Middle Tennessee State University

Financial Report

For the year ended June 30, 2017

MIDDLE TENNESSEE STATE UNIVERSITY.

Vice President for Business and Finance
Cope Administration Building 119
1301 East Main Street
Murfreesboro, TN 37132
o: (615) 898-2852 • f: (615) 898-5906

MIDDLE TENNESSEE STATE UNIVERSITY.

November 15, 2017

Dr. Sidney A. McPhee
President
Middle Tennessee State University
Murfreesboro, TN 37132

Dear Dr. McPhee:

I am transmitting the annual Financial Report for the fiscal year ended June 30, 2017.

This report has been prepared in accordance with accounting principles generally accepted in the United States of America. The Financial Report has not been audited. The last audit by the State Comptroller's Office was completed as of June 30, 2016. An audit is currently in progress for fiscal year ended June 30, 2017.

Sincerely,

Alan R. Thomas
Vice President for
Business and Finance

Enclosures

MIDDLE TENNESSEE STATE UNIVERSITY

FINANCIAL REPORT

For the Year Ended June 30, 2017

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MIDDLE TENNESSEE STATE UNIVERSITY
Management's Discussion and Analysis
For the Year Ended June 30, 2017

This section of Middle Tennessee State University's annual financial report presents a discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2017, with comparative information presented for the fiscal years ended June 30, 2016. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the financial statements and notes. The financial statements, notes, and this discussion are the responsibility of management.

The University has one discretely presented component unit, the Middle Tennessee State University Foundation. More detailed information about the Foundation is presented in Note 19 to the financial statements. This discussion and analysis focuses on the University and does not include the Foundation.

Overview of the Financial Statements

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The financial statements are presented on a consolidated basis to focus on the University as a whole. The full scope of the University's activities is considered to be a single business-type activity, and accordingly, is reported within a single column in the basic financial statements.

The University's financial report includes the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. Notes to the financial statements are also presented to provide additional information that is essential to a full understanding of the financial statements.

The Statement of Net Position

The Statement of Net Position is a point-in-time financial statement. The Statement of Net Position presents the financial position of the University at the end of the fiscal year. To aid the reader in determining the University's ability to meet immediate and future obligations, the statement includes all assets, liabilities, deferred outflows/inflows, and net position of the University and segregates the assets and liabilities into current and noncurrent components. Current assets are those that are available to satisfy current liabilities, inclusive of assets that will be converted to cash within one year. Current liabilities are those that will be paid within one year. The Statement of Net Position is prepared under the accrual basis of accounting; assets and liabilities are recognized when goods or services are provided or received despite when cash is actually exchanged.

From the data presented, readers of the statement are able to determine the assets available to continue the operations of the University. They are also able to determine how much the University owes vendors, lenders, and others. Net position represents the difference between the University's assets and liabilities, along with the difference between deferred outflows and deferred inflows, and is one indicator of the University's current financial condition.

The Statement of Net Position also indicates the availability of net position for expenditure by the University. Net position is divided into three major categories. The first category, net investment in capital assets, represents the University's total investment in property, plant, and equipment, net of outstanding debt obligations related to these capital assets. To the extent debt or deferred inflows of resources has been incurred but not yet expended for capital assets, such amounts are not included. The next category is restricted net position, which is sub-divided into two categories, nonexpendable and expendable. Nonexpendable restricted net position includes endowment and similar resources whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity. Expendable restricted net position is available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the resources. The final category is unrestricted net position. Unrestricted net position is available to the University for any lawful purpose of the University.

The following table summarizes the University's assets, liabilities, deferred outflows/inflows, and net position at June 30, 2017, and June 30, 2016.

Statement of Net Position
(in thousands of dollars)

	2017	2016
Assets:		
Current assets	$ 83,920	$ 84,706
Capital assets, net	538,927	542,748
Other assets	62,899	60,583
Total assets	**685,746**	**688,037**
Deferred outflows of resources		
Deferred loss on debt refunding	5,355	6,105
Deferred outflows - pensions	19,276	10,540
Total deferred outflows	**24,631**	**16,645**
Liabilities:		
Current liabilities	49,360	52,048
Noncurrent liabilities	262,916	264,031
Total liabilities	**312,276**	**316,079**
Deferred inflows of resources		
Deferred gain on debt refunding	119	136
Deferred inflows - pensions	1,934	5,302
Total deferred inflows	**2,053**	**5,438**
Net Position:		
Net investment in capital assets	332,702	322,138
Restricted - nonexpendable	956	893
Restricted - expendable	6,635	5,845
Unrestricted	55,755	54,289
Total net position	**$ 396,048**	**$ 383,165**

The University had the following significant changes between fiscal years on the Statement of Net Position:

- Deferred inflows of resources decreased due to calculations of the net differences between projected and actual earnings on plan investments related to Tennessee Consolidated Retirement System (TCRS) pensions for fiscal year 2016. Additional information on pensions can be found in Note 11 of the financial Statements.

- Restricted – expendable increased due to a one-time revenue distribution from the National Collegiate Athletic Association (NCAA).

- The remaining allocations remained relatively unchanged.

The Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the results of operations for the fiscal year. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received. The statement indicates whether the University's financial condition has improved or deteriorated during the fiscal year. The statement presents the revenues received by the University, both operating and nonoperating, and the expenses paid by the University, operating and nonoperating, and any other revenues, expenses, gains, or losses received or spent by the University.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided directly to the payor. Although Middle Tennessee State University is dependent upon state appropriations and gifts to fund educational and general operations, under GASB standards these funding sources are reported as nonoperating revenues, as is investment income. As a result, the University has historically reported an excess of operating expenses over operating revenues, resulting in an operating loss. Therefore, the "increase in net position" is more indicative of overall financial results for the year.

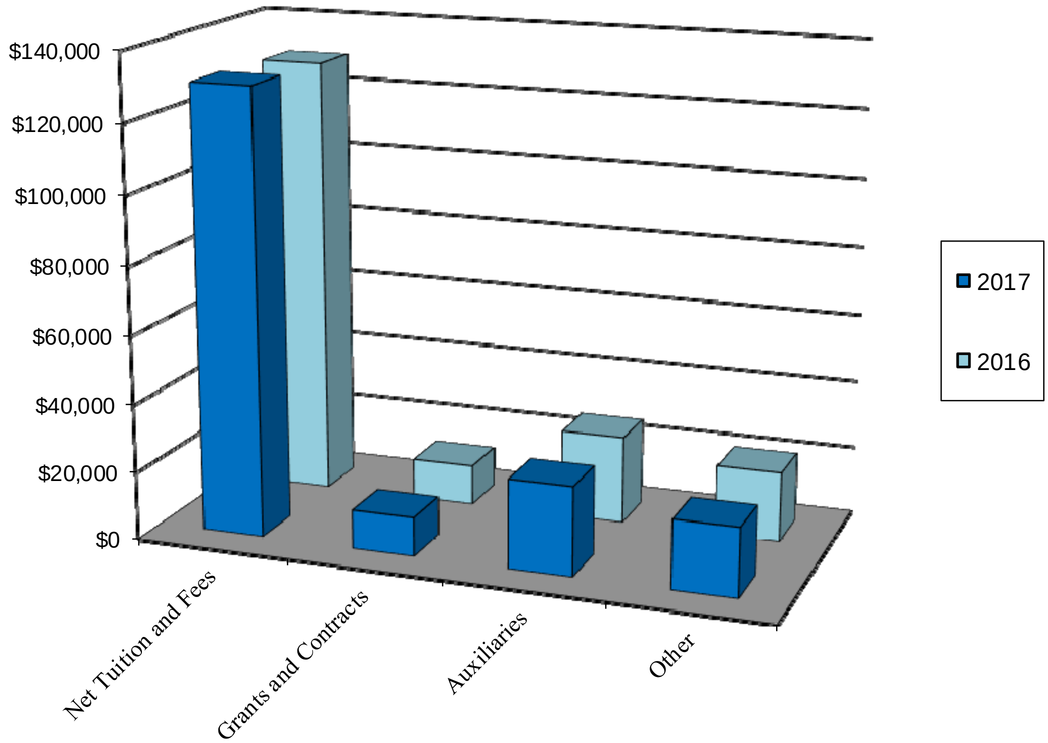
A summary of the University's revenues, expenses, and changes in net position for the year ended June 30, 2017, and June 30, 2016, follows.

Statement of Revenues, Expenses, and Changes in Net Position
(in thousands of dollars)

	2017	2016
Operating revenues	$ 187,653	$ 187,190
Operating expenses	349,183	336,387
Operating loss	**(161,530)**	**(149,197)**
Nonoperating revenues and expenses	160,240	152,879
Income (loss) before other revenues, expenses, gains, or losses	(1,290)	3,682
Other revenues, expenses, gains, or losses	14,173	21,603
Increase (decrease) in net position	**12,883**	**25,285**
Net position at beginning of year	383,165	361,121
Prior period adjustment		(3,241)
Net Position at end of year	**$ 396,048**	**$ 383,165**

Operating Revenues

The following summarizes the operating revenues by source that were used to fund operating activities for the last two fiscal years (in thousands of dollars):



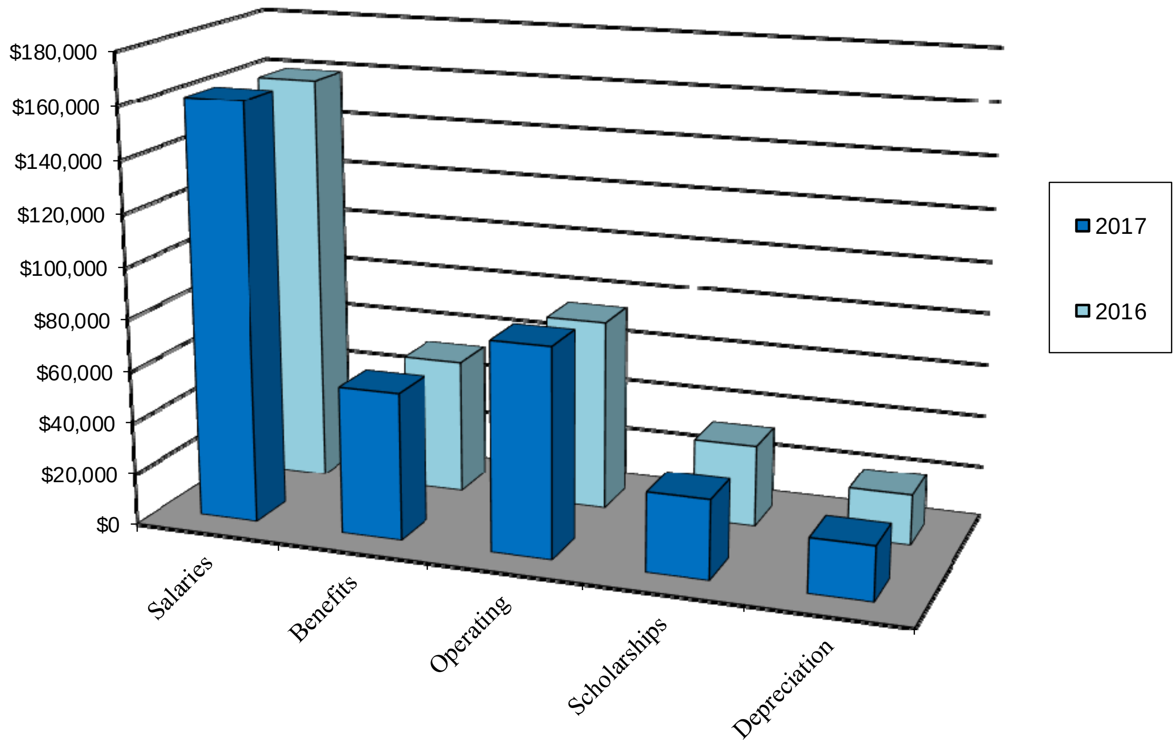
The University had the following significant changes in revenues between fiscal years:

- Net tuition and fees increased by $0.8 million resulting from a 2.6% fee increase for the 2016-17 academic year, which was partially offset by a 1% decrease in full time equated (FTE) student enrollment.

