medicaid

Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service or per covered member. Inpatient services are reimbursed using a prospective-payments system based on All Patient Refined Diagnosis Related Groups (APR-DRG). Outpatient services are reimbursed using an Ambulatory Payment Classification (APC) methodology, similar to the Medicare payment model. UMMC is reimbursed for retroactively determined items at tentative rates, with final settlement determined after submission of annual cost reports by the UMMC and audits thereof by the Medicaid administrative contractor. Revenue from the Medicaid program accounted for approximately 52% and 56% of UMMC's net patient service revenue for the years ended June 30, 2024 and 2023. This includes revenue from the programs described below.

Other

Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates per discount, discounts from established charges and prospectively determined daily rates.

Beginning July 1, 2015, the Division of Medicaid (DOM) implemented the Mississippi Hospital Access Payment (MHAP) program. The program is administered by DOM through the Mississippi CAN coordinated care organizations (CCOs). The CCOs subcontract with hospitals throughout the state for distribution of MHAP for the purpose of protecting patient access to hospital care. In December 2023, The Centers for Medicare and Medicaid Services (CMS) approved an amendment to the existing MHAP program, whereby hospitals would be reimbursed near the average commercial rate for Medicaid managed reimbursement retroactive to July 1, 2023, the beginning of the state fiscal year. UMMC also participates in a voluntary disproportionate share program (DSH) available to certain qualifying hospitals in the state Medicaid program. The net benefit recognized by UMMC associated with the programs described above was approximately \$248.6 million and \$185.9 million for the years ended June 30, 2024 and 2023, respectively.

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Each year, UMMC receives payments from Medicare and Medicaid, prospectively based on actual results from prior years. These payments are subsequently reconciled to current year actual results and audited by CMS once the current year is completed, occasionally resulting in repayment due. Additional repayments may result due to rate recalculations, cost report filing differences, Medicaid Disproportionate Share audits (DSH), and other adjustments to prior fiscal years. At June 30, 2024, UMMC maintained a reserve of approximately \$95.1 million for these potential liabilities, of which approximately \$63.2 million is related primarily to UMMC Medicaid DSH audits. At June 30, 2023, UMMC maintained reserves of approximately \$75.7 million, of which approximately \$71.5 million related primarily to UMMC Medicaid DSH audits. UMMC did not receive Medicaid DSH in 2024.

UMMC provides charity care to patients who are unable to pay for services. The amount of charity care is included in net patient service revenue and is not separately classified from the provision for uncollectible accounts.

(ff) Scholarship Discounts and Allowances

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

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

(gg) Net Position

Net position represents the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources in the statement of net position and is displayed in three components: net investment in capital assets; restricted net position (distinguished between major categories of restrictions); and unrestricted net position.

Net investment in capital assets reflects the IHL System's total investment in capital assets (including leases and subscription-based IT agreements), 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 investment 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 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 IHL System 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 IHL System'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, net patient service revenue, sales and services of educational activities and auxiliary enterprises. Auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty, and staff. While unrestricted net position 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.

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Note 2

Cash and Investments

Cash, Cash Equivalents and Short-Term Investments

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

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 deposits, if the depository bank fails, or the investments 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. At June 30, 2024 and 2023, the System's balances exceeded federally insured limits by approximately \$12 million and \$14 million, respectively.

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 MS Code Annotated (1972). Under this program, 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.

Investment policies as set forth by Board policy as authorized by Section 37-101-15, Mississippi Code Annotated (1972), authorize the universities 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, 2024 and 2023 is as follows:

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	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 716,130,485	\$ 679,420,417
Restricted cash and cash equivalents	244,003,456	158,581,930
U.S. Treasury securities	749,618,129	702,007,577
U.S. government agency securities	585,126,811	502,223,637
Commercial mortgage backed securities	2,112,613	1,689,523
Collateralized mortgage obligations	20,686,415	18,150,226
Asset backed securities	1,893,397	2,016,839
Corporate bonds and notes	5,700,587	5,871,792
Municipal bonds	6,333,232	6,815,276
Fixed income mutual funds	7,333,019	7,422,879
Other fixed income securities	2,095,871	5,168,725
Certificates of deposit	16,846,731	16,604,539
Money market funds	1,915,306	1,321,879
Domestic equity securities	40,379,385	32,231,236
Global equity securities	417,860	488,341
Domestic equity mutual funds	39,339,095	19,499,106
International equity mutual funds	8,028,000	11,569,974
Equity long/short hedge funds	104,394,917	96,430,837
Private capital	66,201,314	64,122,922
Endowment Pool Balanced	3,009,652	3,372,315
Mississippi State Foundation Investment Pool	51,091,634	46,241,724
Miscellaneous	21,224,928	36,400,027
Total cash and investments	<u>\$ 2,693,882,837</u>	<u>\$ 2,417,651,721</u>

The carrying values of deposits and investments shown above are included in the statements of net position as follows:

Carrying value		
Deposits	\$ 960,133,941	\$ 838,002,347
Investments	1,733,748,896	1,579,649,374
	<u>\$ 2,693,882,837</u>	<u>\$ 2,417,651,721</u>
Included in the following statement of net position captions		
Cash and cash equivalents	\$ 716,130,485	\$ 679,420,417
Short-term investments	523,255,686	419,249,145
Restricted cash and cash equivalents - noncurrent	244,003,456	158,581,930
Restricted investments	56,280,673	43,663,791
Endowment investments	396,912,159	370,470,102
Noncurrent cash and investments	757,300,378	746,266,336
	<u>\$ 2,693,882,837</u>	<u>\$ 2,417,651,721</u>

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Fair Value Measurement

The following table present the financial assets carried at fair value by level within the valuation hierarchy, as well as the assets measured at the net asset value (NAV) per share as a practical expedient as of June 30, 2024 and 2023:

	2024			
	Level 1	Level 2	Level 3	Total
Investment strategy:				
Fixed income:				
U.S. Treasury securities	\$ 736,048,484	13,569,645	—	749,618,129
Fixed income mutual funds	6,334,427	998,592	—	7,333,019
U.S. government securities	4,975,957	580,150,854	—	585,126,811
Mortgage obligations and asset backed securities	—	24,692,425	—	24,692,425
Corporate bonds and notes	3,195,586	2,505,001	—	5,700,587
Negotiable certificates of deposit	69,990	16,776,741	—	16,846,731
Municipal bonds	—	6,333,232	—	6,333,232
Other fixed income securities	1,952,424	143,447	—	2,095,871
Money market funds	291,915	1,623,391	—	1,915,306
Total fixed income investments	<u>\$ 752,868,783</u>	<u>646,793,328</u>	<u>—</u>	<u>1,399,662,111</u>
Equity securities:				
Domestic equity securities	39,314,954	1,064,431	—	40,379,385
Domestic equity mutual funds	38,130,553	1,208,542	—	39,339,095
Global equity securities	—	417,860	—	417,860
International equity mutual funds	8,028,000	—	—	8,028,000
Total equity securities	<u>\$ 85,473,507</u>	<u>2,690,833</u>	<u>—</u>	<u>88,164,340</u>
Investments measured at NAV as a practical expedient:				
Equity long/short hedge funds				\$ 104,394,917
Private capital				66,201,314
Mississippi State Foundation Investment Pool				51,091,634
Endowed Pool II Balanced				3,009,652
Other miscellaneous investments				21,224,928
Total investments measured at NAV				<u>245,922,445</u>
Total investments measured at fair value				<u>\$ 1,733,748,896</u>

The valuation method for investments measured at NAV per share as a practical expedient is presented in the following table:

	2024			
	Fair Value	Unfunded Commitments	Redemption frequency (if eligible)	Redemption notice period
Equity long/short hedge funds (1)	\$ 104,394,917	—	Quarterly	45-120 Days
Private capital (2)	66,201,314	34,888,353	Various	Various
Mississippi State Foundation Investment Pool	51,091,634	—	Daily	1-3 Days
Endowed Pool II Balanced	3,009,652	—	Daily	1-3 Days
Other miscellaneous investments (3)	<u>21,224,928</u>	39,386	Various	Various
Total investments measured at NAV	<u>\$ 245,922,445</u>			