- Revenues in other areas were relatively unchanged during the fiscal year.

Operating Expenses

Operating expenses may be reported by nature or function. The University has chosen to report the expenses in their natural classification on the Statement of Revenues, Expenses, and Changes in Net Position and has displayed the functional classification in the notes to the financial statements. The following summarizes the operating expenses by natural classifications for the last two fiscal years (in thousands of dollars):



The University had the following significant changes in operating expenses between fiscal years:

- Salaries and wages increased $1.9 million due to a 1% across-the-board salary increase and a $500 one-time bonus, both effective October 1, 2016.

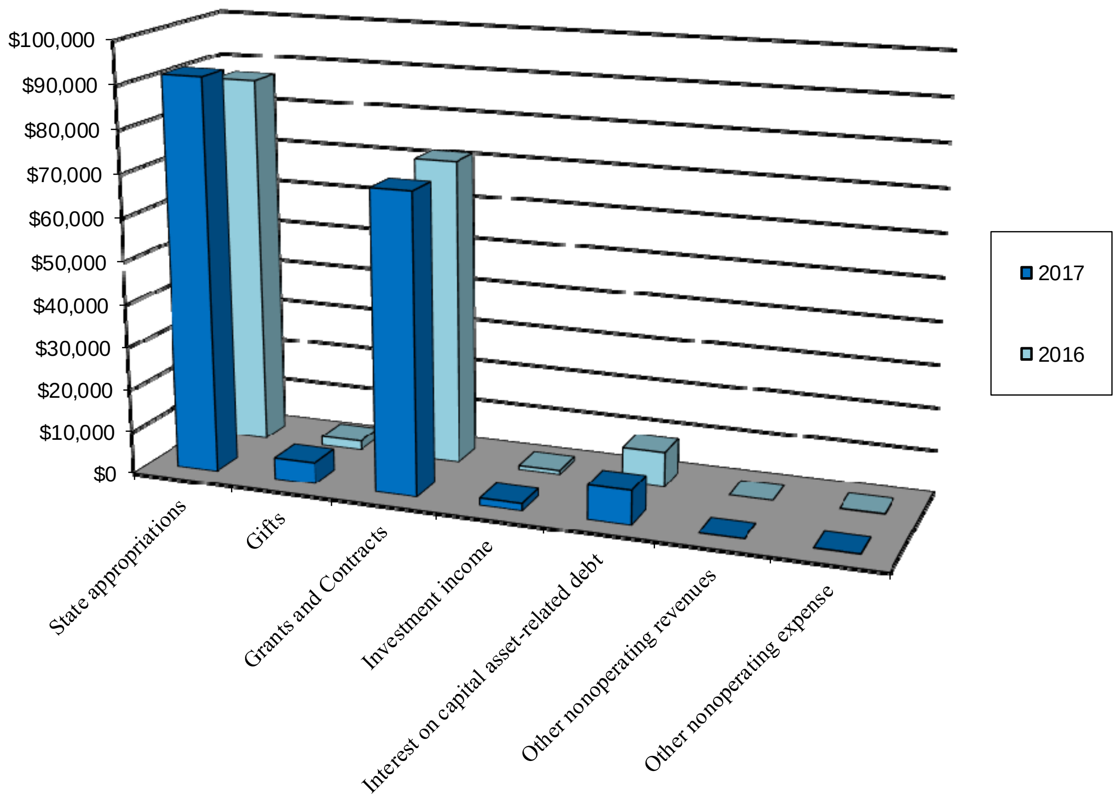
- Benefits increased $4.5 million mainly due to a $3.8 million increase in the current year pensions expense measured per TCRS for June 30, 2016, but applicable for June 30, 2017. Additional information on pensions can be found in Note 11 of the financial Statements.

- Operating expenses had significant increases of $.8 million in software maintenance, $1.1 million in athletic charter services, and $1.6 million in non-capitalized expenditures for the newly renovated science facilities.

- Other expense categories remained relatively unchanged between fiscal years.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including state noncapital appropriations, certain gifts and grants, and investment income, are defined by the GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the last two fiscal years (in thousands of dollars):



The University had the following significant changes in nonoperating revenues between fiscal years:

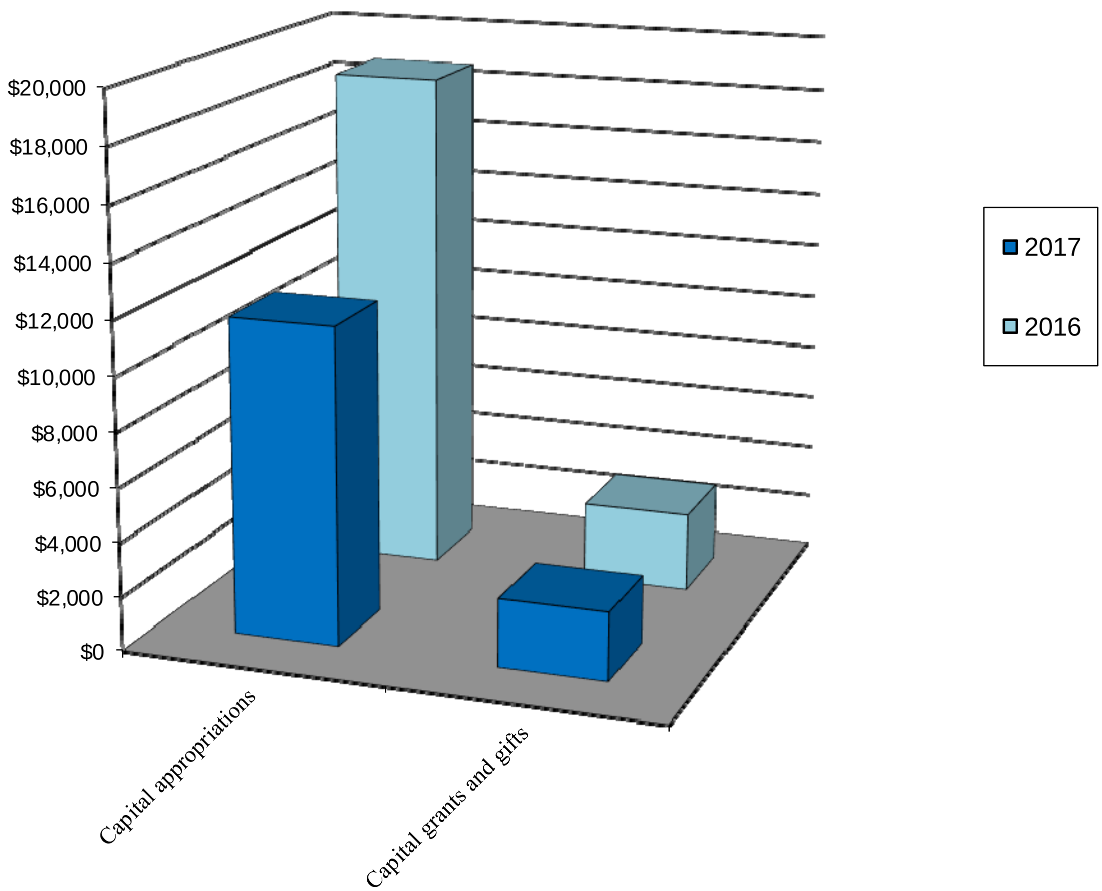
- The final state budget as proposed by Governor Haslam, and subsequently approved by the state legislature, included a reduction in state funding for MTSU under the Tennessee Higher Education Commission (THEC) Outcomes Based Funding Formula, which was offset by an increase in enhancement funds. The net result, along with funding for increased health insurance, provided a $4.7 million state appropriation increase for the University.

- Nonoperating grants and contracts decreased as a result of decreases in the University's federal PELL award and scholarships from the Tennessee Education Lottery Scholarship program.

- Other categories were relatively unchanged during the fiscal year.

Other Revenues

This category is composed of State appropriations for capital purposes, capital grants and gifts, and additions to permanent endowments. These amounts were as follows for the last two fiscal years (in thousands of dollars):



- Capital appropriations decreased by $7 million due to the completion of the Wiser-Patten Science Hall renovation.

- Capital grants and gifts were relatively unchanged during the fiscal year.

Capital Asset and Debt Administration

Capital Assets

Middle Tennessee State University had $538.9 million invested in capital assets, net of accumulated depreciation of $279.9 million at June 30, 2017; and $542.7 million invested in capital assets, net of accumulated depreciation of $263.1 million at June 30, 2016. Depreciation charges totaled $20.6 million and $19.4 million for the years ended June 30, 2017, and June 30, 2016, respectively.

Schedule of Capital Assets, Net of Depreciation
(in thousands of dollars)

	2017	2016
Land	$ 17,626	$ 17,334
Land improvements and infrastructure	40,309	40,189
Buildings	447,590	435,767
Equipment	16,290	16,771
Library holdings	2,403	2,482
Intangible assets	1,985	1,860
Projects in progress	12,724	28,345
Total	**$538,927**	**$542,748**

Capital Assets, net of depreciation, decreased in fiscal year 2017 due to increased depreciation expense that exceeded new capital asset additions. Significant additions to capital assets occurred in the buildings category with the completion of the Wiser-Patten Science Hall and Davis Science Building improvements. Projects in progress experienced a corresponding decline due to the completion of the science facility renovations and infrastructure additions. Major projects currently in progress at the University include the following: Parking and transportation improvements and central plant controls update.

At June 30, 2017, outstanding commitments under construction contracts totaled $16.5 million for various renovations and repairs of buildings and infrastructure. Future state capital outlay appropriations will fund $8.8 million of these costs.

More detailed information about the University's capital assets is presented in Note 6 to the financial statements.

Debt

The University had $214.5 million and $230.2 million in debt outstanding at June 30, 2017, and June 30, 2016, respectively. The table below summarizes these amounts by type of debt instrument.

Outstanding Debt Schedule
(in thousands of dollars)

	2017	2016
TSSBA bonds	$203,019	$215,962
TSSBA revolving credit facility	11,484	14,300
Total Debt	**$214,503**	**$230,262**

The TSSBA issued bonds with interest rates ranging from 1.02% to 5.0% due serially until 2044 on behalf of Middle Tennessee State University. The University is responsible for the debt service of these bonds. The current portion of the $203.0 million outstanding at June 30, 2017, is $8.0 million.

The TSSBA issued loans from the revolving credit facility with variable interest rates on behalf of Middle Tennessee State University. The University is responsible for the debt service of the loans from the revolving credit facility. The outstanding amount at June 30, 2017 is $11.5 million.

The ratings on debt issued by the Tennessee State School Bond Authority at June 30, 2017, were as follows:

Fitch	AA+
Moody's Investor Service	Aa1
Standard & Poor's	AA+

More information about the University's long-term liabilities is presented in Note 8 to the financial statements.

Economic Factors that Will Affect the Future

The final state budget as proposed by Governor Haslam and subsequently approved by the state legislature included a reduction adjustment in state funding for MTSU under the Tennessee Higher Education Commission (THEC) Outcomes Based Funding Formula and additional enhancement funds for improvements under the formula. The net effect was a small state appropriation increase for the University.

At the June quarterly meeting, the MTSU Board of Trustees approved a combined tuition and mandatory fee increase of 3.9 percent. New funds from this increase, along with the appropriations increase, will cover some inflationary cost, part of a 3 percent salary increase not covered by the governor's budget, faculty promotion salary increases, and funds to support student success initiatives. The Board of Trustees also approved the 3 percent cost-of-living adjustment strategy for an across-the-board salary increase for eligible employees.

Fall 2017 enrollment is slightly down at this time; however, final numbers will not be known until the final census date. Decreased revenue from this slight decline in enrollment will be managed centrally by the University without affecting academic departmental budgets.

The state budget for this next fiscal year does include $9 million in capital maintenance funds for MTSU. Improvements include alarm system updates, piping and utility hole replacement, roof replacements, elevator modernizations, and Keathly University Center mechanical and HVAC upgrades.

BASIC FINANCIAL STATEMENTS

Middle Tennessee State University
Unaudited Statement of Net Position
June 30, 2017

	Institution	Component Unit
ASSETS		
Current assets:		
Cash and cash equivalents (Notes 2 and 19)	$ 65,443,050.43	$ 3,396,709.12
Accounts, notes, and grants receivable (net) (Note 5)	11,092,450.77	-
Due from primary government	2,853,493.62	-
Due from component unit	2,269,943.66	-
Pledges receivable (net) (Note 19)	-	1,336,258.81
Inventories (at lower of cost or market)	591,227.00	-
Prepaid expenses	1,642,599.00	12,001.96
Accrued interest receivable	26,771.23	37,791.00
Total current assets	83,919,535.71	4,782,760.89
Noncurrent assets:		
Cash and cash equivalents (Notes 2 and 19)	59,252,339.67	9,642,418.41
Investments (Notes 3 and 19)	928,195.43	66,803,478.19
Accounts, notes, and grants receivable (net) (Note 5)	2,584,988.10	-
Net pension asset (Note 11)	133,171.45	-
Pledges receivable (net) (Note 19)	-	4,721,240.30
Capital assets (net) (Note 6)	538,927,483.20	15,950,054.92
Total noncurrent assets	601,826,177.85	97,117,191.82
Total assets	685,745,713.56	101,899,952.71
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on debt refunding	5,355,173.27	
Deferred outflows related to pensions (Note 11)	19,276,015.51	
Total deferred outflows of resources	24,631,188.78	
LIABILITIES		
Current liabilities:		
Accounts payable (Note 7)	5,543,719.42	84,268.91
Accrued liabilities	19,884,912.38	-
Due to primary government	709,942.76	2,269,943.66
Student deposits	1,033,154.41	-
Unearned revenue	10,298,331.83	-
Compensated absences (Note 8)	1,966,843.16	-
Accrued interest payable	1,412,349.20	-
Long-term liabilities, current portion (Note 8)	8,003,520.66	-
Deposits held in custody for others	507,260.19	-
Total current liabilities	49,360,034.01	2,354,212.57
Noncurrent liabilities:		
Net OPEB obligation (Note 12)	13,317,885.07	-
Net pension liability (Note 11)	36,132,902.28	-
Compensated absences (Note 8)	4,880,658.98	-
Long-term liabilities (Note 8)	206,499,724.36	-
Due to grantors (Note 8)	2,085,089.61	-
Total noncurrent liabilities	262,916,260.30	-
Total liabilities	312,276,294.31	2,354,212.57
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on debt refunding	118,504.47	
Deferred inflows related to pensions (Note 11)	1,934,306.00	
Total deferred inflows of resources	2,052,810.47	
NET POSITION		
Net investment in capital assets	332,702,416.35	15,950,054.92
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	10,900.00	35,763,376.29
Research	-	950,128.35
Instructional department uses	-	2,858,601.44
Other	944,799.42	25,545.99
Expendable:		
Scholarships and fellowships	97,699.33	18,636,686.02
Research	26,528.84	641,175.47
Instructional department uses	218,688.65	13,014,416.48
Loans	1,931,408.57	-
Capital projects	333,319.55	8,190,237.09
Debt service	641,354.76	-
Pensions	133,171.45	-
Other	3,252,630.70	1,810,961.22
Unrestricted	55,754,879.94	1,704,556.87
Total net position	$ 396,047,797.56	$ 99,545,740.14

The notes to the financial statements are integral part of this statement.

Middle Tennessee State University
Unaudited Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2017

	Institution	Component Unit
REVENUES		
Operating revenues:		
Student tuition and fees (Note 13)	$ 129,970,164.02	$ -
Gifts and contributions	-	5,070,893.51
Endowment Income (per spending plan)	-	2,319,374.09
Governmental grants and contracts	10,454,744.26	-
Non-governmental grants and contracts	958,673.84	3,440.17
Sales and services of educational activities (Note 13)	1,402,574.19	-
Sales and services of other activities (Note 13)	18,630,022.24	-
Auxiliary enterprises:		
Residential life (all residential life revenues are used as security for revenue bonds, see Notes 10 and 13)	10,614,628.11	-
Bookstore (Note 13)	491,638.57	-
Food Service	2,233,000.00	-
Wellness facility (all wellness facility revenues are used as security for revenue bonds, see Notes 10 and 13)	2,066,192.16	-
Other auxiliaries (Note 13)	10,642,930.29	-
Interest earned on loans to students (Note 13)	80,040.04	-
Other operating revenues	108,502.98	12,248.75
Total operating revenues	187,653,110.70	7,405,956.52
EXPENSES		
Operating Expenses (Note 17)		
Salaries and wages	161,200,829.16	1,246,371.11
Benefits	56,811,675.61	452,438.21
Utilities, supplies, and other services	80,345,307.39	2,251,404.20
Scholarships and fellowships	30,211,807.71	2,000,330.46
Depreciation expense	20,614,210.46	341,627.41
Payments to or on behalf of MTSU (Note 19)	-	6,244,940.84
Total operating expenses	349,183,830.33	12,537,112.23
Operating income (loss)	(161,530,719.63)	(5,131,155.71)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	91,620,650.00	-
Gifts, including $4,833,656.12 from component unit	5,005,578.31	-
Grants and contracts	69,814,104.00	-
Investment income (net of investment expense of $11,347.92 for the University and $461,591.16 for the component unit)	1,680,833.04	5,195,690.28
Interest on capital asset-related debt	(7,839,005.07)	-
University support (Note 19)	-	1,698,809.32
Other non-operating revenues/(expenses)	(41,799.54)	(26,974.09)
Net nonoperating revenues	160,240,360.74	6,867,525.51
Income before other revenues, expenses, gains, or losses	(1,290,358.89)	1,736,369.80
Capital appropriations	11,653,575.99	-
Capital grants and gifts, including $1,411,284.72 from component unit	2,519,550.35	-
Additions to permanent endowments	-	1,262,483.93
Total other revenues	14,173,126.34	1,262,483.93
Increase (decrease) in net position	12,882,767.45	2,998,853.73
NET POSITION		
Net position -beginning of year	383,165,030.11	96,546,886.41
Net position - end of year	$ 396,047,797.56	$ 99,545,740.14

The notes to the financial statements are integral part of this statement.

Middle Tennessee State University
Unaudited Statement of Cash Flows
For the Year ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 130,456,110.16
Grants and contracts	11,498,085.63
Sales and services of educational activities	1,401,716.49
Sales and services of other activities	19,799,927.79
Payments to suppliers and vendors	(73,914,388.83)
Payments to employees	(161,578,637.06)
Payments for benefits	(57,033,859.44)
Payments for scholarships and fellowships	(30,211,807.71)
Loans issued to students	(57,259.32)
Collection of loans from students	36,699.08
Interest earned on loans to students	82,925.78
Auxiliary enterprise charges:	
Residence halls	10,644,703.69
Bookstore	488,561.96
Food services	2,156,855.68
Wellness facility	2,072,776.16
Other auxiliaries	10,673,446.02
Other receipts (payments)	197,657.36
Net cash provided (used) by operating activities	(133,286,486.56)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State appropriations	91,154,300.00
Gifts and grants received for other than capital or endowment purposes, including $4,833,656.12 from component unit	72,145,515.31
Federal/state student loan receipts	101,705,222.39
Federal/state student loan disbursements	(101,652,870.00)
Changes in deposits held for others	23,739.09
Principal paid on noncapital debt	(588,511.81)
Interest paid on noncapital debt	(241,089.63)
Other non-capital financing receipts (payments)	64,196.21
Net cash provided (used) by non-capital financing activities	162,610,501.56
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grants and gifts received, including $1,337,212.72 from component unit	2,210,478.35
Purchase of capital assets and construction	(5,599,368.24)
Principal paid on capital debt and lease	(14,797,396.39)
Interest paid on capital debt and lease	(9,230,184.07)
Net cash provided (used) for capital and related financing activities	$ (27,416,470.35)

Middle Tennessee State University
Unaudited Statement of Cash Flows
For the Year ended June 30, 2017

CASH FLOWS FROM INVESTING ACTIVITIES	
Income on investments	$ 1,627,543.80
Net cash provided (used) by investing activities	1,627,543.80
Net increase (decrease) in cash and cash equivalents	3,535,088.45
Cash and cash equivalents - beginning of year	121,160,301.65
Cash and cash equivalents - end of year (Note 2)	$ 124,695,390.10

RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income/(loss)	$ (161,530,719.63)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Noncash operating expenses	26,257,647.87
Change in assets, liabilities, and deferrals:	
Receivables, net	1,964,353.22
Inventories	(2,438.51)
Prepaid items	261,831.92
Net pension asset	(80,127.30)
Other assets	2,885.74
Deferred outflows of resources	(8,736,079.61)
Accounts payable	124,289.08
Accrued liabilities	(155,638.51)
Unearned revenues	963,928.97
Deposits	(105,672.66)
Compensated absences	(75,173.22)
Net pension liability	11,576,692.40
Due to grantors	(363,341.08)
Loans to students	(20,560.24)
Deferred inflows of resources	(3,368,365.00)
Net cash provided (used) by operating activities	$ (133,286,486.56)

Non-cash investing, capital, and financing transactions	
Gifts in-kind - capital	$ 309,072.00
Unrealized gains/(losses) on investments	62,036.38
Gain/(loss) on disposal of capital assets	(93,928.12)
Proceeds from capital debt	1,933,248.82
Capital appropriations	11,853,446.44
Purchase of capital assets and construction	10,976,807.22
Other capital and related financing receipts (payments)	(9,567.37)

The notes to the financial statements are integral part of this statement.

MIDDLE TENNESSEE STATE UNIVERSITY

Notes to the Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies

REPORTING ENTITY
Middle Tennessee State University is a part of the State University and Community College System of Tennessee (the System). The Focus on College and University Success Act of 2016 removed the six universities from the governance of the Tennessee Board of Regents but they remain part of the System. The universities have their own local governing boards that provide governance, approve policies, set tuition and fee rates, and hire presidents. The System has limited oversight responsibilities during the transition period and continuing oversight responsibilities in the areas of budget approval and institutional debt. The System is a component unit of the State of Tennessee because the state appoints a majority of the System's governing body and provides significant financial support; the System is discretely presented in the *Tennessee Comprehensive Annual Financial Report.*

The financial statements present only that portion of the System's activities that is attributable to the transactions of Middle Tennessee State University.

The Middle Tennessee State University Foundation is considered a component unit of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of Middle Tennessee State University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. See Note 19 for more detailed information about the component unit and how to obtain the report.

BASIS OF PRESENTATION
The University's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental colleges and universities engaged in business-type activities as prescribed by the Governmental Accounting Standards Board (GASB).

BASIS OF ACCOUNTING
For financial statement purposes, Middle Tennessee State University is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All significant internal activity has been eliminated.

The University has classified its revenues and expenses as either operating or nonoperating according to the following criteria: Operating revenues and expenses are those that have the characteristics of exchange and exchange-like transactions. Operating revenues include (1) tuition and fees, net of scholarship discounts and allowances; (2) most federal, state, local, and private grants and contracts; (3) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and (4) interest on institutional loans. Operating expenses include (1) salaries and wages; (2) employee benefits; (3) scholarships and fellowships; (4) depreciation; and (5) utilities, supplies, and other services.

Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other activities that are defined as nonoperating by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting,* and GASB Statement 34, such as state appropriations and investment income.

When both restricted and unrestricted resources are available for use, it is the University's policy to determine whether to use restricted or unrestricted resources first depending upon existing facts and circumstances.

CASH EQUIVALENTS
This classification includes instruments that are readily convertible to known amounts of cash and have original maturities of three months or less.

INVENTORIES
Inventories are valued at the lower of cost or market.

COMPENSATED ABSENCES
Middle Tennessee State University's employees accrue annual and sick leave at varying rates, depending upon length of service or classification. Prior to April 16, 2012, some employees earned compensatory time. These employees will continue to retain their accumulated balances until depleted. The amount of the liabilities for annual leave and compensatory time and their related benefits are reported in the Statement of Net Position. There is no liability for unpaid accumulated sick leave since the University's policy is to pay this only if the employee is sick or upon death.

CAPITAL ASSETS
Capital assets, which include property, plant, equipment, library holdings, and intangible assets, are reported in the Statement of Net Position at historical cost or at acquisition value at date of donation, less accumulated depreciation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' useful lives are not capitalized.

A capitalization threshold of $100,000 is used for buildings and $50,000 is used for infrastructure. Equipment is capitalized when the unit acquisition cost is $5,000 or greater. The capitalization threshold for additions and improvements to buildings and land is set at $50,000. The capitalization threshold for intangible assets is set at $100,000.

These assets, with the exception of land, are depreciated/amortized using the straight-line method over the estimated useful lives of the assets, which range from 5 to 60 years.

PENSIONS
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan. Investments are reported at fair value.

NET POSITION
Middle Tennessee State University's net position is classified as follows:

NET INVESTMENT IN CAPITAL ASSETS. This represents the University's total investment in capital assets, net of accumulated depreciation and net of outstanding debt obligations and deferred outflows/inflows of resources related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

RESTRICTED NET POSITION – NONEXPENDABLE. Nonexpendable restricted net position consists 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 is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may be expendable or added to principal.

RESTRICTED NET POSITION – EXPENDABLE. Restricted expendable net position includes resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

UNRESTRICTED NET POSITION. Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments, sales and services of other, and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of Middle Tennessee State University to meet current expenses for any purpose. The auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty, and staff.

SCHOLARSHIP DISCOUNTS AND ALLOWANCES
Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by Middle Tennessee State University and the amount that is paid by the students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other Federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

2. Cash and Cash Equivalents

In addition to demand deposits and petty cash on hand, this classification includes instruments which are readily convertible to known amounts of cash and which have original maturities of three months or less. At June 30, 2017, cash and cash equivalents consists of $40,235,654.02 in bank accounts, $34,260.00 of petty cash on hand, $82,699,840.25 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer, $1,709,031.84 in the LGIP Deposits – Capital Projects account, and $16,603.99 in a money market account.

LGIP Deposits – Capital Projects. Payments related to Middle Tennessee State University's capital projects are made by the State of Tennessee's Department of Finance and Administration. The University's estimated local share of the cost of each project is held in a separate Local Government Investment Pool (LGIP) account. As expenses are incurred, funds are withdrawn from the LGIP account by the System and transferred to the Department of Finance and Administration. The funds in the account are not available to the University for any other purpose until the project is completed and the System releases any remaining funds.

The Local Government Investment Pool (LGIP) is administered by the State Treasurer and is measured at amortized cost. The LGIP is part of the State Pooled Investment Fund. There are no minimum or maximum limitations on withdrawals with the exception of a 24-hour notification period for withdrawals of $5 million or more. The fund's required risks disclosures are presented in the *State of Tennessee's Treasurer's Report.* That report is available on the state's website at http://www.tn.gov/treasury or by calling (615) 741-2956.

3. Investments

In accordance with GASB Statement 31, as amended, investments are reported at fair value, including those with a maturity date of one year or less at the time of purchase, unless otherwise noted.

As of June 30, 2017, the University had the following investments and maturities:

		Investment Maturities (in Years)	
Investment Type	Fair Value	1 to 5	No Maturity Date
Corporate bonds	$ 81,221.75	$ 81,221.75	$ -
Mutual bond funds	367,261.71	-	367,261.71
Total Debt Instruments	448,483.46	$ 81,221.75	$ 367,261.71
Non-Fixed Income Investments			
Mutual equity funds	324,467.77		
Exchange traded funds	155,244.20		
Total Investments	$ 928,195.43		

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. Middle Tennessee State University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Middle Tennessee State University is authorized by statute to invest funds in accordance with the System's policies. Under the current policy, funds other than endowments may be invested only in obligations of the United States or its agencies that are backed by the full faith and credit of the United States, repurchase agreements for United States securities, certificates of deposit in banks and savings and loan associations, banker's acceptances, commercial paper, money market mutual funds, and the State of Tennessee Local Government Investment Pool. The policy requires that investments of endowments in equity securities be limited to funds from private gifts or other sources external to the University and that endowment investments be prudently diversified. Securities are rated using Standard and Poor's, Moody's, and/or Fitch's and are presented below using the Standard and Poor's rating scale.

TBR policy restricts investments in banker's acceptances and commercial paper. The policy requires that prime banker's acceptances must be issued by domestic banks with a minimum AA rating or foreign banks with a AAA long-term debt rating by a majority of the rating services that have rated the issuer. Prime banker's acceptances are required to be eligible for purchase by the Federal Reserve System. To be eligible, the original maturity must not be more than 270 days, and it must 1) arise out of the current shipment of goods between countries or with the United States, or 2) arise out of storage within the United States of goods under contract of sale or expected to move into the channel or trade within a reasonable time and that are secured throughout their life by a warehouse receipt or similar document conveying title to the underlying goods.

The policy requires that prime commercial paper shall be limited to that of corporations that meet the following criteria: 1) Senior long-term debt, if any, should have a minimum rating of A1 or equivalent, and short-term debt should have a minimum rating of A1 or equivalent, as provided by a majority of the rating services that rate the issuer. If there is no long term debt rating, the short-term debt must be A1 by all rating services (minimum of two). 2) The rating should be based on the merits of the issuer or guarantee by a nonbank. 3) A financial review should be made to ascertain the issuer's financial strength to cover the debt. 4) Commercial paper of a banking institution should not be purchased. Prime commercial paper shall not have a maturity that exceeds 270 days.

As of June 30, 2017, the University's investments were rated as follows:

		Credit Quality Rating	
Investment Type	Carrying Value	A-	Unrated
LGIP	$ 84,408,872.09	$ -	$ 84,408,872.09
Corporate bonds	81,221.75	81,221.75	-
Mutual bond funds	367,261.71	-	367,261.71
Total	$ 84,857,355.55	$ 81,221.75	$ 84,776,133.80

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University does not have a deposit policy for custodial credit risk. At June 30, 2017, Middle Tennessee State University had $928,195.43 of uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent but not in the University's name.

4. Fair Value Measurement

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The University has the following recurring fair value measurements as of June 30, 2017:

	June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Investments Measured at the Net Asset Value (NAV)
Assets by Fair Level Value				
Debt Securities:				
Corporate bonds	$ 81,221.75	$ -	$ 81,221.75	$ -
Mutual bond funds	367,261.71	367,261.71	-	-
Total debt securities	448,483.46	367,261.71	81,221.75	-
Equity Securitites:				
Mutual equity funds	324,467.77	324,467.77	-	-
Exchange Traded Funds	155,244.20	155,244.20	-	-
Total equity securities	479,711.97	479,711.97	-	-
Total assets at fair value	$ 928,195.43	$ 846,973.68	$ 81,221.75	$ -

Assets and liabilities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Assets and liabilities classified in Level 2 of the fair value hierarchy are valued using third-party pricing services and guidance provided by custodians and trading counterparties for fair value estimates of these investments. In addition, it takes into account the nature of the securities, trading activity, and availability of comparable securities in the marketplace.

5. Accounts, Notes, and Grants Receivable

Accounts receivable included the following:

	June 30, 2017
Student accounts receivable	$ 9,988,089.18
Grants receivable	1,382,591.10
Notes receivable	135,709.98
Athletics receivable	608,426.03
Other receivables	2,219,420.67
Subtotal	$ 14,334,236.96
Less allowance for doubtful accounts	(3,241,786.19)
Total	$ 11,092,450.77

Federal Perkins Loan Program funds include the following:

	June 30, 2017
Perkins Loans receivable	$ 3,241,413.84
Less allowance for doubtful accounts	(656,425.74)
Total	$ 2,584,988.10

6. Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 17,334,359.81	$ 291,762.21	$ -	$ -	$ 17,626,122.02
Improvements and infrastructure	79,781,496.94	-	3,460,578.80	235,445.42	83,006,630.32
Buildings	607,560,228.00	733,010.90	23,804,069.30	1,838,212.59	630,259,095.61
Equipment	60,763,105.83	3,479,615.41	28,477.72	1,252,516.04	63,018,682.92
Library holdings	5,623,222.37	465,898.26	-	644,325.41	5,444,795.22
Intangible assets	6,497,059.85	60,000.00	185,721.50	-	6,742,781.35
Projects in progress	28,345,190.94	11,857,460.94	(27,478,847.32)	-	12,723,804.56
Total	805,904,663.74	16,887,747.72	-	3,970,499.46	818,821,912.00
Less accumulated depreciation/amortization:					
Improvements and infrastructure	39,592,461.58	3,340,922.11	-	235,445.42	42,697,938.27
Buildings	171,792,907.07	12,714,712.47	-	1,838,212.59	182,669,406.95
Equipment	43,992,550.03	3,894,373.91	-	1,158,587.92	46,728,336.02
Library holdings	3,141,514.74	544,479.53	-	644,325.41	3,041,668.86
Intangible assets	4,637,356.26	119,722.44	-	-	4,757,078.70
Total	263,156,789.68	20,614,210.46	-	3,876,571.34	279,894,428.80
Capital assets, net	$ 542,747,874.06	$ (3,726,462.74)	$ -	$ 93,928.12	$ 538,927,483.20

The University has elected not to capitalize several campus collections consisting mainly of historical treasures. These collections are held in the Center for Popular Music, Center for Historical Preservation, and the Albert Gore Research Center. This election not to capitalize is based on the collections being held for public exhibition, education, and research in furtherance of public service rather than financial gain. The collections are protected, cared for, and preserved by custodians in each of the various areas. The University allows departments to retain proceeds from sales of large capital assets and collections for the acquisition of replacement items.

7. Accounts Payable

Accounts payable included the following:

	June 30, 2017
Vendors payable	$ 5,503,233.83
Unapplied student payments	40,485.59
Total	$ 5,543,719.42

8. Long-term Liabilities

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
TSSBA Debt:					
Bonds	$ 195,219,289.52	$ -	$ 11,370,301.20	$ 183,848,988.32	$ 8,003,520.66
Unamortized bond premium/discount	20,742,559.81	-	1,572,799.35	19,169,760.46	-
Revolving credit facility	14,300,394.16	1,199,709.08	4,015,607.00	11,484,496.24	-
Subtotal	230,262,243.49	1,199,709.08	16,958,707.55	214,503,245.02	8,003,520.66
Other liabilities:					
Compensated absences	6,922,675.36	4,398,435.94	4,473,609.16	6,847,502.14	1,966,843.16
Due to grantors	2,448,430.69	594,310.00	957,651.08	2,085,089.61	-
Subtotal	9,371,106.05	4,992,745.94	5,431,260.24	8,932,591.75	1,966,843.16
Total long-term liabilities	$ 239,633,349.54	$ 6,192,455.02	$ 22,389,967.79	$ 223,435,836.77	$ 9,970,363.82

TSSBA Debt - Bonds Payable

Bonds, with interest rates ranging from 1.02% to 5.0% were issued by the Tennessee State School Bond Authority. The bonds are due serially until 2043-44 and are secured by pledges of the facilities' revenues to which they relate and certain other revenues and fees of the University, including state appropriations (see Note 10 for further details). The bonded indebtedness with the Tennessee State School Bond Authority included in long-term liabilities on the Statement of Net Position is shown net of assets held by the authority in the debt service reserve and net of unexpended debt proceeds. The reserve amount was $4,873,656.98 at June 30, 2017.

Debt service requirements to maturity for the University's portion of TSSBA bonds at June 30, 2017, are as follows:

For the Year(s) Ending June 30	Principal	Interest	Total
2018	$ 8,003,520.66	$ 8,176,508.37	$ 16,180,029.03
2019	10,693,648.07	7,635,137.12	18,328,785.19
2020	10,956,627.11	7,164,190.31	18,120,817.42
2021	11,441,434.29	6,711,151.42	18,152,585.71
2022	11,680,033.86	6,241,882.49	17,921,916.35
2023-2027	52,500,411.56	24,259,601.01	76,760,012.57
2028-2032	30,812,500.59	14,082,495.86	44,894,996.45
2033-2037	23,090,820.14	8,225,998.14	31,316,818.28
2038-2042	22,016,039.39	3,069,709.10	25,085,748.49
2043-2044	2,653,952.65	134,356.35	2,788,309.00
Total	$ 183,848,988.32	$ 85,701,030.17	$ 269,550,018.49

TSSBA Debt – Revolving Credit Facility

The Tennessee State School Bond Authority receives loans from the revolving credit facility to finance costs of various capital projects during the construction phase. When projects are placed in service, TSSBA issues long-term, fixed-rate debt to finance the project over its useful payback period and repays the revolving credit facility debt. The total outstanding loans from the revolving credit facility was $11,479,776.24 at June 30, 2017. In addition, the University has expended $4,720.00 on projects that TSSBA has not yet withdrawn from the revolving credit facility.

More detailed information regarding the bonds and revolving credit facility can be found in the notes to the financial statements in the financial report for the Tennessee State School Bond Authority. That report is available on the state's website at https://www.comptroller.tn.gov/tssba/cafr.asp.

9. Endowments

If a donor has not provided specific instructions to Middle Tennessee State University, state law permits the University to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the University is required to consider its long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

The University chooses to spend only a portion of the investment income (including changes in the value of investments) each year. Under the spending plan established by the University, all interest earnings have been authorized for expenditure. At June 30, 2017, net appreciation of $11,259.71 is available to be spent, of which $56.14 is included in restricted net position, expendable for scholarships and fellowships, and $11,203.57 is included in restricted net position, expendable for loans.

10. Pledged Revenues

The University has pledged certain revenues and fees, including state appropriations, to repay $183,848,988.32, in revenue bonds issued from January 2007 to May 2015. Proceeds from the bonds provided financing for the following projects: construction of a cogeneration plant; the Wood/Stegall development facility; a printing services building; Greek Row housing; dormitory and family housing upgrades; student health, wellness, and recreation facility upgrades; purchase of a new fleet of airplanes for the Aerospace Department; energy savings and performance contracts; parking and transportation improvements; football stadium enhancements; purchase of the Ingram Building; construction of the Student Union Building; and the construction of two parking garages. The bonds are payable through 2044. Annual principal and interest payments on the bonds are expected to require less than 7.0% of available revenues. The total principal and interest remaining to be paid on the bonds is $269,550,018.49. Principal and interest paid for the current year and total available revenues were $23,224,913.27 and $329,977,714.50 respectively.

11. Pension Plans

Defined Benefit Plans

Closed State and Higher Education Employee Pension Plan

General Information about the Pension Plan

Plan Description - State employees and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan. This plan is a component of the Public Employee Retirement Plan, an agent, multiple-employer defined benefit pension plan. The Closed State and Higher Education Employee Pension Plan stopped accepting new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, a new agent defined benefit retirement plan, the State and Higher Education Employee Retirement Plan, became effective for state employees and higher education employees hired on or after July 1, 2014.

The TCRS was created by state statute under Title 8, Chapters 34-37, Tennessee Code Annotated. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided - Title 8, Chapters 34-37, Tennessee Code Annotated, establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Closed State and Higher Education Employee Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined using the following formula:

Average of Member's Highest Compensation for 5 Consecutive Years (up to Social Security Integration Level)	**x**	1.50%	**x**	Years of Service Credit	**x**	105%
Plus:						
Average of Member's Highest Compensation for 5 Consecutive Years (over Social Security Integration Level)	**x**	1.75%	**x**	Years of Service Credit	**x**	105%

A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost-of-living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw employee contributions, plus any accumulated interest.

Contributions - Contributions for state employees and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Middle Tennessee State University’s employees are non-contributory, as are most members in the Closed State and Higher Education Employee Pension Plan. State and higher education agencies make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Closed State and Higher Education Employee Pension Plan are required to be paid. Employer contributions by the University for the year ended June 30, 2017, to the Closed State and Higher Education Employee Pension Plan were $7,000,532.49 which is 15.02 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liability – At June 30, 2017, the University reported a liability of $36,132,902.28 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University’s proportion of the net pension liability was based on a projection of the University’s contributions during the year ended June 30, 2016, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2016, measurement date, the University’s proportion was 1.98040 percent. The proportionate share from the prior year’s measurement date of June 30, 2015 was 1.904642 percent.

Pension expense – For the year ended June 30, 2017, the University recognized a pension expense of $6,622,918.00.

Deferred outflows of resources and deferred inflows of resources - For the year ended June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,026,353.00	$ 1,919,995.00
Net difference between projected and actual earnings on pension plan investments	8,738,844.00	
Changes in proportion of Net Pension Liability (Asset)	1,174,015.00	
Middle Tennessee State University's contributions subsequent to the measurement date of June 30, 2016	7,000,532.49	
Total	$ 18,939,744.49	$ 1,919,995.00

Deferred outflows of resources, resulting from the University's employer contributions of $7,000,532.49 subsequent to the measurement date will be recognized as a decrease in net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2018	$ 852,930
2019	$ 852,930
2020	$ 5,774,763
2021	$ 2,538,594

In the table shown above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions - The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.5%, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5%

Mortality rates were customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all state and higher education agencies will be made at the actuarially determined contribution rate in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate - The following presents the University's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the University's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
University's proportionate share of the net pension liability (asset)	$ 71,009,992.00	$ 36,132,902.28	$ 6,724,955.00

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report at www.treasury.tn.gov/tcrs.

Payable to the Pension Plan

At June 30, 2017, Middle Tennessee State University reported a payable of $619,496.43 for the outstanding amount of legally required contributions to the pension plan required for the year ended June 30, 2017.

State and Higher Education Employee Retirement Plan

General Information about the Pension Plan

Plan description – State employees and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. TCRS is a multiple employer pension plan. The Closed State and Higher Education Pension Plan was closed effective June 30, 2014, and covers employees hired before July 1, 2014. Employees hired after June 30, 2014, are provided with pensions through a legally separate plan referred to as the State and Higher Education Employee Retirement Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. The TCRS was created by state statute under Title 8, Chapters 34-37, Tennessee Code Annotated.

Benefits provided – Title 8, Chapters 34-37, Tennessee Code Annotated establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the State and Higher Education Employee Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula multiplying the member's highest five consecutive year average compensation by 1 percent multiplied by the member's years of service credit. A reduced early retirement benefit is available at age 60 with 5 years of service credit or pursuant to the rule of 80 in which the member's age and service credit total 80. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service-related disability eligibility. The service-related and non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost-of-living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to July 2 of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 0.5 percent. A 1 percent COLA is granted if the CPI change is between 0.5 percent and 1 percent. A member who leaves employment may withdraw employee contributions, plus any accumulated interest.

Contributions – Contributions for state and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of their salary. The higher education institutions make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the State and Higher Education Employee Retirement Plan are required to be paid. Employer contributions by the University for the year ended June 30, 2017, to the State and Higher Education Employee Retirement Plan were $305,514.02, which is 3.89 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year and the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Asset - At June 30, 2017, the University reported an asset of $133,171.45 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The University's proportion of the net pension asset was based on a projection of Middle Tennessee State University's contributions during the year ended June 30, 2016 to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2016, measurement date, the University's proportion was 1.580760 percent. The proportionate share from the prior year's measurement date of June 30, 2015 was 1.907390 percent.

Pension expense - For the year ended June 30, 2017, the University recognized a pension expense of $75,249.00.

Deferred outflows of resources and deferred inflows of resources - For the year ended June 30, 2017, Middle Tennessee State University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 9,689.00	$ 14,311.00
Net difference between projected and actual earnings on pension plan investments	15,529.00	
Contributions subsequent to the measurement date of June 30, 2015	5,539.00	
Middle Tennessee State University's contributions subsequent to the measurement date of June 30,2016	305,514.02	
Total	$ 336,271.02	$ 14,311.00

Deferred outflows of resources, resulting from the University's employer contributions of $305,514.02 subsequent to the measurement date will be recognized as a decrease in net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2018	$ 3,900
2019	$ 3,900
2020	$ 3,900
2021	$ 3,263
2022	$ (141)
Thereafter	$ 1,622

In the table shown above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions – The total pension liability as of the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.5%, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5%

Mortality rates were customized based on the June 30, 2012 actuarial experience study and included an adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	**Long-Term Expected Real Rate of Return**	**Target Allocation**
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate - The discount rate used to measure the total pension liability/(asset) was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all state and higher education agencies will be made at the actuarially determined contribution rate in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability/(asset).

Sensitivity of the net pension liability (asset) to changes in the discount rate - The following presents the University's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the University's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Middle Tennessee State University's proportionate share of the net pension liability (asset)	$ (15,925.00)	$ (133,171.45)	$ (221,006.00)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report at www.treasury.tn.gov/tcrs.

Payable to the Pension Plan

At June 30, 2017, the University reported a payable of $33,771.62 for the outstanding amount of legally required contributions to the pension plan required for the year ended June 30, 2017.

Total defined benefit pension expense – The total pension expense for the year ended June 30, 2017, for all defined benefit pension plans was $6,698,167.00.

Defined Contribution Plans

Optional Retirement Plan

Plan Description – The University contributes to the Optional Retirement Plan (ORP). The ORP, administered by the Tennessee Treasury Department, is a defined contribution plan. The ORP was established by state statute in Title 8, Chapter 35, Part 4 of the TCA. This statute also sets out the plan provisions. The plan provisions are amended by the Tennessee General Assembly. The ORP was designed to provide benefits at retirement to faculty and staff who are exempt from the overtime provision of the Fair Labor Standards Act and who waive membership in the TCRS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

Funding Policy - For employees employed prior to July 1, 2014, plan members are noncontributory. The University contributes 10 percent of the employee's base salary up to the social security wage base and 11 percent above the social security wage base. For employees hired after June 30, 2014, plan members will contribute 5 percent to the ORP and the University will contribute 9 percent of the employee's base salary. The required contributions made to the ORP were $8,669,881.75 for the year ended June 30, 2017, and $8,725,400.39 for the year ended June 30, 2016. Contributions met the requirements for each year.

Members are immediately 100 percent vested in the employer contributions made pursuant to the ORP. The Treasury Department has selected three investment vendors who offer a variety of investment products in which members are responsible for selecting how the contributions are invested. Each member makes the decision when to reallocate future contributions or when to transfer funds from one investment product to another. Funds are held by the investment vendor in the name of the member, not in the name of the State of Tennessee. The State of Tennessee has no discretion over these funds other than to make the initial contributions. Accordingly, the State of Tennessee is not acting in a trustee capacity nor does it have a fiduciary responsibility for the funds held by the investment vendors.

Deferred Compensation Plans

Employees are offered three deferred compensation plans. The University, through the state of Tennessee, provides two plans, one established pursuant to IRC Section 457 and the other pursuant to IRC Section 401(k). The third plan is administered by the University and was established in accordance with IRC, Section 403(b). All costs of administering and funding these programs, with the exclusion of the $50 monthly employer match for the Section 401(k) plan, are the responsibility of plan participants. Section 401(k), Section 403(b), and Section 457 plan assets remain the property of the contributing employees; therefore, they are not presented in the accompanying financial statements. IRC Sections 401(k), 403(b), and 457 establish participation, contribution and withdrawal provisions for the plans. Employees hired after June 30, 2014, are automatically enrolled to contribute

2% of their salary to the state's 401(k) plan with the employer contributing an additional 5% to the plan. Employees will vest immediately to both the employee and employer contributions. During the year ended June 30, 2017, contributions totaling $4,082,808.20 were made by employees participating in the plan, with a related match of $1,349,013.42 made by the University. During the year ended June 30, 2016, contributions totaling $3,529,208.98 were made by employees participating in the plan, with a related match of $1,205,803.66 made by the University.

At June 30, 2017, Middle Tennessee State University reported a payable of $43,370.55 for the outstanding amount due for the employer's required non-matching 5% contribution to the 401(k) plan for the year ended June 30, 2017.

12. Other Postemployment Benefits

Healthcare is the only "other postemployment benefit" (OPEB) provided to employees. The State of Tennessee administers a group health insurance program that provides postemployment health insurance benefits to eligible University retirees. This program includes two plans available to higher education employees – the State Employee Group Plan and the Medicare Supplement Plan. Both plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-201 for the state plan and the Medicare Supplement Plan. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in the Medicare Supplement Plan. That plan does not include pharmacy. Employees hired on or after July 1, 2015, are not eligible to continue insurance coverage at retirement in either the Employee Group plan or the Medicare Supplement plan. The state makes on-behalf payments to the Medicare Supplement Plan for the university's eligible retirees, see Note 18. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at http://www.tn.gov/finance/act/cafr.shtml.

SPECIAL FUNDING SITUATION. The State of Tennessee is legally responsible for contributions to the Medicare Supplement Plan, which covers the retirees of other governmental entities, including the University. The state is the sole contributor for the university retirees who participate in the Medicare Supplement Plan.

FUNDING POLICY. The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants. Retired employees who have not reached the age of 65 pay the same base premium as active employees in the plan adjusted for years of service. Retirees with 30 years of service are subsidized 80 percent; 20 but less than 30 years, 70 percent; and less than 20 years, 60 percent. Retired employees who are 65 years of age or older have flat rate premium subsidies based on years of service. Retirees with 30 years of service receive $50 per month; 20 but less than 30 years, $37.50; and 15 but less than 20 years, $25. Contributions for the State Employee Group Plan for the year ended June 30, 2017, were $27,430,826.84, which consisted of $22,278,363.85 from the University and $5,152,462.99 from the employees.

ANNUAL OPEB COST AND NET OPEB OBLIGATION

Annual Required Contribution (ARC)	$ 3,101,000.00
Interest on the Net OPEB Obligation (NPO)	490,059.60
Adjustment to the ARC	(492,027.71)
Annual OPEB Cost	3,099,031.89
Amount of Contribution	(2,849,402.74)
Increase/Decrease in Net OPEB Obligation	249,629.15
Net OPEB Obligation - Beginning of Year	13,068,255.92
Net OPEB Obligation - End of Year	$ 13,317,885.07

Year-End	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year-End
6/30/2017	State Employee Group Plan	$ 3,099,031.89	91.9%	$ 13,317,885.07
6/30/2016	State Employee Group Plan	$ 2,996,095.31	86.4%	$ 13,068,255.92
6/30/2015	State Employee Group Plan	$ 3,036,628.09	86.7%	$ 12,660,422.46

FUNDED STATUS AND FUNDING PROGRESS. The funded status of the plan as of July 1, 2015, was as follows:

Actuarial Valuation Date	July 1, 2015
Actuarial Accrued Liability (AAL)	$ 23,748,000.00
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 23,748,000.00
Actuarial Value of Assets as a % of the AAL	0.0%
Covered Payroll (Active Plan Members)	$ 135,815,660.70
UAAL as Percentage of Covered Payroll	17.5%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

ACTUARIAL METHODS AND ASSUMPTIONS. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2015, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 3.75 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5 percent initially, decreased to 6.0 percent in fiscal year 2016 and then reduced by decrements to an ultimate rate of 4.7 percent in fiscal year 2050. All rates include a 2.5 percent inflation assumption. Premium subsidies in the Medicare Supplement plan are projected to remain unchanged and, consequently, trend rates are not applicable. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of 3.0 percent.

13. Revenues

A summary of adjustments and allowances by revenue classification is presented as follows:

Revenue Source	Gross Revenue	Less Scholarship Allowances	Less Uncollectible Debts	Net Revenue
Operating Revenues:				
Tuition and fees	$ 188,887,005.22	$ (58,474,458.41)	$ (442,382.79)	$ 129,970,164.02
Sales and services of educational activities	1,404,458.52		(1,884.33)	1,402,574.19
Sales and services of other activities	18,635,890.18		(5,867.94)	18,630,022.24
Residential life	15,554,062.55	(4,900,202.06)	(39,232.38)	10,614,628.11
Bookstore	491,197.25		441.32	491,638.57
Wellness facility	2,998,645.31	(932,453.15)	-	2,066,192.16
Other auxiliaries	10,647,235.51		(4,305.22)	10,642,930.29
Interest earned on loans to students	80,158.28		(118.24)	80,040.04
Total	$ 238,698,652.82	$ (64,307,113.62)	$ (493,349.58)	$ 173,898,189.62

14. Chairs of Excellence

Middle Tennessee State University had $35,260,761.56 on deposit at June 30, 2017, with the State Treasurer for its Chairs of Excellence program. These funds are held in trust by the state and are not included in these financial statements.

15. Insurance-Related Activities

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, professional medical malpractice liability, and workers' compensation. By statute, the maximum liability for general liability, automobile liability, and medical malpractice liability is $300,000 per person and $1 million per occurrence. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund (RMF). The state purchases commercial insurance for real property, crime and fidelity coverage on the state's officials and employees, and cyber liability coverage. For property coverage, the deductible for an individual state agency is the first $25,000 of losses. The RMF is responsible for property losses for the annual aggregate deductible of $7.5 million for perils other than earthquake and flood. Purchased insurance coverage is responsible for losses exceeding the $7.5 million annual aggregate deductible. For earthquake and flood, there is a deductible of $10 million per occurrence. The maximum insurance coverage is $750 million per year for perils other than earthquake and flood. The maximum flood insurance coverage is $50 million per occurrence, except there is only $25 million of coverage in flood zones A and V. The maximum earthquake insurance coverage is $50 million per occurrence. The amounts of settlements have not exceeded insurance coverage for each of the past three fiscal years.

Middle Tennessee State University participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the University based on a percentage of the University's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the years ended June 30, 2017 is presented in the Tennessee Comprehensive Annual Financial Report. The CAFR is available on the state's Web site at http://www.tn.gov/finance/article/fa-accfin-cafr. Since Middle Tennessee State University participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, Tennessee Code Annotated, Section 9-8-101 et seq. Liability for negligence of the University for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in Tennessee Code Annotated, Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund. The amount of cash and cash equivalents designated for payment of claims held by the Risk Management Fund at June 30, 2017, was not available.

At June 30, 2017, the scheduled coverage for Middle Tennessee State University was $1,298,382,638.00 for buildings and $400,067,762.00 for contents.

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. Middle Tennessee State University participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the University based on estimates of the ultimate cost of claims, including the cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

16. Commitments and Contingencies

Sick Leave - Middle Tennessee State University records the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent because of illness, injury, or related family death, there is no liability for sick leave at June 30. The dollar amount of unused sick leave was $65,518,887.52 at June 30, 2017.

Operating Leases - Middle Tennessee State University has entered into various operating leases for buildings and equipment. Such leases will probably continue to be required. Expenses under operating leases for real and personal property were $132,253.96 and $57,421.85 respectively for the year ended June 30, 2017. All operating leases are cancelable at the lessee's option.

Construction in Progress - At June 30, 2017, outstanding commitments under construction contracts totaled $16,520,043.02 for major projects including Natatorium Demolition; Academic Classroom Building; ADA Adaptations; Bell Street Renovations; Campus Quadrangle; Cope Building Renovations; Corlew & Cummings Elevator Replacements; Central Plant Control Updates; Chiller Replacement; Floyd Stadium and Field Lighting; Warehouse Building Renovation; Saunders HVAC; Parking and Transportation Improvements; Physical Plant Upgrades; Several Building Electrical Updates; Several Building Exterior Repairs; Concrete Industry Management Building; Wiser Patton-Davis Science Facilities Renovations; and an Underground Electrical Update of which $8,808,818.34 will be funded by future state capital outlay appropriations.

Litigation - Middle Tennessee State University is involved in several lawsuits, none of which are expected to have a material effect on the accompanying financial statements.

17. Natural Classifications with Functional Classifications

The University's operating expenses by functional classification for the year ended June 30, 2017, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Operating	Scholarships	Depreciation	Total
Instruction	$ 90,909,406.93	$31,859,669.40	$20,925,479.64	$ -	$ -	$143,694,555.97
Research	3,878,835.72	1,068,390.63	1,981,458.00	-	-	6,928,684.35
Public Service	3,790,574.11	1,241,283.88	3,696,236.20	-	-	8,728,094.19
Academic Support	19,531,458.32	7,187,771.14	1,903,148.85	-	-	28,622,378.31
Student Services	17,350,443.79	5,639,671.48	17,576,032.37	-	-	40,566,147.64
Institutional Support	11,600,852.02	4,381,646.57	7,055,138.84	-	-	23,037,637.43
M & O	7,767,619.41	3,259,323.89	17,984,427.36	-	-	29,011,370.66
Scholarships and Fellowships	-	-	-	30,211,807.71	-	30,211,807.71
Auxiliaries	6,371,638.86	2,173,918.62	9,223,386.13	-	-	17,768,943.61
Depreciation	-	-	-	-	20,614,210.46	20,614,210.46
Total Expenses	$161,200,829.16	$56,811,675.61	$80,345,307.39	$30,211,807.71	$20,614,210.46	$349,183,830.33

Expenses initially incurred by the academic support function as a result of providing internal services to the other functional classifications were allocated to the other functional areas by reducing the academic support function's operating expenses by the total amount of salaries, benefits, and operating expenses incurred in the provision of these services, and allocating this amount to the other functional areas' operating expenses on the basis of usage. As a result of this process, expenses totaling $11,672,635.83 were reallocated from academic support to the other functional areas.

18. On-Behalf Payments

During the year ended June 30, 2017, the State of Tennessee made payments of $171,450.00 on behalf of Middle Tennessee State University for retirees participating in the Medicare Supplement Plan. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 12. The plan is reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at http://www.tn.gov/finance/article/fa-accfin-cafr.

19. Component Unit

The Middle Tennessee State University Foundation is a legally separate, tax-exempt organization supporting Middle Tennessee State University. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The board of the Foundation, consisting of up to 36 members, is self-perpetuating and consists of graduates and friends of the University. Although Middle Tennessee State University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by or for the benefit of Middle Tennessee State University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

During the year ended June 30, 2017, the Foundation made distributions of $6,244,940.84 to or on behalf of Middle Tennessee State University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Joe Bales, Vice President for University Advancement, MTSU, 1301 East Main Street, Murfreesboro, TN 37132.

The Foundation is a nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from those of GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's financial information in the University's financial report for these differences.

Fair Value Measurements. The Foundation reports certain assets at fair value. Fair value has been determined using quoted prices in active markets for identical assets that are accessible at the measurement date (Level 1), inputs other than quoted market prices included in Level 1 that are directly or indirectly observable for the asset or liability (Level 2), or significant unobservable inputs (Level 3). The following table categorizes the recurring fair value measurements for these assets at June 30, 2017:

	Total Fair Value at June 30, 2017	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Unobservable Inputs: Level 3
Assets:				
Cash equivalents	$ 306,043.41	$ 306,043.41	$ -	$ -
Certificates of deposit	77,765.58	-	77,765.58	-
U.S. treasury	1,945,779.05	1,945,779.05	-	-
Corporate stocks	773,729.35	773,729.35	-	-
Domestic bonds	2,049,121.25	2,049,121.25	-	-
Euro & Intl fixed income bonds	634,361.25	634,361.25	-	-
Government agencies	1,512,092.50	1,512,092.50	-	-
Fixed income	2,544,284.07	-	2,544,284.07	-
Real assets	1,633,032.38	-	-	1,633,032.38
Mutual equity funds	2,489,897.41	2,489,897.41	-	-
Equity funds	23,449,006.67	-	16,696,279.95	6,752,726.72
Private equity	1,518,695.88	-	-	1,518,695.88
Exchange-traded products	727,410.55	727,410.55	-	-
Cash surrender value of life insurance	560,463.25	-	560,463.25	-
Alternative investments	26,887,839.00	-	-	26,887,839.00
Pledges receivable	6,057,499.11	-	-	6,057,499.11
Total Assets	$ 73,167,020.71	$ 10,438,434.77	$ 19,878,792.85	$ 42,849,793.09

The following table reconciles beginning and ending balances of all assets valued using Level 3 inputs:

	Beginning Balance	Total Gains/Losses, Realized & Unrealized	Purchases	Transfers In/Out of Level 3	Ending Balance
Assets:					
Alternative investments	$ 27,718,132.46	$ 2,731,364.62	$ 850,000.00	$ (4,411,658.08)	$ 26,887,839.00
Real Assets	1,713,467.48	161,986.94	-	(242,422.04)	1,633,032.38
Private Equity	405,356.56	227,226.86	893,161.16	(7,048.70)	1,518,695.88
Equity Funds	4,064,609.63	1,257,003.87	-	1,431,113.22	6,752,726.72
Pledges receivable	8,226,861.14	(2,169,362.03)	-	-	6,057,499.11
Total Assets	$ 42,128,427.27	$ 2,208,220.26	$ 1,743,161.16	$ (3,230,015.60)	$ 42,849,793.09

All gains and losses, both realized and unrealized, have been reported on the Statement of Revenues, Expenses, and Changes in Net Position as investment income. Of this total, $9,164,308.33 is attributable to the change in unrealized gains or losses relating to those assets still held at June 30, 2017.

Cash and Cash Equivalents - Cash and cash equivalents consist of demand deposit accounts, a State of Tennessee Local Government Investment Pool account administered by the state treasurer, and money market funds. Uninsured bank balances at June 30, 2017 totaled $6,399,069.90.

Investments - Investments are recorded on the date of acquisition and are stated at market value. Unrealized gains and losses are determined by the difference between market values at the beginning and end of the year. Investment securities held at year-end were as follows:

	Cost	Market Value
U.S. Treasury	$ 1,706,257.46	$ 1,945,779.05
Certificates of deposit	77,765.58	77,765.58
Corporate stocks	819,929.29	773,729.35
Domestic Bonds	2,054,808.50	2,049,121.25
Euro & Intl Fixed Income Bonds	635,275.00	634,361.25
Government Agencies	1,515,809.10	1,512,092.50
Fixed income	2,394,884.63	2,544,284.07
Real Assets	1,275,000.00	1,633,032.38
Mutual equity funds	2,860,307.17	2,489,897.41
Equity funds	17,600,000.00	23,449,006.67
Private Equity	1,298,161.16	1,518,695.88
Exchange-Traded Products	706,368.81	727,410.55
Cash surrender value of life insurance	N/A	560,463.25
Alternative investments	23,154,000.00	26,887,839.00
Total investments	$ 56,098,566.70	$ 66,803,478.19

Investment Return

The following schedule summarizes the total investment return and its classification in the foundation's statement of revenues, expenses, and changes in net position.

	June 30, 2017
Dividends and interest (net of expenses of $461,591.16)	$ (138,499.59)
Net realized and unrealized gain/losses	7,653,563.96
Total return on investments	7,515,064.37
Endowment income per spending plan	(2,319,374.09)
Investment return in excess of amounts designated for current operations	$ 5,195,690.28

Operating Return

The board of trustees designates only a portion of the Foundation's cumulative investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines. The amount computed under the endowment spending policy of the investment pool is used to support current operations.

Alternative Investments - The Foundation has investments in offshore hedge fund-of-funds. The estimated fair value of these assets is $26,887,839 at June 30, 2017.

The Foundation believes that the carrying amount of its alternative investments is a reasonable estimate of fair value as of June 30, 2017. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed and such differences could be material. These investments are made in accordance with the Foundation's investment policy that approves the allocation of funds to various asset classes in order to ensure the proper level of diversification. These investments are designed to enhance diversification and provide reductions in overall portfolio volatility. These fair values are estimated using various valuation techniques. Each offshore hedge fund-of-funds owned by the Foundation has an annual independent CPA firm audit. Hedge fund values are determined by using monthly reports received directly from the hedge fund-of-funds managers, as well as from the Foundation's registered investment advisors and/or investment custodian.

Pledges Receivable - Pledges receivable are summarized below net of the allowance for doubtful accounts:

	June 30, 2017
Current pledges	$ 1,336,258.81
Pledges due in one to five years	4,559,521.44
Pledges due after five years	417,722.24
Subtotal	6,313,502.49
Less: Discounts to net present value	(256,003.38)
Total pledges receivable, net	$ 6,057,499.11

Capital Assets - Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	$ 2,596,153.77	$ -	$ -	$ 2,596,153.77
Improvements and infrastructure	1,009,439.46	-	-	1,009,439.46
Buildings	19,931,308.96	-	-	19,931,308.96
Equipment	5,976.12	14,072.00	14,072.00	5,976.12
Construction in Progress	-	60,000.00	60,000.00	-
Total	23,542,878.31	74,072.00	74,072.00	23,542,878.31
Less accumulated depreciation:				
Improvements and infrastructure	537,445.60	50,471.98	-	587,917.58
Buildings	6,710,015.32	290,557.82	-	7,000,573.14
Equipment	3,735.06	597.61	-	4,332.67
Total accumulated depreciation	7,251,195.98	341,627.41	-	7,592,823.39
Capital assets, net	$ 16,291,682.33	$ (267,555.41)	$ 74,072.00	$ 15,950,054.92

Endowments - Middle Tennessee State University Foundation's endowment consists of 656 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net position associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of Trustees of the Middle Tennessee State University Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (the Act) as adopted by Tennessee as requiring the preservation of the fair value of the original gift, as of the gift date, of the endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net position (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) the portion of the investment return that is added to the fund's principal. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net position is classified as temporarily restricted net position until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Act.

In accordance with the Act, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund,
2. The purposes of the Foundation and the endowment fund,
3. General economic conditions,
4. the possible effect of inflation or deflation,
5. The expected total return from income and the appreciation of investments,
6. Other resources of the Foundation, and
7. The investment policies of the Foundation.

Composition of Endowment by Net Position Class
as of June 30, 2017

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Donor-restricted endowment funds	$ 39,597,652.07	$ 8,133,621.52	$ (4,530.72)	$ 47,726,742.87
Board-designated endowment funds	-	12,200,403.31	665,659.04	12,866,062.35
Total funds	$ 39,597,652.07	$ 20,334,024.83	$ 661,128.32	$ 60,592,805.22

Changes in Endowment Net Position
for the Fiscal Year Ended June 30, 2017

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Endowment net position, beginning of year	$ 40,724,144.76	$ 15,750,568.91	$ 517,342.18	$ 56,992,055.85
Investment return:				
Investment income	-	(221,185.08)	7,395.87	(213,789.21)
Net depreciation (realized and unrealized)	-	7,736,979.46	(63,115.83)	7,673,863.63
Total investment return	-	7,515,794.38	(55,719.96)	7,460,074.42
Contributions	1,262,483.93	28,711.39	-	1,291,195.32
Expenditures	-	(610,773.80)	41,814.90	(568,958.90)
Appropriation of endowment	-	(2,536,028.18)	188,508.35	(2,347,519.83)
Other changes:				
Transfers	(2,388,976.62)	185,752.13	(30,817.15)	(2,234,041.64)
Endowment net position, end of year	$ 39,597,652.07	$ 20,334,024.83	$ 661,128.32	$ 60,592,805.22

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the foundation is required to retain in a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net position. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and/or continued appropriation for fees and previously approved budgeted expenditures. At June 30, 2017, deficiencies of this nature totaled $4,530.72.

Return Objectives and Risk Parameters - The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the historical dollar value of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that provide for adequate long-term purchasing power preservation, as well as current scholarship and other institutional support as appropriate. The Foundation expects its endowment funds, over time, to provide an average total rate of return of approximately 8.5 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk restraints.

Spending Policy and How the Investment Objectives Relate - The Foundation has a policy of appropriating for distribution each year 4 percent of the three-year rolling average total fair market value of the endowment. Payout policy is determined by the Foundation year-to-year, and in a year of significantly declining investment values, the board may choose to not make an annual payout to preserve the future purchasing and payout power of the endowment. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3.5 percent annually. This is consistent with the Foundation’s objective to maintain the historical dollar value of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Support from Middle Tennessee State University - During fiscal year 2017, the University paid certain payroll costs amounting to $1,698,809.32 for university personnel who also performed services supporting the Foundation. These support costs paid by the University are reflected in the Statement of Revenues, Expenses, and Changes in Net Position as University support, with a like amount included in expenses. Middle Tennessee State University provides office space and the use of certain common facilities and services to the Foundation at no cost. These costs have not been recorded as University support because they are not considered to be significant to the operations of the Foundation.

Middle Tennessee State University
Required Supplementary Information
Other Postemployment Benefits Schedule of Funding Progress
For the year ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2015	$ -	$ 23,748,000.00	$ 23,748,000.00	0	$ 135,815,660.70	17.49%
July 1, 2013	$ -	$ 23,252,000.00	$ 23,252,000.00	0	$ 130,711,627.79	17.79%
July 1, 2011	$ -	$ 27,510,000.00	$ 27,510,000.00	0	$ 119,509,425.68	23.02%

The amount reported here for covered payroll relates to the fiscal year in which the valuations were performed

Middle Tennessee State University
Required Supplementary Information
Schedule of University's Proportionate Share of the Net Pension Liability
Closed State and Higher Education Employee Pension Plan Within TCRS
Fiscal Year Ending June 30

	2016	2015	2014
Institution's proportion of the net pension liability	1.980400%	1.904642%	1.868875%
Institution's proportionate share of the net pension liability	$ 36,132,902.28	$ 24,556,209.88	$ 12,894,279.00
Institution's covered payroll	$ 48,351,944.00	$ 49,745,361.75	$ 51,118,689.00
Institit
ion's proportionate share of the net pension liability as a percentage of it's covered payroll	74.73%	49.36%	25.22%
Plan fiduciary net position as a percentage of the total pension liability	87.96%	91.26%	95.11%

(1) This is a ten year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until ten years of information is available.

(2) To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

Middle Tennessee State University
Required Supplementary Information
Schedule of University's Proportionate Share of the Net Pension Asset
State and Higher Education Employee Retirement Plan Within TCRS
Fiscal Year Ending June 30

	2016	**2015**
Institution's proportion of the net pension asset	1.580760%	1.907390%
Institution's proportionate share of the net pension asset	$ (133,171.45)	$ (53,044.15)
Institution's covered-employee payroll	$ 4,876,823.00	$ 2,077,083.91
Institition's proportionate share of the net pension asset as a percentage of it's covered-employee payroll	-2.73%	-2.55%
Plan fiduciary net position as a percentage of the total pension asset	130.56%	142.55%

(1) This is a ten year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until ten years of information is available.

(2) To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

Middle Tennessee State University
Required Supplementary Information
Schedule of Unviersity's Contributions
Closed State and Higher Education Employee Pension Plan Within TCRS
Fiscal Year Ended June 30

	Contractually Determined Contributions	Contributions in Relation to Contractually Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	$ 7,000,532.49	$ 7,000,532.49	$ -	$ 46,608,015.18	15.02%
2016	7,268,067.60	7,268,067.60	-	48,351,944.00	15.03%
2015	7,475,084.12	7,475,084.12	-	49,745,361.75	15.03%
2014	7,681,000.00	7,681,000.00	-	51,118,689.00	15.03%
2013	7,398,445.45	7,398,445.45	-	49,224,520.63	15.03%
2012	7,481,791.25	7,481,791.25	-	50,179,686.45	14.91%
2011	6,714,529.05	6,714,529.05	-	45,033,729.38	14.91%
2010	5,982,087.97	5,982,087.97	-	45,945,376.11	13.02%
2009	6,254,322.27	6,254,322.27	-	48,036,269.35	13.02%
2008	6,649,192.21	6,649,192.21	-	48,819,326.06	13.62%

Middle Tennessee State University
Required Supplementary Information
Schedule of University's Contributions
State and Higher Education Employee Retirement Plan Within TCRS
Fiscal Year Ended June 30

	2017	**2016**	**2015**
Contractually determined contribution	$ 305,514.02	$ 188,480.00	$ 80,383.18
Contribution in relation to contractually determined contribution	305,514.02	188,480.00	80,383.18
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 7,853,299.59	$ 4,876,823.00	$ 2,077,083.91
Contributions as a percentage of covered payroll	3.89%	3.86%	3.87%

(1) This is a ten year schedule; however, contributions to this plan began in 2015. Years will be added to this schedule in future years until ten years of information are available.

Middle Tennessee State University
Supplementary Information
Supplementary Schedule of Cash Flows - Component Unit
for the Year Ended June 30, 2017

	Component Unit
CASH FLOWS FROM OPERATING ACTIVITIES	
Gifts and contributions	$ 7,914,950.79
Grants and contracts	3,440.17
Payments to suppliers and vendors	(3,294,806.86)
Payments for scholarships and fellowships	(2,000,330.46)
Payments to MTSU	(6,170,868.84)
Other receipts (payments)	12,248.75
Net cash provided (used) by operating activities	(3,535,366.45)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Private gifts for endowment purposes	451,164.74
Net cash provided (used) by non-capital financing activities	451,164.74
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets and construction	(74,072.00)
Net cash provided (used) by capital and related financing activities	(74,072.00)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	9,384,556.44
Income on investments	209,887.72
Purchase of investments	(12,737,995.66)
Other investing receipts (payments)	(26,974.09)
Net cash provided (used) by investing activities	(3,170,525.59)
Net increase (decrease) in cash and cash equivalents	(6,328,799.30)
Cash and cash equivalents - beginning of year	19,367,926.83
Cash and cash equivalents - end of year (Note 19)	$ 13,039,127.53
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income/(loss)	$ (5,131,155.71)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Noncash operating expenses	2,040,436.73
Endowment income per spending plan	(2,319,374.09)
Change in assets, liabilities, and deferrals:	
Receivables, net	2,982,681.22
Prepaid items	(5,944.96)
Accounts payable	(1,176,081.64)
Other	74,072.00
Net cash provided (used) by operating activities	$ (3,535,366.45)
Non-cash investing, capital, and financing transactions	
Unrealized gains/(losses) on investments	$ 9,164,308.33
Transfer of capital asset to institution	(74,072.00)

The notes to the financial statements are integral part of this statement.