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	2023			
	Level 1	Level 2	Level 3	Total
Investment strategy:				
Fixed income:				
U.S. Treasury securities	\$ 688,720,789	13,286,788	—	702,007,577
Fixed income mutual funds	6,411,800	1,011,079	—	7,422,879
U.S. government securities	19,487,451	482,736,186	—	502,223,637
Mortgage obligations and asset backed securities	190,633	21,665,955	—	21,856,588
Corporate bonds and notes	4,232,167	1,639,625	—	5,871,792
Negotiable certificates of deposit	8,858,469	7,746,070	—	16,604,539
Municipal bonds	749,927	6,065,349	—	6,815,276
Other fixed income securities	5,168,725	—	—	5,168,725
Money market funds	877,511	444,368	—	1,321,879
Total fixed income investments	\$ 734,697,472	534,595,420	—	1,269,292,892
Equity securities:				
Domestic equity securities	31,166,866	1,064,370	—	32,231,236
Domestic equity mutual funds	18,407,280	1,091,826	—	19,499,106
Global equity securities	—	488,341	—	488,341
International equity mutual funds	11,569,974	—	—	11,569,974
Total equity securities	\$ 61,144,120	2,644,537	—	63,788,657
Investments measured at NAV as a practical expedient:				
Equity long/short hedge funds				\$ 96,430,837
Private capital				64,122,922
Mississippi State Foundation Investment Pool				46,241,724
Endowed Pool II Balanced				3,372,315
Other miscellaneous investments				36,400,027
Total investments measured at NAV				246,567,825
Total investments measured at fair value				\$ 1,579,649,374

The valuation method for investments measured at NAV per share as a practical expedient is presented in the following table:

	Fair Value	Unfunded Commitments	Redemption frequency (if eligible)	Redemption notice period
Equity long/short hedge funds (1)	\$ 96,430,837	3,586,611	Quarterly	45-120 Days
Private capital (2)	64,122,922	24,744,380	Various	Various
Mississippi State Foundation Investment Pool	46,241,724	—	Daily	1-3 Days
Endowed Pool II Balanced	3,372,315	—	Daily	1-3 Days
Other miscellaneous investments (3)	36,400,027	88,449	Various	Various
Total investments measured at NAV	\$ 246,567,825			

- (1) Equity long/short hedge and venture capital funds specialize primarily in classic long/short hedge equity strategies. These funds invest globally, with a majority of the exposure in liquid, developed markets and invest primarily in private investment partnerships, venture capital opportunities or limited liability companies and in separately-managed accounts, each of which is managed by independent managers.
- (2) Private capital investments help build new startup equities that are considered to have high-growth and high-risk potential, mainly in the technology and healthcare sectors.
- (3) Other miscellaneous investments consist of various other tangible items such as land, timberland and various real estate, etc.

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The equity in the long/short hedge funds, private capital, Mississippi State University Foundation Investment Pool, and other miscellaneous investments represents the IHL System's participations in those investments, which is measured at NAV per share.

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 IHL System does not presently have a formal investment policy that addresses interest rate risk.

As of June 30, 2024 and 2023, the IHL System had the following investments subject to interest rate risk:

		2024				
		Years to maturity				
	Fair value	Less than 1	1 - 5	6 - 10	More than 10	
U.S. Treasury securities	\$ 749,618,129	429,533,449	305,229,884	6,020,019	8,834,777	
U.S. government agency obligations	585,126,811	145,114,757	381,668,501	52,907,341	5,436,212	
Commercial mortgage backed securities	2,112,613	12,881	1,059,941	614,083	425,708	
Collateralized mortgage obligations	20,686,415	71,897	1,322,801	2,348,729	16,942,988	
Asset backed securities	1,893,397	—	—	—	1,893,397	
Corporate bonds and notes	5,700,587	1,182,170	680,213	2,050,385	1,787,819	
Negotiable certificates of deposit	16,846,731	9,094,638	7,752,093	—	—	
Municipal bonds	6,333,232	2,342,391	3,990,841	—	—	
Other fixed income securities	2,095,871	—	996,480	—	1,099,391	
Fixed income mutual funds	7,333,019	6,151,993	469,375	103,041	608,610	
Total	<u>\$ 1,397,746,805</u>	<u>593,504,176</u>	<u>703,170,129</u>	<u>64,043,598</u>	<u>37,028,902</u>	
		2023				
		Years to maturity				
	Fair value	Less than 1	1 - 5	6 - 10	More than 10	
U.S. Treasury securities	\$ 702,007,577	265,804,814	435,431,639	680,574	90,550	
U.S. government agency obligations	502,223,637	35,804,538	408,164,446	53,639,456	4,615,197	
Commercial mortgage backed securities	1,689,523	14,238	610,863	631,372	433,050	
Collateralized mortgage obligations	18,150,226	—	1,475,859	981,283	15,693,084	
Asset backed securities	2,016,839	—	—	—	2,016,839	
Corporate bonds and notes	5,871,792	286,152	2,269,310	389,034	2,927,296	
Negotiable certificates of deposit	16,604,539	7,296,743	8,852,768	455,028	—	
Municipal bonds	6,815,276	454,228	5,045,113	401,960	913,975	
Other fixed income securities	5,168,725	—	—	—	5,168,725	
Fixed income mutual funds	7,422,879	5,750,726	661,074	1,011,079	—	
Total	<u>\$ 1,267,971,013</u>	<u>315,411,439</u>	<u>862,511,072</u>	<u>58,189,786</u>	<u>31,858,716</u>	

Credit Risk

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

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As of June 30, 2024 and 2023, the IHL System had the following investments recorded at fair value subject to credit risk:

	<u>2024</u>	<u>2023</u>
Credit rating:		
AAA	\$ 9,562,775	\$ 38,244,142
Aaa	167,908,791	97,623,578
Aa1	796,720	—
Aa2	4,293,479	4,057,353
Aa3	559,113	549,712
AA	46,994,072	15,392,093
A1	504,580	5,355
A2	912,699	47,851
A3	381,471	118,844
AAA - BBB	955,944	—
A	554,471	255,984
AA+	349,949,364	302,704,522
BAA	190,760	53,855
BAA2	257,166	—
BAA3	251,472	—
BBB - Below B	—	847,991
Not rated or unavailable	47,209,068	89,457,617
Total investments subject to credit risk	<u>\$ 631,281,945</u>	<u>\$ 549,358,897</u>
Cash and Investments excluded from credit risk disclosure:		
Cash	\$ 716,130,485	\$ 679,420,417
Restricted cash and cash equivalents	244,003,456	158,581,930
U.S. Treasury securities	749,618,129	702,007,577
Certificates of deposit	16,846,731	16,604,539
Money market funds	1,915,306	1,321,879
Equity securities	88,164,340	63,788,657
Investments measured at NAV	245,922,445	246,567,825
Total investments excluded from credit risk disclosure	<u>2,062,600,892</u>	<u>1,868,292,824</u>
Total cash and investments	<u>\$ 2,693,882,837</u>	<u>\$ 2,417,651,721</u>

The credit risk ratings listed above are issued upon standards set by Standard and Poor's or Moody's Ratings Services.

Concentration of Credit Risk

Concentration of credit risk is defined by GASB Statement No. 40, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The IHL System does not presently have a formal policy that addresses concentration of credit risk.

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As of June 30, 2024 and 2023, the IHL System had the following issuers holding investments recorded at fair value that exceeded 5% of total investments:

Issuer	2024	
	Fair value	Percentage
U.S. Treasury securities	\$ 749,618,129	43.74%
Federal Home Loan Bank notes	265,941,832	15.52%
Federal Farm Credit Bank notes	131,713,444	7.69%

Issuer	2023	
	Fair value	Percentage
U.S. Treasury securities	\$ 702,007,577	45.01%
Federal Home Loan Bank notes	225,309,975	14.45%
Federal Farm Credit Bank notes	127,430,854	8.17%

Foreign Currency Risk

Foreign currency risk, also known as exchange-rate risk, is defined as the risk of financial loss due to fluctuations in currency exchange rates. The IHL System does not presently have a formal policy that addresses foreign currency risk. The IHL System's exposure to foreign currency risk is limited to investments in global or pooled non-U.S. equity mutual funds, which approximated \$58.8 million and \$36.0 million at June 30, 2024 and 2023, respectively.

Note 3

Accounts Receivable, net

Accounts receivable consisted of the following at June 30, 2024 and 2023:

	June 30, 2024	Current Portion	Non-current Portion
Student tuition	\$ 174,918,283	174,918,283	—
Auxiliary enterprises and other operating activities	45,126,510	45,126,510	—
Contributions and gifts	19,908,455	7,896,974	12,011,481
Federal, state, and private grants and contracts	172,873,453	172,873,453	—
State Appropriations	64,610,868	64,610,868	—
Accrued Interest	6,450,617	6,450,617	—
Patient receivables	956,867,644	956,867,644	—
Accrued lease receivable	25,173,614	1,701,756	23,471,858
Other	54,601,783	41,001,591	13,600,192
Total accounts receivable	1,520,531,227	1,471,447,696	49,083,531
Less bad debt provision	(951,264,164)	(951,264,164)	—
Less elimination entry	(4,572,566)	(2,993,582)	(1,578,984)
Net accounts receivable	\$ 564,694,497	517,189,950	47,504,547

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	June 30, 2023	Current Portion	Non-current Portion
Student tuition	\$ 165,421,722	165,421,722	—
Auxiliary enterprises and other operating activities	42,450,697	42,450,697	—
Contributions and gifts	3,683,759	3,683,759	—
Federal, state, and private grants and contracts	194,023,773	194,023,773	—
State appropriations	28,742,459	28,742,459	—
Accrued interest	5,670,259	5,670,259	—
Patient receivables	697,505,993	697,505,993	—
Accrued lease receivable	27,665,055	2,106,790	25,558,265
Other	46,793,864	38,804,556	7,989,308
	<hr/>	<hr/>	<hr/>
Total accounts receivable	1,211,957,581	1,178,410,008	33,547,573
Less bad debt provision	(711,308,488)	(711,308,488)	—
Less elimination entry	(9,516,104)	(3,954,596)	(5,561,508)
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Net accounts receivable	\$ 491,132,989	463,146,924	27,986,065
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The noncurrent portion of accounts receivable is included in other noncurrent assets in the statements of net position.

Note 4

Loans Receivable from Students

Loans 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 one of the IHL System's institutions. The following is a schedule of interest rates and unpaid balances for the different types of loans receivable held by the IHL System as of June 30, 2024 and 2023:

	Interest Rates	June 30, 2024	Current Portion	Non-current Portion
Perkins student loans	3% to 9%	\$ 18,496,072	2,827,716	15,668,356
Institutional loans	0% to 9%	71,278,284	9,727,091	61,551,193
Nursing student loans	3% to 9%	1,971,832	295,582	1,676,250
Dental student loans	3% to 9%	195,336	28,998	166,338
Medical student loans	3% to 9%	307,872	45,704	262,168
Other federal loans	3% to 9%	4,783,354	2,106,291	2,677,063
		<hr/>	<hr/>	<hr/>
Total loans receivable		97,032,750	15,031,382	82,001,368
Less allowance for doubtful accounts		(20,464,758)	(2,665,028)	(17,799,730)
		<hr/>	<hr/>	<hr/>
Net loans receivable		\$ 76,567,992	12,366,354	64,201,638
		<hr/>	<hr/>	<hr/>

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	<u>Interest Rates</u>	<u>June 30, 2023</u>	<u>Current Portion</u>	<u>Non-current Portion</u>
Perkins student loans	3% to 9%	\$ 24,232,562	4,250,078	19,982,484
Institutional loans	0% to 9%	66,193,699	10,023,033	56,170,666
Nursing student loans	3% to 9%	1,731,485	216,334	1,515,151
Dental student loans	3% to 9%	239,839	42,108	197,731
Medical student loans	3% to 9%	312,162	54,805	257,357
Other federal loans	3% to 9%	4,908,905	2,125,070	2,783,835
Total loans receivable		97,618,652	16,711,428	80,907,224
Less allowance for doubtful accounts		<u>(19,155,095)</u>	<u>(2,898,359)</u>	<u>(16,256,736)</u>
Net loans receivable		<u>\$ 78,463,557</u>	<u>13,813,069</u>	<u>64,650,488</u>

Note 5
Capital Assets

A summary of changes in capital assets for the years ended June 30, 2024 and 2023 is presented as follows: