

MARSHALL UNIVERSITY
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2021 AND 2020



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INDEPENDENT AUDITORS' REPORT

Governing Board
Marshall University
Huntington, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Marshall University (the University) (a component unit of the West Virginia Higher Education Fund) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audits. We did not audit the financial statements of Marshall University Research Corporation, a blended component unit of the University (the Corporation), for the year ended June 30, 2020, which represent 8%, 9%, and 14% respectively, of total assets, total net position, and total revenues of the University in 2020. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Corporation, is based solely on the reports of such other auditors. We also did not audit the financial statements of the Marshall University Foundation, Inc. (the Foundation); Provident Group – Marshall Properties L.L.C. (Provident – Marshall); or Big Green Scholarship Foundation, Inc. (Big Green) (collectively, discretely presented component units of the University) which represent 100% of total assets, total net assets, and total revenues of the discretely presented component units in 2021 and 2020. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the discretely presented financial statements of the Foundation, Provident – Marshall, and Big Green, is based solely on the reports of such other auditors. We, and the auditors for the Corporation, for the year ended June 30, 2020, conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Foundation, Provident – Marshall, and Big Green, which were audited by other auditors, were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the University as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The independent auditors' report of other auditors on the 2021 financial statements of Provident – Marshall contained an emphasis of matter paragraph. As discussed in Note 25 to the financial statements, Provident – Marshall has debt obligations due within a year that will likely not be met that raise substantial doubt about its ability to continue as a going concern. At June 30, 2021, Provident – Marshall did not meet the debt service coverage ratio requirement under the terms of the Reimbursement Agreement with the letter of credit provider. In addition, as discussed in Note 25 to the financial statements, Provident – Marshall's operations have been disrupted by the COVID-19 pandemic, which adversely impacted the demand for on-campus housing. These events and uncertainties cast substantial doubt on Provident – Marshall's ability to continue as a going concern through the period ending twelve months from the date of this report. Management's plans in regard to these matters are also described in Note 25. The financial statements of Provident – Marshall do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2021, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 15, 2021

**MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI)
FISCAL YEAR 2021
(UNAUDITED)**

About Marshall University

Marshall University (the University or the Institution) is a public, nonprofit institution of higher learning, which offers more than 120 degree programs academic at the baccalaureate and graduate degree levels, including doctoral degrees (research/scholarly and professional practice doctorates) in various fields through its 11 colleges and schools. The University was founded in 1837 and achieved University status in 1961. Integral parts of the Institution included in the financial information presented are the Marshall University Research Corporation (MURC) and the Joan C. Edwards School of Medicine (SOM). MURC has a separately presented financial statement, which can be referenced for additional information about changes to that organization.

As West Virginia's second largest university, Marshall University, including the SOM, serves more than 14,000 students throughout the year from all counties in West Virginia, all 50 states and the District of Columbia, and over 280 students from more than 50 countries across the globe. The students are served by 830 full-time instructional faculty and 874 full-time non-instructional employees on its main campus located in Huntington, West Virginia, and its four regional centers (South Charleston Center, Mid-Ohio Valley Center, Teays Valley Regional Center, and the Erma Byrd Higher Education Center).

Marshall University has been accredited continuously as an institution of higher learning by the Higher Learning Commission since 1928. It also has earned and maintains specialized accreditation status with 37 agencies responsible for evaluating and conferring specialty accreditation for educational programs involving various professional fields of study (includes business, engineering and technology, medicine, psychology, speech-language pathology, teacher education, pharmacy, etc.); see <http://www.marshall.edu/landing/about/accreditation.html> for a complete list.

Marshall University is governed by a 16-member Board of Governors (the Board), 13 of whom are lay members appointed by the Governor of the State of West Virginia (State) and 3 of whom are constituency representatives elected by faculty, staff and students of the University. The Board sets policy and provides oversight on the operations of the University. The Board also develops a master plan, approves the Institution's annual budget, reviews and controls all academic programs offered at the Institution, and approves tuition rates and applicable student fees.

Overview of the Financial Statements and Financial Analysis

The Management's Discussion and Analysis is required supplementary information and has been prepared in accordance with the requirements of Governmental Accounting Standards Board (GASB).

The emphasis of discussions about these financial statements will concern FY 2021 data explaining, with the use of approximate dollar amounts, the significant changes from the financial statements presented for the years ended June 30, 2021, 2020, and 2019, for both the University and MURC. Three years of comparative information are provided for discussion and analysis purposes. Additionally, detailed financial information of the Marshall University Foundation, Inc.; the Big Green Scholarship Foundation, Inc.; and Provident – Marshall, L.L.C. are included; however, these discretely presented component units are controlled and managed by separate independent Boards of Directors. The University does not control these resources and, therefore, discussion and analyses of these organizations are not included.

MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2021
(UNAUDITED)

The University's financial report consists of three financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. These statements focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole. The notes to the financial statements provide additional information that is essential to a full understanding of the information provided in the financial statements. In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the University's proportionate share of the liability, and contributions made, related to a multiple employer defined benefit pension plan, and a multiple employer defined benefit OPEB plan, in which certain University employees participate.

Statement of Net Position

The statements of net position present the assets (current and noncurrent) and deferred outflows, liabilities (current and noncurrent) and deferred inflows, and net position (assets and deferred outflows minus liabilities and deferred inflows) of the University as of the end of the fiscal year. Assets denote the resources available to continue the operations of the University. Deferred outflows represent a component of net position that will be consumed over future fiscal years. Liabilities indicate how much the University owes vendors, employees, and lenders. Deferred inflows represent a component of net position that will be recognized over future fiscal years. Net position measures the equity or the available funds of the University for future periods.

Net Position is displayed in three major categories:

Net investment in capital assets. This category represents the University's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. If 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. This category includes net position, the use of which is restricted, either due to externally imposed constraints or because of restrictions imposed by law. They are further divided into two additional components — nonexpendable and expendable. **Nonexpendable restricted net position** includes endowment and similar type funds for 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 either be expended or added to principal. **Expendable restricted net position** includes resources for which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net position. This category includes resources that are not subject to externally imposed stipulations. Such resources are derived primarily from tuition and fees (not restricted as to use), state appropriations, sales and services of educational activities, and auxiliary enterprises. Unrestricted net position is used for transactions related to the educational and general operations of the University and may be designated for specific purposes by action of the University's management or the Board.

MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2021
(UNAUDITED)

CONDENSED SCHEDULES OF NET POSITION
(In Thousands of Dollars)

	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>
ASSETS AND DEFERRED OUTFLOWS			
Current Assets	\$ 105,479	\$ 89,092	\$ 100,118
Other Noncurrent Assets	157,783	147,750	120,509
Capital Assets, Net	<u>458,858</u>	<u>460,010</u>	<u>403,647</u>
Total Assets	722,120	696,852	624,274
Deferred Outflows of Resources	<u>8,653</u>	<u>9,252</u>	<u>6,888</u>
Total Assets and Deferred Outflows	<u>\$ 730,773</u>	<u>\$ 706,104</u>	<u>\$ 631,162</u>
LIABILITIES AND DEFERRED INFLOWS			
Current Liabilities	\$ 58,246	\$ 57,460	\$ 47,294
Noncurrent Liabilities	<u>190,945</u>	<u>216,820</u>	<u>140,403</u>
Total Liabilities	249,191	274,280	187,697
Deferred Inflows of Resources	<u>29,413</u>	<u>18,402</u>	<u>13,812</u>
Total Liabilities and Deferred Inflows	<u>\$ 278,604</u>	<u>\$ 292,682</u>	<u>\$ 201,509</u>
NET POSITION			
Net Investment in Capital Assets	\$ 317,420	\$ 315,842	\$ 312,725
Restricted, Nonexpendable	15,176	15,176	15,176
Restricted, Expendable	21,430	15,077	16,687
Unrestricted	<u>98,143</u>	<u>67,327</u>	<u>85,065</u>
Total Net Position	<u>\$ 452,169</u>	<u>\$ 413,422</u>	<u>\$ 429,653</u>

Changes to Total Assets

Total assets of the Institution increased by \$25.2 million in FY 2021. The major components of this decrease are:

- The total current and noncurrent cash and cash equivalents balances decreased \$2.6 million, which is comprised of a \$1.0 million decrease for the University and a \$1.6 million decrease in cash at MURC. For the University, current cash and cash equivalents increased \$1.0 million, due to a \$1.2 million increase in cash on deposit with the state, offset by a \$0.2 million decrease in cash in outside bank accounts. Noncurrent cash for the University decreased \$2.0 million due to expenditures from the 2020A Bond issue for construction. See note 9 for more information on bond issues.

MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2021
(UNAUDITED)

- Investments increased \$11.6 million in total with the University's investments increasing \$5.0 million and MURC's investments increasing \$6.6 million. For the University, investment earnings of \$13.0 million were offset by a withdrawal from investments of \$8.0 million.
- Total current and noncurrent accounts receivable increased \$20.0 million. For the University, State appropriations receivable increased \$11.5 million, other current receivables increased \$0.8 million, and noncurrent receivables increased \$1.3 million. Grants receivable at MURC increased \$6.4 million net of eliminations.
- Loans receivable from students decreased \$0.9 million primarily due to collections for the discontinued Perkins loan program.
- Other current assets decreased \$1.7 million primarily due to a restatement of prepaid expense at MURC.
- Capital assets, net of depreciation, decreased \$1.2 million as a result of asset additions of \$15.8 million, offset by disposals and depreciation totaling \$17.8 million. Asset additions are discussed further in the Capital Asset and Debt Administration section.

Total assets of the Institution increased by \$72.6 million in FY 2020. The major components of this increase are:

- The total current and noncurrent cash and cash equivalents balances increased \$14.3 million, which is comprised of a \$12.3 million increase for the University and a \$2.0 million increase in cash at MURC. For the University, current cash and cash equivalents decreased a total of \$15.6 million, including a decrease of \$14.9 million in cash on deposit with the state, and \$0.7 million decrease in cash in outside bank accounts. Noncurrent cash for the University increased \$27.9 million due to proceeds from the 2020A Bond issue for construction. See note 9 for more information on new bond issues.
- Investments decreased \$1.5 million in total with the University's investments increasing \$0.2 million and MURC's investments decreasing \$1.7 million.
- Total current and noncurrent accounts receivable increased \$2.8 million. Noncurrent accounts receivable for the BRIM escrow agreement with Marshall Health increased \$2.0 million, other accounts receivable for the University decreased \$0.7 million, and grants receivable at MURC increased \$1.5 million net of eliminations.
- Loans receivable from students decreased \$1.3 million primarily due to collections for the discontinued Perkins loan program.
- Inventories, and other current assets increased a total of \$1.9 million primarily due to an increase in prepaid expenses at MURC of \$1.6 million.
- Capital assets, net of depreciation, increased \$56.4 million as a result of asset additions of \$72.9 million, offset by disposals and depreciation totaling \$16.5 million. Asset additions are discussed further in the Capital Asset and Debt Administration section.

Changes to Deferred Outflows of Resources

The deferred outflows of resources for the University decreased \$0.6 million in FY 2021 and increased \$2.4 million in FY 2020.

- Deferred outflows related to Other Post Retirement Benefits as required by GASB 75 (Note 11), decreased \$0.6 million in FY 2020. This deferred outflow changed very little in FY 2020.

MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2021
(UNAUDITED)

- Deferred outflows related to bond refunding decreased \$ 0.1 million in FY2021 and increased \$2.4 million in FY 2020. The deferred outflow on refunding occurs when new bonds are issued to refinance a previous bond issue. See note 9 for more information on bond refunding.
- Deferred outflows related to pension as required by GASB 68 (Note 14), increased \$0.1 million in FY2021 and changed very little in FY 2020.

Changes to Total Liabilities

Total liabilities of the Institution decreased \$25.1 million in FY 2021. The major components of the decrease are:

- Current and noncurrent debt on notes, bonds, capital leases, and the debt obligation to the Commission, decreased by a total of \$4.3 million due to principal payments made during FY 2021.
- Accounts payable decreased \$0.8 million. Payables decreased \$1.0 million for the University and increased \$0.2 million for MURC net of eliminations.
- Other Postemployment Benefits (OPEB) liability decreased \$22.7 million. This liability reflects the University's portion of the State OPEB liability as determined by a statewide allocation for the Retiree Health Benefit Trust Fund (see Notes 2 and 11 for more information on OPEB). This change is partially offset by a \$11.7 million increase in deferred inflows related to OPEB.
- Other noncurrent liabilities increased \$1.3 million due to an increase in the BRIM escrow liability.
- Advances from federal sponsors decreased \$0.7 million due to the return of funds related to the Perkins loan program.
- Increases in student deposits and compensated absences were offset by a decrease in accrued interest and compensated absences for a net decrease of \$0.2 million.
- Accrued liabilities increased \$1.2 million. Liabilities for the University increased \$0.5 million and liabilities for MURC increased \$0.7 million.
- The net pension liability increased \$0.1 million. This liability reflects the University's portion of the State Teachers Retirement System liability as a result of implementing GASB 68 in FY 2015 (Notes 2 and 14).
- Unearned revenue increased \$1.0 million. Unearned revenue for the University decreased \$1.5 million and increased \$2.5 million for MURC.

Total liabilities of the Institution increased \$86.6 million in FY 2020. The major components of the increase are:

- Current and noncurrent debt on capital leases increased a total of \$55.4 million. The capital lease for the Pharmacy building and Fairfield Landing increased debt by \$56.4 million, other new equipment leases totaled \$0.4 million, and were offset by lease payments of \$1.4 million.
- Current and noncurrent debt on bonds increased \$28.0 million due to the issuance of the 2020A and 2020B series bonds. These bonds refunded the 2010 and 2011 series bonds and provided additional funds for new construction. See note 9 for more information about bonds.
- Current and noncurrent debt on notes increased by \$2.4 million due to a new note at MURC for fund received for the Paycheck Protection Program as part of the CARES act.
- The debt obligation to the Commission, decreased by \$1.1 million due to principal payments made during FY 2020.

MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2021
(UNAUDITED)

- Other Postemployment Benefits (OPEB) liability decreased \$7.9 million. This liability reflects the University's portion of the OPEB liability as determined by a statewide allocation for the Retiree Health Benefit Trust Fund (see Notes 2 and 11 for more information on OPEB).
- Other noncurrent liabilities increased \$1.9 million due to an increase in the BRIM escrow liability of \$2.1 million, offset by a decrease in the liability for stadium renovation projects of \$0.2 million.
- Increases in student deposits and accrued interest were offset by a decrease in accounts payable for a net decrease of \$0.5 million.
- Accrued liabilities increased \$1.1 million. Liabilities for the University increased \$1.0 million primarily due to increased payroll liabilities and liabilities for MURC increased \$0.1 million.
- The net pension liability decreased \$0.2 million. This liability reflects the University's portion of the Teachers Retirement System liability as a result of implementing GASB 68 in FY 2015 (Notes 2 and 14).
- The accrued service concession liability increased \$0.8 million primarily due to the new food service contract with Sodexo.
- Advances from federal sponsors decreased \$1.3 million due to repayment of funds for the Perkins loan program.
- Compensated absences increased \$1.2 million due to an increase in the number of hours accrued as well as increases in employee salaries.
- Unearned revenue increased \$6.8 million. The liability for the University increased \$2.4 million related to CARES act funds and student fee payments, and the liability for MURC increased \$4.4 million.

Changes to Deferred Inflows of Resources

The deferred inflows of resources for the University increased \$11.0 million in FY 2021 and \$4.6 million in FY 2020.

- Deferred inflows related to Other Post Retirement Benefits as required by GASB 75 (Note 11), increased 11.7 million in FY 2021, and increased \$4.2 million in FY 2020.
- The deferred inflow of resources from the service concession arrangement with the food service provider (Sodexo) decreased \$0.3 million in FY 2021 and increased \$0.7 million in FY 2020. Capital improvements paid for by Sodexo are being amortized over the life of the contract. See Note 20 for more information on the University's service concession arrangements.
- The deferred inflow of resources from the service concession arrangement with the bookstore provider (Follett) decreased \$0.1 million in FY 2021 and decreased \$0.1 million in FY 2020. Capital improvements paid for by Follett are being amortized over the life of the contract.
- The deferred inflow related to the Teachers Retirement System pension plan decreased \$0.3 million in FY 2021, and decreased \$0.2 million in FY 2020.

MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2021
(UNAUDITED)

Changes to Net Position

The final section of the statement of net position reflects the net position balances. Changes to these balances from one year to the next reflect the net growth or contraction of the Institution over time with each category reflecting the varying degrees of liquidity and restrictions for which these resources are available to be used.

The net position category "Net investment in capital assets" reflects overall changes to the buildings, equipment, and other capital assets net of depreciation and net of the liabilities associated with those assets. Net investment in capital assets increased \$1.6 million in FY 2021, and increased \$3.1 million in FY 2020. The FY21 increase for the University was \$1.5 million, with an increase of \$0.1 million at MURC. The increase for the University was primarily due to new construction. The FY 2020 increase for the University was \$2.8 million, with an increase of \$0.3 million at MURC. The increase for the University was primarily due to the gift of a building and equipment.

Endowments, which are recorded as restricted nonexpendable net position, did not change in FY 2021 or FY 2020. The endowments are primarily at MURC for amounts received in connection with the "Bucks for Brains" West Virginia Research Trust fund.

Total restricted expendable net position increased \$6.3 million in FY2021. The University had an increase of \$0.6 million and MURC had an increase of \$5.7 million related to sponsored projects. Total restricted expendable net position decreased \$5.8 million in FY 2020. The University had a decrease of \$1.3 million and MURC had a \$4.5 million decrease related to sponsored projects.

The unrestricted net position balance of \$98.1 million represents a \$30.8 million increase from FY 2020. Unrestricted resources increased \$0.4 million for MURC and \$30.4 million for the University. The unrestricted net position balance of \$67.3 million in FY 2020 represents a \$13.5 million decrease from FY 2019. Unrestricted resources increased \$0.9 million for MURC and decreased \$14.4 million for the University. Changes in unrestricted net position are primarily the result of activities discussed in the next section for the statement of revenues, expenses, and changes in net position.

MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2021
(UNAUDITED)

Statement of Revenues, Expenses, and Changes in Net Position

The purpose of the Statement of Revenues, Expenses, and Changes in Net Position is to present the revenues and expenses, both operating and nonoperating, as well as other gains and losses of the Institution.

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(In Thousands of Dollars)

	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>
Operating Revenues	\$ 198,774	\$ 193,758	\$ 193,362
Operating Expenses	<u>(289,960)</u>	<u>(307,206)</u>	<u>(287,822)</u>
Operating Loss	(91,186)	(113,448)	(94,460)
Nonoperating Revenues	133,452	97,044	92,508
Nonoperating Expenses	<u>(7,059)</u>	<u>(5,294)</u>	<u>(4,164)</u>
Loss Before Other Revenues, Expenses, Gains, or Losses	35,207	(21,698)	(6,116)
Other Revenues, Expenses, Gains, or Losses	<u>3,540</u>	<u>5,467</u>	<u>4,709</u>
INCREASE (DECREASE) IN NET POSITION	38,747	(16,231)	(1,407)
Net Position - Beginning of Year	<u>413,422</u>	<u>429,653</u>	<u>431,060</u>
NET POSITION - END OF YEAR	<u><u>\$ 452,169</u></u>	<u><u>\$ 413,422</u></u>	<u><u>\$ 429,653</u></u>

Operating Revenues

Operating revenues are received for student tuition and fees, grants and contracts, auxiliary services, and miscellaneous revenue. Operating revenues of \$198.8 million in FY 2021 represents a \$5.0 million increase from FY 2020. This increase is primarily the result of:

- Tuition and fee revenue, net of scholarship allowances, decreased \$3.4 million. Tuition increases were offset by a drop in enrollment. Tuition for full-time undergraduate students increased \$50 per semester for resident students, \$50 per semester for metro students and \$50 per semester for nonresident students. Tuition for full-time graduate students increased \$50 per semester for resident students, \$50 per semester for metro students and \$50 per semester for nonresident students.
- Grant and contract revenue increased \$13.0 million, including a \$5.5 million increase for the University and a \$7.5 million increase for MURC, net of eliminations. The increase for the University was primarily due to state grants and contracts and the MURC increase was primarily due to increases in federal and state government grants and contracts.
- Other operating revenue decreased \$0.8 million primarily due to reductions in activity due to COVID 19.

MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2021
(UNAUDITED)

- Auxiliary enterprise revenue decreased \$3.8 million primarily due to reduced activity due to COVID19. Changes within the various auxiliary areas include: Housing revenues decreased \$0.9 million, and Athletics revenue decreased \$2.7 million.

Operating revenues of \$193.8 million in FY 2020 represents a \$0.4 million increase from FY 2019. This increase is primarily the result of:

- Tuition and fee revenue, net of scholarship allowances, decreased \$3.6 million. Tuition increases were offset by a drop in enrollment. Tuition for full-time undergraduate students increased \$142 per semester for resident students, \$245 per semester for metro students and \$326 per semester for nonresident students. Tuition for full-time graduate students increased \$148 per semester for resident students, \$262 per semester for metro students and \$326 per semester for nonresident students.
- Grant and contract revenue increased \$10.2 million, including a \$3.2 million increase for the University and a \$7.0 million increase for MURC, net of eliminations. The increase for the University was primarily due to private grants and contracts and the MURC increase was primarily due to increases in federal and state government grants and contracts.
- Other operating revenue decreased \$0.1 million primarily due to changes at MURC.
- Auxiliary enterprise revenue decreased \$6.1 million. Changes within the various auxiliary areas include: Housing revenues decreased \$1.1 million, Athletics revenue decreased \$1.9 million, Parking and Student Center revenues decreased \$0.1 million each. An additional decrease in auxiliary revenues of \$2.9 million was due to amounts refunded to students in the spring 2020 semester related to the COVID-19 pandemic for residence halls and meal plans.

Operating Expenses

Operating expenses are for goods and services acquired to carry out the mission of the Institution. Operating expenses of \$290.0 million in FY 2021 represents a \$17.2 million decrease from FY 2020. This increase is primarily the result of:

- Salaries and wages decreased \$3.2 million, including a decrease in University salaries of \$3.6 million offset by a \$0.4 million increase at MURC. For the University, this decrease is due to temporary salary reductions for employees making more than \$50,000 per year, as well as a reduction in the number of graduate assistants and student workers.
- Benefits expense decreased \$7.7 million with a \$11.1 million decrease for the University, a \$1.7 million increase for MURC, and a \$1.7 million increase related to a prior period adjustment for MURC. The University decrease is due to a \$8.0 million decrease related to changes in OPEB, a \$0.8 million decrease in the employer portion of payroll benefits, a decrease in compensated absence expense of \$1.2 million, and a decrease in employee tuition waivers of \$0.9 million.
- Supplies and other services decreased \$4.9 million with a \$6.6 million decrease for the University and a \$1.7 million increase, net of eliminations, for MURC. For the University, travel expenses decreased \$2.3 million due to a ban on travel during COVID 19, and noncapital equipment purchases decreased \$1.7 million.
- Student financial aid expense increased \$1.5 million, with little change at MURC and an increase of \$1.5 million at the University. The University increase is due to a \$1.0 million increase in HEERF grants awarded to students, and \$0.4 million increase in waivers and other scholarships.

MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2021
(UNAUDITED)

- Depreciation increased \$0.4 million, offset by a decrease in utility expenses of \$0.2 million.
- Other operating expenses decreased \$3.1 million due to the reduction of bad debt expense related to INTO (see FY2020 information).

Operating expenses of \$307.2 million in FY 2020 represents a \$19.4 million increase from FY 2019. This increase is primarily the result of:

- Salaries and wages increased \$5.4 million, including an increase in University salaries of \$3.6 million and a \$1.8 million increase at MURC. For the University, faculty salaries increased \$1.7 million, and staff salaries increased \$1.9 million. These increases are due to raises of approximately 4%, offset by vacancy savings.
- Benefits expense decreased \$1.0 million with a \$0.2 million decrease for the University and a \$0.8 million increase for MURC. The University decrease is due to a \$1.2 million increase in the employer portion of payroll benefits, an increase in compensated absence expense of \$0.7 million, and a \$0.1 million increase in pension expense, offset by a decrease in OPEB expense of \$2.0 million, and a decrease in employee tuition waivers of \$0.2 million.
- Supplies and other services increased \$6.8 million with a \$1.7 million increase for the University and a \$5.1 million increase, net of eliminations, for MURC.
- Student financial aid expense increased \$4.2 million with a \$3.4 million increase for the University and a \$0.8 million increase for MURC. The University increase is due to \$3.2 million in Cares grants awarded to students, offset by a \$1.4 million decrease in waivers and other scholarships.
- Depreciation increased \$0.8 million, and there was an increase in utility expenses of \$0.1 million.
- Other operating expenses increased \$3.1 million primarily due to the bad debt expense for the write off of amounts previously receivable from INTO.

Nonoperating Revenues and Expenses

Revenues for which goods and services are not provided are reported as nonoperating revenues. Nonoperating revenues for FY 2021 were \$133.4 million, which is an increase of \$36.4 million from FY 2020 as a result of:

- Federal HEERF grant revenue increased \$11.5 million. This increase includes funds for the second round of grants (HEERF II) as well as the remainder of the first round of grants and \$2.0 million received from the State governor's office.
- State appropriations increased \$8.3 million. This is primarily due to surplus appropriations received at the end of FY2021 totaling \$9.9 million, offset by a \$1.6 million decrease in the amount of the indirect appropriation received from University Physicians & Surgeons. The surplus appropriations are to make up for the appropriation reductions coming in FY 2022.
- Income from investments increased \$18.4 million in FY 2021 with a \$11.8 million increase for the University and a \$6.6 increase at MURC. This increase is due to an increase in the performance of the investments.
- Payments on behalf of the University decreased \$1.2 million due to changes in contributions made by the State to the Teachers Retirement System and PEIA. This amount is recognized as revenue to the University as required by GASB 68 (Note 14) and GASB 75 (Note 11).
- Federal Pell grants decreased \$0.8 million, and gift revenue increased \$0.2 million.

MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2021
(UNAUDITED)

Nonoperating revenues for FY 2020 were \$97.0 million, which is an increase of \$4.8 million from FY 2019 as a result of:

- Federal Cares grant revenue in the amount of \$6.5 million was recognized in FY 2020. Another \$1.3 million was received but could not be recognized as revenue due to grant restrictions, even though the funds were spent during FY 2020.
- State appropriations increased \$3.0 million. Increases in the appropriations for SOM were \$0.5 million and the University increases totaled \$2.5 million.
- Income from investments was \$2.5 million in FY 2020 which is a decrease of \$3.1 million from FY 2019, due to a decline in the performance of the investments.
- Payments on behalf of the University decreased \$0.5 million due to changes in contributions made by the State to the Teachers Retirement System and PEIA. This amount is recognized as revenue to the University as required by GASB 68 (Note 14) and GASB 75 (Note 11).
- Federal Pell grants decreased \$0.8 million, gift revenue decreased \$0.4 million and other nonoperating revenues decreased of \$0.2 million.

Nonoperating expenses for FY 2021 were \$7.1 million, which is an increase of \$1.8 million from FY 2020 as a result of an increase in interest on indebtedness of \$1.9 million, offset by a decrease of \$0.1 million in other nonoperating expenses. Interest on indebtedness increased due to a full year of interest on the 2020 bond issues.

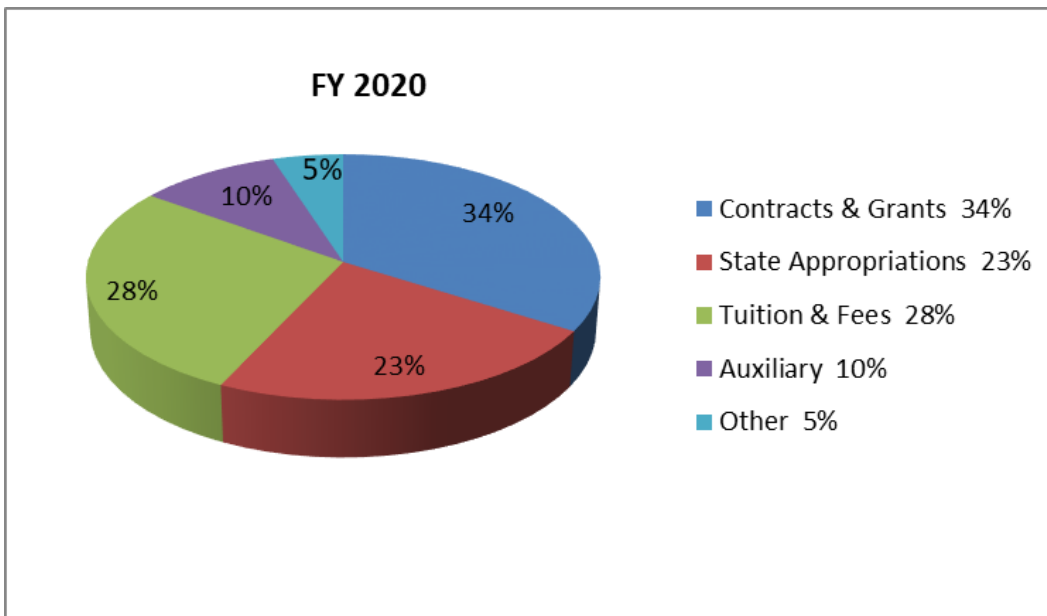
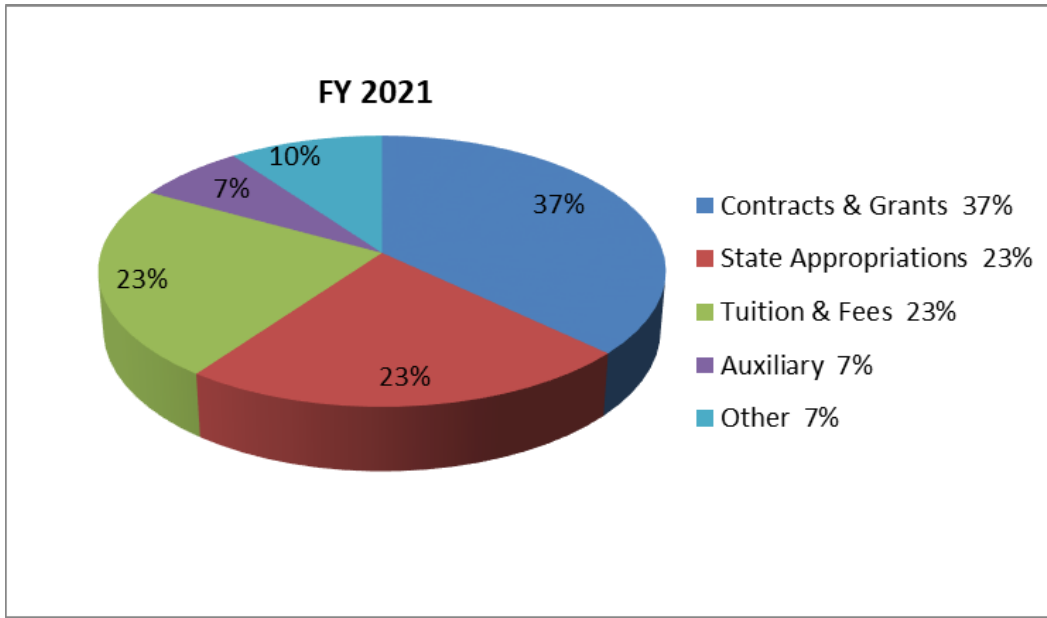
Nonoperating expenses for FY 2020 were \$5.3 million, which is an increase of \$1.4 million from FY 2019 as a result of an increase in interest on indebtedness of \$1.0 million, and an increase of \$0.2 million in other nonoperating expense. The increase in interest on indebtedness was due to new capital leases for buildings and equipment.

Total operating and nonoperating revenue for the Institution was \$332.2 million in FY 2021 as compared to \$290.8 million in FY 2020. Revenues as a percentage for FY 2021 and 2020 are shown on Graph A.

Total operating and nonoperating expense for the Institution was \$297.0 million in FY 2021 as compared to \$312.5 million in FY 2020. Expenses as a percentage for FY 2021 and 2020 are shown by object of expenditure in Graph B and by functional classification in Graph C.

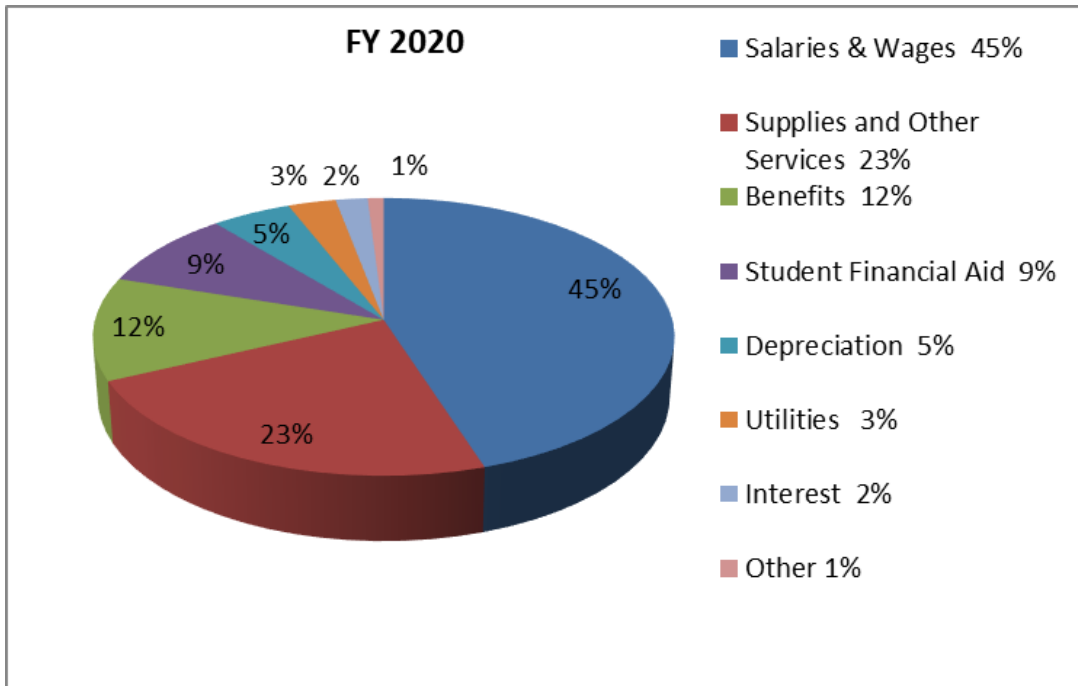
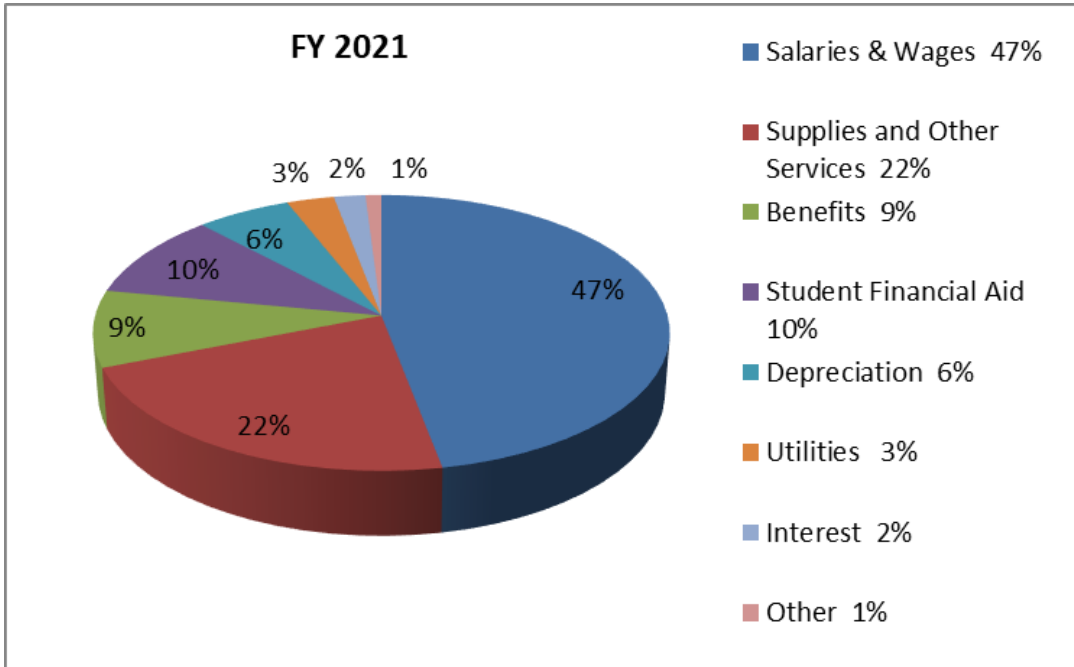
**MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2021
(UNAUDITED)**

**Total Operating and Nonoperating Revenues
(Graph A)**



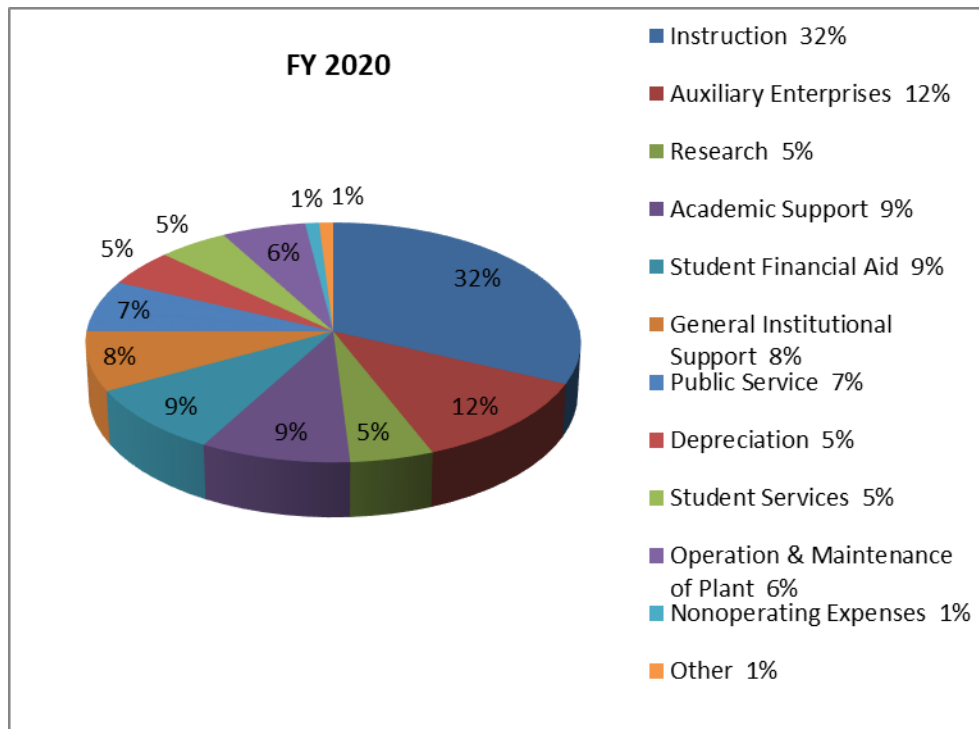
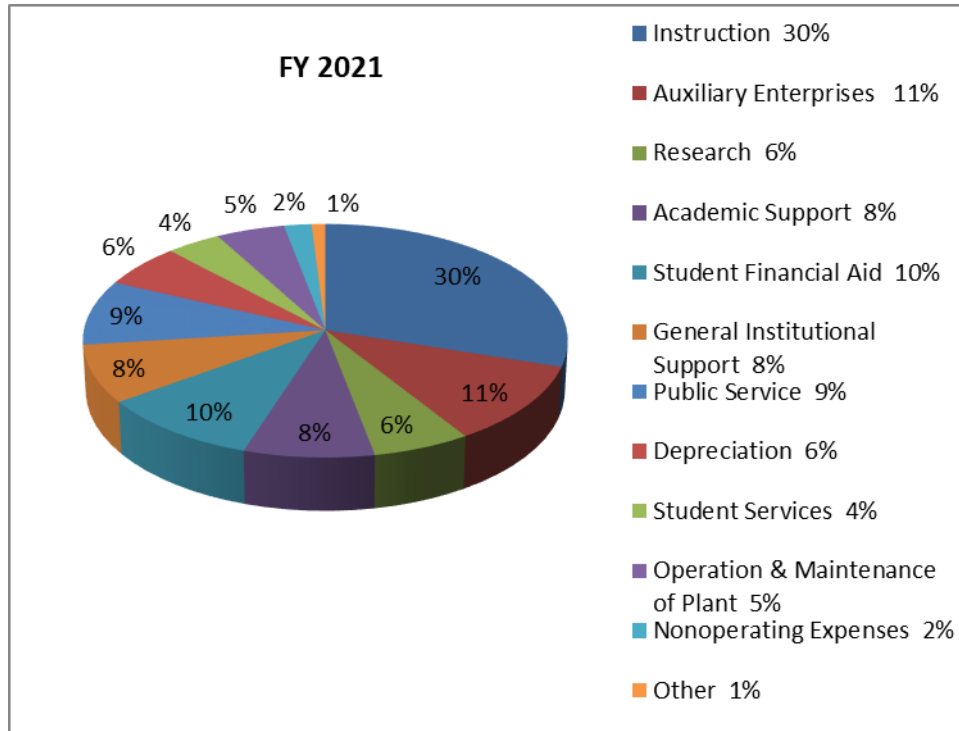
**MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2021
(UNAUDITED)**

**Total Operating and Nonoperating Expenses
(Graph B)**



**MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2021
(UNAUDITED)**

**Total Operating and Nonoperating Expenses
By Function (Graph C)**



MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2021
(UNAUDITED)

Income before other Revenues, Expenses, Gains, or Losses

The total of both operating and nonoperating revenues and expenses is reflected in the income before other revenues, expenses and other items. In FY 2021, there was a net increase of \$35.2 million for the institution. Of this total, the University had a net increase of \$29.0 million while MURC had a net increase of \$7.9 million and a decrease of \$1.7 million for the prior year restatement included in FY 2021.

Changes to Net Position

The increase in net position of \$38.7 million, is \$55.0 million more than the net decrease in FY 2020. The net position increase for FY 2021 includes capital grants and gifts of \$3.5 million. The net position decrease for FY 2020 includes capital grants and gifts of \$5.5 million.

Statement of Cash Flows

The statement of cash flows provides information about the cash receipts, cash payments, and net change in cash resulting from the operating, investing, and financing activities (capital and noncapital) of the University during the year. This statement helps users assess the University's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing.

CONDENSED SCHEDULES OF CASH FLOWS
(In Thousands of Dollars)

	FY 2021	FY 2020	FY 2019
CASH FLOWS PROVIDED (USED) BY			
Operating Activities	\$ (86,450)	\$ (93,303)	\$ (75,785)
Noncapital Financing Activities	98,801	96,579	84,062
Capital and Related Financing Activities	(22,285)	(21,036)	(13,822)
Investing Activities	9,320	4,093	4,130
NET CHANGE IN CURRENT CASH	(614)	(13,667)	(1,415)
Current Cash - Beginning of Year	67,295	80,962	82,377
CURRENT CASH - END OF YEAR	<u>\$ 66,681</u>	<u>\$ 67,295</u>	<u>\$ 80,962</u>

The statement of cash flows is divided into five sections:

- Cash flows from operating activities show the net cash used by the operating activities of the University.
- Cash flows from noncapital financing activities reflect the cash received and paid for nonoperating, noninvesting, and noncapital financing purposes. State appropriations are the primary source of cash in this section.
- Cash flows from capital financing activities include cash used for the acquisition and construction of capital and related items.

MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2021
(UNAUDITED)

- Cash flows from investing activities show the purchases, proceeds, and interest received from investing activities.
- Reconciliation of operating loss to net cash used in operating activities provides a schedule that reconciles the accrual-based operating loss and net cash used in operating activities.

Capital Asset and Debt Administration

New capital projects started in FY 2021 include new buildings for the Aviation programs at Yeager and Tri-State airports, the Brad D. Smith Business Center, and various renovation projects in the Biotech center, Old Main, RCBI, Sorrell, and the Shewey building. Projects that were completed in FY 2021 include renovation and maintenance projects at the Applied Engineering Building, Jomie Jazz Center, and the Henderson Center.

The Commission assesses each public institution of higher education for funds to meet the payment of debt service on various revenue bonds that were issued for the financing of academic and other facilities of the State's universities and colleges, including certain facilities of the University. The bonds remain as a capital obligation of the Commission; however, \$5.5 million is reported as debt service assessment payable to the Commission by the University.

In April 2020 there were two new bond series issued, the 2020A series and the 2020B series. These new bond issues refund the 2010 series and the 2011 series bonds described below, as well as providing additional funds to construct a new building for the Lewis College of Business and other capital improvements.

At June 30, 2019 the University had two bonds outstanding, the Series 2010 Bonds that were issued to refund a previous bond issue and the Series 2011 Bonds that were used for the construction of new facilities including the Applied Engineering Complex, a multi-floor parking structure, an indoor athletic complex and a soccer complex, as well as land acquisition and renovation projects. See Note 9 for more information on Bonds.

Economic Outlook

Presently, Marshall University's financial position continues to remain closely intertwined with that of the State of West Virginia. Marshall University continues to identify and implement revenue-enhancing and cost-saving measures designed to significantly reduce this dependency.

Although FY2021 realized some recovery of State revenues, The University continues to be at risk for reductions in State appropriations if this revenue stabilization is not maintained. The University has withstood cuts to state appropriations of approximately 13% from FY2013 to FY2020.

Due to the uncertainty of future State appropriations, the University continues to be proactive with its strategic fiscal planning and budgeting processes to lower its dependency on the State. Student affordability remains a crucial consideration in the strategic rebalancing process that has been initiated.

Marshall University continues to focus on cost controls, value creation, organizational structure-function efficiencies, judicious spending, utility conservation measures, targeted improvements to the physical plant, growth in extramural grant funding, strategic expansion of student enrollment and diversified

MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2021
(UNAUDITED)

revenue enhancements. Key components of the long-range plan include budget realignment, multi-year pro forma development, comprehensive academic and services portfolio reviews to identify and eliminate hidden unnecessary costs and establish key performance indicators to allow greater performance accountability.

These measures have already shown success. More than \$100 million in Marshall University revenue bonds issued April 2020 had their "AA-" ratings affirmed March 2021 by Fitch Ratings. Additionally, Fitch has assigned an "AA" Issuer Default Rating (IDR) to the Board of Governors of Marshall University. The ratings reflect Marshall's important role as the second largest provider of public higher education in the state of West Virginia. In the credit opinion, Fitch Ratings specifically noted "Marshall's very strong financial profile, with very low leverage, relative to the university's midrange demand profile and operating risk assessment" in their analytical conclusion.

The COVID-19 pandemic continues to create extraordinary uncertainty and pressure for the higher education industry. Presently, long term impacts associated with the pandemic have yet to be identified and evaluated. To better prepare the institution to continue to achieve its mission and serve the campus community, Marshall University is making strategic investments in key technological infrastructure and technology-enhanced classroom space. These investments will allow the institution to be more responsive to change and provide flexible instructional formats to students. Additionally, the institution continues to conduct COVID-19 detection and suppression efforts such as surveillance testing, enhanced building sanitation and a COVID-19 vaccination clinic for students and employees.

Enrollment Growth Plan: Marshall University has launched a series of initiatives to increase full-time undergraduate enrollment. The primary objective is to maximize and manage enrollment growth by taking full advantage of existing institutional capacities in terms of instructional space, faculty, and support staff. The targeted enrollment growth will be achieved through a combination of annual increases in the size of the freshmen class with greater nonresident and international student enrollment, greater leveraging of institutional financial aid, increasing the number of transfer, on-line, distance and adult students, and improved retention rates across all levels to achieve six-year graduation rates for undergraduates that exceed 60%.

After consistently increasing the retention of first-time freshmen since the Fall 2016 cohort – reaching a 77.2% rate for the Fall 2019 cohort, the impact of COVID on enrollment over the past two years has been significant. A reduction in retention from last year has decreased undergraduate enrollment by 108 students. In addition, the inability to recruit in the high schools has decreased new freshmen from WV by 143 students. The enrollment reduction of 257 students from these two sources alone represents nearly 60% of our current overall undergraduate decrease for Fall 2021. As COVID begins to wane, the expectation is that retention and recruitment will both get back to the path they were on before the pandemic.

Future Direction: The University's Board of Governors in December 2020 approved President Gilbert's Strategic Vision in which will continue to drive the University's strategic direction:

- **Rethink Student Success** – Provide for students the structures and experiences to achieve their highest levels of success by identifying our students' needs, preparedness, and demographics. Expand the concept of student success as described by accrediting bodies and current research to include student intent, the role of certificates and credentialing, transfer policies and credits, course completion, employment, and quality of life outcomes. Identify and apply metrics determined as direct measures of student success.

MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2021
(UNAUDITED)

- **Identify and Address Enrollment Realities** – Base decisions on the most recent, reliable data-driven trends and forecasts. Identify and adapt structures and processes to quickly respond to evolving challenges and opportunities in enrollment demographics. Regularly assess and modify existing structures and processes that act as potential institutional barriers to enrollment success. Develop structures and processes that cut across the University to form partnerships in university-wide recruitment efforts.
- **Optimize Institutional Success** – Evaluate internal organizational units on the extent to which they work outside of their silos and hierarchies to promote the success of organizational units across the university. Ensure that each organizational unit promotes the success of students in attaining their intended goals. Fulfill expectations established by our Mission and Creed; by governing bodies and the University; and by federal, state, and accrediting agencies. Exercise responsible, creative, data-driven resource management.
- **Advance Civic and Economic Progress** – Progressively leverage the full breadth of University structures to provide transformational change in the health, economy, and well-being of the community, state, region, and beyond. Strive to inspire the community through enhanced collaboration that promotes and offers a disciplinary and multidisciplinary pool of expertise. Promote the community and University relationship through a sense of collaboration, pride, and partnership.
- **Invigorate Creative and Applied Scholarship** – Invest in targeted creative and applied scholarship that promotes and focuses on student success. Identify and develop both traditional and non-traditional opportunities for scholarship by promoting scholarly partnerships across the full breadth of University structures. Encourage grant and/or externally funded research that specifically impacts our community and population and that also leads to greater movement nationally.

President Gilbert continues to make significant progress towards increasing research activities at Marshall University. Research funding has increased significantly since the arrival of President Gilbert in 2016. After steady increases in recent years, the impact of COVID on research funding for FY2021 has been considerable. Research funding for FY2021 was \$39 million. In FY2020, research funding increased to \$49.4 million, up from \$39 million in FY2019 and \$28 million in FY2018. In 2018, Marshall University was classified as an “R2” research institution by the Carnegie Classification of Institutions of Higher Education, which places Marshall University among the top six percent of college and universities in the nation and is the second-highest classification an institution can receive from the organization. The University has experienced significant growth in research activity and opportunity in recent years. Continued growth in terms of research funding and opportunity remains a top priority for the University going forward.

In addition to the existing undergraduate, graduate and professional degree program offerings, Marshall University is making substantial progress towards additional programs in prevailing areas including Aviation, Engineering, Health Professions and Business.

Despite the unprecedented uncertainties arising from the COVID-19 pandemic, Marshall University approaches these challenges as an opportunity to realign spending and processes with the University's

MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2021
(UNAUDITED)

strategic mission and vision. For example, the University's academic leadership has initiated a comprehensive review of course and section offerings to ensure the efficient use of resources. Additionally, the University is reviewing graduate and other non-core programs for viability and sustainability.

This is a pivotal time for Marshall University. Although these are unpredictable economic times and there are stern challenges ahead, the University continues to successfully sustain its commitment to providing distinctive learning experiences and outcomes valued by those we serve at an affordable cost. The remarkable progress that has been achieved at Marshall over the last decade has been enhancing to its academic reputation and the University is increasingly gaining recognition as a high-value institution and a leading public higher education innovator not only in West Virginia but across the nation and around the globe.

Requests for information may be directed to the Senior Vice President for Finance, One Johns Marshall Drive, Huntington, West Virginia 25755.

MARSHALL UNIVERSITY
STATEMENTS OF NET POSITION – PRIMARY INSTITUTION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 66,680,797	\$ 67,294,800
Accounts Receivable, Net	36,729,148	17,979,666
Loans Receivable	723,308	796,094
Inventories	694,640	654,607
Other Current Assets	650,718	2,366,764
Total Current Assets	105,478,611	89,091,931
NONCURRENT ASSETS		
Cash and Cash Equivalents	27,645,481	29,632,935
Investments	113,676,815	102,084,877
Accounts Receivable	12,623,189	11,330,026
Loans Receivable, Net of Allowance of \$2,583,536 in 2021 and \$2,554,085 in 2020	3,838,226	4,702,386
Capital Assets, Net	458,857,536	460,010,105
Total Noncurrent Assets	616,641,247	607,760,329
Total Assets	722,119,858	696,852,260
DEFERRED OUTFLOWS OF RESOURCES		
Loss on Refunding	2,987,443	3,121,726
Related to Pensions	478,425	366,399
Related to OPEB	5,187,166	5,763,373
Total Deferred Outflows of Resources	8,653,034	9,251,498
Total Assets and Deferred Outflows	\$ 730,772,892	\$ 706,103,758

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
STATEMENTS OF NET POSITION – PRIMARY INSTITUTION (CONTINUED)
JUNE 30, 2021 AND 2020

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	2021	2020
CURRENT LIABILITIES		
Accounts Payable	\$ 4,342,744	\$ 5,137,513
Accrued Liabilities	17,814,405	16,567,543
Accrued Interest	571,464	771,423
Unearned Revenue	16,272,203	15,251,376
Deposits	812,844	760,678
Notes, Capital Lease, and Bonds Payable, Current Portion	5,613,635	6,025,367
Compensated Absences	11,819,279	11,796,318
Debt Obligations to the Commission, Current Portion	999,148	1,149,640
Total Current Liabilities	58,245,722	57,459,858
NONCURRENT LIABILITIES		
Notes, Capital Lease, and Bonds Payable, Net of Current Portion	157,598,230	160,363,330
Advances from Federal Sponsors	4,305,119	5,040,388
Other Noncurrent Liabilities	13,332,935	12,004,640
Accrued Service Concession Liability	925,846	1,076,039
Other Post Employment Benefits Liability	8,121,142	30,788,355
Net Pension Liability	2,192,076	2,077,711
Debt Obligations to the Commission, Net of Current Portion	4,470,235	5,469,383
Total Noncurrent Liabilities	190,945,583	216,819,846
Total Liabilities	249,191,305	274,279,704
DEFERRED INFLOWS OF RESOURCES		
Service Concession Arrangement	3,173,256	3,594,174
Related to Pensions	672,899	956,568
Related to OPEB	25,566,220	13,851,327
Total Deferred Inflows of Resources	29,412,375	18,402,069
Total Liabilities and Deferred Inflows	278,603,680	292,681,773
NET POSITION		
Net Investment in Capital Assets	317,419,540	315,841,843
Restricted for:		
Nonexpendable	15,176,000	15,176,000
Expendable:		
Scholarships	266,001	179,181
Sponsored Projects	17,667,371	11,914,549
Loans	1,649,544	1,840,771
Debt Service	1,847,725	1,141,659
Total Restricted Expendable	21,430,641	15,076,160
Unrestricted	98,143,031	67,327,982
Total Net Position	452,169,212	413,421,985
Total Liabilities, Deferred Inflows, and Net Position	\$ 730,772,892	\$ 706,103,758

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION – PRIMARY INSTITUTION
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
OPERATING REVENUES		
Student Tuition and Fees, Net of Scholarship Allowance of \$40,872,186 in 2021 and \$41,949,222 in 2020	\$ 77,048,942	\$ 80,492,976
Contracts and Grants:		
Federal	32,852,569	26,196,224
State	30,180,154	23,450,859
Local	1,239,873	1,542,868
Private	24,196,833	24,246,790
Interest on Loans Receivable	126,873	148,457
Sales and Services of Educational Activities	94,221	229,944
Auxiliary Enterprise Revenue, Net of Scholarship Allowance of \$6,570,862 in 2021 and \$6,744,013 in 2020	24,171,332	27,966,121
Other Operating Revenues	8,863,599	9,483,437
Total Operating Revenues	198,774,396	193,757,676
OPERATING EXPENSES		
Salaries and Wages	138,351,726	141,589,247
Benefits	29,076,785	36,804,271
Supplies and Other Services	66,427,530	71,303,997
Utilities	8,517,972	8,753,659
Student Financial Aid, Scholarships, and Fellowships	30,430,223	28,952,833
Depreciation	16,829,977	16,435,163
Other Operating Expenses	326,209	3,367,138
Total Operating Expenses	289,960,422	307,206,308
OPERATING LOSS	(91,186,026)	(113,448,632)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	75,157,236	66,897,185
State Lottery Appropriations	598,436	598,436
Payments on Behalf of the University	1,306,538	2,505,285
Federal Pell Grants	16,278,195	17,047,030
Federal CARES Grants	18,068,688	6,525,169
Gifts	1,159,913	1,016,215
Investment Income	20,883,330	2,455,146
Interest on Indebtedness	(6,532,522)	(4,656,282)
Fees Assessed by the Commission for Debt Service	(425,750)	(463,093)
Other Nonoperating Revenues (Expenses), Net	(100,561)	(175,067)
Net Nonoperating Revenues	126,393,503	91,750,024
GAIN (LOSS) BEFORE OTHER REVENUES, EXPENSES GAINS, OR LOSSES	35,207,477	(21,698,608)
CAPITAL GRANTS AND GIFTS	3,539,750	5,467,404
INCREASE (DECREASE) IN NET POSITION	38,747,227	(16,231,204)
Net Position - Beginning of Year	413,421,985	429,653,189
NET POSITION - END OF YEAR	\$ 452,169,212	\$ 413,421,985

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
STATEMENTS OF CASH FLOWS – PRIMARY INSTITUTION
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Student Tuition and Fees	\$ 77,113,153	\$ 83,585,990
Contracts and Grants	81,944,846	76,512,350
Payments to and on Behalf of Employees	(174,433,407)	(179,880,852)
Payments to Suppliers	(67,183,698)	(68,192,619)
Payments to Utilities	(8,517,972)	(8,753,659)
Payments for Scholarships and Fellowships	(30,430,223)	(28,952,833)
Loans Issued	(320,873)	(431,346)
Collection of Loans	931,590	1,129,940
Sales and Service of Educational Activities	94,221	229,944
Auxiliary Enterprise Charges	25,713,237	26,207,202
Program Income	1,237,190	634,625
Other Receipts - Net	7,402,205	4,608,402
Net Cash Used by Operating Activities	(86,449,731)	(93,302,856)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	64,267,574	67,795,458
Federal Pell Grants	16,278,195	17,047,030
Federal Cares Grants	16,817,427	7,776,430
Gift Receipts	1,159,913	1,016,215
Proceeds from Notes Payable	-	3,115,000
Payments on Notes Payable	-	(560,000)
Other Nonoperating Receipts	-	14,750
Student Loan and Provident Receipts	23,529,199	22,950,963
Student Loan and Provident Payments	(23,251,586)	(22,576,815)
William D. Ford Direct Lending Receipts	80,534,007	82,346,029
William D. Ford Direct Lending Payments	(80,534,008)	(82,346,047)
Net Cash Provided by Noncapital Financing Activities	98,800,721	96,579,013
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital Grants and Gifts Received	1,985,339	5,752,505
Purchases of Capital Assets	(14,350,657)	(15,436,683)
Interest Paid on Notes Payable	(35,617)	(40,213)
Payments on Note Payable	(161,019)	(161,018)
Proceeds from Sale of Bonds	-	103,068,461
Payoff on Refinanced Bonds	-	(77,479,853)
Issuance Costs on New Bonds	-	(1,093,566)
Principal Paid on Bonds and Leases	(3,560,715)	(1,652,503)
Interest Paid on Bonds and Leases	(6,608,756)	(4,482,068)
Proceeds from Sale of Capital Assets	33,910	-
Principal Payment on Debt Obligation Due to the Commission	(1,149,640)	(903,723)
Fees Assessed by the Commission	(425,750)	(463,093)
Principal Payment on Loan from the Commission	-	(200,000)
Net Cash Used by Capital Financing Activities	(24,272,905)	6,908,246
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits to Noncurrent Cash and Cash Equivalents	(2,914,835)	(29,925,450)
Withdrawals from Noncurrent Cash and Cash Equivalents	4,902,289	1,980,778
Purchases of Investments	(23,357,938)	-
Sales/Maturities of Investments	30,448,160	1,599,139
Investment Income	2,230,236	2,494,366
Net Cash Provided by Investing Activities	11,307,912	(23,851,167)
DECREASE IN CURRENT CASH AND CASH EQUIVALENTS	(614,003)	(13,666,764)
Current Cash and Cash Equivalents - Beginning of Year	67,294,800	80,961,564
CURRENT CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 66,680,797	\$ 67,294,800

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
STATEMENTS OF CASH FLOWS – PRIMARY INSTITUTION (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (91,186,026)	\$ (113,448,632)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	16,829,977	16,435,163
Expenses Paid on Behalf of the University	1,306,538	2,505,285
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows:		
Accounts Receivable - Net	3,631,162	(4,516,380)
Loans Receivable - Net	936,946	838,613
Other Assets	1,606,566	(1,609,019)
Inventories	(40,033)	(40,435)
Accounts Payable	(1,050,097)	2,237,472
Accrued Liabilities	2,505,843	2,875,174
Other Postemployment Benefits Related Pension Related	(22,667,213)	(3,721,473)
Compensated Absences	114,365	(419,599)
Unearned Revenue	22,961	1,248,403
Advances from Federal Sponsors	2,222,383	5,564,366
Deposits Held for Others	(735,269)	(1,304,897)
	52,166	53,103
Net Cash Used by Operating Activities	\$ (86,449,731)	\$ (93,302,856)
 SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS		
Loss on Disposal of Assets	\$ 134,472	\$ 157,481
Property Additions in Accounts Payable	\$ 196,279	\$ 261,242
Expenses Paid on Behalf of the University	\$ 1,306,538	\$ 2,505,285
Acquisition of Fixed Assets Under Capital Lease Arrangements	\$ 433,407	\$ 56,803,333
Donated Capital Assets	\$ 983,300	\$ 1,703,918

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
THE MARSHALL UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – COMPONENT UNIT
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 28,500,414	\$ 90,338,670
Unconditional promises to give, less allowance for uncollectible promises of \$4,269,593 and \$4,259,841 in 2021 and 2020, respectively	23,391,846	24,463,371
Receivable from bequests, less allowance for uncollectible receivables of \$192,582 and \$-0- in 2021 and 2020, respectively	9,879,786	8,572,368
Other receivables	106,290	258,081
Prepays	43,418	59,470
Investments	279,663,830	149,731,032
Cash surrender value-life insurance, net of policy loans	626,361	567,284
Property and equipment - net	9,408,666	11,653,934
Other assets	176,525	16,525
Contributions receivable from remainder trusts	535,862	462,765
Beneficial interest in perpetual trust	11,288,933	9,575,421
Collections	<u>1,494,273</u>	<u>1,494,273</u>
TOTAL ASSETS	\$ <u>365,116,204</u>	\$ <u>297,193,194</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 56,541	\$ 42,819
Accrued vacation, wages and deferred compensation	540,456	421,869
Refundable advances	500	4,426
Accrued interest payable	-0-	130,924
Notes payable	376,000	676,000
Annuity payment liability	645,448	596,177
Funds held in custody for others	<u>78,484,143</u>	<u>73,509,009</u>
TOTAL LIABILITIES	<u>80,103,088</u>	<u>75,381,224</u>
NET ASSETS		
Without donor restrictions	19,803,246	16,733,052
With donor restrictions	<u>265,209,870</u>	<u>205,078,918</u>
TOTAL NET ASSETS	<u>285,013,116</u>	<u>221,811,970</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>365,116,204</u>	\$ <u>297,193,194</u>

See accompanying Notes to Financial Statements.

**MARSHALL UNIVERSITY
THE MARSHALL UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES – COMPONENT UNIT
JUNE 30, 2021 AND 2020**

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS			
Gifts and contributions	\$ 551,678	\$ 34,559,302	\$ 35,110,980
Investment income	694,581	4,129,779	4,824,360
Other	959,745	403,432	1,363,177
Net assets released from restrictions			
Satisfaction of program restrictions	<u>11,218,826</u>	<u>(11,218,826)</u>	<u>-0-</u>
TOTAL PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS	<u>13,424,830</u>	<u>27,873,687</u>	<u>41,298,517</u>
EXPENSES			
PROGRAM SERVICES			
Academic assistance	5,774,590	-0-	5,774,590
Student assistance	<u>5,646,148</u>	<u>-0-</u>	<u>5,646,148</u>
TOTAL PROGRAM SERVICES	<u>11,420,738</u>	<u>-0-</u>	<u>11,420,738</u>
SUPPORTING SERVICES			
Management and general	2,152,584	-0-	2,152,584
Fundraising	<u>1,698,834</u>	<u>-0-</u>	<u>1,698,834</u>
TOTAL SUPPORTING SERVICES	<u>3,851,418</u>	<u>-0-</u>	<u>3,851,418</u>
TOTAL EXPENSES	<u>15,272,156</u>	<u>-0-</u>	<u>15,272,156</u>
CHANGE IN NET ASSETS BEFORE OTHER INCOME (LOSS)	(1,847,326)	27,873,687	26,026,361
OTHER INCOME (LOSS)			
Unrealized gains (losses) on investments	<u>2,294,961</u>	<u>34,879,824</u>	<u>37,174,785</u>
CHANGE IN NET ASSETS	447,635	62,753,511	63,201,146
NET ASSETS AS OF BEGINNING OF YEAR	16,733,052	205,078,918	221,811,970
TRANSFERS	<u>2,622,559</u>	<u>(2,622,559)</u>	<u>-0-</u>
NET ASSETS AS OF END OF YEAR	<u>\$ 19,803,246</u>	<u>\$ 265,209,870</u>	<u>\$ 285,013,116</u>

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
THE MARSHALL UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES – COMPONENT UNIT (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

2020		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 830,787	\$ 11,255,844	\$ 12,086,631
2,004,265	16,906,813	18,911,078
629,297	950,152	1,579,449
<u>10,438,097</u>	<u>(10,438,097)</u>	<u>-0-</u>
<u>13,902,446</u>	<u>18,674,712</u>	<u>32,577,158</u>
5,114,497	-0-	5,114,497
<u>5,452,115</u>	<u>-0-</u>	<u>5,452,115</u>
<u>10,566,612</u>	<u>-0-</u>	<u>10,566,612</u>
2,218,571	-0-	2,218,571
<u>1,773,678</u>	<u>-0-</u>	<u>1,773,678</u>
<u>3,992,249</u>	<u>-0-</u>	<u>3,992,249</u>
<u>14,558,861</u>	<u>-0-</u>	<u>14,558,861</u>
(656,415)	18,674,712	18,018,297
<u>(2,696,710)</u>	<u>(23,065,223)</u>	<u>(25,761,933)</u>
(3,353,125)	(4,390,511)	(7,743,636)
18,566,577	210,989,029	229,555,606
<u>1,519,600</u>	<u>(1,519,600)</u>	<u>-0-</u>
\$ <u>16,733,052</u>	\$ <u>205,078,918</u>	\$ <u>221,811,970</u>

See accompanying Notes to Financial Statements.

**MARSHALL UNIVERSITY
PROVIDENT GROUP – MARSHALL PROPERTIES L.L.C.
BALANCE SHEETS – COMPONENT UNIT
JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,048,972	\$ 1,199,982
Assets held by trustee, current portion	2,253,786	1,928,519
Accounts receivable, net of allowance; 2021 - \$300,000 and 2020 - \$986,000	1,228,120	651,063
Prepaid insurance and other current assets	<u>97,289</u>	<u>64,611</u>
Total current assets	<u>4,628,167</u>	<u>3,844,175</u>
Assets held by trustee, net of current portion	2,940,157	3,532,395
Property and equipment		
Buildings and improvements	77,501,504	77,491,244
Equipment and furniture	7,804,515	7,768,413
Construction in progress	<u>22,304</u>	<u>26,497</u>
	85,328,323	85,286,154
Less accumulated depreciation	<u>35,604,968</u>	<u>32,530,679</u>
Total property and equipment	<u>49,723,355</u>	<u>52,755,475</u>
Total assets	<u>\$57,291,679</u>	<u>\$60,132,045</u>
LIABILITIES AND MEMBER'S DEFICIT		
Current liabilities		
Revenue bonds payable, current portion	\$76,673,000	\$76,878,925
Accounts payable	436,804	134,653
Accrued interest	3,709	8,870
Interest rate swap agreement, current portion	14,435,403	19,409,239
Accrued expenses and other current liabilities	<u>870,543</u>	<u>960,492</u>
Total current liabilities	<u>92,419,459</u>	<u>97,392,179</u>
Long-term liabilities		
Revenue bonds payable, net of current portion	7,817,490	8,557,000
Deferred interest - subordinate bonds payable	1,937,527	1,282,327
Accrued expenses and other long-term liabilities	<u>229,545</u>	<u>-</u>
Total long-term liabilities	<u>9,984,562</u>	<u>9,839,327</u>
Total liabilities	<u>102,404,021</u>	<u>107,231,506</u>
Member's deficit	<u>(45,112,342)</u>	<u>(47,099,461)</u>
Total liabilities and member's deficit	<u>\$57,291,679</u>	<u>\$60,132,045</u>

See accompanying Notes to Financial Statements.

**MARSHALL UNIVERSITY
PROVIDENT GROUP – MARSHALL PROPERTIES L.L.C.
STATEMENTS OF OPERATIONS AND MEMBER’S DEFICIT – COMPONENT UNIT
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Operating revenue		
Rental revenue	\$ 3,930,728	\$ 4,806,233
Membership fees	5,035,674	4,839,691
Other revenue	61,599	100,760
Total operating revenue	<u>9,028,001</u>	<u>9,746,684</u>
Operating expenses		
Administration and general	3,266,700	3,417,532
Plant operations and maintenance	1,172,752	1,216,802
Marketing	12,147	41,080
Management fee	661,810	660,677
Bad debts	192,125	291,335
Total operating expenses	<u>5,305,534</u>	<u>5,627,426</u>
Operating income	<u>3,722,467</u>	<u>4,119,258</u>
Other income (expense)		
Interest income	293	35,646
Interest expense - subordinate management fees	(2,471)	-
Interest expense - senior bonds payable	(2,856,789)	(2,933,286)
Interest expense - subordinate bonds payable	(655,200)	(655,200)
Interest expense - amortization of debt related items	(54,565)	(59,630)
Unrealized gain (loss) on interest rate swap agreement	4,973,836	(4,603,730)
Depreciation	(3,112,787)	(3,152,320)
Loss on disposal of fixed assets	(27,665)	(58,865)
Total other expense	<u>(1,735,348)</u>	<u>(11,427,385)</u>
Net income (loss)	<u>\$ 1,987,119</u>	<u>\$ (7,308,127)</u>
Member’s deficit, July 1, 2019		\$(39,791,334)
Net loss		<u>(7,308,127)</u>
Member’s deficit, June 30, 2020		(47,099,461)
Net income		<u>1,987,119</u>
Member’s deficit, June 30, 2021		<u>\$(45,112,342)</u>

See accompanying Notes to Financial Statements.

**MARSHALL UNIVERSITY
BIG GREEN SCHOLARSHIP FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION – COMPONENT UNIT
YEARS ENDED JUNE 30, 2021 AND 2020**

ASSETS	2021	2020
CURRENT ASSETS		
Cash	\$ 2,003,217	\$ 1,416,421
Accounts Receivable	65,494	465,159
Unconditional Pledges (Net of Allowance for Uncollectible Pledges)	3,245,511	2,669,847
Prepaid Expenses	9,277	4,493
Total Current Assets	5,323,499	4,555,920
FIXED ASSETS		
Vehicles	82,351	89,851
Less: Accumulated Depreciation	(82,351)	(85,893)
Net Fixed Assets	-	3,958
OTHER ASSETS		
Security Deposit	2,039	2,039
Beneficial Interest in Charitable Remainder Trust, With Donor Restrictions	797,489	667,580
Endowment Investments:		
Without Donor Restrictions	142,767	105,828
With Donor Restrictions	12,038,415	8,764,287
Cash Value Life Insurance	60,381	100,914
Total Other Assets	13,041,091	9,640,648
Total Assets	\$ 18,364,590	\$ 14,200,526
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued Expenses	\$ 248	\$ 23
Accounts Payable	31,477	15,374
Current Portion of Long-Term Debt	-	423,954
Deferred Revenue	47,150	47,730
Total Current Liabilities	78,875	487,081
OTHER LIABILITIES		
Long-Term Debt	-	-
Total Liabilities	78,875	487,081
NET ASSETS		
Without Donor Restrictions	3,186,042	1,971,272
With Donor Restrictions	15,099,673	11,742,173
Total Net Assets	18,285,715	13,713,445
Total Liabilities and Net Assets	\$ 18,364,590	\$ 14,200,526

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
BIG GREEN SCHOLARSHIP FOUNDATION, INC.
STATEMENTS OF ACTIVITIES – COMPONENT UNIT
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and Gains:		
Contributions	\$ 3,967,407	\$ 2,290,629
Special Events	281,225	372,249
Investment Return, Net	317,858	290,810
Other Income	37,172	142,716
In-Kind Contributions	494,419	461,819
Realized Gain/(Loss) on Sale of Capital Assets	824	-
Total Revenue and Gains Without Donor Restrictions	5,098,905	3,558,223
Expenses:		
Management and General Expenses:		
Salaries and Benefits	109,657	130,157
Special Events	170,253	280,081
Travel and Entertainment	80,232	84,973
Courtesy Cars	51,158	60,536
Temporary Staff Housing	10,440	20,000
Promotions	129,893	172,314
Public Relations	12,750	28,746
Printing and Graphics	4,535	16,579
Office Expenses	25,129	25,726
Insurance	5,142	9,973
Repair, Maintenance, and Rental	58,151	76,391
Accounting and Professional Services	13,775	13,776
Interest	14,632	33,127
Other Expenses	2,813	2,407
Bank Charges and Credit Card Fees	38,332	33,715
Bad Debt Expense	135,474	109,123
Total Management and General Expenses	862,366	1,097,624
Program Service Expenses:		
Contributions to Marshall University Department of Athletics	1,970,190	1,800,000
Capital Purchases to Marshall University	450,000	-
Salaries and Benefits	198,008	208,047
Financial Aid	2,500	10,500
Athletic Equipment and Awards	1,025	33,095
Courtesy Cars	173,406	178,672
Travel, Team	104,762	81,101
Recruiting	20,000	105,675
Medical	196,139	142,656
Housing	51,390	72,290
Facility Maintenance	14,733	-
Office Expenses	5,936	9,053
Depreciation	282	2,500
Total Program Service Expenses	3,188,371	2,643,589

See accompanying Notes to Financial Statements.

**MARSHALL UNIVERSITY
BIG GREEN SCHOLARSHIP FOUNDATION, INC.
STATEMENTS OF ACTIVITIES – COMPONENT UNIT (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTIONS (CONTINUED)		
Total Expenses	\$ 4,050,737	\$ 3,741,213
Operating Transfers In / (Out) Without Restrictions	166,602	49,706
Change in Net Assets Without Donor Restrictions	1,214,770	(133,284)
 NET ASSETS WITH DONOR RESTRICTIONS		
Revenues and Gains:		
Contributions	851,870	2,462,318
Investment Return, Net	2,963,724	(219,490)
Total Revenues and Gains With Donor Restrictions	3,815,594	2,242,828
Expenses		
Management and General Expenses:		
Promotions	3,872	17,423
Printing and Graphics	5,605	2,445
Office Expenses	-	193
Bank Charges and Credit Card Fees	-	8,234
Bad Debt Expense	(17,985)	134,485
Total Management and General Expenses	(8,508)	162,780
Program Service Expenses:		
Contributions of Capital Purchases to MUAD	300,000	820,000
Total Program Service Expenses	300,000	820,000
Total Expenses	291,492	982,780
Operating Transfers Out With Restrictions	(166,602)	(49,706)
Change in Net Assets With Donor Restrictions	3,357,500	1,210,342
Increase in Total Net Assets	4,572,270	1,077,058
Beginning Net Assets	13,713,445	12,636,387
Ending Net Assets	\$ 18,285,715	\$ 13,713,445

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 ORGANIZATION

Marshall University (the University) is governed by the Marshall University Board of Governors (the Board). The Board was established by Senate Bill (S.B.) 653.

Powers and duties of the Board include, but are not limited to, the power to determine, control, supervise, and manage the financial, business, and educational policies and affairs of the institution(s) under its jurisdiction; the duty to develop a master plan for the institution; the power to prescribe the specific functions and institution(s) budget requests; the duty to review, at least every five years, all academic programs offered at the institution(s); and the power to fix tuition and other fees for the different classes or categories of students enrolled at the institution(s).

S.B. 653 also created the West Virginia Higher Education Policy Commission (the Commission) and the West Virginia Higher Education Fund (the Fund). The Commission is responsible for developing, gaining consensus around, and overseeing the implementation and development of a higher education public policy agenda.

As a requirement of Governmental Accounting Standards Board (GASB), the University has included information from the Marshall University Foundation, Inc. (the Foundation), Provident Group – Marshall Properties, L.L.C. (Provident – Marshall) and Big Green Scholarship Foundation, Inc. (Big Green) for the years ended June 30, 2021 and 2020.

Although the University benefits from the activities of the Foundation and Big Green, they are independent of the University in all respects. The Foundation and Big Green are not subsidiaries of the University and are not directly or indirectly controlled by the University. The Foundation and Big Green have their own separate, independent board of directors. Moreover, the assets of the Foundation and Big Green are the exclusive property of the Foundation and Big Green and do not belong to the University. The University is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation or Big Green. The University does not have the power or authority to mortgage, pledge, or encumber the assets of the Foundation or Big Green. The Boards of Directors of the Foundation and Big Green are entitled to make all decisions regarding the business and affairs of the respective entities, including, without limitation, distributions made to the University. Under the State of West Virginia (the State) law, neither the principal nor income generated by the respective assets of the Foundation or Big Green can be taken into consideration in determining the amount of State-appropriated funds allocated to the University. Third parties dealing with the University, the Board, and the State (or any agency thereof) should not rely upon the financial statements of the Foundation or Big Green for any purpose without consideration of all the foregoing conditions and limitations.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 ORGANIZATION (CONTINUED)

Although the University benefits from the activities of Provident – Marshall, Provident – Marshall is independent of the University in all respects. Provident – Marshall is not a subsidiary of the University and is not directly or indirectly controlled by the University. Provident – Marshall is a nonprofit corporation that is operated for charitable purposes. The assets of Provident – Marshall are the exclusive property of Provident – Marshall and do not belong to the University. The University is not accountable for, and does not have ownership of, any of the financial and capital resources of Provident – Marshall. The University does not have the power or authority to mortgage, pledge, or encumber the assets of Provident – Marshall. Any income resulting from the operations of Provident – Marshall is for the benefit of Provident – Marshall, and is not distributed to the University. Third parties dealing with the University, the Board, and the State (or any agency thereof) should not rely upon the financial statements of Provident – Marshall for any purpose without consideration of all the foregoing conditions and limitations.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the University have been prepared in accordance with accounting principles generally accepted in the United States of America (generally accepted accounting principles or U.S. GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources net position, revenues, expenses, changes in net position, and cash flows.

Reporting Entity

The University is a blended component unit of the West Virginia Higher Education Fund and represents separate funds of the State that are not included in the State's general fund. The University is a separate entity that, along with all State institutions of higher education, the Commission (which includes West Virginia Network for Educational Telecomputing), and the West Virginia Council for Community and Technical College Education form the Higher Education Fund of the State. The Higher Education Fund is considered a component unit of the State, and its financial statements are discretely presented in the State's comprehensive annual financial report.

The accompanying financial statements present all funds under the authority of the University, including Marshall University Research Corporation (MURC) and Southern West Virginia Brownfields Assistance Center, Inc. (the Center). The basic criteria for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the University's ability to significantly influence operations and accountability for fiscal matters of related entities. Other affiliates of the University (see Note 18) are not part of the University reporting entity and are not included in the accompanying financial statements, since the University has no ability to designate management, cannot significantly influence operations of these entities, and is not accountable for the fiscal matters of these entities under GASB.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

On May 25, 2006, the Center was incorporated to foster and promote the redevelopment of Brownfield sites, including providing assistance to eligible entities on state and federal Brownfield programs, securing state and federal funding for Brownfield redevelopment, and acquiring property eligible for state and federal Brownfield assistance as set forth in West Virginia State Code 18B-11-7. As of June 30, 2021 and 2020, the Center had limited financial activity, all of which is included in the accompanying financial statements.

The audited financial statements of the Foundation, Big Green and Provident – Marshall, are presented here as discretely presented component units with the University financial statements in accordance with GASB discretely presented component unit requirements. The Foundation and Big Green are separate, private, nonprofit organizations; Provident – Marshall is a single-member, limited liability company; and all report under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the audited financial information as they are presented herein (see Notes 15, 16, 17, 24, 25, and 26).

Financial Statement Presentation

GASB establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a basis to focus on the University as a whole. Net position is classified into four categories according to external donor restrictions or availability of assets for satisfaction of University obligations. The 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 depreciation and outstanding debt obligations related to those capital assets. To the extent that 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, Expendable — This includes resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

The West Virginia Legislature, as a regulatory body outside the reporting entity, has restricted the use of certain funds by Article 10, *Fees and Other Money Collected at State Institutions of Higher Education of the West Virginia State Code*. House Bill No. 101 passed in March 2004 simplified the tuition and fees restrictions to auxiliaries and capital items. These activities are fundamental to the normal ongoing operations of the University. These restrictions are subject to change by future actions of the West Virginia Legislature.

Restricted Net Position, Nonexpendable — This includes 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 either be expended or added to principal.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Unrestricted Net Position — Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of the Board to meet current expenses for any purpose.

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged in only business-type activities. Accordingly, the University's financial statements have been prepared on the accrual basis of accounting with a focus on the flow of economic resources measurement. Revenues are reported when earned and expenses are reported when materials or services are received. All intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents

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

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the State Treasurer) are pooled by the State Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (BTI). These funds are transferred to the BTI, and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, provisions of bond indentures, and the trust agreements when applicable. Balances in the investment pools are recorded at fair value or amortized cost, which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources in accordance with GASB. The BTI was established by the State Legislature and is subject to oversight by the State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal or on the first day of each month for the WV Short Term Bond Pool and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

The BTI maintains the Consolidated Fund investment fund, which consists of eight investment pools and participant-directed accounts, three of which the University may invest in. These pools have been structured as multiparticipant variable net position funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual audited financial report. A copy of that annual audited financial report can be obtained from the following address: 1900 Kanawha Blvd. East, Room E-122, Charleston, WV 25305, or <http://www.wvbt.com>.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The University's investments are entirely managed and held by the Foundation at June 30, 2021 and 2020. MURC held U.S. government agency securities, corporate/foreign bonds, equity mutual funds and fixed income investments at June 30, 2021 and 2020.

Investments measured and reported at fair value are classified according to the following hierarchy. Level 1, investments reflect prices quoted in active markets. Level 2, investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active. Level 3, investments reflect prices based upon unobservable inputs. The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Permissible investments for all agencies include those guaranteed by the United States of America, its agencies, and instrumentalities (U.S. government obligations); corporate debt obligations, including commercial paper, which meet certain ratings; certain money market funds; repurchase agreements; reverse repurchase agreements; asset-backed securities; certificates of deposit; state and local government securities; and other investments. Other investments consist primarily of investments in accordance with the Linked Deposit Program, a program using financial institutions in West Virginia to obtain certificates of deposits, loans approved by the State Legislature, and any other program investments authorized by the State Legislature.

Investments are made in accordance with and subject to the provisions of the Uniform Prudent Investor Act codified as Chapter 44, Article 6C, of the West Virginia Code.

Allowance for Doubtful Accounts

It is the University's policy to provide for future losses on uncollectible accounts, contracts, grants, and loans receivable based on an evaluation of the underlying account, contract, grant, and loan balances; the historical collectability experienced by the University on such balances; and such other factors that, in the University's judgment, require consideration in estimating doubtful accounts.

Inventories

Inventories are stated at the lower of cost or market, cost being determined on the first-in, first-out method.

Noncurrent Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments that are (1) externally restricted to make debt service payments and long-term loans to students, or to maintain sinking or reserve funds, (2) to purchase capital or other noncurrent assets or settle long-term liabilities, or (3) permanently restricted net position are classified as noncurrent assets in the accompanying statements of net position.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets include property, plant, and equipment; books and materials that are part of a catalogued library; and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction or at acquisition value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and infrastructure, 15 years for land improvements, 7 years for library books, and 3 to 10 years for furniture and equipment. The University's capitalization threshold is \$100,000 for buildings and \$5,000 for most other capital assets.

Unearned Revenue

Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenue, including items such as football ticket sales, tuition and fees, and room and board. Financial aid and other deposits are separately classified as deposits.

Compensated Absences and Other Postemployment Benefits (OPEB)

GASB provides for the measurement, recognition, and display of OPEB expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. The University is required to participate in this multiple-employer, cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund (RHBT), sponsored by the State of West Virginia. Details regarding this plan and its stand-alone financial statements can be obtained by contacting the West Virginia Public Employees Insurance Agency (PEIA), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, WV 25305-0710, or <http://www.wvpeia.com>.

GASB requires entities to accrue for employees' rights to receive compensation for vacation leave or payments in lieu of accrued vacation or sick leave as such benefits are earned and payment becomes probable. The University's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1-1/2 sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage, and three days extend health insurance for one month of family coverage. For employees hired after 1988, or who were hired before 1988 but did not choose such coverage until after 1988 but before July 1, 2001, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired July 1, 2001, or later will no longer receive sick leave credit toward insurance premiums when they retire. Additionally, all retirees have the option to purchase continued coverage regardless of their eligibility for premium credits. This liability is now provided for under the multiple-employer, cost-sharing plan sponsored by the State.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences and Other Postemployment Benefits (OPEB) (Continued)

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally, 3 1/3 years of teaching service extend health insurance for one year of single coverage, and five years extend health insurance for one year of family coverage. Faculty hired after July 1, 2009, will no longer receive years of service credit toward insurance premiums when they retire. Employees hired after July 1, 2010, receive no health insurance premium subsidy from the University. Two groups of employees hired after July 1, 2010, will not be required to pay the unsubsidized rate: (1) active employees who were originally hired before July 1, 2010, who have a break in service of fewer than two years after July 1, 2010; and (2) retired employees who retired before July 1, 2010, return to active service after July 1, 2010, and then go back into retirement. In those cases, the original hire date will apply.

The estimated expense and expense incurred for the vacation leave or OPEB benefits are recorded as a component of benefits expense in the statements of revenues, expenses, and changes in net position.

Net Pension Liability

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 West Virginia Teachers' Retirement System (TRS), administered by the West Virginia Consolidated Public Retirement Board (CPRB), and additions to/reductions from the TRS fiduciary net position have been determined on the same basis as they are reported in the TRS financial statements, which can be found at <https://www.wvretirement.com/Publications.html#CAFR>. The plan schedules of TRS are prepared using the accrual basis of accounting and economic resources measurement focus in accordance with U.S. GAAP as prescribed by GASB. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions.

Investments are reported at fair value. Detailed information on investment valuation can be found in the TRS financial statements. Management of TRS has made certain estimates and assumptions relating to employer allocation schedules, and actual results could differ (Note 14).

Deferred Outflows of Resources

Consumption of net position by the University that is applicable to a future fiscal year is reported as a deferred outflow of resources on the statement of net position. As of June 30, 2021 and 2020, the University had a deferred loss on refunding of \$2,987,443 and \$3,121,726, respectively, and deferred outflows of resources related to pensions of \$478,425 and \$366,399 as of June 30, 2021 and 2020, respectively (Note 14). As of June 30, 2021 and 2020, the University had deferred outflows of resources related to OPEB of \$5,187,166 and \$5,763,374, respectively, as required by GASB 75 (Note 11).

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

Acquisition of net position by the University that is applicable to a future fiscal year is reported as a deferred inflow of resources on the statement of net position. As of June 30, 2021 and 2020, the University had deferred inflows from service concession arrangements of \$3,173,256 and \$3,594,174, respectively (Note 20), and deferred inflows related to pensions of \$672,899 and \$956,568 as of June 30, 2021 and 2020, respectively (Note 14). As of June 30, 2021 and 2020, the University had deferred inflows of resources related to OPEB of \$25,566,220 and \$13,851,327, respectively, as required by GASB 75 (Note 11).

Risk Management

The State's Board of Risk and Insurance Management (BRIM) provides general, property and casualty, and medical malpractice liability coverage to the University and its employees, including those physicians employed by the University and related to the University's School of Medicine (SOM). Such coverage may be provided to the University by BRIM through self-insurance programs maintained by BRIM or policies underwritten by BRIM that may involve experience-related premiums or adjustments to BRIM.

BRIM engages an independent actuary to assist in the determination of its premiums so as to minimize the likelihood of premium adjustments to the University or other participants in BRIM's insurance programs. As a result, management does not expect significant differences between the premiums the University is currently charged by BRIM and the ultimate cost of that insurance based on the University's actual loss experience. In the event that such differences arise between estimated premiums currently charged by BRIM to the University and the University's ultimate actual loss experience, the difference will be recorded as the change in estimate becomes known.

SOM established a \$250,000 deductible program under the BRIM professional liability coverage effective July 1, 2005. Prior to this date, the SOM was totally covered by BRIM at a limit of \$1,000,000 per occurrence.

Starting July 1, 2005, the SOM assumed the risk and responsibility for any and all indemnity amounts up to \$250,000 per occurrence and all loss expenses associated with medical malpractice claims and/or suits in exchange for a reduction in its premium for medical malpractice insurance. Under the program, SOM entered into an agreement with BRIM whereby SOM initially deposited \$500,000 in an escrow account with the State Treasury from which BRIM could withdraw amounts to pay indemnity costs and allocated expenses in connection with medical malpractice claims against the SOM. At June 30, 2021 and 2020, the balance in the escrow account was \$1,506,696 and \$1,505,159, respectively. Based on an actuarial valuation of this self-insurance program, the University has recorded a liability of \$12,985,000 and \$11,607,000 at June 30, 2021 and 2020, respectively, to reflect projected claim payments at 80% confidence level and a discount rate of 3% at June 30, 2021 and 2020. The receivable from University Physicians & Surgeons, Inc., for the funding it has agreed to provide for this liability was \$11,478,304 and \$10,101,841 at June 30, 2021 and 2020, respectively, and is included in noncurrent other accounts receivable (see Note 4).

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management (Continued)

In addition, through its participation in PEIA and a third-party insurer, the University has obtained for its employees' health, life, and prescription drug coverage, and coverage for job-related injuries. In exchange for the payment of premiums to PEIA and the third-party insurer, the University has transferred its risks related to health, life, prescription drug, and job-related injuries coverage.

Classification of Revenues

The University has classified its revenues according to the following criteria:

Operating Revenues — Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, local, and nongovernmental grants and contracts, and (4) sales and services of educational activities.

Nonoperating Revenues — Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB, such as state appropriations, Federal Pell Grants, investment income, and sale of capital assets (including natural resources).

Other Revenues — Other revenues consist primarily of capital grants and gifts.

Use of Restricted Net Position

The University has not adopted a formal policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Generally, the University attempts to utilize restricted funds first when practicable.

Federal Financial Assistance Programs

The University makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students through institutions, such as the University. Direct student loan receivables are not included in the University's accompanying statements of net position since the loans are repayable directly to the U.S. Department of Education. In 2021 and 2020, the University received and disbursed approximately \$77,000,000 and \$82,000,000, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the accompanying statements of revenues, expenses, and changes in net position.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Financial Assistance Programs (Continued)

The University also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2021 and 2020, the University received and disbursed approximately \$17,804,000 and \$18,256,000, respectively, under these federal student aid programs.

Scholarship Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the accompanying statements of revenues, expenses, and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf.

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers. Certain aid, such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the accompanying financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a University basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

Government Grants and Contracts

Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. The University recognizes revenue associated with direct costs as the related costs are incurred. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period of one to five years.

Service Concession Arrangements (SCA)

The University has SCAs for the operation of bookstores and food services. Renovations made to University facilities by service concession vendors are capitalized and revenues are deferred and accreted over the life of the contract.

Income Taxes

The University is exempt from income taxes under Section 115 of the Internal Revenue Code as a governmental entity. It is also recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Flows

Any cash and cash equivalents escrowed or restricted for noncurrent assets have not been included as cash and cash equivalents for the purpose of the statements of cash flows.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk and Uncertainties

Investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain securities, it is reasonably possible that changes in risk and values will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Reclassifications

Certain amounts presented in the basic financial statements for the fiscal year ended June 30, 2020 have been reclassified to conform with 2021 presentation.

Newly Adopted Statements Issued by the Governmental Accounting Standards Board (GASB)

The University has implemented GASB Statement No. 84, *Fiduciary Activities*, which was effective for fiscal years beginning after December 15, 2019. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments to determine whether an activity should be reported in a fiduciary fund in the financial statements. The adoption of this standard had no effect on the University's financial statements.

The University has implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which is effective for fiscal years beginning after December 15, 2020. The objective of this statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify the accounting for certain interest costs. This Statement also establishes accounting requirements for interest cost incurred before the end of a construction period. The adoption of this standard had no effect on the University's financial statements.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Newly Adopted Statements Issued by the Governmental Accounting Standards Board (GASB) (Continued)

The University has implemented GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which is effective for reporting periods ending after December 31, 2022, as postponed by implementation of GASB No. 95, for the removal of LIBOR as an appropriate benchmark interest rate. All other requirements related to Statement No. 93 are effective for reporting periods beginning after June 15, 2021, as postponed by implementation of GASB No. 95. Statement No. 93's objective is to address financial reporting implications related to replacing the London Interbank Offered Rate (LIBOR) with other reference rates since LIBOR is expected to cease to exist in its current form at the end of 2021 due to global reference rate reform. The adoption of this standard had no effect on the University's financial statements.

Recent Statements Issued by the Governmental Accounting Standards Board

The GASB has also issued Statement No. 87, *Leases*, which is effective for fiscal years beginning after June 15, 2021. Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In other words, most leases currently classified as operating leases will be accounted for and reported in the same manner as capital leases. The University has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Recent Statements Issued by the Governmental Accounting Standards Board
(Continued)**

The GASB has issued Statement No. 91, *Conduit Debt Obligations*, which is effective for financial statements beginning after December 15, 2021. This statement defines conduit debt obligations for accounting and financial reporting purposes and establishes standards for recognition, measurement, and disclosure for issuers. The University has not yet determined the effect that the adoption of GASB No. 91 may have on its financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*, which is effective for fiscal years beginning after June 15, 2021. This statement enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The University has not yet determined the effect that the adoption of GASB Statement No. 92 may have on its financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of Statement No 94 is to address issues related to situations in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset. In addition, it addresses an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining or operating a nonfinancial asset. The provisions in Statement No. 94 are effective for the fiscal years beginning after June 15, 2022. The University has not yet determined the effect that the adoption of GASB Statement No. 94 may have on its financial statements.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Recent Statements Issued by the Governmental Accounting Standards Board
(Continued)**

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). The objective of Statement No 96 is to provide the capitalization criteria for outlays other than subscription payments including implementation costs of a SBITA and the required note disclosures. The provisions in Statement No. 96 are effective for the fiscal years beginning after June 15, 2022. The University has not yet determined the effect that the adoption of GASB Statement No. 96 may have on its financial statements.

The GASB has also issued Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 31*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. The requirements in paragraphs 6 – 9 of this Statement are effective for fiscal years beginning after June 15, 2021. The University has not yet determined the effect that the adoption of GASB Statement No. 97 may have on its financial statements.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents was held as follows at the years ended June 30:

	2021		
	Current	Noncurrent	Total
State Treasurer	\$ 61,591,398	\$ 176,000	\$ 61,767,398
Trustee	33	25,962,785	25,962,818
State Treasurer - Escrow	-	1,506,696	1,506,696
Cash Equivalents	3,008,223	-	3,008,223
In Bank	2,070,837	-	2,070,837
On Hand	10,306	-	10,306
Total	<u>\$ 66,680,797</u>	<u>\$ 27,645,481</u>	<u>\$ 94,326,278</u>

	2020		
	Current	Noncurrent	Total
State Treasurer	\$ 60,319,386	\$ 176,000	\$ 60,495,386
Trustee	17,081	27,951,776	27,968,857
State Treasurer - Escrow	-	1,505,159	1,505,159
Cash Equivalents	4,621,550	-	4,621,550
In Bank	2,326,677	-	2,326,677
On Hand	10,106	-	10,106
Total	<u>\$ 67,294,800</u>	<u>\$ 29,632,935</u>	<u>\$ 96,927,735</u>

Cash held by the State Treasurer includes \$1,899,626 and \$1,487,487 at June 30, 2021 and 2020, respectively, of restricted cash for sponsored projects, loans, and other purposes.

Cash on deposit with Trustee represents funds reserved for debt payments and project expenditures on the University Bonds, Series 2020A, Series 2020B, (the 2020 Bonds). (see Note 9).

State Treasurer escrow represents an escrow agreement the University entered into with BRIM for malpractice insurance deductibles with a balance of \$1,506,696 and \$1,505,159 at June 30, 2021 and 2020, respectively.

MURC cash equivalents totaling \$3,032,770 and \$5,074,858 at June 30, 2021 and 2020, respectively, are held in a business savings account, collateralized at 104% and 116%, respectively. The collateral was held in the name of MURC.

The carrying amount of cash in bank at June 30, 2021 and 2020, was \$2,070,837 and \$2,326,676 as compared with the bank balance of \$2,538,483 and \$2,520,857, respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State's agent. Regarding federal depository insurance, interest-bearing accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. Noninterest-bearing accounts are 100% insured through June 30, 2021.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Amounts with the State Treasurer as of June 30, 2021 and 2020, are comprised of approximately \$11,041,164 and \$5,761,619, respectively, held by the State Treasury Fund not invested, and two investment pools, the WV Money Market Pool and the WV Short Term Bond Pool.

Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following table provides information on the Standard & Poor's rating of the investment pools as of June 30:

External Pool	2021		2020	
	Carrying Value (in Thousands)	S & P Rating	Carrying Value (in Thousands)	S & P Rating
WV Money Market Pool	\$ 47,526	AAAm	\$ 52,161	AAAm
WV Short Term Bond Pool	1,171	Not Rated	1,267	Not Rated

A Fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's.

Interest Rate Risk — Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All the amounts with the State Treasurer are subject to interest rate risk. The following table provides information on the weighted-average maturities for the WV Money Market Pool:

External Pool	2021		2020	
	Carrying Value (in Thousands)	WAM (Days)	Carrying Value (in Thousands)	WAM (Days)
WV Money Market Pool	\$ 47,526	52	\$ 52,161	44

The following table provides information on the effective duration for the WV Short Term Bond Pool:

External Pool	2021		2020	
	Carrying Value (in Thousands)	Effective Duration (Days)	Carrying Value (in Thousands)	Effective Duration (Days)
WV Short Term Bond Pool	\$ 1,171	638	\$ 1,267	620

Other Investment Risks — Other investment risks include concentration of credit risk, custodial credit risk, and foreign currency risk. None of the BTI's Consolidated Fund's investment pools or accounts is exposed to these risks as described below.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Cash in Bank with Trustee

Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Cash in bank with Trustee is governed by provisions of the bond agreement.

<u>Investment Type</u>	Carrying Value	
	2021	2020
Money Market Fund	\$ 25,962,818	\$ 27,968,857

The objective of the money market fund is to increase the current level of income while continuing to maintain liquidity and capital. Assets are invested in high-quality, short-term money market instruments.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The University does not have a formal custodial credit risk policy.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy limits investment maturities from potential fair value losses due to increasing interest rates. No more than 5% of the money market fund's total market value may be invested in the obligations of a single issuer, with the exception of the U.S. government and its agencies. The University does not have a formal interest rate risk policy.

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2021 and 2020, are as follows:

	2021		
	Current	Noncurrent	Total
Student Tuition and Fees, Net of Allowance for Doubtful Accounts of \$990,381	\$ 711,225	\$ -	\$ 711,225
Grants and Contracts Receivable, Net of Doubtful Accounts of \$1,296,323	17,504,916	-	17,504,916
Due from the Commission	122,996	-	122,996
Due from Other State Agencies	185,081	-	185,081
Primary Government	14,423,162	-	14,423,162
Other Accounts Receivable	3,781,768	12,623,189	16,404,957
Total	\$ 36,729,148	\$ 12,623,189	\$ 49,352,337

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Student Tuition and Fees, Net of Allowance for Doubtful Accounts of \$970,249	\$ 702,659	\$ -	\$ 702,659
Grants and Contracts Receivable, Net of Doubtful Accounts of \$1,095,577	9,507,734	-	9,507,734
Due from the Commission	364,413	-	364,413
Due from Other State Agencies	106,211	-	106,211
Primary Government	2,935,063	-	2,935,063
Other Accounts Receivable	4,363,586	11,330,026	15,693,612
Total	<u>\$ 17,979,666</u>	<u>\$ 11,330,026</u>	<u>\$ 29,309,692</u>

NOTE 5 INVESTMENTS

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The University had the following recurring fair value measurements comprised of investments as of June 30, 2021 and 2020:

	2021			
	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by Fair Value Level				
University				
Investments Held by Marshall University Foundation	\$ 78,503,328	\$ -	\$ 78,503,328	\$ -
MURC				
U.S. Government Agency Obligations	444,749	-	444,749	-
U.S. Treasury Obligations	3,561,024	-	3,561,024	-
Corporate/Foreign Bonds	6,276,030	-	6,276,030	-
Equity Mutual Funds	22,130,857	22,130,857	-	-
Fixed Income	2,660,827	2,660,827	-	-
Total	113,576,815	<u>\$ 24,791,684</u>	<u>\$ 88,785,131</u>	<u>\$ -</u>
Investments Measured at Cost				
MURC				
Progenesis Technologies	100,000			
Total Investments	<u>\$ 113,676,815</u>			

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 INVESTMENTS (CONTINUED)

	2020			
	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by Fair Value Level				
University				
Investments Held by Marshall University Foundation	\$ 73,509,009	\$ -	\$ 73,509,009	\$ -
MURC				
U.S. Government Agency Obligations	795,200	-	795,200	-
U.S. Treasury Obligations	3,223,302	-	3,223,302	-
Corporate/Foreign Bonds	3,992,977	-	3,992,977	-
Equity Mutual Funds	18,051,695	18,051,695	-	-
Fixed Income	2,412,694	2,412,694	-	-
Total	<u>101,984,877</u>	<u>\$ 20,464,389</u>	<u>\$ 81,520,488</u>	<u>\$ -</u>
Investments Measured at Cost				
MURC				
Progenesis Technologies	100,000			
Total Investments	<u>\$ 102,084,877</u>			

The Foundation is a discretely presented component unit of the University and is included in the University's financial reporting entity as a discretely presented component unit as discussed in Note 1. During 2016, the University and Foundation executed the Investment Management Agency Agreement (the Agreement) in which the Foundation was appointed as the University's investment agent. Under the Agreement the Foundation has full power and authority to make purchases and sales of securities on behalf of the University. Other responsibilities of the Foundation, in part, are to account for University assets separately from Foundation assets, provide monthly investment reports to the University, and engage third-party investment managers to invest University assets in accordance with the asset allocation provisions established by the University's Investment Committee (defined below). The University's investments are held in the name of the Foundation. In return for the above noted services, the University pays the Foundation investment advisory fees as defined in the Agreement.

The University's investments held by the Foundation are classified in Level 2 of the fair value hierarchy are valued at quoted prices for the underlying assets which are considered to be similar assets in active markets.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 5 INVESTMENTS (CONTINUED)

Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Investments classified in Level 2 of the fair value hierarchy are valued based on the securities' relationship to benchmark quoted prices. Level 3 represents investments with no observable market.

Credit Risk

The Foundation manages the investments of the University in accordance with the Board's Investment Policy No. FA-8, University Investment Policy. The University's investment policy adheres to fiduciary responsibilities in accordance with the provisions of the Uniform Prudent Investor Act (WV State Code section 44-6C-1 Prudent Investor Rule).

The U.S. Government Agency Obligations, U.S. Treasury Obligations, and Supranational Bonds held by MURC have an average maturity of 3.8 years. At June 30, 2021 the MURC investment in U.S. Government Agency Obligations and U.S. Treasury Obligations were AA+ by S&P and Aaa by Moody's. The Corporate Bonds held at June 30, 2021 by MURC have S&P ratings ranging from AAA to BBB and Moody's ratings ranging from Aaa to Baa3. The alternative investment in Progenesis Technologies, LLC does not have assigned ratings.

Concentration of Credit Risk

MURC's investment policy (not approved by the board of directors as of June 30, 2021 and 2020) will be to invest according to an asset allocation strategy designed to meet the goals of the investment objective. As a result, the following assets allocation targets and ranges have been presented for the investment pool:

<u>Respective Asset Class</u>	<u>Target Weight</u>	<u>Maximum Weight</u>
Fixed Income/Government	60%	100%
Money Market	20%	20%
Equity Securities/Derivatives/Hedge	20%	20%

The University's investment portfolio includes three investment pools, the Long Term Investment Pool, the Mid Term Investment Pool, and the Operating Investment Pool. The objective of the University's portfolio strategy is to enhance the Investment Pools' long-term viability by maximizing the value with a prudent, balanced level of risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk is managed by limiting the time period or duration of the specific investment.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 CAPITAL ASSETS

Capital asset transactions for the years ended June 30, 2021 and 2020, are as follows:

	2021				Ending Balance
	Beginning Balance	Additions	Reductions	Other	
Capital Assets Not Being Depreciated:					
Land	\$ 35,722,249	\$ 1,728,928	\$ -	\$ -	\$ 37,451,177
Antiques and Artwork (Inexhaustible)	121,607	-	-	-	121,607
Construction in Progress	3,062,078	9,800,630	-	(829,494)	12,033,214
Total Capital Assets Not Being Depreciated	<u>\$ 38,905,934</u>	<u>\$ 11,529,558</u>	<u>\$ -</u>	<u>\$ (829,494)</u>	<u>\$ 49,605,998</u>
Other Capital Assets:					
Land Improvements	\$ 8,535,507	\$ -	\$ -	\$ -	\$ 8,535,507
Infrastructure	29,423,396	84,419	(7,552)	-	29,500,263
Buildings	597,290,418	782,925	-	829,494	598,902,837
Equipment	64,023,149	3,404,627	(3,067,948)	-	64,359,828
Library Books	9,698,772	10,352	(401)	-	9,708,723
Total Other Capital Assets	<u>708,971,242</u>	<u>4,282,323</u>	<u>(3,075,901)</u>	<u>829,494</u>	<u>711,007,158</u>
Less: Accumulated Depreciation for:					
Land Improvements	6,223,322	514,092	-	-	6,737,414
Infrastructure	25,088,754	628,923	(7,552)	-	25,710,125
Buildings	195,857,402	12,561,832	-	-	208,419,234
Equipment	51,280,701	2,997,065	(2,933,476)	-	51,344,290
Library Books	9,416,893	128,065	(401)	-	9,544,557
Total Accumulated Depreciation	<u>287,867,072</u>	<u>16,829,977</u>	<u>(2,941,429)</u>	<u>-</u>	<u>301,755,620</u>
Other Capital Assets - Net	<u>\$ 421,104,170</u>	<u>\$ (12,547,654)</u>	<u>\$ (134,472)</u>	<u>\$ 829,494</u>	<u>\$ 409,251,538</u>
Capital Asset Summary:					
Capital Assets Not Being Depreciated	\$ 38,905,934	\$ 11,529,558	\$ -	\$ (829,494)	\$ 49,605,998
Capital Assets	708,971,242	4,282,323	(3,075,901)	829,494	711,007,158
Total Cost of Capital Assets	<u>747,877,176</u>	<u>15,811,881</u>	<u>(3,075,901)</u>	<u>-</u>	<u>760,613,156</u>
Less: Accumulated Depreciation	<u>(287,867,071)</u>	<u>(16,829,977)</u>	<u>2,941,428</u>	<u>-</u>	<u>(301,755,620)</u>
Capital Assets - Net	<u>\$ 460,010,105</u>	<u>\$ (1,018,096)</u>	<u>\$ (134,473)</u>	<u>\$ -</u>	<u>\$ 458,857,536</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 CAPITAL ASSETS (CONTINUED)

	2020				Ending Balance
	Beginning Balance	Additions	Reductions	Other	
Capital Assets Not Being Depreciated:					
Land	\$ 34,033,685	\$ 1,688,564	\$ -	\$ -	\$ 35,722,249
Antiques and Artwork (Inexhaustible)	121,607	-	-	-	121,607
Construction in Progress	8,326,643	9,536,668	-	(14,801,233)	3,062,078
Total Capital Assets Not Being Depreciated	<u>\$ 42,481,935</u>	<u>\$ 11,225,232</u>	<u>\$ -</u>	<u>\$ (14,801,233)</u>	<u>\$ 38,905,934</u>
Other Capital Assets:					
Land Improvements	\$ 8,535,507	\$ -	\$ -	\$ -	\$ 8,535,507
Infrastructure	29,154,091	66,510	(5,405)	208,200	29,423,396
Buildings	524,604,379	58,093,006	-	14,593,033	597,290,418
Equipment	63,278,889	3,551,512	(2,807,252)	-	64,023,149
Library Books	9,668,745	52,287	(22,260)	-	9,698,772
Total Other Capital Assets	<u>635,241,611</u>	<u>61,763,315</u>	<u>(2,834,917)</u>	<u>14,801,233</u>	<u>708,971,242</u>
Less: Accumulated Depreciation for:					
Land Improvements	5,708,310	515,012	-	-	6,223,322
Infrastructure	24,454,015	640,144	(5,405)	-	25,088,754
Buildings	183,612,090	12,245,312	-	-	195,857,402
Equipment	51,000,279	2,897,857	(2,617,435)	-	51,280,701
Library Books	9,302,315	136,838	(22,260)	-	9,416,893
Total Accumulated Depreciation	<u>274,077,009</u>	<u>16,435,163</u>	<u>(2,645,100)</u>	<u>-</u>	<u>287,867,072</u>
Other Capital Assets - Net	<u>\$ 361,164,602</u>	<u>\$ 45,328,152</u>	<u>\$ (189,817)</u>	<u>\$ 14,801,233</u>	<u>\$ 421,104,170</u>
Capital Asset Summary:					
Capital Assets Not Being Depreciated	\$ 42,481,935	\$ 11,225,232	\$ -	\$ (14,801,233)	\$ 38,905,934
Capital Assets	635,241,611	61,763,315	(2,834,917)	14,801,233	708,971,242
Total Cost of Capital Assets	<u>677,723,546</u>	<u>72,988,547</u>	<u>(2,834,917)</u>	<u>-</u>	<u>747,877,176</u>
Less: Accumulated Depreciation	<u>(274,077,008)</u>	<u>(16,435,163)</u>	<u>2,645,100</u>	<u>-</u>	<u>(287,867,071)</u>
Capital Assets - Net	<u>\$ 403,646,538</u>	<u>\$ 56,553,384</u>	<u>\$ (189,817)</u>	<u>\$ -</u>	<u>\$ 460,010,105</u>

The University maintains certain collections of inexhaustible assets for which no value can be practically determined. Accordingly, such collections are not capitalized or recognized for financial statement purposes. Such collections include contributed works of art, historical treasures, and literature that are held for exhibition, education, research, and public service. These collections are neither disposed of for financial gain nor encumbered in any means.

At June 30, 2021, the University had outstanding contractual commitments of approximately \$4,266,851 for property, plant, and equipment expenditures. These commitments will be funded through a combination of donations and University resources.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 LONG-TERM LIABILITIES

Long-term obligation transactions for the years ended June 30, 2021 and 2020, are as follows:

	2021				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes, Bonds, and Capital Leases:					
Notes Payable	\$ 3,843,145	\$ -	\$ (161,019)	\$ 3,682,126	\$ 2,716,018
Revenue Bonds Payable	103,068,461	-	(1,981,175)	101,087,286	2,135,000
Capital Leases Payable	59,477,091	433,407	(1,468,045)	58,442,453	762,617
Total Notes, Bonds, and Capital Leases	166,388,697	433,407	(3,610,239)	163,211,865	5,613,635
Other Long-Term Liabilities:					
Debt Obligation to the Commission	6,419,023	-	(949,640)	5,469,383	999,148
Loan Payable to the Commission	200,000	-	(200,000)	-	-
OPEB Liability	30,788,355	-	(22,667,213)	8,121,142	-
Net Pension Liability	2,077,711	114,365	-	2,192,076	-
Other Noncurrent Liabilities	12,004,640	4,288,438	(2,960,143)	13,332,935	-
Accrued Service Concession Liability	1,226,232	-	(150,193)	1,076,039	150,193
Advances from Federal Sponsors	5,040,388	-	(735,269)	4,305,119	-
Total Other Long-Term Liabilities	57,756,349	4,402,803	(27,662,458)	34,496,694	1,149,341
Total Long-Term Liabilities	<u>\$ 224,145,046</u>	<u>\$ 4,836,210</u>	<u>\$ (31,272,697)</u>	<u>\$ 197,708,559</u>	<u>\$ 6,762,976</u>
	2020				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes, Bonds, and Capital Leases:					
Notes Payable	\$ 1,449,163	\$ 3,115,000	\$ (721,018)	\$ 3,843,145	\$ 2,716,018
Revenue Bonds Payable	75,068,170	103,068,461	(75,068,170)	103,068,461	1,935,000
Capital Leases Payable	4,105,470	56,803,333	(1,431,712)	59,477,091	1,374,349
Total Notes, Bonds, and Capital Leases	80,622,803	162,986,794	(77,220,900)	166,388,697	6,025,367
Other Long-Term Liabilities:					
Debt Obligation to the Commission	7,322,746	-	(903,723)	6,419,023	949,640
Loan Payable to the Commission	400,000	-	(200,000)	200,000	200,000
OPEB Liability	38,692,291	-	(7,903,936)	30,788,355	-
Net Pension Liability	2,320,149	-	(242,438)	2,077,711	-
Other Noncurrent Liabilities	10,134,015	4,058,778	(2,188,153)	12,004,640	-
Accrued Service Concession Liability	336,182	1,040,241	(150,191)	1,226,232	150,193
Advances from Federal Sponsors	6,345,285	-	(1,304,897)	5,040,388	-
Total Other Long-Term Liabilities	65,550,668	5,099,019	(12,893,338)	57,756,349	1,299,833
Total Long-Term Liabilities	<u>\$ 146,173,471</u>	<u>\$ 168,085,813</u>	<u>\$ (90,114,238)</u>	<u>\$ 224,145,046</u>	<u>\$ 7,325,200</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 8 NOTES PAYABLE

MURC borrowed the proceeds of a bond issuance by the Cabell County Commission for the construction of an addition to the Marshall University Forensic Science Center. MURC's repayment terms are the same as the bond repayment term. MURC is obligated to make interest payments which commenced on October 10, 2008, for the interest due on the loan semiannually and to make annual principal payments starting on April 1, 2009, based on a hypothetical amortization of the then-remaining principal balance at the then-applicable interest rate for the then-remaining years of the original 20-year amortization period ending April 10, 2028. Any remaining principal balance shall be payable in full on April 10, 2028.

However, any unspent mortgage proceeds would go to pay the first amounts due for interest and principal. The rate for the period of April 10, 2018, through April 1, 2022, is 2.854%. The interest rate is subject to change each subsequent five-year period to the rate per annum equal to 67% of the five-year Treasury Constant Maturity in effect on that date, plus 1.67% per annum. The Loan Agreement defines various events of default and related cures. If an event of default were to occur, the issuer may take possession of the Center and or declare all amounts outstanding due and payable.

On April 10, 2020, Marshall University Research Corporation was granted a loan from JPMorgan Chase Bank, N.A. in the aggregate amount of \$3,115,000, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan, which was in the form of a Note dated April 9, 2020 issued by the Borrower, matures on April 9, 2022 and bears interest at a rate of 0.98% per annum, payable monthly commencing on November 6, 2020. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. The Corporation repaid \$560,000 of the Loan on May 13, 2020.

Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Corporation intends to use the entire Loan balance for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. In September 2021, MURC received forgiveness for the entire amount outstanding on the PPP Loan from the Small Business Administration.

Scheduled maturities on notes payable as of June 30, 2021, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2022	\$ 2,716,018
2023	161,018
2024	161,018
2025	161,018
2026	161,018
2027-2028	322,036
Total	<u>\$ 3,682,126</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 9 BONDS

Bonds payable as of June 30, 2021 and 2020, consist of the following:

	Original Interest Rate	Annual Principal Installment Due	Principal Amount Outstanding	
			2021	2020
University 2020A Series Bonds, maturing 2030 - 2050	3.0% to 5.0%	\$2,660,000 to \$5,330,000	\$ 56,035,000	\$ 56,035,000
University 2020B Series Bonds, maturing 2021 - 2039	2.26% to 3.67%	\$1,935,000 to \$3,595,000	44,025,000	45,960,000
			100,060,000	101,995,000
Add Bond Premium			1,027,286	1,073,461
Total			\$ 101,087,286	\$ 103,068,461

In April 2020, the Board sold \$56,035,000 of 2020A series bonds. The 2020 Bonds were issued under the authority contained in Chapter 18, Article 18B of the Code of West Virginia, 1931, as amended, and the 2020 Bonds are secured pursuant to a Trust Indenture dated as of April 1, 2020, between the University and United Bank, Inc., Charleston, West Virginia, as the Trustee. The 2020A Bonds are secured by and payable from certain revenues as defined in the Trust Indenture.

The proceeds of the 2020A Bonds are being used to (1) finance a portion of the costs of the construction, equipping and furnishing of a new building for the University's Lewis College of Business along with other capital improvements approved by the issuer and (2) refunding and redeeming all or a portion of the 2010 and 2011 Bonds and (3) paying bond insurance premiums or other credit enhancement and (4) to pay the costs of issuance of the 2020A Bonds.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 9 BONDS (CONTINUED)

In April 2020, the Board sold \$45,960,000 of 2020B series bonds. The 2020B Bonds were issued under the authority contained in Chapter 18, Article 18B of the Code of West Virginia, 1931, as amended, and the 2020 Bonds are secured pursuant to a Trust Indenture dated as of April 1, 2020, between the University and United Bank, Inc., Charleston, West Virginia, as the Trustee. The 2020B Bonds are secured by and payable from certain revenues as defined in the Trust Indenture. The proceeds of the 2020B Bonds were used to (1) refund and redeem all or a portion of the 2011 Bonds, (2) paying bond insurance premiums or other credit enhancement and (3) to pay the costs of issuance of the 2020B Bonds.

The net proceeds of the 2020A and 2020B Bonds of \$77,479,854 (after payment of \$1,108,608 of costs of issuance and \$27,950,000 deposited with the University for use for construction of a new building) plus an additional \$3,470,000 equity contribution from the University were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the 2010 and 2011 Bonds. As a result, the 2010 and 2011 Bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net position.

The current and advance refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$3,121,726. This difference, reported in the accompanying statement of net position as a deferred outflow of resources, will be amortized to interest expense through the year 2050 using the effective-interest method. The primary purpose of the 2020A current refunding and 2020B advanced refunding was to restructure the existing outstanding bonds, effectively creating short term cash flow savings through a level debt service structure. This new level debt service structure will strengthen the University's strategic positioning and allow immediate growth of University reserves. The debt restructure provides a net economic gain (difference between the present value of the old and new debt service payments) of \$2,746,687. Total gross debt service over the life of the new bonds will increase by \$11,761,306 as a result of the strategic level debt service restructure.

The above bond issues (collectively, the Bonds) are specific to the University, although the Bonds were also issued either in the name of the Board or the State itself. As debt service is required on the Bonds, the University remits the funds to a commercial bank for payment to the trustees of the bond issues and the bondholders. Mandatory debt service transfers are recorded as the funds are so remitted. A commercial bank holds certain cash and cash equivalents (see Note 3) for debt service or other bond issue purposes on behalf of the University.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 9 BONDS (CONTINUED)

The Bonds are special obligations of the State and are not general obligations or a debt of the State. Neither the credit nor the taxing power of the State is pledged for the payment of the Bonds. The above bond issues are fully insured as to principal and interest by the Federal Guaranty Insurance Company.

The Bond covenants require that the schedules of rent, charges, and fees shall at all times be adequate to produce revenues from the auxiliary facilities sufficient to pay operating expenses and when with E&G Capital Fees, Medical Center Rental Income, and Athletic Facility Enhancement Fee Revenues (as defined in the indenture) to make the prescribed payments into the funds and accounts created hereunder, and that such schedule or schedules of rents, charges, and fees that shall be revised from time to time to provide for all reasonable operating expenses and leave net revenues, when with other monies legally available to be used for such purposes, each year equal at least 100% the maximum annual debt service of the Bonds. During the years ended June 30, 2021 and 2020, net revenues, when combined with other monies legally available for payment of debt service, was 3.28 times and 3.22 times the maximum annual debt service, respectively.

A summary of the annual aggregate principal and interest payments for years subsequent to June 30, 2021, is as follows:

Year Ending June 30,	2020A Bonds		2020B Bonds		Combined	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ -	\$ 1,935,450	2,135,000	\$ 1,475,014	\$ 2,135,000	\$ 3,410,464
2023	-	1,935,450	2,180,000	1,425,696	2,180,000	3,361,146
2024	-	1,935,450	2,235,000	1,372,373	2,235,000	3,307,823
2025	-	1,935,450	2,295,000	1,313,749	2,295,000	3,249,199
2026	-	1,935,450	2,355,000	1,251,256	2,355,000	3,186,706
2027-2031	2,660,000	9,544,250	10,290,000	5,223,089	12,950,000	14,767,339
2032-2036	-	9,012,250	15,485,000	3,213,620	15,485,000	12,225,870
2037-2041	11,560,000	8,672,350	7,050,000	429,526	18,610,000	9,101,876
2042-2046	21,695,000	6,015,100	-	-	21,695,000	6,015,100
2047-2050	20,120,000	2,051,400	-	-	20,120,000	2,051,400
Total	<u>\$ 56,035,000</u>	<u>\$ 44,972,600</u>	<u>\$ 44,025,000</u>	<u>\$ 15,704,323</u>	<u>\$ 100,060,000</u>	<u>\$ 60,676,923</u>

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 10 LEASES

Operating

Future annual minimum lease payments on operating leases for years subsequent to June 30, 2021, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 568,347
2023	551,547
2024	536,501
2025	461,271
2026	461,271
2027	384,392
Total	<u><u>\$ 2,963,329</u></u>

In May 2012, the University entered into a lease agreement with St. Mary's Hospital to lease space in the St. Mary's Medical Center Education Building for use by the Physical Therapy Program. The University will pay rent in the amount of \$38,439 per month for the period of May 1, 2012 through April 30, 2027.

Total rent expense for the years ended June 30, 2021 and 2020, was \$685,263 and \$747,483, respectively. The University does not have any noncancelable leases.

Capital

The University leases various equipment and buildings through capital leases. At June 30, 2021 and 2020, leased equipment with a net book value of \$354,572 and \$1,044,892 and leased buildings with a net book value of \$58,099,617 and \$59,576,620, respectively, are included in equipment and buildings.

In December 1998, the University entered into a lease-purchase agreement with the Mason County Building Commission for the Mid-Ohio Valley Center (MOVC). The construction of MOVC was financed by the Mason County Building Commission through the issuance of revenue bonds and was completed in January 2000. This lease was terminated and replaced with a new lease-purchase agreement in December 2005, with the new lease including an addition to be constructed at MOVC with funds from new bonds issued by the Mason County Building Commission. Ownership of MOVC transfers to the University at the end of the lease term.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 10 LEASES (CONTINUED)

Capital (Continued)

The University entered into one new lease in 2021 for the financing of equipment.

Future annual minimum lease payments for years subsequent to June 30, 2021, are as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 762,617	\$ 2,950,322	\$ 3,712,939
2023	761,668	2,919,129	3,680,797
2024	838,005	2,886,861	3,724,866
2025	435,262	2,856,444	3,291,706
2026	394,561	2,837,606	3,232,167
2027-2031	2,944,326	13,788,163	16,732,489
2032-2036	4,472,834	12,851,737	17,324,571
2037-2041	6,780,647	11,435,591	18,216,238
2042-2046	10,152,204	9,339,034	19,491,238
2047-2051	17,277,740	5,859,332	23,137,072
2052-2055	13,622,590	1,131,868	14,754,458
Total			127,298,541
Less: Interest			68,856,088
Total			<u>\$ 58,442,453</u>

In October 2007, the University entered into a ground lease with MSH – Marshall to lease the site for the student housing and wellness center project, which was funded by debt obligations of MSH – Marshall. The lease was transferred to Provident – Marshall when the project was purchased from MSH – Marshall. The ground lease payments are one dollar per year.

On May 2, 2018, Marshall University entered into a development agreement with Signet Marshall Development, LLC, an Ohio limited liability company, to develop, design, and construct a new graduate/medical student housing facility and school of pharmacy. Signet's affiliate, Signet Marshall I, LLC has entered into a ground lease with Marshall for the University owned property that will be the site of this development. The ground lease payment was one dollar for the entire term and has been paid at the execution of the lease.

The University entered into a lease agreement with the Signet Marshall I, LLC, an Ohio limited liability company, to lease the buildings constructed in the development agreement for 35 years, once construction is complete. Ownership of the facilities will transfer to the University at the end of the lease term. Construction was substantially complete on August 15, 2019. Annual rental payments due to Signet Marshall I, LLC ranging between \$2,925,500 and \$4,786,581 will continue for 35 years, totaling \$130,674,525.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS

Employees of the University are enrolled in the West Virginia Other Postemployment Benefit Plan (the OPEB Plan) which is administered by the West Virginia Public Employees Insurance Agency (PEIA) and the West Virginia Retiree Health Benefit Trust Fund (the RHBT).

Following is the University's other postemployment benefits liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, revenues, and other postemployment benefits expense and expenditures for the fiscal years ended June 30, 2021 and 2020:

	2021	2020
Net OPEB Liability	\$ 8,121,142	\$ 30,788,355
Deferred Outflows of Resources	5,187,166	5,763,373
Deferred Inflows of Resources	25,566,220	13,851,327
Revenues	771,256	1,866,581
OPEB Expense	6,721,721	1,288,095
Contributions Made by the University	2,883,136	3,142,988

Plan Description

The OPEB Plan is a cost-sharing, multiple employer, defined benefit other postemployment benefit plan that covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in West Virginia Code Section 5-16D-2 (the Code). Plan benefits are established and revised by PEIA and the RHBT with approval of the Finance Board. The Finance Board is comprised of nine members. Finance Board members are appointed by the Governor, serve a term of four years, and are eligible for reappointment. The State Department of Administration secretary serves as Chairman of the Board. Four members represent labor, education, public employees, and public retirees. Four remaining members represent the public-at-large.

Active employees who retire are eligible for PEIA health and life benefits, provided they meet the minimum eligibility requirements of the applicable State retirement system and if their last employer immediately prior to retirement: is a participating employer under the Consolidated Public Retirement Board (CPRB) and, as of July 1, 2008, forward, is a participating employer with PEIA. Active employees who, as of July 1, 2008, have ten years or more of credited service in the CPRB and whose employer at the time of their retirement does participate with CPRB, but does not participate with PEIA will be eligible for PEIA retiree coverage provided: they otherwise meet all criteria under this heading and their employer agrees, in writing, upon a form prescribed by PEIA, that the employer will pay to PEIA the nonparticipating retiree premium on behalf of the retiree or retirees, or that the retiree agrees to pay the entire unsubsidized premium themselves. Employees who participate in non-State retirement systems but that are CPRB system affiliated, contracted, or approved (such as TIAA-CREF and Empower Retirement), or are approved, in writing, by the PEIA Director must, in the case of education employees, meet the minimum eligibility requirements of the State Teachers Retirement System (STRS), and in all other cases meet the minimum eligibility requirements of the Public Employees Retirement System to be eligible for PEIA benefits as a retiree.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Description (Continued)

The financial activities of the OPEB Plan are accounted for in the RHBT, a fiduciary fund of the State of West Virginia. The RHBT audited financial statements and actuarial reports can be found on the PEIA website at www.peia.wv.gov.

Benefits Provided

The OPEB Plan provides the following benefits: medical and prescription drug insurance and life insurance. The medical and prescription drug insurance is provided through two options: the self-insured preferred provider benefit plan option, which is primarily for non-Medicare-eligible retirees and spouses; and the external managed care organization option, which is primarily for Medicare-eligible retirees and spouses.

Contributions

Pay as you go premiums (paygo) are established by the Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The active premiums subsidize the retirees' health care.

Members retired before July 1, 1997, pay retiree healthcare contributions at the highest sponsor subsidized rate, regardless of their actual years of service. Members retired between July 1, 1997, and June 30, 2010, pay a subsidized rate depending on the member's years of service. Members hired on or after July 1, 2010, pay retiree healthcare contributions with no sponsor provided implicit or explicit subsidy.

Retiree leave conversion contributions from the employer depend on the retiree's date of hire and years of service at retirement as described below:

- Members hired before July 1, 1988, may convert accrued sick or vacation leave days into 100% of the required retiree healthcare contribution.
- Members hired from July 1, 1988, to June 30, 2001, may convert sick or vacation leave days into 50% of the required retiree healthcare contribution.

The conversion rate is two days of unused sick and vacation leave days per month for single healthcare coverage and three days of unused sick and vacation leave days per month for family healthcare coverage.

Employees hired on or after July 1, 2001, no longer receive sick and/or vacation leave credit toward the required retiree healthcare contribution when they retire. All retirees have the option to purchase continued coverage regardless of their eligibility for premium credits.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions (Continued)

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally, 3 1/3 years of teaching service extend health insurance coverage for one year of family coverage, and five years extended health insurance for one year of family coverage. Faculty hired after July 1, 2009, no longer receive years of service credit toward insurance premiums when they retire. Faculty hired on or after July 1, 2010, receive no health insurance premium subsidy when they retire. Two groups of employees hired after July 1, 2010, will not be required to pay the unsubsidized rate: (1) active employees who were originally hired before July 1, 2010, who have a break in service of fewer than two years after July 1, 2010; and (2) retired employees who had an original hire date prior to July 1, 2010, may return to active employment. In those cases, the original hire date may apply.

Basis of Allocation

OPEB amounts have been allocated to each contributing employer based on their proportionate share of employer contributions to the RHBT for the fiscal year ended June 30, 2020. Effective July 1, 2017, certain employers that met the plan's opt out criteria and chose not to participate in the plan coverage were no longer required to make contributions to the plan. The amounts previously allocated to such employers for the net OPEB liability and related deferred inflows and deferred outflows are reallocated to the remaining employers participating in the cost sharing plan. The plan reallocates these balances to the remaining active employers based on their proportionate share of contributions made in the period of reallocation.

Assumptions

The net OPEB liability as of June 30, 2021 for financial reporting purposes was determined by an actuarial valuation as of June 30, 2020. The following actuarial assumptions were used and applied in the measurement:

- Actuarial cost method: Entry age normal cost method.
- Amortization method and period: Level percentage of payroll over 20 years.
- Investment rate of return: 6.65%, net of OPEB Plan investment expense, including inflation.
- Projected salary increases: dependent on pension system of 2.75%.
- Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2022, 6.50% for plan year end 2023, decreasing by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2032. Trend rate for Medicare per capita costs of 31.11% for plan year end 2022. 9.15% for plan year end 2023, 8.40% for plan year end 2024, each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2036.
- Inflation rate: 2.25%.
- Discount Rate: 6.65%
- Mortality rates: based on MP-2019 Mortality Tables.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Assumptions (Continued)

The net OPEB liability as of June 30, 2020 for financial reporting purposes was determined by an actuarial valuation as of June 30, 2018, rolled forward to the measurement date of June 30, 2019. The following actuarial assumptions were used in the measurement:

- Actuarial cost method: Entry age normal cost method.
- Amortization method and period: Level percentage of payroll over 20 years.
- Investment rate of return: 7.15%, net of OPEB Plan investment expense, including inflation.
- Projected salary increases: dependent on pension system ranging from 2.75% to 5.18%, including inflation.
- Healthcare Cost Trend Rates: Trend Rate of pre-Medicare per Capita costs of 8.5% for plan year-end 2020, decreasing by .5% each year thereafter until ultimate trend rate of 4.5% is reached in plan year 2028. Trend rate for Medicare per capita costs of 3.1% for plan year 2020. 9.5% for plan year-end 2021, decreasing by .5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year-end 2031.
- Inflation rate: 2.75%.
- Discount Rate: 7.15%
- Mortality rates: based on RP-2000 Mortality Tables.

The long-term investment rate of return of 6.65% and 7.15%, as of June 30, 2020 and 2019, respectively, on OPEB Plan investments was determined by a combination of an expected long-term rate of return of 7.00% and 7.50%, respectively, for long-term assets invested with the West Virginia Investment Management Board (IMB) and an expected short-term rate of return of 3.0% for assets invested with the WV Board of Treasury Investments (BTI).

Long-term pre-funding assets are invested with the IMB. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund, and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the BTI.

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which estimates of expected future real rates of return (expected returns, net of OPEB Plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of the long-term geometric rates for each major asset class are summarized below.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Assumptions (Continued)

The actuarial assumptions used in the June 30, 2020, valuation was based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2020. The actuarial assumptions used in the June 30, 2018, valuation was based on the results of an actuarial experience study for the period July 1, 2010, through June 30, 2015.

2021

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	55%	6.8%
Core Plus Fixed Income	15%	4.1%
Core Real Estate	10%	6.1%
Hedge Fund	10%	4.4%
Private Equity	10%	8.8%

2020

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	50%	4.8%
Core Plus Fixed Income	14%	2.1%
Hedge Fund	9%	2.4%
Private Equity	9%	6.8%
Core Real Estate	9%	4.1%
Cash and Cash Equivalents	10%	0.3%

Discount rate. The discount rate used to measure the OPEB liability as of June 30, 2021 was 6.65%. This single discount rate was based on the expected rate of return on OPEB plan investments of 6.65% and a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date to the extent benefits are effectively financed on a pay-as-you-go basis. The long-term municipal bond rate used to develop the single discount rate was 3.13% as of the beginning of the year and 2.45% as of the end of the year. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made in accordance with the prefunding and investment policies. Future pre-funding assumptions include a \$30 million annual contribution from the State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2025, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Assumptions (Continued)

Discount rate (continued). The discount rate used to measure the OPEB liability as of June 30, 2020 was 7.15%. The projection of cash flows used to determine the discount rate assumed that RHBT contributions will be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the University's proportionate share of the net OPEB liability as of June 30, 2021 and 2020, respectively, calculated using the discount rate of 6.65% and 7.15%, as of June 30, 2021 and 2020, respectively, as well as what the University's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.65% and 6.15%, respectively) or one percentage point higher (7.65% and 8.15%, respectively) than the current rate (in thousands):

	1% Decrease (5.65%)	Current Discount Rate (6.65%)	1% Increase (7.65%)
June 30, 2021	\$ 11,582	\$ 8,121	\$ 5,224
	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
June 30, 2020	36,745	30,788	25,804

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Assumptions (Continued)

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates. The following presents the University's proportionate share of the net OPEB liability as of June 30, 2021 and 2020, respectively, calculated using the current healthcare cost trend rates, as well as what the University's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates (in thousands):

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
June 30, 2021	\$ 4,887	\$ 8,121	\$ 12,028
June 30, 2020	24,826	30,788	38,023

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. The net OPEB liabilities at June 30, 2021 and 2020, were measured as of June 30, 2020 and 2019. The total OPEB liabilities at June 30, 2021 and 2020, were determined by an actuarial valuations as of June 30, 2020 and 2018, respectively, with the 2018 valuation rolled forward to the measurement date.

At June 30, 2021 and 2020, respectively, the amount recognized as the University's proportionate share of the net OPEB liability was \$8,121,142 and \$30,788,355. At June 30, 2021 and 2020, respectively, the nonemployer contributing entity's (State of West Virginia) portion of the collective net OPEB liability was \$1,795,712 and \$6,300,671. At June 30, 2021 and 2020, the total net OPEB liability attributable to the University was \$9,916,854 and \$37,089,026, respectively.

The allocation percentage assigned to each contributing employer is based on the employer's proportionate share of employer contributions to the RHBT for the fiscal years ended June 30, 2020 and 2019, respectively. Employer contributions are recognized when due. At June 30, 2020, the University's proportion was 1.838644783%, a decrease of 0.017045329% from its proportion of 1.855690112% as of June 30, 2019. At June 30, 2019, the University's proportion was 1.855690112% an increase of 0.052220173% from its proportion of 1.1.803469939% calculated as of June 30, 2018.

For the years ended June 30, 2021 and 2020, the University recognized OPEB expense of \$6,721,721 and \$1,288,095, respectively. Of this amount, \$(7,492,977) and \$(578,486), respectively, was recognized as the University's proportionate share of the OPEB expense, and \$771,256 and \$1,866,581, respectively as the amount of OPEB expense attributed to special funding. The University also recognized revenue of \$771,256 and \$1,866,581, respectively, for support provided by the State.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Assumptions (Continued)

At June 30, 2021 and 2020, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and difference between employer contributions and proportionate share of contributions	\$ 1,687,584	\$ (1,472,962)	\$ 2,612,788	\$ (2,855,939)
Changes in assumptions	-	(18,331,112)	-	(6,244,119)
Net difference between projected and actual investment earnings	616,446	-	-	(332,138)
Differences between expected and actual experience	-	(5,265,601)	7,597	(3,590,795)
Reallocation of opt-out employer change in proportionate share	-	(496,545)	-	(828,336)
Contributions after the measurement date	2,883,136	-	3,142,988	-
Total	<u>\$ 5,187,166</u>	<u>\$ (25,566,220)</u>	<u>\$ 5,763,373</u>	<u>\$ (13,851,327)</u>

The University will recognize the \$2,883,136 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amortization</u>
2022	\$ (9,366,149)
2023	(7,803,527)
2024	(6,012,808)
2025	(79,706)
	<u>\$ (23,262,190)</u>

NOTE 12 STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

The University is a State institution of higher education. It receives a State appropriation to finance a portion of its operations. In addition, it is subject to the legislative and administrative mandates of State government. Those mandates affect all aspects of the University's operations, its tuition and fee structure, its personnel policies, and its administrative practices.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12 STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS (CONTINUED)

The State has chartered the Commission with the responsibility to construct or renovate, finance, and maintain various academic and other facilities of the State's universities and colleges, including certain facilities of the University. Financing for these facilities was provided through revenue bonds issued by the former Board of Regents, the former University System of West Virginia, the former State College System of West Virginia, or the former Interim Governing Board (the Boards). These obligations administered by the Commission are the direct and total responsibility of the Commission, as successor to the former Boards.

The Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The education and general capital fees (previously tuition and registration fees) of the members of the former University System of West Virginia are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as a capital obligation of the Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission.

Debt service assessed for the years ended June 30, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Principal	\$ 949,640	\$ 903,723
Interest	342,105	386,425
Other	83,645	76,668
Total	<u>\$ 1,375,390</u>	<u>\$ 1,366,816</u>

During December 2017, the Commission refunded the 2007 series system bonds. The refunding reduced the annual debt service, as well as the principal each school owed to the Commission. The amount of the debt reduction for the University in 2018 was \$920,787.

During September 2016, the Commission loaned the University \$800,000 from the Energy and Water Savings Revolving Loan Fund to upgrade existing systems in order to reduce future utility costs. The loan is to be repaid in four annual installments of \$200,000 each over four years and is interest free.

During the year ended June 30, 2005, the Commission issued \$167,000,000 of 2005 Series B 30-year Revenue Bonds to fund capital projects at various higher education institutions in the State. State lottery funds will be used to repay the debt, although the University revenues are pledged if lottery funds prove insufficient.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 12 STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS (CONTINUED)

During August 2010, the West Virginia Development Office issued approximately \$162 million of Education, Arts, Science, and Tourism (EAST) bonds. The Commission, as provided in the State Code, received 60% or \$97.2 million of the proceeds to help fund various building and campus renewal projects. The University has been authorized to receive \$17,600,000 of these proceeds. The West Virginia Development office is responsible for the repayment of the debt. The University has recognized \$17.6 million of these funds as revenue in prior years. During 2018, these bonds were refinanced and Marshall University was authorized to receive \$2,050,000 of the proceeds from the savings. As of June 30, 2021, the University has recognized \$2,014,769 of these funds as capital grant revenue.

During December 2010, the HEPC issued \$76,865,000 of the State of West Virginia Higher Education Policy Commission Revenue 2010 Series Bonds to fund HEPC Bond projects approved by the Commission. The University has been authorized to receive \$25,000,000 of these proceeds to be specifically used for the construction of the new Biotechnology Development Center and Applied Engineering Complex. The University began drawing the bond proceeds for this project in FY 2012; 85% of these bond proceeds must be spent by December 2013. The University has no responsibility for repayment of this debt. As of June 30, 2021, the University has recognized \$25 million of these funds as revenue.

During June 2012, the HEPC refunded a portion of the outstanding principal amount of the State of West Virginia Higher Education Policy Commission Revenue Refunding Bonds 2004 Series B Lottery Revenue Bonds and received approximately \$8 million in bond proceeds from the refunding. The Commission approved a list of high-priority capital projects to be funded from the bond proceeds. The University had two projects approved for this funding and entered into an agreement with the Commission to receive \$462,500 of these proceeds with a 100% matching requirement. Subsequent changes to budgeted costs reduced the approved amount to \$427,330. As of June 30, 2021, the University has recognized \$426,725 of these funds as revenue.

NOTE 13 UNRESTRICTED NET POSITION

The University's unrestricted net position as of June 30, 2021 and 2020, includes certain designated net positions as follows:

	2021	2020
Designated for Auxiliaries	\$ 304,600	\$ 109,564
Designated for Auxiliaries Repairs and Maintenance Debt Payments, Capital Projects, and Equipment Purchases	8,334,086	10,946,964
Designated for Other Repairs and Maintenance, Debt Payments, Capital Projects, and Equipment Purchases	5,822,220	7,064,525
Undesignated	91,803,267	79,995,284
Total Unrestricted Net Position Before OPEB Liability	106,264,173	98,116,337
Less: OPEB Liability	8,121,142	30,788,355
Total Unrestricted Net Position	\$ 98,143,031	\$ 67,327,982

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 14 RETIREMENT PLANS

Substantially all eligible employees of the University participate in either the West Virginia Teachers Retirement System (TRS) or the Teachers Insurance and Annuities Association – College Retirement Equity Funds (TIAA-CREF). Previously, upon full-time employment, all employees were required to make an irrevocable election between the TRS and TIAA-CREF. Effective July 1, 1991, the TRS was closed to new participants. Current participants in the TRS are permitted to make a onetime election to cease their participation in that plan and commence contributions to the West Virginia Teachers' Defined Contribution Plan. Contributions to and participation in the West Virginia Teachers' Defined Contribution Plan by University employees have not been significant to date.

Defined Contribution Benefit Plans

The TIAA-CREF is a cost-sharing defined contribution plan in which benefits are based solely upon amounts contributed, plus investment earnings. Each employee who elects to participate in this Plan is required to make a contribution equal to 6% of total annual compensation. The University matches the employees' 6% contributions. Contributions are immediately and fully vested. Employees may elect to make additional contributions to TIAA-CREF, which are not matched by the University.

Total contributions to TIAA-CREF for the years ended June 30, 2021, 2020, and 2019, were approximately \$15,588,000, \$16,555,000, and \$15,033,000, respectively, which consisted of approximately \$7,736,000, \$8,214,000, and \$7,453,000 from the University in 2021, 2020, and 2019, respectively, and approximately \$7,852,000, \$8,340,000, and \$7,580,000 from covered employees in 2021, 2020, and 2019, respectively.

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the Educators Money 401(a) Basic Retirement Plan (the Educators Money). New hires have the choice of either plan.

The Educators Money is a defined contribution plan in which benefits are based solely upon amounts contributed plus investment earnings. Each employee who elects to participate in this Plan is required to make a contribution equal to 6% of total annual compensation. The University matches the employees' 6% contributions. Contributions are immediately and fully vested. Employees may elect to make additional contributions to the Educators Money, which are not matched by the University. The Educators Money was discontinued in September 2019.

Total contributions to the Educators Money for the year ended June 30, 2020, were approximately \$81,000 and \$373,000, respectively, which consisted of approximately \$40,500 and \$186,500 each from the University and the covered employees in 2020 and 2019, respectively.

The University's total payroll for the years ended June 30, 2021, 2020 and 2019, was approximately \$132,857,859, \$141,589,000 and \$136,238,000, respectively; total covered employees' salaries in the TIAA-CREF and Educators Money were approximately \$112,461,727 and \$-0-, respectively, in 2021, \$121,231,000 and \$673,000, respectively, in 2020, and \$110,084,000 and \$3,105,000, respectively, in 2019.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 14 RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan

Some employees of the University are enrolled in a defined benefit pension plan, the West Virginia Teachers' Retirement System (TRS), which is administered by the West Virginia Consolidated Public Retirement Board (CPRB).

Following is the University's pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, revenues, and the pension expense and expenditures for the fiscal years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2022</u>
Net Pension Liability	\$ 2,192,076	\$ 2,077,711
Deferred Outflows of Resources	478,426	366,399
Deferred Inflows of Resources	672,899	956,568
Revenues	535,282	638,704
Pension Expense	535,282	502,232
Contributions Made by University	252,589	283,127

TRS

Plan Description

TRS is a multiple employer defined benefit cost sharing public employee retirement system providing retirement benefits as well as death and disability benefits. It covers all full-time employees of the 55 county public school systems in the State of West Virginia and certain personnel of the 13 State-supported institutions of higher education, State Department of Education and the Higher Education Policy Commission hired prior to July 1, 1991. Employees of the State-supported institutions of higher education and the Higher Education Policy Commission hired after June 30, 1991, are required to participate in the Higher Education Retirement System. TRS closed membership to new hires effective July 1, 1991.

TRS is considered a component unit of the State of West Virginia for financial reporting purposes, and, as such, its financial report is also included in the State of West Virginia's Comprehensive Annual Financial Report. TRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the Plan. A copy of the report may be obtained from the TRS website at <https://www.wvretirement.com/Publications.html> #CAFR.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 14 RETIREMENT PLANS (CONTINUED)

TRS (Continued)

Benefits Provided

TRS provides retirement, death, and disability benefits. A member is eligible for normal retirement at age 60 with five years of service, age 55 with 30 years of service or any age with 35 years of service. A member may retire with 30 years of credited service at any age with the pension reduced actuarially if the member retires before age 55. Terminated members with at least five, but less than 20, years of credited service who do not withdraw their accumulated contributions are entitled to a deferred retirement commencing at age 62. Retirement benefits are equivalent to 2% of average annual salary multiplied by years of service. Average salary is the average of the 5 highest fiscal years of earnings during the last 15 fiscal years of earnings. Chapter 18, Article 7A of the West Virginia State Code assigns the authority to establish and amend the provisions of the Plan, including contribution rates, to the State Legislature.

Contributions

The funding objective of the CPRB pension trust funds is to meet long-term benefit requirements through contributions, which remain relatively level as a percentage of member payroll over time, and through investment earnings. Contribution requirements are set by CPRB. A member who withdraws from service for any cause other than death or retirement may request that the accumulated employee contributions plus interest be refunded.

Member Contributions: TRS funding policy provides for member contributions based on 6% of members' gross salary. Contributions as a percentage of payroll for members and employers are established by State law and are not actuarially determined.

Employer Contributions: Employers make the following contributions:

The State (including institutions of higher education) contributes:

1. 15% of gross salary of their State-employed members hired prior to July 1, 1991;
2. 15% of School Aid Formula (SAF) covered payroll of county-employed members;
3. 7.5% of SAF-covered payroll of members of the TDCRS;
4. a certain percentage of fire insurance premiums paid by State residents; and
5. under WV State code section 18-9-A-6a, beginning in fiscal year 1996, an amount determined by the State Actuary as being needed to eliminate the TRS unfunded liability within 40 years of June 30, 1994. As of June 30, 2019 and 2018, respectively, the University's proportionate share attributable to this special funding subsidy was \$604,958 and \$530,603.

The University's contributions to TRS for the years ended June 30, 2021, and 2020, were approximately \$252,000, and \$283,000, respectively.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 14 RETIREMENT PLANS (CONTINUED)

TRS (Continued)

Assumptions

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2019 and 2018, respectively, and rolled forward to the measurement dates of June 30, 2020 and 2019, respectively. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost with level percentage of payroll.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method and period: Level dollar, fixed period over 40 years, from July 1, 1995 through fiscal year 2034.
- Investment rate of return of 7.50%, net of pension plan administrative and investment expenses.
- Projected salary increases: Teachers 3.00–6.16% and non-teachers 3.35–6.50%, based on age.
- Inflation rate of 3.0%.
- Discount rate of 7.50%.
- Mortality rates based on RP-2000 Mortality Tables.
- Withdrawal rates: Teachers 7.00%-35.00% and non-teachers 2.33%-18.00%.
- Disability rates: 0-0.7%.
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Retirement rates: 15-100%.
- *Ad hoc* cost-of-living increases in pensions are periodically granted by the State Legislature. However, the retirement system makes no automatic provision for such increases.

Experience studies are performed at least once in every five-year period. The most recent experience study covered the period from July 1, 2014, to June 30, 2019. These assumptions will remain in effect for valuation purposes until such time as the CPRB adopts revised assumptions.

The long-term expected rate of return on pension plan investments was determined using 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. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the long-term geometric rates of return for each major asset class included in TRS' target asset allocation as of June 30, 2021 and 2020, are summarized below:

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 14 RETIREMENT PLANS (CONTINUED)

TRS (Continued)

Assumptions (Continued)

Asset Class	2021	
	Long-Term Expected Rate of Return	Target Allocation
Domestic Equity	5.5%	27.5%
International Equity	7.0%	27.5%
Core Fixed Income	2.2%	15.0%
Real Estate	6.6%	10.0%
Private Equity	8.5%	10.0%
Hedge Funds	4.0%	10.0%
Asset Class	2020	
	Long-Term Expected Rate of Return	Target Allocation
Domestic Equity	5.8%	27.5%
International Equity	7.7%	27.5%
Core Fixed Income	3.3%	15.0%
Real Estate	6.1%	10.0%
Private Equity	8.8%	10.0%
Hedge Funds	4.4%	10.0%

Discount rate. The discount rate used to measure the total TRS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that State contributions will continue to follow the current funding policy. Based on those assumptions, TRS' fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on TRS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the University's proportionate share of the TRS net pension liability as of June 30, 2021 and 2020, calculated using the discount rate of 7.50%, as well as what the University's TRS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
June 30, 2021	\$ 2,961,306	\$ 2,192,076	\$ 1,536,635
June 30, 2020	2,835,879	2,077,711	1,429,175

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 14 RETIREMENT PLANS (CONTINUED)

TRS (Continued)

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

At June 30, 2021, the TRS net pension liability was measured as of June 30, 2020. The total pension liability was determined by an actuarial valuation as of July 1, 2019 and rolled forward to the measurement date. At June 30, 2020, the TRS net pension liability was measured as of June 30, 2019. The total pension liability was determined by an actuarial valuation as of July 1, 2018 and rolled forward to the measurement date.

At June 30, 2021 and 2020, the University's proportionate share of the TRS net pension liability was approximately \$6,970,000 and \$7,093,000, respectively. Of this amount, the University recognized approximately \$2,192,000 and \$2,078,000, respectively, as its proportionate share on the statement of net position. The remainder of \$4,778,000 and \$5,015,000, respectively, denotes the University's proportionate share of net pension liability attributable to the special funding.

The allocation percentage assigned to each participating employer and nonemployer contributing entity is based on their proportionate share of employer and nonemployer contributions to TRS for each of the fiscal years ended June 30, 2020 and 2019. Employer contributions are recognized when due. At June 30, 2020, the University's proportion was 0.068057%, a decrease of 0.001778% from its proportion of 0.069835% calculated as of June 30, 2019. At June 30, 2019, the University's proportion was 0.069835%, a decrease of 0.004475% from its proportion of 0.074310%, calculated as of June 30, 2019.

For the years ended June 30, 2021 and 2020, the University recognized TRS pension expense of \$506,541 and \$502,232, respectively. Of this amount, \$(28,742) and \$(136,472), respectively, was recognized as the University's proportionate share of the TRS expense; \$501,177 and \$604,958, respectively, as the amount of pension expense attributable to special funding from a nonemployer contributing entity; and \$34,105 and \$33,746, respectively, as the amount of pension expense from a nonemployer contributing entity not attributable to a special funding situation. The University also recognized revenue of \$535,282 and \$638,704, respectively, for support provided by the State.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 14 RETIREMENT PLANS (CONTINUED)

TRS (Continued)

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

At June 30, 2021, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	\$ 11,764	\$ 624,766
Net Difference Between Projected and Actual Investment Earnings	132,817	-
Difference between Expected and Actual Experience	50,368	48,133
Changes in Assumptions	30,888	-
Contributions After the Measurement Date	252,589	-
Total	<u>\$ 478,426</u>	<u>\$ 672,899</u>

At June 30, 2020, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	\$ 28,029	\$ 829,041
Net Difference Between Projected and Actual Investment Earnings	-	14,947
Difference between Expected and Actual Experience	10,382	112,580
Changes in Assumptions	44,861	-
Contributions After the Measurement Date	283,127	-
Total	<u>\$ 366,399</u>	<u>\$ 956,568</u>

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 14 RETIREMENT PLANS (CONTINUED)

TRS (Continued)

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

The University will recognize the \$252,589 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the TRS net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in TRS pension expense as follows for the fiscal years ending June 30:

<u>Year Ending June 30,</u>	<u>Amortization</u>
2022	\$ (267,276)
2023	(212,907)
2024	(6,251)
2025	39,372
Total	<u>\$ (447,062)</u>

Payables to the Pension Plan

The University did not report any amounts payable for normal contributions to the TRS as of June 30, 2021 and 2020.

NOTE 15 MARSHALL UNIVERSITY FOUNDATION, INC.

The Foundation is a separate nonprofit organization incorporated in the State whose purpose is to benefit the work and services of the University and its affiliated nonprofit organizations. The Foundation has a board of directors authorized to have 40 members selected by its Board members. At present, there are 34 members, including the President of the University as a nonvoting ex-officio member. In carrying out its responsibilities, the board of directors of the Foundation employs management, forms policy, and maintains fiscal accountability over funds administered by the Foundation. The University administration does not control the resources of the Foundation. The Foundation's financial statements are presented as a discretely presented component unit of the University's financial statements in accordance with GASB.

Total funds expended by the Foundation in support of University activities totaled \$11,420,738 and \$10,566,612 during the years 2021 and 2020, respectively. This support and related expenditures are recorded in the University's financial statements.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 16 BIG GREEN SCHOLARSHIP FOUNDATION, INC.

Big Green is a separate nonprofit organization incorporated in the State whose purpose is to provide scholarship aid to student athletes and program support for the University's intercollegiate athletic program. Big Green has a board of directors authorized to have 48 members selected by its Board members. The following persons are ex-officio, nonvoting members of the Board: the University Director of Athletics, the Associate Athletic Director, the Athletic Director Executive Director, Director of Athletic Development, Assistant Director of Athletic Development and the Director of External Affairs. In carrying out its responsibilities, the board of directors of Big Green is responsible for all the business of Big Green and all lawful corporate powers including the selection and removal of all officers, agents, and employees. The University administration does not control the resources of Big Green. Big Green's financial statements are presented as a discretely presented component unit of the University's financial statements in accordance with GASB.

Total funds expended by Big Green in support of University activities totaled \$3,488,371 and \$3,463,589 during the years 2021 and 2020, respectively. This support and related expenditures are recorded in the University's financial statements.

NOTE 17 PROVIDENT – MARSHALL PROPERTIES L.L.C.

Provident – Marshall, a West Virginia limited liability company, was created on June 4, 2010, by its sole member, Provident Resources Group, Inc. (Provident), a Georgia nonprofit corporation and organization exempt from federal income tax under Section 501(a) of the Internal Revenue Code of 1986 (the Code), as amended as a charitable organization described in Section 501(c)(3) of the Code. Provident – Marshall was created to own, operate, and maintain a 418 unit, 812 bed, student housing facility and a 123,850 square foot student recreation/wellness center located on the campus of Marshall University, located in Huntington, West Virginia (Project). On July 30, 2010, Provident – Marshall purchased the Project from MSH – Marshall and commenced operations on that date.

Provident and Provident – Marshall promote and advance education through various means, including, without limitation, the development, construction, acquisition, ownership, management, maintenance, operation, and disposition of facilities of various types, including, but not limited to, educational, research, and student housing facilities and through the provision of development, enrichment, counseling, tutoring, and other services and activities, so as to assist colleges and universities in fulfilling their education mission. The Provident – Marshall financial statements are presented as a discretely presented component unit of the University's financial statements in accordance with GASB.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 18 AFFILIATED ORGANIZATION

The University has a separately incorporated affiliated organization, Marshall Health, Inc. (formerly UP & S) (Marshall Health). Oversight responsibility for Marshall Health rests with its independent board and management not otherwise affiliated with the University. Accordingly, the financial statements of Marshall Health are not included in the accompanying financial statements under the blended component unit requirements. Marshall Health is not included in the University's accompanying financial statements under discretely presented component unit requirements as they have dual purposes (i.e., not entirely or almost entirely for the benefit of the University).

NOTE 19 CONTINGENCIES AND COMMITMENTS

The nature of the educational industry is such that, from time to time, claims will be presented against the University on account of alleged negligence, acts of discrimination, breaches of contract, or disagreements arising from the interpretation of laws or regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system. In the opinion of management, all known claims are covered by insurance or are such that an award against the University would not seriously affect the financial position of the University.

Under the terms of federal grants, periodic audits are required, and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The University's management believes disallowances, if any, will not have a significant financial impact on the University's financial position.

The Code establishes rules and regulations for arbitrage rebates. No arbitrage rebate liabilities have been recorded in the accompanying financial statements as of June 30, 2021 and 2020.

The University owns various buildings that are known to contain asbestos. The University is not required by federal, state, or local law to remove the asbestos from its buildings. The University is required under federal environmental, health, and safety regulations to manage the presence of asbestos in its buildings in a safe manner. The University addresses its responsibility to manage the presence of asbestos in its buildings on a case-by-case basis.

Significant problems of dangerous asbestos conditions are abated as the conditions become known. The University also addresses the presence of asbestos as building renovation or demolition projects are undertaken and through asbestos operation and maintenance programs directed at containing, managing, or operating with the asbestos in a safe manner.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 19 CONTINGENCIES AND COMMITMENTS (CONTINUED)

The COVID-19 pandemic may impact various parts of the operations and financial results of the University and its component units, including the method of delivery, athletics, housing and food service. Management believes that the University and its component units are taking appropriate actions to mitigate the negative impact. The full impact of COVID-19 is unknown and cannot be reasonably estimated at June 30, 2021.

NOTE 20 SERVICE CONCESSION ARRANGEMENTS

The University has adopted GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The University has identified two contracts for services that meet the four criteria of a Service Concession Arrangement. SCAs are defined as a contract between a government and an operator, another government or a private entity, in which the operator provides services, the operator collects and is compensated by fees from third parties, the government still has control over the services provided, and the government retains ownership of the assets at the end of the contract. The contracts are with Sodexo America, LLC (Sodexo) and Follett Higher Education Group (Follett).

The University has a contract with Sodexo to provide food services within University facilities on the Huntington campus. These services provide the University with the best, most accurate and appropriate campus dining program that enhances the student's quality of life and is supportive of the education experience. The current contract began on August 16, 2009, and allows for nine annual renewals. Sodexo provides meal plans to students through the University as well as offering cash sales to the University community. The University receives annual commission payments from Sodexo calculated as a contractually agreed percentage of cash sales and the University pays Sodexo for the meal plans from fees collected by the University from students. In 2021 the University did not receive any commissions from Sodexo as part of a temporary contract revision due to COVID 19. In 2020 the University received \$604,302 in commissions from Sodexo. Sodexo did not make any renovations that were capitalized by the University during 2021. Renovations totaling \$2,286,117 were done during 2020 as part of the agreement for the new contract that began August 16, 2019. These renovations are accreted over the remaining life of the contract and if the contract is not renewed the University will be required to pay Sodexo for the unaccreted portion of these renovations. At June 30, 2021 and 2020, the University has a deferred inflow of \$2,778,528 and \$3,120,501, respectively, for the unaccreted inflow for renovations, and an accrued service concession liability of \$845,196 and \$949,221, respectively, for estimated insurance and maintenance costs that the University will be required to pay through the end of the contract.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 20 SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

The University contracts with Follett to operate bookstores located within University facilities on the Huntington, South Charleston, and Mid-Ohio Valley campuses. These services provide the University community with a professional bookstore that will provide the highest caliber of services to Marshall University's campuses. The current contract began on July 1, 2016 and allows for nine annual renewals. The University receives annual commission payments calculated as a contractually agreed percentage of bookstore revenue. In 2021 and 2020, the University received \$303,499 and \$347,235, respectively, in commissions from Follett. Follett made renovations that were capitalized by the University totaling \$-0- during 2021 and \$41,596 during 2020. These renovations are accreted over the remaining life of the contract and if the contract is not renewed the University will be required to pay Follett for the unaccreted portion of these renovations. At June 30, 2021 and 2020, the University has a deferred inflow of \$394,728 and \$473,673, respectively, for the unaccreted inflow for renovations, and an accrued service concession liability of \$230,842 and \$277,011, respectively, for estimated insurance and maintenance costs that the University will be required to pay through the end of the contract.

NOTE 21 CONDENSED COMPONENT UNIT INFORMATION - MURC

Condensed component unit information for MURC, the University's blended component unit, for the years ended June 30 is as follows:

CONDENSED STATEMENTS OF NET POSITION

	2021	2020
Assets:		
Current Assets	\$ 19,217,465	\$ 16,272,366
Receivable from University	1,975,954	1,515,932
Capital Assets, Net	9,930,249	10,037,066
Other Assets	35,173,487	28,575,868
Total Assets	66,297,155	56,401,232
Liabilities:		
Current Liabilities	20,443,206	16,571,170
Long-Term Liabilities	1,314,043	1,524,767
Total Liabilities	21,757,249	18,095,937
Net Position:		
Net Investment in Capital Assets	8,795,078	8,739,729
Restricted:		
Nonexpendable	15,000,000	15,000,000
Sponsored Projects	17,047,816	11,277,434
Unrestricted	3,697,012	3,288,132
Total Net Position	\$ 44,539,906	\$ 38,305,295

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 21 CONDENSED COMPONENT UNIT INFORMATION - MURC (CONTINUED)

**CONDENSED STATEMENTS OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION**

	2021	2020
Operating Revenues:		
Federal, State, Local Grants	\$ 42,378,737	\$ 35,143,352
Other Operating Revenues	5,436,193	4,736,630
Total Operating Revenues	47,814,930	39,879,982
Operating Expenses:		
Operations	47,729,482	42,534,447
Depreciation	1,537,948	1,602,927
Total Operating Expenses	49,267,430	44,137,374
Operating Loss	(1,452,500)	(4,257,392)
Nonoperating Revenues (Expenses):		
Investment Income	7,780,404	1,171,756
Other Nonoperating Revenues (Expenses)	(93,293)	(213,862)
Total Nonoperating Revenues	7,687,111	957,894
INCREASE (DECREASE) IN NET POSITION	6,234,611	(3,299,498)
Net Position - Beginning of Year	38,305,295	41,604,793
NET POSITION - END OF YEAR	\$ 44,539,906	\$ 38,305,295

CONDENSED STATEMENTS OF CASH FLOWS

	2021	2020
Net Cash Provided (Used) by:		
Operating Activities	\$ (1,111,614)	\$ (1,300,330)
Noncapital Financing Activities	-	2,555,000
Capital Financing Activities	(1,685,445)	(2,107,770)
Investing Activities	1,182,785	2,874,761
INCREASE (DECREASE) IN CURRENT CASH AND CASH EQUIVALENTS	(1,614,274)	2,021,661
Current Cash and Cash Equivalents - Beginning of Year	4,642,551	2,620,890
CURRENT CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,028,277	\$ 4,642,551

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 22 SEGMENT INFORMATION

The University issues revenue bonds to finance certain of its activities. Investors in those bonds rely solely on the revenues generated by the activities of the auxiliaries, capital fees, and other revenues pledged for repayment.

Marshall University Board of Governors, Improvement and Refunding Revenue Bonds, Series 2020A

In April 2020, the Board sold \$56,035,000 of 2020A series bonds. The 2020 Bonds were issued under the authority contained in Chapter 18, Article 18B of the Code of West Virginia, 1931, as amended, and the 2020 Bonds are secured pursuant to a Trust Indenture dated as of April 1, 2020, between the University and United Bank, Inc., Charleston, West Virginia, as the Trustee. The 2020A Bonds are secured by and payable from certain revenues as defined in the Trust Indenture. The proceeds of the 2020A Bonds will be used to (1) finance a portion of the costs of the construction, equipping and furnishing of a new building for the University's Lewis College of Business along with other capital improvements approved by the issuer and (2) refund and redeem all or a portion of the 2010 and 2011 Bonds and (3) paying bond insurance premiums or other credit enhancement and (4) to pay the costs of issuance of the 2020A Bonds.

Marshall University Board of Governors, Refunding Revenue Bonds, Series 2020B

In April 2020, the Board sold \$45,960,000 of 2020B series bonds. The 2020B Bonds were issued under the authority contained in Chapter 18, Article 18B of the Code of West Virginia, 1931, as amended, and the 2020 Bonds are secured pursuant to a Trust Indenture dated as of April 1, 2020, between the University and United Bank, Inc., Charleston, West Virginia, as the Trustee. The 2020B Bonds are secured by and payable from certain revenues as defined in the Trust Indenture. The proceeds of the 2020B Bonds will be used to (1) refund and redeem all or a portion of the 2011 Bonds, (2) pay bond insurance premiums or other credit enhancement and (3) to pay the costs of issuance of the 2020B Bonds.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 22 SEGMENT INFORMATION (CONTINUED)

Condensed accrual basis financial information for the University's segment as of June 30 is as follows:

	<u>2021</u>	<u>2020</u>
Assets:		
Current Assets	\$ 12,157,599	\$ 14,697,023
Noncurrent Assets	171,187,195	175,283,367
Total Assets	<u>\$ 183,344,794</u>	<u>\$ 189,980,389</u>
Liabilities and Deferred Inflows:		
Current Liabilities	\$ 4,692,710	\$ 4,801,486
Noncurrent Liabilities	113,344,351	113,706,789
Total Liabilities	<u>118,037,061</u>	<u>118,508,275</u>
Deferred Inflows of Resources	<u>2,778,528</u>	<u>3,319,280</u>
Total	120,815,589	121,827,555
Net Position:		
Net Investment in Capital Assets	55,131,575	58,612,031
Restricted for Debt Service	32	2,039
Unrestricted	<u>7,397,598</u>	<u>9,525,507</u>
Total Net Position	<u>62,529,205</u>	<u>68,139,577</u>
Total	<u>\$ 183,344,794</u>	<u>\$ 189,967,132</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 22 SEGMENT INFORMATION (CONTINUED)

**CONDENSED SCHEDULES OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION**

	<u>2021</u>	<u>2020</u>
Operating:		
Operating Revenues	\$ 17,562,322	\$ 22,894,174
Operating Expenses	<u>(17,858,322)</u>	<u>(20,129,044)</u>
Net Operating Income	(296,000)	2,765,130
Nonoperating:		
Nonoperating Revenues	471,905	-
Nonoperating Expenses	<u>(5,077,991)</u>	<u>(4,026,292)</u>
Total Nonoperating	<u>(4,606,086)</u>	<u>(4,026,292)</u>
Net Revenues	(4,902,086)	(1,261,162)
Transfers (to) from the University	<u>(708,286)</u>	<u>(3,322,339)</u>
CHANGES IN NET POSITION	(5,610,372)	(4,583,501)
Net Position - Beginning of Year	<u>68,139,577</u>	<u>72,723,078</u>
NET POSITION - END OF YEAR	<u><u>\$ 62,529,205</u></u>	<u><u>\$ 68,139,577</u></u>

CONDENSED SCHEDULES OF CASH FLOWS

	<u>2021</u>	<u>2020</u>
Net Cash Provided by Operating Activities	\$ 7,356,468	\$ 9,376,471
Net Cash Used by Capital and Related Financing	<u>(9,753,700)</u>	<u>(8,006,243)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,397,232)	1,370,228
Cash and Cash Equivalents - Beginning of Year	<u>14,515,856</u>	<u>13,145,628</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 12,118,624</u></u>	<u><u>\$ 14,515,856</u></u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 23 NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The operating expenses within both natural and functional classifications for the years ended June 30, 2021 and 2020, are as follows:

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Other Operating Expense	Total
2021								
Instruction	\$ 66,508,461	\$ 8,953,507	\$ 12,545,496	\$ 1,819	\$ -	\$ -	\$ -	\$ 88,009,283
Research	7,167,992	2,370,387	7,124,833	5,849	-	-	-	16,669,061
Public Service	12,028,137	2,862,398	10,280,249	67,266	-	-	-	25,238,050
Academic Support	14,099,490	3,375,466	5,940,225	401	-	-	-	23,415,582
Student Services	7,985,734	2,212,705	2,577,224	4,402	-	-	-	12,780,065
General Institutional Support	14,262,345	4,729,785	8,350,135	138,259	-	-	-	27,480,524
Operations and Maintenance of Plant	4,744,353	1,165,368	4,373,829	6,202,019	-	-	-	16,485,569
Student Financial Aid	-	-	-	-	30,430,223	-	-	30,430,223
Auxiliary Enterprises	11,555,214	3,407,169	15,235,539	2,097,957	-	-	-	32,295,879
Depreciation	-	-	-	-	-	16,829,977	-	16,829,977
Other	-	-	-	-	-	-	326,209	326,209
Total	\$ 138,351,726	\$ 29,076,785	\$ 66,427,530	\$ 8,517,972	\$ 30,430,223	\$ 16,829,977	\$ 326,209	\$ 289,960,422
2020								
Instruction	\$ 70,238,251	\$ 17,813,972	\$ 10,440,128	\$ 2,698	\$ -	\$ -	\$ -	\$ 98,495,049
Research	6,250,980	2,388,618	7,377,175	6,249	-	-	-	16,023,022
Public Service	12,147,835	2,203,979	7,563,539	77,816	-	-	-	21,993,169
Academic Support	14,131,626	3,621,535	8,777,234	440	-	-	-	26,530,835
Student Services	8,504,069	2,347,331	4,660,028	4,545	-	-	-	15,515,973
General Institutional Support	14,228,985	3,366,955	8,087,586	111,700	-	-	-	25,795,226
Operations and Maintenance of Plant	5,166,102	1,396,535	5,341,002	6,264,949	-	-	-	18,168,588
Student Financial Aid	-	-	-	-	28,952,833	-	-	28,952,833
Auxiliary Enterprises	10,921,399	3,665,346	19,057,305	2,285,262	-	-	-	35,929,312
Depreciation	-	-	-	-	-	16,435,163	-	16,435,163
Other	-	-	-	-	-	-	3,367,138	3,367,138
Total	\$ 141,589,247	\$ 36,804,271	\$ 71,303,997	\$ 8,753,659	\$ 28,952,833	\$ 16,435,163	\$ 3,367,138	\$ 307,206,308

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 24 COMPONENT UNIT DISCLOSURES – FOUNDATION

The notes taken directly from the audited consolidated financial statements of the Foundation are as follows:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of The Marshall University Foundation, Inc., its' wholly owned for profit subsidiary, Marshall Services Corporation, and the supporting organizations of The Marshall University Foundation, Inc.: the Marshall University Real Estate Foundation, Inc. and the Marshall University Alumni Association. Intercompany transactions and balances have been eliminated in consolidation.

NATURE OF ACTIVITIES

The Marshall University Foundation, Inc. ("Foundation") was established in January, 1947 as a non-profit, tax-exempt, educational corporation to solicit, receive, manage and administer gifts on behalf of Marshall University. It is a public charity under Section 501(c)(3) of the Internal Revenue Code. The Foundation receives the majority of its support and revenue from gifts, contributions, and return on investments.

The Marshall University Real Estate Foundation, Inc ("MUREF") was established in June, 2008 as a non-profit, tax-exempt educational corporation established to operate exclusively for the benefit of, to perform functions of, or to carry out the purpose of the Foundation. It is a public charity under Section 501(c)(3) of the Internal Revenue Code. The Real Estate Foundation receives the majority of its support and revenue from rental income and contributions.

Marshall Services Corporation was established in October, 2012 to enter into a joint venture called INTO Marshall, LLC to operate an international student center and provide marketing and student recruitment for the benefit of Marshall University. The Marshall Service Corporation has not received any income due to losses sustained by INTO Marshall, LLC. The Marshall Service Corporation entered into a Wind-Down Agreement in February, 2020 to effect an orderly wind-down of the INTO Marshall, LLC joint venture.

Marshall University Alumni Association is a public charity under Section 501(c)(3) of the Internal Revenue Code dedicated to advancing the goals and objectives of the Marshall University Foundation, Inc. and Marshall University by coordinating and conducting activities among the alumni. The Alumni Association receives the majority of its support and revenue from gifts, contributions and royalties.

PUBLIC SUPPORT AND REVENUE

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end.

Contributions that are not restricted by the donor are reported as increases in net assets without donor restrictions. Contributions that are received with donor stipulations that limit the use of the donated assets are reported as increases in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of use restriction is accomplished, net assets are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 24 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GRANT REVENUE

Grant revenue is recognized when the resource provider makes a promise to give to the Foundation that is, in substance, unconditional. Conditional grant awards are recognized as revenue as the conditions of the resource provider are met. Conditional grant revenue received in advance of satisfying the resource providers' conditions is recorded as refundable advances. Grant revenue that is not restricted by the resource provider is recorded as increases in net assets without donor restrictions. Grant revenue that is restricted by the resource provider is reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

CONTRACT SERVICES REVENUE

Contract services revenue represents the amounts realized for goods and services rendered. Contract services revenue is recognized on the statement of activities as the performance obligation of delivering the goods or services are satisfied. Amounts are collected as the various activities associated with the revenue generation take place and the rate of payment is based on an agreed upon price.

ESTIMATES

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

INVESTMENTS

Investments are reported in the consolidated financial statements at fair value. The current year increase or decrease in fair value over book value is recognized currently in the consolidated statement of activities. The Foundation uses a number of valuation techniques to value its investments which are described in Note 18. The majority of the investment funds are pooled into three categories - Operating Pool, Project Pool and Endowment Pool. The total investment return consists of interest and dividend income, realized gains and losses, net of related investment expenses. Unrealized gains and losses are reported in the other income (loss) section of the consolidated statements of activities.

PROPERTY AND EQUIPMENT

Property and equipment purchased for use by the Foundation is capitalized at cost and property and equipment contributed to the Foundation for its use is capitalized at fair value at the date of the gift. Property and equipment are depreciated over the estimated useful life of the asset which ranges from three to forty years using the straight-line method. Property and equipment purchased for Marshall University departments is expensed when received and immediately donated to the University by The Marshall University Foundation, Inc.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 24 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OTHER ASSETS

Other assets consist of donated works of art, musical instruments, and real property which do not meet the definition of a collection. These assets are recorded at the estimated fair value at the date of donation.

COLLECTIONS

The Foundation capitalizes collections. The Foundation received The Touma Museum of Medicine on behalf of the Joan C. Edwards School of Medicine ("JCESOM"). The collection is held for public exhibition, education and research in furtherance of public service rather than for financial gain; will be protected, kept unencumbered, cared for and preserved, and will be maintained intact. Even though items from the collection cannot be sold, any proceeds from unforeseen deaccession will be used for furtherance of the collection. The Touma Museum is managed by the JCESOM and is carried at the fair value at the date of contribution. New additions to the collection may be received by the Foundation if items are accepted by the JCESOM.

BASIS OF ACCOUNTING

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

ADVERTISING COSTS

Advertising costs totaling \$14,003 and \$51,433 for 2021 and 2020, respectively are charged to operations when incurred.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function.

ACCOUNTS RECEIVABLE

Accounts receivables are carried at their estimated collectible amounts. Accounts receivables are periodically evaluated for collectability based on payment experience, age of the receivable, and other specifics of the account. Once it is determined by management that the account will not be collectible, it is charged off as bad debt.

FUNDS HELD IN CUSTODY FOR OTHERS

The Foundation holds and invests funds for Marshall University under an agency agreement. The investments and other funds are reported as assets, while the corresponding liability is reported as funds held in custody for others.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 24 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CHANGE IN ACCOUNTING POLICIES

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The guidance requires the Organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the provisions of ASU 2014-09 on July 1, 2020 as described in Note 24 - Revenue From Contracts with Customers.

ASU 2014-09 requires the Organization to exercise more judgement and recognize revenue using a five-step process. The Organization adopted ASU 2014-09 using the full retrospective method for all contracts effective July 1, 2020. Full retrospective adoption requires entities to apply the standard retrospectively to the first period presented in the financial statements, requiring the cumulative effect of the retrospective application as an adjustment to the opening balance of net assets. No cumulative effect adjustment in net assets was recorded as the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

NOTE 2 – FINANCIAL ASSETS AND LIQUIDITY

As of June 30, 2021 and 2020, financial assets and liquid resources available within one year for general expenditures were as follows:

	<u>2021</u>	<u>2020</u>
Financial assets available		
Cash and cash equivalents	\$ 6,916,847	\$ 4,910,745
Unconditional promises to give, net	5,707	6,056
Other receivables	<u>106,290</u>	<u>248,180</u>
Total financial assets available within one year	\$ <u>7,028,844</u>	\$ <u>5,164,981</u>

In addition, as of June 30, 2021 and 2020, the Foundation had \$9,060,004 and \$7,092,023, respectively, of board-designated endowments that, with the board's approval, could be made available for operations.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 24 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2021 and 2020 are comprised of the following:

	<u>2021</u>	<u>2020</u>
Cash and overnight repurchase agreements	\$ 16,647,806	\$ 13,322,717
Short-term investments	<u>11,852,608</u>	<u>77,015,953</u>
TOTAL	\$ <u>28,500,414</u>	\$ <u>90,338,670</u>

NOTE 4 – INVESTMENTS

Investments as of June 30, 2020 and 2019 are summarized as follows:

	<u>2021 Fair Value</u>	<u>2020 Fair Value</u>
Fixed income	\$ 64,089,365	\$ 32,645,376
Equities	147,081,017	58,114,863
Other	<u>68,493,448</u>	<u>58,970,793</u>
TOTAL	\$ <u>279,663,830</u>	\$ <u>149,731,032</u>

See Note 18 for further breakdown by each individual investment or group of investments that represent a significant concentration of market risk.

The following summarizes the investment return for the years ended June 30, 2021 and 2020 inclusive of income on cash equivalents, perpetual trusts, and the investments described above:

	<u>2021</u>	<u>2020</u>
Investment Income:		
Interest and dividends	\$ 1,101,498	\$ 518,128
Realized gain	4,298,895	18,731,129
Investment fees	<u>(576,033)</u>	<u>(338,179)</u>
Net investment return	\$ <u>4,824,360</u>	\$ <u>18,911,078</u>
Other Income (Loss):		
Unrealized (losses) gains	\$ <u>37,174,785</u>	\$ <u>(25,761,933)</u>

Gain or loss on sale of investments is determined by utilizing the average cost method.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 24 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 5 - NOTES PAYABLE

On November 14, 2012, Marshall Services Corporation entered a memorandum of understanding with the Marshall University Research Corporation to provide a \$300,000 loan to use for its initial capital contribution to INTO MARSHALL, LLC, a West Virginia limited liability company, and to defray the formation, start-up and initial administrative costs of Marshall Services Corporation.

Payments on the loan including interest on the outstanding balance at a rate of 5% per annum, compounded annually, were to be paid from any profits, distributions, dividends, or payments that Marshall Services Corporation received from INTO MARSHALL, LLC after the payment of any taxes and reasonable and customary operating and administrative expenses of Marshall Services Corporation. No interest or principal payments were made on the loan during the years ended June 30, 2021 and 2020. The outstanding loan balance totaled \$300,000 at June 30, 2020. With the wind-down of INTO Marshall, LLC, no income or distributions from the joint venture are anticipated to fund the repayment of the loan. Therefore, Marshall Services Corporation has sought, and received, confirmation from the Marshall University Research Corporation that they will not seek repayment of the loan or any associated interest. This discharge of indebtedness resulted in a \$430,924 increase in other income on the statement of activities for the year ended June 30, 2021.

In April 2020, the Foundation applied for, and received, a SBA Paycheck Protection Program loan made available under the America CARES Act. This loan is forgivable if used for the limited purposes in accordance with the SBA requirements. Forgiveness is not automatic but must be requested. The Foundation did utilize the loan proceeds in accordance with the SBA requirements and has submitted the necessary request for forgiveness. The Foundation has elected to report the loan as a financial liability in accordance with FASB ASC470. The outstanding loan balance totaled \$376,000 at June 30, 2021 and 2020, -see Note 25- Subsequent Events.

Interest expense on notes payable charged to operation was \$0 and \$20,520 for the years ended June 30, 2021 and 2020, respectively.

NOTE 6 - PROMISES TO GIVE

Unconditional promises to give at June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 8,383,692	\$ 7,621,029
Receivable in one to five years	7,797,262	8,691,371
Receivable in more than five years	<u>13,499,655</u>	<u>14,631,905</u>
Total unconditional promises to give	29,680,609	30,944,305
Less discounts to net present value	(2,019,170)	(2,221,093)
Less allowance for uncollectible promises	<u>(4,269,593)</u>	<u>(4,259,841)</u>
Net unconditional promises to give	\$ <u>23,391,846</u>	\$ <u>24,463,371</u>

Discount rates used on long-term promises to give ranged from 0.25% to 3.75% for fiscal years ending June 30, 2021 and 2020.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 24 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 7 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment on June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 1,642,000	\$ 2,442,000
Buildings	10,823,230	12,323,230
Equipment	<u>1,152,666</u>	<u>1,137,557</u>
	13,617,896	15,902,787
Less: Accumulated depreciation	<u>(4,209,230)</u>	<u>(4,248,853)</u>
Property and equipment, net	<u>\$ 9,408,666</u>	<u>\$ 11,653,934</u>

Depreciation expense charged to operations was \$339,454 and \$382,375 for the years ended June 30, 2021 and 2020, respectively.

NOTE 8 - CONTINGENT ASSETS

The Foundation is the beneficiary of various whole life insurance policies. Proceeds payable to the Foundation upon the demise of the insured parties totaled approximately \$1,855,083 and \$1,849,818 on June 30, 2021 and June 30, 2020.

NOTE 9 - INCOME TAXES

The Foundation is a tax-exempt organization under Internal Revenue Code Section 501(c)(3). The Foundation does, however, engage in some activities that are considered by the Internal Revenue Service to be unrelated business activities and therefore subject to unrelated business tax at the prevailing corporate rates. The Foundation's income tax expense for the fiscal years ended June 30, 2021 and 2020 totaled \$-0-.

The Foundation's subsidiary, Marshall Services Corporation, is a for-profit entity and, therefore, is subject to federal and state income taxation. The company files its own federal and state income tax returns. Marshall Services Corporation incurred a net loss in its operations for 2021 and 2020 and, therefore, no income tax expense (benefit) is recognized in the accompanying consolidated financial statements.

The supporting organization of the Foundation, the Marshall University Real Estate Foundation, Inc, is a tax-exempt organization under Internal Revenue Code Section 501(c)(3). The MUREF has not engaged in activities that are considered by the Internal Revenue Service to be unrelated business activities, and consequently has no activity subject to unrelated business tax at prevailing corporate rates. MUREF's income tax for the fiscal years ended June 30, 2021 and 2020 totaled \$0.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 24 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 9 - INCOME TAXES (CONTINUED)

The supporting organization of the Foundation, the Marshall University Alumni Association is a tax-exempt organization under Internal Revenue Code Section 501(c)(3). The MUAA has not engaged in activities that are considered by the Internal Revenue Service to be unrelated business activities, and consequently has no activity subject to unrelated business tax at prevailing corporate rates. MUAA's income tax for the fiscal years ended June 30, 2021 and 2020 totaled \$0.

Management evaluates all of its material tax positions and they have determined there is no impact to the entity's consolidated financial statements related to uncertain tax positions. As a result, no amounts have been recognized or incurred, inclusive of penalties and interest, related to unrecognized tax benefits.

Management believes the Foundation, its subsidiary, and supporting organizations are no longer subject to income tax examinations for years prior to 2018.

NOTE 10 - CHARITABLE GIFT ANNUITIES

As of June 30, 2021 and 2020, the Foundation had liabilities under irrevocable charitable gift annuities. The Foundation agrees to pay to the donors' quarterly annuity payments until the donors' deaths. Based on the donors' life expectancy and the IRS discount rate (1.2% at June 30, 2021), the present value of future liabilities expected to be paid by the Foundation to the beneficiaries totaled \$645,448 and \$596,177 as of June 30, 2021 and 2020, respectively.

Assets received under these split interest agreements are recognized at fair market value at the date of receipt. The assets have been deposited in the Foundation's regular cash and investment accounts. The difference between the fair value of the assets received and the present value of the future distributions to the donors is recorded as contribution revenue.

Contribution revenue net of change in valuation of charitable gift annuities totaled \$170,729 and \$153,951 for the years ended June 30, 2021 and 2020, respectively.

NOTE 11 - CHARITABLE REMAINDER TRUSTS

The Foundation is named as the residual beneficiary of charitable remainder unitrusts. Under the terms of the unitrusts, a primary beneficiary receives annual distributions of a certain percentage of the net fair market value of the trust as of the first day of the taxable year. At the death of the primary beneficiary the Foundation receives all the principal and income of the trust. Because these unitrusts are administered by third-party trustees, the Foundation records this as a contribution receivable and contribution revenue for the present value of the future benefits expected to be received from the trusts. The present value is calculated based on IRS actuarial formulas based on the primary beneficiary's life expectancy utilizing a rate of 1.2% on June 30, 2021. On June 30, 2021 and 2020, the contribution receivable from the remainder trusts totaled \$535,862 and \$462,765 respectively.

Revenue net of change in valuation of charitable remainder trusts totaled \$73,097 and \$(47,098) for the years ended June 30, 2021 and 2020, respectively.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 24 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 12 - PERPETUAL TRUSTS HELD BY THIRD PARTIES

The Foundation is the beneficiary of numerous perpetual trusts. The assets of the perpetual trusts are held by third parties. The Foundation has an irrevocable right to receive the income earned from the trust assets in perpetuity.

The Foundation records its beneficial interest in the perpetual trust assets at fair market value with a corresponding entry to contribution revenue with donor restrictions. On June 30, 2021 and 2020, the beneficial interest in perpetual trusts totaled \$11,288,933 and \$9,575,421, respectively.

The change in the beneficial interest in perpetual trust assets is recorded in investment income with donor restrictions in the accompanying consolidated financial statements and totaled \$1,713,512 and \$(268,291) for the years ended June 30, 2021 and 2020, respectively.

NOTE 13 - NET ASSETS

Net assets with donor restrictions at June 30, 2021 and 2020 were comprised as follows:

Periods after June 30,	<u>2021</u>	<u>2020</u>
Purpose restrictions		
Academic assistance	\$ 60,946,798	\$ 54,866,647
Student assistance	11,713,828	11,395,566
Fundraising	241,781	229,445
Management and General	6,836	16,231
Held in perpetuity		
Collection, Touma Museum	1,494,273	1,494,273
Perpetual and remainder trusts	11,824,795	10,038,186
Endowments	<u>178,981,559</u>	<u>127,038,570</u>
Total net assets with donor restrictions	\$ <u>265,209,870</u>	\$ <u>205,078,918</u>

Net assets were released from donor restrictions during the years ended June 30, 2021 and 2020 by incurring expenses satisfying the purpose specified by donors as follows:

Purpose restrictions accomplished:	<u>2021</u>	<u>2020</u>
Academic assistance	\$ 5,543,643	\$ 4,883,180
Student assistance	5,646,148	5,452,115
Fundraising	19,535	94,052
Management and general	<u>9,500</u>	<u>8,750</u>
Total	\$ <u>11,218,826</u>	\$ <u>10,438,097</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 24 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 13 - NET ASSETS (CONTINUED)

Net assets without donor restrictions on June 30, 2021 and 2020 were comprised as follows:

	<u>2021</u>	<u>2020</u>
Board-designated endowments	\$ 9,060,004	\$ 7,092,023
Investment in property and equipment	9,404,797	9,678,048
Undesignated	<u>1,338,445</u>	<u>(37,019)</u>
Total net assets without donor restrictions	\$ <u>19,803,246</u>	\$ <u>16,733,052</u>

NOTE 14 - CONCENTRATIONS OF CREDIT RISK

The Foundation receives pledges from alumni as well as other individuals and companies. The pledges are unsecured. Unconditional promises to give are recorded net of an allowance for bad debts of \$4,269,593 and \$ 4,259,841 on June 30, 2021 and 2020, respectively.

The Foundation maintains substantially all its cash balances with six financial institutions. On June 30, 2021 and 2020, balances at these financial institutions exceeded the amounts insured by the Federal Deposit Insurance Corporation and collateralized by securities pledged by the respective financial institutions by \$13,340,166 and \$ 10,029,668 respectively.

NOTE 15 - RETIREMENT PLAN AND DEFERRED COMPENSATION PLAN

Retirement Plan

The Foundation sponsors a defined contribution pension plan that covers all full-time employees and certain other employees. Full-time employees are eligible for participation on the first day of employment. Employees hired on a part-time, temporary or irregular basis for less than 1,000 hours a year are eligible for participation only if credited with 1,000 hours or more of service (including paid absence) during any 12-consecutive calendar month period commencing with his or her date of employment or any anniversary date, in which event he or she becomes an eligible employee as of the beginning of the 12-month period during which he or she was credited with at least 1,000 hours of service. Eligible employee does not include a person whose employment is incidental to his or her educational program.

Contributions to the plan are based on a percentage of salary as follows:

Employer	<u>6%</u>
Employee	<u>6%</u>

Pension expense for the fiscal years ended June 30, 2021 and 2020 was \$117,999 and \$116,821, respectively.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 24 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 15 - RETIREMENT PLAN AND DEFERRED COMPENSATION PLAN (CONTINUED)

Deferred Compensation

The Foundation has a deferred compensation agreement with a key employee under Section 457(b) of the Internal Revenue Code. During the years ended June 30, 2021 and 2020, the Foundation's contribution under the deferred compensation plan was \$7,500 for each year. The deferred compensation liability is included in accrued vacation, wages and deferred compensation and totaled \$208,555 and \$141,045 for the fiscal years ended June 30, 2021 and 2020, respectively.

NOTE 16 – FUNCTIONAL CLASSIFICATION OF EXPENSES

The costs of providing various programs and activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. The expenses are directly charged to the programs and supporting services benefited as follows: salaries and wages as well as the related employee benefits based on job descriptions of the employees; professional fees based on the types of services provided; computer expenses based on the department benefiting from the charge; travel based on the purpose of the travel expense; hospitality based on the nature of the activity; property and equipment related expenses based on the location and usage of the related asset; and program support based on the nature of the activity being funded.

NOTE 17 - DONATED SERVICES

The Foundation receives a significant amount of donated services from unpaid volunteers who assist in fund raising activities. No amounts have been recognized in the consolidated statement of activities because the criteria for recognition under the Not-For-Profit Topic of the FASB Accounting Standards Codification have not been satisfied.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 24 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 18 - FAIR VALUE MEASUREMENTS

The Foundation determines the fair values of its financial instruments based on the fair value hierarchy established by the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification which specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Foundation's market assumptions. The three levels of the fair value hierarchy based on these two types of inputs are as follows:

Level 1 - Valuation is based on quoted prices in an active market for identical assets and liabilities at the measurement date.

Level 2 - Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market.

Level 3 - Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

The hierarchy requires the use of observable market data when available. When determining fair value measurements, the Foundation utilizes active and observable market prices for identical assets and liabilities whenever possible and classifies such items as Level 1. When identical assets and liabilities are not traded in active markets, the Foundation utilizes market observable data for similar assets and liabilities in an active market, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market and classifies such items as Level 2. When observable data is not available, the Foundation uses alternative valuation techniques using unobservable inputs to determine a fair value and classifies such items as Level 3. Items valued using such internally generated valuation techniques are based on the lowest level of input that is significant to the valuation.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 24 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 18 - FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of assets measured on a recurring basis at June 30, 2021 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
ASSETS				
Contributions Receivable				
From Remainder Trusts	\$ 535,862	\$ 535,862	\$ -0-	\$ -0-
Beneficial Interest In				
Perpetual Trusts	11,288,933	11,288,933	-0-	-0-
Investments				
Fixed Income				
Commingled Global Fixed*	30,869,498	-0-	-0-	-0-
Domestic Mutual Funds	14,528,530	14,528,530	-0-	-0-
International Mutual Funds	<u>18,691,337</u>	<u>18,691,337</u>	<u>-0-</u>	<u>-0-</u>
Total Fixed Income	<u>64,089,365</u>	<u>33,219,867</u>	<u>-0-</u>	<u>-0-</u>
Equities				
Publicly Traded Equity	41,537	41,537	-0-	-0-
Domestic Mutual Funds	686,523	686,523	-0-	-0-
International Mutual Funds	17,028,761	17,028,761	-0-	-0-
Commingled Global				
Equity*	129,315,946	-0-	-0-	-0-
Other	<u>8,250</u>	<u>8,250</u>	<u>-0-</u>	<u>-0-</u>
Total Equities	<u>147,081,017</u>	<u>17,765,071</u>	<u>-0-</u>	<u>-0-</u>
Other				
Commingled Hedge Funds*	19,734,570	-0-	-0-	-0-
Commingled				
Real Asset Fund*	7,340,560	-0-	-0-	-0-
Public Real Assets	61,536	61,536	-0-	-0-
Private Capital				
Commingled Private				
Capital Fund*	22,713,489	-0-	-0-	-0-
Private Equity*	2,204,940	-0-	-0-	-0-
Natural Resources*	13,783,291	-0-	-0-	-0-
Venture*	2,597,207	-0-	-0-	-0-
Distressed Debt*	<u>57,855</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Other	<u>68,493,448</u>	<u>61,536</u>	<u>-0-</u>	<u>-0-</u>
Total Assets	<u>\$ 291,488,625</u>	<u>\$ 62,871,269</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 24 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 18 - FAIR VALUE MEASUREMENTS (CONTINUED)

* In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statement of Financial Position.

Fair values of assets measured on a recurring basis on June 30, 2020 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
ASSETS				
Contributions Receivable				
From Remainder Trusts	\$ 462,765	\$ 462,765	\$ -0-	\$ -0-
Beneficial Interest In				
Perpetual Trusts	9,575,421	9,575,421	-0-	-0-
Investments				
Fixed Income				
Commingled Global Fixed*	21,450,531	-0-	-0-	-0-
U.S. Government Bonds	55,500	55,500	-0-	-0-
Domestic Mutual Funds	336,230	336,230	-0-	-0-
International Mutual Funds	<u>10,803,115</u>	<u>10,803,115</u>	<u>-0-</u>	<u>-0-</u>
Total Fixed Income	<u>32,645,376</u>	<u>11,194,845</u>	<u>-0-</u>	<u>-0-</u>
Equities				
Publicly Traded Equity	657	657	-0-	-0-
Domestic Mutual Funds	652,468	652,468	-0-	-0-
International Mutual Funds	11,724,503	11,724,503	-0-	-0-
Commingled Global Equity*	45,728,985	-0-	-0-	-0-
Other	<u>8,250</u>	<u>8,250</u>	<u>-0-</u>	<u>-0-</u>
Total Equities	<u>58,114,863</u>	<u>12,385,878</u>	<u>-0-</u>	<u>-0-</u>
Other				
Commingled Hedge Funds*	33,776,325	-0-	-0-	-0-
Commingled Real Asset Fund*	5,163,232	-0-	-0-	-0-
Public Real Assets	48,043	48,043	-0-	-0-
Private Capital				
Commingled Private Capital Fund*	16,437,588	-0-	-0-	-0-
Private Equity*	1,502,499	-0-	-0-	-0-
Natural Resources*	301,435	-0-	-0-	-0-
Venture*	1,635,292	-0-	-0-	-0-

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 24 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 18 - FAIR VALUE MEASUREMENTS (CONTINUED)

	<u>Fair Value</u>	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Distressed Debt*	\$ <u>106,379</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Total Other	<u>58,970,793</u>	<u>48,043</u>	<u>-0-</u>	<u>-0-</u>
Total Assets	<u>\$ 159,769,218</u>	<u>\$ 33,666,952</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

* In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statement of Financial Position.

Fair values of liabilities measured on a recurring basis at June 30, 2021 are as follows:

	<u>Fair Value</u>	Quoted Prices In Active Markets For Identical Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
LIABILITIES				
Annuity payment liability	\$ <u>645,448</u>	\$ <u>645,448</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Total Liabilities	<u>\$ 645,448</u>	<u>\$ 645,448</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Fair values of liabilities measured on a recurring basis at June 30, 2020 are as follows:

	<u>Fair Value</u>	Quoted Prices In Active Markets For Identical Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
LIABILITIES				
Annuity payment liability	\$ <u>599,177</u>	\$ <u>599,177</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Total Liabilities	<u>\$ 599,177</u>	<u>\$ 599,177</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

The Foundation utilizes the services of independent third parties (banks and investment managers) to value their instruments on a recurring basis. The following describes the valuation methodologies used to measure different financial instruments at fair value on a recurring basis:

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 24 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 18 - FAIR VALUE MEASUREMENTS (CONTINUED)

Contributions Receivable from Remainder Trusts

The Foundation uses quoted market prices of the underlying investments of contributions receivable from remainder trusts adjusted for the present value of the future benefits expected to be received utilizing IRS actuarial formulas and, therefore, they are included in Level 1. The quoted market prices are provided by an independent third-party bank. The underlying investments consist principally of cash equivalents, equities, fixed income, alternative assets, and mutual funds.

Beneficial Interest in Perpetual Trusts

The Foundation uses quoted market prices of the underlying investments of beneficial interest in perpetual trusts and, therefore, they are included in Level 1. The quoted market prices are provided by independent third-party banks. The underlying investments consists principally of cash equivalents, equities, fixed income, alternative assets, diversified strategies, and mutual funds.

Investments

The Foundation uses quoted market prices in an active market when available. These investments consist principally of equities and fixed income securities and are included in Level 1. The quoted market prices are provided by independent third-party banks and brokers. The Foundation had no Level 2 or Level 3 investments on June 30, 2021 and 2020.

Additional disclosures for the Foundation's investments for which fair value is measured using the net asset value per share practical expedient, as required by ASC 820 including the liquidity terms and conditions of the External Funds, are included in Note 19 of the consolidated financial statements. The total fair value of the External Funds valued using the practical expedient that are not included in the fair value hierarchy table is \$228,617,356 and \$126,102,266 on June 30, 2021 and June 30, 2020, respectively.

Annuity Payment Liability

The Foundation uses quoted market prices of the underlying investments of annuity payment liability adjusted for the present value of the expected future annuity payments utilizing IRS actuarial formulas and, therefore, they are included in Level 1. The quoted market prices are provided by an independent third-party bank. The underlying investments consist principally of cash equivalents, domestic and international mutual funds, and real estate investment trusts.

Fair values of assets measured on a nonrecurring basis on June 30, 2021 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
ASSETS				
Other assets	\$ 176,525	\$ -0-	\$ 176,525	\$ -0-
Collections	<u>1,494,273</u>	<u>-0-</u>	<u>1,494,273</u>	<u>-0-</u>
Total assets	<u>\$ 1,670,798</u>	<u>\$ -0-</u>	<u>\$ 1,670,798</u>	<u>\$ -0-</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 24 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 18 - FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of assets measured on a nonrecurring basis on June 30, 2020 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
ASSETS				
Other assets	\$ 16,525	\$ -0-	\$ 16,525	\$ -0-
Collections	<u>1,494,273</u>	<u>-0-</u>	<u>1,494,273</u>	<u>-0-</u>
Total assets	<u>\$ 1,510,798</u>	<u>\$ -0-</u>	<u>\$ 1,510,798</u>	<u>\$ -0-</u>

The following describes the valuation methodologies used to measure nonfinancial instruments at fair value on a nonrecurring basis:

Other Assets: Other assets consists of donated works of art, musical instruments, and real property. Such assets are carried on the consolidated statement of financial position at their estimated fair values at the date of donation. Fair value is determined by independent appraisals.

Collections: Collections consist of the donated Touma Museum of Medicine. These assets are carried on the consolidated statement of financial position at their estimated fair value at the date of donation. Fair value is determined by an independent appraisal.

NOTE 19 – ASSETS MEASURED AT NET ASSET VALUE PER SHARE

The Foundation invests in External Funds including those for which fair value is measured at the net asset per share as a practical expedient per ASC 820. The Foundation's investment in External Funds may involve varying degrees of illiquidity and varying time periods to fund commitments to certain investments.

The following table summarizes liquidity for the External Funds which are not private equity:

<u>Asset Class</u>	<u>Withdrawal Frequency</u>	<u>Notice Period</u>
Commingled Global Fixed Income	Daily, Quarterly	1 Day, 90 Day
Commingled Global Equity	Daily, Weekly, Monthly	1 Day, 5 Day, 5 Day
Commingled Hedge Funds	Daily, Monthly	1 Day, 5 Day, 30 Day

Commingled Global Fixed Income: This class includes investments in commingled funds that invest in foreign and domestic debt, including exposure to global sovereign bonds, opportunistic and high-yield instruments, and U.S. TIPS. These funds attempt to meet or exceed the Barclays U.S. Aggregate Bond Index. External Funds that are not private equity in nature provide for liquidity on varying schedules. Certain funds have initial lock-up period ranging from three to four years and provide quarterly liquidity thereafter with a 90-day notice. The balance of the External Funds that are not private equity are available daily with a one-day notice.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 24 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 19 – ASSETS MEASURED AT NET ASSET VALUE PER SHARE (CONTINUED)

Commingled Global Equity: This class includes investments in commingled funds that invest primarily in U.S. or foreign equities, and which attempt to meet or exceed the return of specific equity indices, including the MSCI All Country World Total Return Net Index (ACWI) in the aggregate. External Funds that are not private equity in nature provide for liquidity on varying schedules. Certain funds provide liquidity on a weekly or monthly basis with a 5-day notice. The balance of the External Funds that are not private equity are available daily with a one-day notice.

Commingled Hedge Funds: This class includes investments in hedge funds that expand the universe of potential investment approaches available by employing a variety of strategies and techniques within and across various asset classes. The primary objective for these funds is to produce attractive returns with moderate to low correlations to equity and credit markets, to generate fixed income like volatility, and to be opportunistic during periods of market duress. The objective is pursued by allocating to external portfolio managers selected for expertise in one or more investment strategies which may include, but are not limited to, equity long/short, event driven, relative value, directional, macro, and quantitative methods. External Funds that are not private equity in nature provide for liquidity on varying schedules. Certain funds provide monthly liquidity with a one-day notice, some with a 5-day notice, some with a 30-day notice. The balance of the External Funds that are not private equity are available daily with a one-day notice.

Certain External Funds include private equity investments (“PE Funds”) which are illiquid in nature and typically cannot be redeemed. Commitments to PE Funds are typically funded through capital calls. The following table provides details about the inception, commitment and uncalled portion of the commitments to these illiquid PE Funds.

<u>Asset Class</u>	<u>Inception</u>	<u>Commitment</u>	<u>Uncalled Commitment</u>	<u>Redemption</u>
Commingled Real Assets	2014, 2016	\$ 11,000,000	\$ 5,764,889	Illiquid
Commingled Private Capital	2013, 2015, 2016, 2018	22,500,000	12,671,368	Illiquid
Private Equity	2007, 2010, 2011, 2020	5,300,000	1,719,999	Illiquid
Natural Resources	2008	1,000,000	25,500	Illiquid
Venture	2007, 2010	1,800,000	56,000	Illiquid
Distressed Debt	2006, 2008	2,500,000	382,100	Illiquid

Commingled Real Assets: This class includes investments in commingled funds that invest primarily in illiquid real assets with the objective of providing an inflation hedge, diversification in assets with low or negative correlation to other assets, and attractive risk adjusted returns. This class achieves its objective by allocating to external portfolio managers selected for expertise in one or more investment strategies which may include, but are not limited to real estate, energy, infrastructure, credit strategies, and asset backed securities. There is no provision for redemption during the life of these funds. Distributions from each fund will be received as the underlying investments of the fund are liquidated, estimated at June 30, 2021 to be over the next 1 to 9 years.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 24 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 19 – ASSETS MEASURED AT NET ASSET VALUE PER SHARE (CONTINUED)

Commingled Private Capital: This class includes investments in commingled funds that invest primarily in illiquid private capital with the objective of providing enhanced returns, diversification through investments with low correlations to other assets, and access to private companies. This class achieves its objective by allocating to external portfolio managers selected for expertise in one or more investment strategies which may include, but are not limited to buyouts, growth equity, venture capital, and opportunistic credit. There is no provision for redemption during the life of these funds. Distributions from each fund will be received as the underlying investments of the fund are liquidated, estimated at June 30, 2021 to be over the next 1 to 10 years.

Private Equity: This class includes investments in funds that invest primarily in a diversified group of both U.S. and foreign private equity investments with the objective of providing enhanced returns, diversification through investments with low correlations to other assets, and access to private companies. This class achieves its objective by allocating to external portfolio managers selected for expertise in one or more investment strategies which may include, but are not limited to equity securities, warrants, and other options that are not generally actively traded. There is no provision for redemption during the life of these funds. Distributions from each fund will be received as the underlying investments of the fund are liquidated, estimated at June 30, 2021 to be over the next 1 to 10 years.

Natural Resources: This class includes investments in funds that invest primarily in natural gas and oil, power, and other natural resource opportunities with the objective of providing long-term capital appreciation and superior risk-adjusted returns. This class achieves its objective by allocating to external portfolio managers selected for expertise in one or more investment strategies which may include, but are not limited to equity securities, and property acquisition that are not generally actively traded. There is no provision for redemption during the life of these funds. Distributions from each fund will be received as the underlying investments of the fund are liquidated, estimated at June 30, 2021 to be over the next 1 year.

Venture Capital: This class includes investments in funds that invest primarily in emerging growth companies with the objective of obtaining long-term growth capital and superior risk-adjusted returns. This class achieves its objective by allocating to external portfolio managers selected for expertise in one or more investment strategies which may include, but are not limited to early-stage information technology, and late stage healthcare technology that are not generally actively traded. There is no provision for redemption during the life of these funds. Distributions from each fund will be received as the underlying investments of the fund are liquidated, estimated at June 30, 2021 to be over the next 1 to 3 years.

Distressed Debt: This class includes investments in funds that invest primarily in a diverse set of debt investments across the U.S. and globally with the objective of providing enhanced returns in a variety of credit environments. This class achieves its objective by allocating to external portfolio managers selected for expertise in one or more investment strategies which may include, but are not limited to restructured debt, stressed debt, distressed debt, “special situation” and mezzanine debt. There is no provision for redemption during the life of these funds. Distributions from each fund will be received as the underlying investments of the fund are liquidated, estimated at June 30, 2021 to be over the next 1 to 6 years.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 24 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 20 - ENDOWMENTS

The Marshall University Foundation, Inc.'s endowment consists of approximately 1,082 funds established for the benefit of the students of Marshall University through both scholarship assistance and supplemental support of various university departments and endeavors. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by Generally Accepted Accounting Principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment Net Asset Composition by Type of Fund as of June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -0-	\$ 183,236,754	\$ 183,236,754
Board-designated endowment funds	<u>9,060,004</u>	<u>-0-</u>	<u>9,060,004</u>
Total funds	\$ <u>9,060,004</u>	\$ <u>183,236,754</u>	\$ <u>192,296,758</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -0-	\$ 127,805,707	\$ 127,805,707
Board-designated endowment funds	<u>7,092,023</u>	<u>-0-</u>	<u>7,092,023</u>
Total funds	\$ <u>7,092,023</u>	\$ <u>127,805,707</u>	\$ <u>134,897,730</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 7,092,023	\$ 127,805,707	\$ 134,897,730
Investment return:			
Investment income	31,899	588,508	620,407
Fees	(19,900)	(377,302)	(397,202)
Realized & unrealized gain (loss)	<u>1,927,602</u>	<u>36,409,321</u>	<u>38,336,923</u>
Total investment return	<u>1,939,601</u>	<u>36,620,527</u>	<u>38,560,128</u>

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 24 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 20 - ENDOWMENTS (CONTINUED)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Contributions	\$ 523,174	\$ 26,067,805	\$ 26,590,979
Appropriation of endowment assets for expenditure	(494,794)	(7,257,285)	(7,752,079)
Other changes:			
Transfers in endowment classification	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Endowment net assets, end of year	\$ <u>9,060,004</u>	\$ <u>183,236,754</u>	\$ <u>192,296,758</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2020

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 8,092,063	\$ 132,088,821	\$ 140,180,884
Investment return:			
Investment income	(180)	(3,539)	(3,719)
Fees	(9,413)	(165,560)	(174,973)
Realized & unrealized gain (loss)	<u>(397,266)</u>	<u>(6,193,797)</u>	<u>(6,591,063)</u>
Total investment return	<u>(406,859)</u>	<u>(6,362,896)</u>	<u>(6,769,755)</u>
Contributions	650,939	9,466,364	10,117,303
Appropriation of endowment assets for expenditure	(422,176)	(8,208,526)	(8,630,702)
Other changes:			
Transfers in endowment classification	<u>(821,944)</u>	<u>821,944</u>	<u>-0-</u>
Endowment net assets, end of year	\$ <u>7,092,023</u>	\$ <u>127,805,707</u>	\$ <u>134,897,730</u>

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 24 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 20 - ENDOWMENTS (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the Organization to retain as a fund of perpetual duration (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. On June 30, 2021, there were no deficiencies to report in net assets with donor restrictions. On June 30, 2020, funds with original gift values of \$100,237,101, fair values of \$96,884,719, and deficiencies of \$3,352,382 were reported in net assets with donor restrictions.

Interpretation of Relevant Law

The state in which the Foundation operates, the State of West Virginia, has enacted the Uniform Prudent Management of Institutional Funds Act. The Board of Directors have interpreted this law as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classified as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable gift instrument at the time the accumulation is added to the fund. Also included in net assets with donor restrictions are deficiencies associated with funds where the value of the fund has fallen below the original value of the gift. In accordance with the law, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund
- The purpose of the Foundation and the endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation, and
- The investment policy of the Foundation

Objective of the Endowment

The objective of the Endowment is to ensure that the future growth of the endowment is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the endowment. This will be accomplished through a carefully planned and executed long-term investment program. The objective of the investment program is to enhance the Endowment's long-term viability by maximizing the value of the Endowment with a prudent level of risk.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 24 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 20 - ENDOWMENTS (CONTINUED)

Performance Goals

On an annualized, net-of-fees basis, the return of the Endowment over the long term (at least a full market cycle) will be expected to:

- Equal or exceed the spending rate plus inflation over a market cycle; and,
- Equal or exceed the average return of appropriate capital market indices weighed by the asset allocation target percentages over rolling five-year periods; and,
- Equal or exceed the average return of a universe of similarly sized Endowment Funds as reported in a published study (NACUBO-TIAA Study of Endowments).

Performance goals are based upon a long-term investment horizon; therefore, interim fluctuations should be viewed with appropriate perspective.

Investment Philosophy

The Endowment has a long-term investment horizon and allocates its assets accordingly. It is recognized that a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be the major determinate of the Endowment's investment performance.

The assets will be managed on a total return basis. While the Endowment recognizes the importance of preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns. It is not a breach of fiduciary responsibility to pursue riskier investment strategies if such strategies are in the participant's best interest on a risk-adjusted basis.

Risk management of the investment program is focused on understanding both the investment and operational risks to which the Endowment is exposed. The objective is to minimize risks and require appropriate compensation for investment risks which the Endowment is willing to accept.

Investment Program Policy

It is the policy of the investment program to invest according to an asset allocation strategy that is designed to meet the goals of the Endowment Investment Objective. The strategy will be based on a number of factors, including:

- The relationship between current and projected assets of the Endowment and its spending requirements
- The maintenance of sufficient liquidity to meet spending payments
- Historical and expected long-term capital market risk and return behaviors

The policy provides for diversification of assets in an effort to maximize the investment return and manage the risk of the Endowment consistent with the market conditions. Asset allocation modeling will assist in identifying asset classes the Endowment will use and the percentages each class represents in the total fund.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 24 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 20 - ENDOWMENTS (CONTINUED)

Investment Program Strategy

As a result of the above policy, the Investment Committee of the Foundation has adopted the following asset allocation targets and ranges:

<u>Asset Class</u>	<u>Minimum Weight</u>	<u>Target Weight</u>	<u>Maximum Weight</u>
Growth Assets	45%	65%	85%
Credit Assets	0%	0%	6%
Inflation Sensitive Assets	10%	20%	30%
Risk Mitigation Assets	5%	15%	25%

The Endowment seeks to attain an annual average total return over a full market cycle (typically 5-7 years) in excess of a policy benchmark that is composed of a blend of two broad-based indices:

70% weight of the MSCI All Country World Return Net Index from Morgan Stanley Capital International (the “MSCI ACWT”); and

30% weight of the Barclays Global Aggregate Bond Index (the “Barclays Global Agg”).

Management implemented the asset allocation policy through the use of qualified external professional investment managers. The external investment managers have full discretion and authority for determining investment strategy, security selection and timing subject to the Policy guidelines and any other guidelines specific to their portfolio.

Spending Policy

Balancing the investment of endowments for Intergenerational Equity with the current programmatic needs supported by the endowments, The Marshall University Foundation, Inc.’s spending policy is designed to comply with the provisions of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as adopted by the WV legislature in June 2008.

UPMIFA provides for the prudent management of endowments for both investment and spending. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Foundation.

The spending allocation for the endowment pool is applied ratably to the underlying funds in the endowment pool. The spending allocation is calculated for the total endowment pool based on the following formula:

- The twelve-quarter moving average of the market value of the endowment times 4 percent (4%),
- Measured with the quarter ending September 30 for the following fiscal year.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 24 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 21 - EQUITY INVESTMENT IN JOINT VENTURE

Marshall Services Corporation owns a 50% interest in INTO MARSHALL, LLC. The investment is accounted for under the equity method of accounting, whereby the initial investment of \$250,000 is adjusted for profit or loss and distributions. The equity investment is carried at \$0 on June 30, 2021 and 2020 as the joint venture's accumulated losses are in excess of the initial capital contribution. Marshall Services Corporation does not anticipate any income or distributions from the wind-down of the joint venture and anticipates completing the wind-down during the 2022 fiscal year.

NOTE 22 – FUNDS HELD IN CUSTODY FOR OTHERS

The Foundation invests funds for Marshall University. These investments are held in an agency relationship; therefore, assets and liabilities are always equal, and no net assets are reported. The liability for agency investments was \$78,484,143 and \$73,509,009 on June 30, 2021 and June 30, 2020, respectively.

NOTE 23 – LEASES

In October 2011, the MUREF entered into a rental agreement with Marshall University to lease space in the Art Warehouse for university operations. The MUREF is to receive rent of \$9,565 per month for the period from October 1, 2011 through October 1, 2020. The lease was classified as an operating lease.

Ownership of the property was transferred to Marshall University during the year end June 30, 2021, resulting in a \$1,937,500 program expense on the statement of activities.

Following is a summary of property on or held for lease on June 30, 2020:

	<u>2020</u>
Land	\$ 800,000
Building	<u>1,500,000</u>
Total	2,300,000
Less: Accumulated Depreciation	<u>(328,125)</u>
Net	\$ <u>1,971,875</u>

Rental revenue for years ended June 30, 2021 and 2020 total \$28,695 and \$114,780, respectively.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 24 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 24 - REVENUE FROM CONTRACTS WITH CUSTOMERS

The composition of the Organization's revenue from contracts with customers based on lines of business for the year ended June 30, 2021 and 2020 are as follows:

Line of Business	<u>2021</u>	<u>2020</u>
Department Promotion & Fundraising	\$ 51,835	\$ 385,301
Educational Assistance	93,654	308,583
Development Services	419,432	524,639
Rental of Facilities	39,475	166,768
Sponsorship	50,340	29,748
Royalties	175,630	69,763
Miscellaneous	<u>25,949</u>	<u>31,266</u>
Total	\$ <u>856,315</u>	\$ <u>1,516,068</u>

Revenue from contracts with customers is reported at the amount that reflects the consideration to which the Organization is entitled to in exchange for goods and services provided, in large part, by the departments and activities of Marshall University. These goods and services include tickets and merchandise purchased by patrons at events held to promote and fundraise for specific University departments. This revenue also includes consideration from Marshall University to cover a portion of the costs for development services provided by the Organization. Sponsorship opportunities are made available to outside constituents, such as local boards of education, for activities, such as educational training, provided by University departments. Royalties are received from the sale of books and manuals associated with University staff as well as partnerships of the Alumni Association with corporations who wish to use their name and member base in the furtherance of their business practices.

Performance obligations are determined based on the nature of the service or good provided. Revenues are recognized at a point in time when the service is provided or the good is delivered. Consideration to which the Organization is entitled is generally collected concurrently with the revenue recognition with the exception of amounts collected from the University for development services.

The Organization has determined that the nature, timing, and uncertainty of revenue and cash flows are affected by the varying nature, timing and frequency of activities and services offered.

Accounts receivable from contracts with customers are presented in the Organization's statements of financial position as other receivables. No receivable amounts are considered to be uncollectible related to contracts with customers.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 24 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 25 - SUBSEQUENT EVENTS

Management has reviewed events occurring subsequent to June 30, 2021 through September 30, 2021 (the date the financial statements were available to be issued) for possible adjustment to, or disclosure in, the accompanying financial statements as required by the Subsequent Events Topic of the FASB Accounting Standards Codification. The following subsequent event occurred after June 30, 2021:

In September, 2021, the Foundation received notification from JP Morgan Chase Bank that the \$376,000 Paycheck Protection Program Loan had been forgiven in full by the Small Business Administration.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 25 COMPONENT UNIT DISCLOSURES – PROVIDENT MARSHALL

The notes taken directly from the audited consolidated financial statements of Provident Marshall are as follows:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Provident Group – Marshall Properties, L.L.C. (Company), a West Virginia limited liability company, was created on June 4, 2010, by its sole member, Provident Resources Group, Inc. (Provident), a Georgia nonprofit corporation and organization exempt from federal income tax under Section 501(a) of the Internal Revenue Code of 1986 (Code), as amended as a charitable organization described in Section 501(c)(3) of the Code. The Company was created to own, operate and maintain a 417-unit, 810 bed student housing facility and a 123,850 square foot student recreation/wellness center located on the campus of Marshall University (University), located in Huntington, West Virginia (Project). On July 30, 2010, the Company purchased the facilities and commenced rental operations on that date.

Mission: Provident and the Company promote and advance education through various means, including, without limitation, the development, construction, acquisition, ownership, management, maintenance, operation and disposition of facilities of various types, including, but not limited to, educational, research and student housing facilities and through the provision of development, enrichment, counseling, tutoring and other services and activities, so as to assist colleges and universities in fulfilling their educational mission.

Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents, and Assets Held by Trustee: Cash and cash equivalents consist of bank deposits in accounts that are federally insured up to \$250,000 per financial institution. Additionally, for purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company has not incurred any losses from the deposits.

In accordance with the loan agreement and trust indenture, the Company is required to fund monthly amounts into reserve accounts for debt service, and repair and replacements, which are held by the trustee. As of June 30, 2021 and 2020, such balances consisted of cash and cash equivalents. Such funds may be released, as approved by the trustee, as needed, by the Company for construction, major repairs and betterments. Assets required to fund the current portion of such payments are included in current assets.

Cash, cash equivalents, and assets held by trustee reported within the balance sheets sum to the total of the same such amounts as shown in the statements of cash flows.

Accounts Receivable: Accounts receivable are stated at the amount billed to tenants and others. Charges are ordinarily due on the first day of the semester. Charges that are past due more than one semester are considered delinquent. The Company does not accrue interest on any of its accounts receivable.

Allowance for Doubtful Accounts: The allowance for doubtful accounts is determined by management based on the Company's historical losses, specific circumstances, and general economic conditions. Periodically, management reviews accounts receivable and adjusts the allowance based on current circumstances and charges off uncollectible receivables when all attempts to collect have failed.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 25 COMPONENT UNIT DISCLOSURES – PROVIDENT MARSHALL (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment: Property and equipment are stated at cost on the date of acquisition. Additions and improvements are capitalized; expenditures for routine maintenance are charged to operations. Depreciation is provided over the estimated useful lives of the various classes of assets on the straight-line method. The estimated useful lives are as follows:

Buildings	29 years
Building improvements and equipment	3 - 25 years
Furniture, fixtures, and equipment	2 - 20 years

Long-lived assets, such as buildings, improvements, and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheets. At June 30, 2021 and 2020, management has concluded that they are unaware of any impairments to be recorded.

Ground Lease: On July 30, 2010, the Company assumed a 40-year ground lease dated October 1, 2007 with the Board of Governors of the University, on behalf of the University. The ground lease agreement requires the Company to pay rent of \$1 annually along with additional rent, as outlined in the ground lease. At June 30, 2021 and 2020, no additional rent payment was due.

As stipulated in the ground lease agreement, the University acts as an agent for the Company to provide its best effort to market and make available the facilities of the Company to its students. Per the management agreement, the University and submanager are responsible for billing students and remitting receipts to the Company. In accordance with the provisions of the ground lease agreement, the University is required to provide support for lost revenues from allowing certain full-time students to forgo mandatory student center fees. In accordance with this provision, such amounts from the University totaled \$1,008,957 and \$0 for the years ended June 30, 2021 and 2020, respectively, and are recorded as membership fees in the statements of operations.

Unamortized Deferred Financing Costs: Deferred financing costs incurred pursuant to issuance of the tax-exempt revenue bonds payable are being amortized using the effective interest method over the term of the debt.

Derivatives: The Company entered into an interest rate swap agreement as part of its interest rate risk management strategy, not for speculation. Although the Company believes the derivative would qualify as a hedge, it has elected for simplicity to report the instrument as a freestanding derivative. As a result, gains and losses are recognized in current earnings (see Notes 3 and 6).

The derivative is separated into current and non-current assets or liabilities based on its expected cash flows. Cash inflows expected within one year, including derivative assets that the Company intends to settle, are reported as current assets. Cash inflows expected beyond one year are reported as non-current assets. Cash outflows expected within one year, including derivative liabilities in which the counterparty has the contractual right to settle, are reported as current liabilities. Cash outflows expected beyond one year are reported as non-current liabilities.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 25 COMPONENT UNIT DISCLOSURES – PROVIDENT MARSHALL (CONTINUED)

Revenue Recognition: Rental, membership fees, and other revenue are reported at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing tenant occupancy and access to the wellness center. These amounts are due from tenants and members. Generally, the Company bills the tenants and members at the beginning of the academic period in advance of providing services. These amounts are due from tenants generally prior to the tenant receiving access to their assigned room or from members prior to members receiving access to the wellness center. Revenue is recognized as performance obligations are satisfied. Amounts received in advance of providing services is recognized as deferred revenue. As of June 30, 2021 and 2020, the amount of deferred revenue was \$388,511 and \$247,104, respectively, and is recorded in other current liabilities.

Performance obligations are determined based on the nature of the services provided by the Company. Revenue for performance obligations satisfied over time is recognized based on actual time incurred in relation to total expected period of occupancy and use of facilities. The Company believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to tenant occupancy and use of facilities.

The Company measures the performance obligation throughout the residency agreement term and contract term based on the member agreements. Revenue for performance obligations satisfied at a point in time, which is immaterial, is recognized when goods or services are provided.

The Company determines the transaction price based on standard charges for goods and services provided to eligible tenants and members, which are fixed per the terms of the residence agreements. All tenant service revenues are from eligible tenants and all wellness center service revenues are from members.

Income Taxes: The net income or loss of the Company, a disregarded entity for federal income tax purposes, is reported by its sole member, Provident. Accordingly, no provision or benefit for federal income taxes is included in the accompanying financial statements.

U.S. GAAP prescribes recognition thresholds and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Tax benefits will be recognized only if the tax position is more likely than not sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. Management has concluded that they are unaware of any tax benefits or liabilities to be recognized at June 30, 2021 and 2020.

The Company is not subject to examination by U.S. federal taxing authorities for years before 2018 and for all state income taxes before 2018. The Company does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

The Company would recognize interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. The Company has no amounts accrued for interest or penalties as of June 30, 2021 and 2020.

COVID-19 Risk Factors: On March 11, 2020, the World Health Organization made the assessment that COVID-19 was a global health pandemic. Measures taken by federal, state, and local officials to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses, resulting in an economic slowdown.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 25 COMPONENT UNIT DISCLOSURES – PROVIDENT MARSHALL (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The outbreak of COVID-19 has also caused disruption in operations for institutions of higher education. In an effort to minimize the spread of COVID-19 on its campus, the University, in March 2020, suspended all in person instruction and transitioned to online instruction for the balance of the spring semester and summer term. For the fall 2020 and spring 2021 semesters, the University implemented a hybrid delivery system, utilizing online and in-person instruction. The Company provides on-campus housing primarily for students and staff of the University, thus the outbreak of COVID-19 adversely impacted the ability of the Company to conduct its operations and the cost of operations.

A prolonged and widespread health crisis could adversely affect the U.S. economy, resulting in an economic downturn that could negatively impact higher education and ultimately affect demand for service offerings. In this scenario, the Company's financial outlook could be negatively impacted.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2021, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2021. Management has performed their analysis of subsequent events through September 28, 2021, the date the financial statements were issued.

NOTE 2 - REVENUE BONDS PAYABLE

	<u>Fixed/ Variable Rate</u>	<u>Fiscal Year Maturity</u>	<u>Interest Rate</u>	<u>2021</u>	<u>2020</u>
Cabell County Series 2010A senior tax-exempt revenue bonds payable secured by a \$80,918,562 letter of credit set to expire on January 30, 2023	Variable (LIBOR x 70%)	July 1, 2039	0.06% and 0.14% respectively	\$ 76,480,000	\$ 77,480,000
Cabell County Series 2010B subordinate tax-exempt revenue bonds payable	Fixed	July 1, 2039	7.50%	<u>8,738,000</u> 85,218,000	<u>8,738,000</u> 86,218,000
Unamortized discount on Series 2010A bonds underlying the bonds payable				(212,632)	(228,666)
Unamortized deferred financing costs				<u>(512,878)</u>	<u>(551,409)</u>
Less current maturities				<u>84,490,490</u> <u>76,673,000</u>	<u>85,435,925</u> <u>76,878,925</u>
				<u>\$ 7,817,490</u>	<u>\$ 8,557,000</u>

The bonds are collateralized by the letter of credit, which is collateralized by all the assets of the Company.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 25 COMPONENT UNIT DISCLOSURES – PROVIDENT MARSHALL (CONTINUED)

NOTE 2 - REVENUE BONDS PAYABLE (Continued)

Aggregate annual maturities of the revenue bonds payable at June 30, 2021, are as follows:

2022	\$ 76,673,000
2023	207,000
2024	223,000
2025	238,000
2026	257,000
Thereafter	<u>7,618,000</u>
	<u>\$ 85,216,000</u>

Principal and interest on the Series 2010B bonds are payable solely out of available surplus cash in accordance with the trust indenture. The Series 2010A and Series 2010B bonds are subject to certain mandatory and optional redemption and tender provisions as stated in the trust indenture. As of June 30, 2021 and 2020, Series 2010A bonds are still outstanding, therefore such provisions are not applicable to the Series 2010B bonds. Since the bonds are subject to optional tender by the owners in accordance with the trust indenture, any tendered bonds are remarketed by the Remarketing Agent pursuant to the trust indenture and the Remarketing Agreement. In the event the Remarketing Agent is unable to remarket the bonds, they become demand obligations and require immediate repayment.

Pursuant to the loan agreement, reimbursement agreement and its related letter of credit, trust indenture and ground lease, the Company is subject to certain financial covenants, reporting covenants, and other requirements. At June 30, 2021 and 2020, management believes the Company was not in compliance with the debt service coverage ratio covenant. This constitutes an event of default based on the terms of the Reimbursement Agreement and thus, the Series A senior bond payable is presented as current in the balance sheets. See Note 7 for management's plan for continuing operations.

NOTE 3 - DERIVATIVES

In connection with the issuance of the senior variable rate tax-exempt revenue bonds, the Company entered into an interest rate swap agreement with Deutsche Bank AG, New York Branch (Counterparty).

Interest Rate Swap Not Designated as a Hedge: Summary information about the interest rate swap not designated as a hedge as of June 30, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Notional amounts	\$ 76,480,000	\$ 77,480,000
Weighted average pay rates (fixed)	3.728%	3.728%
Weighted average receive rates (LIBOR x 70%)	0.092%	1.020%
Weighted average maturity	7 years	8 years

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 25 COMPONENT UNIT DISCLOSURES – PROVIDENT MARSHALL (CONTINUED)

NOTE 3 - DERIVATIVES (Continued)

Derivative Fair Value: The following table presents the net amounts recorded in the statements of operations relating to the interest rate swap:

	Amounts Recognized	
	2021	2020
Unrealized gain (loss) on interest rate swap agreement	\$ 4,973,836	\$ (4,603,730)
Interest expense - senior bonds payable	2,779,605	2,083,891

The net settlements on the interest rate swap agreement are included in the interest expense - senior bonds payable line above.

The following table reflects the fair value and location in the balance sheets of the interest rate swap:

	2021	2020
Current liabilities		
Interest rate swap agreement, current portion	\$ 14,435,403	\$ 19,409,239

Though management has no intention to do so, the interest rate swap agreement can be terminated early.

NOTE 4 - RELATED PARTY TRANSACTIONS

Provident receives a fee from the Company to cover corporate administrative overhead costs. For the years ended June 30, 2021 and 2020, corporate administrative overhead costs, which are included in management fees in the statements of operations, were \$205,418 and \$208,779, respectively. Per the trust indenture, the Company has deferred a portion of the corporate administrative overhead costs as of June 30, 2021 and 2020. As of June 30, 2021 and 2020, \$62,199 and \$39,330, respectively, remained outstanding.

NOTE 5 - MANAGEMENT AGREEMENT

The Company's housing facility is managed by Capstone On-Campus Management, LLC, an unaffiliated management agent. The management fee was \$192,187 and \$190,309 for the years ended June 30, 2021 and 2020, respectively. The management agreement is for a period of fifteen years beginning on July 30, 2010. The management agreement may be terminated for cause in accordance with the provisions of the management agreement. Per the trust indenture, the Company has deferred a portion of the management fee as of June 30, 2021 and 2020. As of June 30, 2021 and 2020, \$108,677 and \$71,366, respectively, remains outstanding.

The Company's wellness center is managed by Centers, LLC, an unaffiliated management agent. The management fee was \$264,205 and \$261,589 for the years ended June 30, 2021 and 2020, respectively. The management agreement is for a period of fifteen years beginning on July 30, 2010. The management agreement may be terminated for cause in accordance with the provisions of the management agreement. Per the trust indenture, the Company has deferred a portion of the management fee as of June 30, 2021 and 2020. As of June 30, 2021 and 2020, \$133,722 and \$81,804, respectively, remains outstanding.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 25 COMPONENT UNIT DISCLOSURES – PROVIDENT MARSHALL (CONTINUED)

NOTE 6 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

U.S. GAAP established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under U.S. GAAP are described below:

Basis of Fair Value Measurement

- | | |
|---------|---|
| Level 1 | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities; |
| Level 2 | Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly; |
| Level 3 | Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. |

The fair value of the interest rate swap agreement, which is provided directly by the Counterparty, is based on the expected cash flows over the life of the trade of the instrument and was estimated using the closing mid-market rate/price environment at June 30 (Level 2). The interest rate swap agreement trades in less liquid markets with limited pricing information available, and as such, the fair value for the interest rate swap agreement is inherently more difficult.

The fair value provided may differ from actual trade prices as a result of various factors, including (but not limited to) market liquidity, interest rates, credit spreads, position size, transaction and financing costs, hedging costs and risks and uses of capital, as well as certain assumptions regarding past, present and future market conditions. As a result, it is possible that a different valuation model could produce a materially different estimate of fair value. No other assets or liabilities as of June 30, 2021 and 2020, were valued using Level 2.

The total amount of gains for the year ended June 30, 2021, included in income (expense) attributable to the change in unrealized gains relating to liabilities still held at June 30, 2021, was \$4,973,836. The total amount of losses for the year ended June 30, 2020, included in income (expense) attributable to the change in unrealized (gains) losses relating to liabilities still held at June 30, 2020, was \$4,603,730.

NOTE 7 - MANAGEMENT'S PLAN FOR CONTINUING OPERATIONS

The Company does not believe it is in compliance with the debt service coverage ratio requirement of the Reimbursement Agreement as of June 30, 2021. Since the Company has been unable to obtain a waiver from the letter of credit provider, all Series 2010A obligations are classified as current obligations as well as the related interest and interest rate swap agreement. Based on this, the Company has substantial doubt about its ability to continue as a going concern for one year after the date that the financial statements are issued.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 25 COMPONENT UNIT DISCLOSURES – PROVIDENT MARSHALL (CONTINUED)

NOTE 7 - MANAGEMENT'S PLAN FOR CONTINUING OPERATIONS (Continued)

The outbreak of COVID-19 has caused disruption in operations for institutions of higher education. In an effort to minimize the spread of COVID-19 on its campus, the University, in March 2020, suspended all in person instruction and transitioned to online instruction for the remainder of the spring and summer term. For the fall 2020 and spring 2021 semesters, the University implemented a hybrid delivery system, utilizing online and in-person instruction. Classes for fall 2021 are returning to full capacity and a normal schedule, with most classes delivered in person in a face-to-face format. All the University's residence halls are open for the fall 2021 semester.

Although, freshman and sophomore students are still required to live on campus for two years under this current plan, the global pandemic has adversely impacted the demand for in-person higher education and enrollment may decrease overall which will affect the ability of the Company to conduct its operations and/or the cost of operations.

While the Company feels this disruption will be temporary, there is considerable uncertainty as to whether, and when, the University will be able to achieve the housing occupancy to the same level as before the COVID-19 outbreak. The Company will continue to work with the University and other stakeholders to develop solutions and strategies for addressing these financial and operational challenges, though the outcome of these matters cannot be predicted at this time.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 26 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC.

The notes taken directly from the audited consolidated financial statements of the Big Green Scholarship Foundation are as follows:

Note 1 – Summary of Significant Accounting Policies:

A. Business Operations and Basis of Presentation

Big Green Scholarship Foundation, Inc. (the Foundation), provides scholarship aid to student athletes and program support for Marshall University's (Marshall) intercollegiate athletic program. In 2020-2021, Marshall sponsored sixteen varsity sports (six men and ten women), and provided for approximately 473 athletes, equivalent to approximately 235 full scholarships. The Foundation's main sources of revenue are contributions, endowments, and special fundraising events.

The Foundation follows the accrual method of accounting and its accounting and reporting policies conform to accounting principles generally accepted in the United States of America. The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reporting in the financial statements and accompanying notes. Actual results could differ from these estimates. The following is a summary of the more significant accounting and reporting policies.

B. Cash Equivalents

The Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash on hand and deposits with banking institutions either in checking or other accounts are presented as cash in the accompanying financial statements. At June 30, 2021 and 2020, the uninsured balance in these cash accounts totaled \$129,148 and \$0, respectively.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. Under ASC 958, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. At June 30, 2021, the Foundation had net assets both with donor restrictions and without donor restrictions.

D. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by fund type. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 26 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC.
(CONTINUED)

Note 1 – Summary of Significant Accounting Policies (Continued):

E. Fund Accounting

The accounts of the Foundation are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Fund balances are classified on the Statement of Financial Position as net assets without donor restrictions and net assets with donor restrictions based on the absence or existence and type of donor-imposed restrictions. During the fiscal year ended June 30, 2019, the Foundation introduced a “Capital Fund” to the financial statements. This fund will be used to capture the activity from the “Herd Rises” campaign, which is a fund-raising campaign that will provide financial assistance to capital projects for Marshall’s athletic facilities.

F. Combined Financial Statements

The financial statements include the accounts of the Foundation. In addition, the Booster Club accounts of the Foundation represent the various related Marshall intercollegiate sports Booster Clubs, which encourage and promote support for their respective intercollegiate teams at Marshall. The Branch Entity Club accounts of the Foundation represent various support groups in different geographical areas, which support and promote the Foundation and Marshall.

G. Investments

Investments in marketable securities with readily determinable values are stated at fair value. Investment income, expense, gains, and losses are reported as changes in net assets without and with donor restrictions in the reporting period in which the activity is recognized.

H. Investment Pools

The Foundation maintains master investment accounts for its donor-restricted and board-designated endowments. Pooling endowment funds for investment purposes has many benefits, including but not limited to spreading the total risk for each endowment fund and making the risk equal for all funds invested in the master investment accounts, enhancing the investment performance relative to that of an individual fund; and reducing management fees. Realized and unrealized gains and losses from securities in the master investment accounts are allocated annually to the individual endowments based on the relationship of the fair value of each endowment to the total fair value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

**NOTE 26 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC.
(CONTINUED)**

Note 1 – Summary of Significant Accounting Policies (Continued):

I. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction(s) expire in the fiscal year in which the contributions are recognized. Depending on the restriction, other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Foundation uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made, currently by pool of pledges, which range from 7.5% to 100%.

J. Deferred Revenue

Revenue for subsequent year special events held by the Foundation, Branch, or Booster Clubs is deferred and recognized in the period in which the special event is going to occur.

K. Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation.

L. Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code.

The Foundation's Form 990, Return of Foundation Exempt from Income Tax, for the fiscal years 2020, 2019, and 2018 are subject to examination by the IRS, generally three years after they were filed.

M. Property and Equipment

Property and equipment is recorded at estimated fair market value at the date of donation or cost if purchased. Depreciation was computed on the straight-line method and was based on useful lives consistent with IRS asset class lives, as currently found in IRS Publication 946.

N. Advertising Costs

The Foundation expenses their advertising costs as they are incurred. Advertising costs for the year ended June 30, 2021 and 2020 were \$63,567 and \$51,518, respectively.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

**NOTE 26 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC.
(CONTINUED)**

Note 2 – Liquidity:

The following reflects the Foundation's financial assets as of the Statement of Financial Position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the Statement of Financial Position date.

Financial assets at June 30, 2021	\$ 15,042,269
Less those unavailable for general expenditures within one year, due to:	
Contractual, timing, or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(397,114)
Subject to appropriation and satisfaction of donor restrictions	(12,835,904)
Board designations:	
Quasi-endowment fund, primarily for long-term investing	<u>(142,767)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,666,484</u>

As part of its liquidity management, the Foundation invests cash in excess of daily requirements in short-term investments, typically in a sweep account with interest with a bank. For further, qualitative discussions on the Foundation's liquidity and investment policies, please see Note 6.

Note 3 – Investments:

Investments, valued at fair market value as of June 30, 2021 and 2020, are summarized as follows:

	2021	2020
Cash and Cash Equivalents	\$ 77,637	\$ 34,493
Corporate Stock	1,003,754	930,450
Other	23,996	18,995
Mutual Funds:		
Bond Funds	3,385,401	2,452,850
Equity Funds	7,690,394	5,433,327
Multi-strategy Equity Funds	549,098	453,989
Multi-strategy Bond Funds	248,391	213,591
Total Mutual Funds	<u>11,873,284</u>	<u>8,553,757</u>
Total Investments	<u>\$ 12,978,671</u>	<u>\$ 9,537,695</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 26 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC. (CONTINUED)

Note 3 – Investments (Cont.):

The following schedule summarizes investment return and its classification in the Statement of Activities for the fiscal years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 330,656	\$ 338,886
Unrealized gain/(loss)	2,998,183	(226,335)
Investment fees	<u>(47,257)</u>	<u>(41,231)</u>
Total investment return	<u>\$ 3,281,582</u>	<u>\$ 71,320</u>

Note 4 – Fair Value Measurements:

Fair value of assets measured on a recurring basis at June 30, 2021 and 2020, are as follows:

June 30, 2021	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and Cash Equivalents	\$ 77,637	\$ 77,637	\$ -	\$ -
Corporate Stock	1,003,754	1,003,754	-	-
Other	23,996	23,996	-	-
Mutual Funds	11,873,284	11,873,284	-	-
Total	<u>\$ 12,978,671</u>	<u>\$ 12,978,671</u>	<u>\$ -</u>	<u>\$ -</u>
June 30, 2020	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and Cash Equivalents	\$ 34,493	\$ 34,493	\$ -	\$ -
Corporate Stock	930,450	930,450	-	-
Other	18,995	18,995	-	-
Mutual Funds	8,553,757	8,553,757	-	-
Total	<u>\$ 9,537,695</u>	<u>\$ 9,537,695</u>	<u>\$ -</u>	<u>\$ -</u>

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using Level 3 inputs are based on unobservable inputs. There were no Level 2 or Level 3 inputs for the fiscal years ended June 30, 2021 and 2020.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

**NOTE 26 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC.
(CONTINUED)**

Note 5 – Promises to Give:

Promises to give at June 30, 2021, were as follows:

Description	Amount
Pledges due in less than one year	\$ 410,795
Pledges due in one to five years	3,348,518
Total pledges receivable	3,759,313
Less: Discounts to present value, discounted at 2% annually	(181,554)
Less: Allowance for uncollectible pledges	(332,248)
Total promises to give	\$ 3,245,511

As of June 30, 2021, \$258,293 (net of allowances and present value discounts) represented promises to the Foundation's endowment fund. The activity in this fund is used for scholarships and other support of the Marshall University Athletic Department.

As of June 30, 2021, \$1,608,362 (net of allowances and present value discounts) represented promises to the Foundation's capital fund. The activity in this fund is used for capital improvements for the Marshall University Athletic Department.

Note 6 – Endowments:

A. Board-Designated Endowments

As of June 30, 2021, the Board of Trustees had designated \$142,767 of net assets without donor restrictions as a general endowment fund to support the mission of the Foundation. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

B. Donor-Restricted Endowments

The Foundation's endowment consists of approximately 167 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets 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.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

**NOTE 26 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC.
(CONTINUED)**

Note 6 – Endowments (Continued):

Absent explicit donor stipulations to the contrary, the Board of Trustees of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Foundation classifies as donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (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. In accordance with SPMIFA, 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 various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

C. Investment Return Objectives, Risk Parameters and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities. The Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 4.5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

**NOTE 26 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC.
(CONTINUED)**

Note 6 – Endowments (Continued):

D. Spending Policy

The Foundation has a policy of appropriating for distribution each year only the net appreciation and income from the corpus of the endowment fund, based on a need to fund operations, if deemed necessary by the Board of Trustees. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, and the possible effects of inflation. The Foundation's current spending policy is based off of the average of the value of the endowment account at the end of 12 previous quarters, then multiplied by 4.5%. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of June 30, 2021, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Donor-restricted endowment funds	\$ -	\$ 12,038,415	\$ 12,038,415
Board-designated endowment funds	142,767	-	142,767
Total	<u>\$ 142,767</u>	<u>\$ 12,038,415</u>	<u>\$ 12,181,182</u>

Changes in endowment net assets as of June 30, 2021, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 105,828	\$ 8,764,287	\$ 8,870,115
Contributions	2,500	541,303	543,803
Investment income	3,850	325,484	329,334
Net appreciation (depreciation)	33,089	2,787,707	2,820,796
Amounts appropriated for expenditure	(2,500)	(380,366)	(382,866)
Endowment net assets, end of year	<u>\$ 142,767</u>	<u>\$ 12,038,415</u>	<u>\$ 12,181,182</u>

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

**NOTE 26 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC.
(CONTINUED)**

Note 7 – Donated Facilities, Services, and Other Items:

Donated facilities, services, and other items are recognized as contributions if the facilities, services, or other items (a) create, enhance, or allow the use of nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. Donated facilities, services, and other items are valued at the rate the provider or owner would charge a recipient for similar facility usage, services, or other items.

The value of donated facilities, services, and other items included in the financial statements and the corresponding expenses for the fiscal year ended June 30, 2021, are as follows:

Facilities, Services, and Other Items	Value
Courtesy cars	\$ 165,000
Facility equipment	6,500
Housing	61,830
Medical	196,139
Promotions	37,450
Travel	27,500
Total	\$ 494,419

Note 8 – Property and Equipment:

Property and equipment at June 30, 2021 and 2020, are presented at their net book value. The property and equipment consists of vehicles. Property and equipment balances, by fund, for the fiscal year ended June 30, 2021, are as follows:

	June 30, 2020 Balance	Additions	Disposals	June 30, 2021 Balance
Operating Fund				
Vehicles	\$ 35,970	\$ -	\$ (7,500)	\$ 28,470
Less: Accumulated depreciation	(32,012)	(282)	3,824	(28,470)
Total Operating Fund	3,958	(282)	(3,676)	-
Booster Club				
Vehicles	53,881	-	-	53,881
Less: Accumulated depreciation	(53,881)	-	-	(53,881)
Total Booster Club	-	-	-	-
Total property and equipment	\$ 3,958	\$ (282)	\$ (3,676)	\$ -

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

**NOTE 26 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC.
(CONTINUED)**

Note 8 – Property and Equipment (Continued):

Depreciation expense for the year was charged to the following funds:

<u>Fund</u>	<u>Amount</u>
Operating	\$ 282
Total depreciation	<u>\$ 282</u>

Note 9 – Endowment Investment Fees:

The Foundation's investments policy requires the management fees to be paid out of interest and dividends which are considered without donor restrictions even though the investments are considered with donor restrictions. Total endowment investment fees paid for the fiscal year ended June 30, 2021 were \$47,257.

Note 10 – Debt:

The Foundation had two long-term interest-bearing notes at June 30, 2021 and 2020 totaling \$0 and \$423,954, respectively. Both of the following long-term notes were paid in full during the fiscal year ended June 30, 2021:

A. General Facility Improvements Note

The Foundation had a 4.95% interest-bearing, eleven-year note that is payable in quarterly installments of \$94,150 that was secured by an agreement between Marshall and Marshall's athletics marketing firm, IMG. The note had an outstanding balance of \$0 and \$266,284 at June 30, 2021 and 2020, respectively. The note was obtained in order to finance facility improvements for the Marshall University Athletic Department. In the agreement with IMG, the firm would make payments to Marshall for the improvements and Marshall agreed to the assignment of payments from IMG to the Foundation for this note.

B. Football Stadium Sky Suite Additions Note

The Foundation had an interest-bearing, eight-year note, which allowed the Foundation to access \$1,700,000 of principal to assist with the financing of facility improvements for the Marshall University Athletic Department football stadium. The interest rate on the note was fixed at 2.43% through July 15, 2018, at which time the rate was adjusted to the current market rate, not to exceed 5.00% for the remaining two years. The note was secured by an agreement between Marshall and individual donors for long-term leases for sky deck level suites at the Marshall University Athletic Department football stadium. The note had an outstanding balance of \$0 and \$157,670 at June 30, 2021 and 2020, respectively.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

**NOTE 26 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC.
(CONTINUED)**

Note 11 – Financial Instruments:

A. Concentrations of Credit Risk

Credit risk with respect to pledges receivable is limited due to the number and credit worthiness of the corporations and individuals who comprise the contributor base. Concentrations of credit risk with respect to pledges receivable are due to the large number of contributors and their dispersion across an economically depressed geographic area. A change in the economic climate could alter the collections of the current receivables and could affect the ability to raise funds for future campaigns. Pledges receivable are stated at the amount management expects to collect from outstanding balances. The Foundation establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific donors, historical trends, and other information.

B. Fair Value of Financial Instruments

The Foundation has a number of financial instruments consisting of cash, pledges receivable and contributions receivable, money market funds, and marketable securities. The Foundation estimates that the fair value of these financial instruments at June 30, 2021, does not materially differ from the aggregate carrying values of its financial instruments recorded in the accompanying Statement of Financial Position.

Note 12 – Risk Management:

The Foundation is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors, and omissions; injuries to employees; employees' health and life; and natural disasters. The Foundation manages these risks of loss through the purchase of various insurance policies.

Note 13 – Revenue Concentrations:

During the fiscal year ended June 30, 2021, a large portion of the Foundation's revenue consisted of monies given by individual donors. The amounts of contributions from these donors are dependent upon the populous, alumni, and friends of Marshall. Future levels of contributions are dependent upon these individuals.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

**NOTE 26 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC.
(CONTINUED)**

Note 14 – Leases:

In October, 2016 (during the fiscal year ended June 30, 2017), the Foundation entered into a noncancelable five-year operating lease for office space. The lease contains a renewal option for five additional years at the completion of the first term. The lessor is required to pay all maintenance, utility, and property tax costs. Rental expense for this lease consisted of \$24,465 for the year ended June 30, 2021.

Future minimum lease payments under this operating lease is:

<u>For years ending June 30:</u>	<u>Amount</u>
2022	\$ 6,116
2023	-
2024	-
2025	-
2026	-
Thereafter	-
Total	<u>\$ 6,116</u>

Note 15 – Beneficial Interest in a Charitable Remainder Trust:

In September 2004, a donor designated the Foundation as the sole beneficiary of their charitable remainder trust. The trust agreement calls for the balance of the trust to be distributed to the beneficiary upon the recipient's death. The trust had a fair value at the date of designation of \$798,778 which was recorded as a contribution with donor restrictions based on ASC 958. For the fiscal year ended June 30, 2021, the trust incurred a gain of \$129,909 and the fair value of the Foundation's beneficial interest in the trust was \$797,489.

Note 16 – Other Receivables:

A. General Facility Improvements

A note had been placed in the Foundation's name for operational purposes and the payments on the note will be made by an outside Foundation, Marshall's athletics marketing firm, IMG. As the facility improvements allow IMG to market the Marshall University Athletic Department, IMG has agreed to pay this debt on behalf of the Foundation. IMG has an agreement with the Marshall University Athletic Department for this arrangement and the Marshall University Athletic Department has agreed to assign the payments from IMG to the Foundation to pay this obligation. Due to this assignment, the Foundation will have a receivable on the Statement of Financial Position. This note was fully collected during the fiscal year ended June 30, 2021.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

**NOTE 26 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC.
(CONTINUED)**

Note 16 – Other Receivables (Continued):

B. Football Stadium Sky Suite Additions

A note had been placed in the Foundation's name for operational purposes and the payments on the note will be made by the Marshall University Athletic Department. As the addition of sky suites to the football stadium supports the Marshall University Athletic Department and allows for added fund-raising opportunities for the Foundation, Marshall has agreed to pay this debt on behalf of the Foundation. Individual donors have lease agreements with the Marshall University Athletic Department for this arrangement and the Marshall University Athletic Department has agreed to assign the payments from the donors to the Foundation for this obligation. Due to this assignment, the Foundation will have a receivable on the Statement of Financial Position. This note was fully collected during the fiscal year ended June 30, 2021.

Note 17 – Risks and Uncertainties:

As of June 30, 2021, local, U.S., and world governments continue to encourage self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impacts to the Foundation as of August 31, 2021, the Foundation, among other things, has made adjustments to its operations to mitigate the impact of COVID-19.

Note 18 – Subsequent Events:

The Foundation has evaluated all subsequent events through August 31, 2021, the date the financial statements were available to be issued.

**MARSHALL UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SCHEDULES OF PROPORTIONATE SHARE OF
NET PENSION LIABILITY AND CONTRIBUTIONS
TEN YEARS ENDED JUNE 30*
(UNAUDITED)**

SCHEDULE OF PROPORTIONATE SHARE OF TRS NET PENSION LIABILITY
(In Thousands)

Measurement Date	University's Proportionate Share as a Percentage of Net Pension Liability	University's Proportionate Share	State's Proportionate Share	Total Proportionate Share	University's Covered Employee Payroll	University's Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2014	0.114986%	\$ 3,967	\$ 8,963	\$ 12,930	\$ 3,562	111%	65.95%
June 30, 2015	0.109047%	3,779	8,622	12,401	2,844	133%	66.25%
June 30, 2016	0.111053%	4,564	8,693	13,257	2,545	179%	61.42%
June 30, 2017	0.085784%	2,963	6,554	9,517	2,254	131%	67.85%
June 30, 2018	0.074310%	2,320	6,012	8,332	2,050	113%	30.98%
June 30, 2019	0.069835%	2,078	5,015	7,093	2,127	98%	29.29%
June 30, 2020	0.068057%	2,192	4,778	6,970	3,530	62%	31.45%

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(In Thousands)

Measurement Date	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actuarial Contribution as a Percentage of Covered Payroll
June 30, 2014	\$ 149	\$ 151	\$ (2)	\$ 3,562	4.18%
June 30, 2015	280	303	(23)	2,844	9.85%
June 30, 2016	334	368	(34)	2,545	13.12%
June 30, 2017	430	339	91	2,254	20.81%
June 30, 2018	350	301	49	2,050	18.98%
June 30, 2019	336	283	53	2,127	14.15%
June 30, 2020	355	254	101	3,530	7.20%

*These schedules are intended to show information for ten years. Additional years will be displayed as the information becomes available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

There are no factors that affect trends in the amounts reported, such as change in benefit terms or assumptions. With only seven years reported in the required supplementary information, there is no additional information to include in notes. Information, if necessary, can be obtained from the CPRB Comprehensive Annual Financial Report.

**MARSHALL UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SCHEDULES OF PROPORTIONATE SHARE OF
NET OPEB LIABILITY AND CONTRIBUTIONS
TEN YEARS ENDED JUNE 30*
(UNAUDITED)**

**SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
(In Thousands)**

Measurement Date	University's Proportionate Share as a Percentage of Net OPEB Liability	University's Proportionate Share	State's Proportionate Share	Total Proportionate Share	University's Covered Employee Payroll	University's Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2017	1.678119%	\$ 41,265	\$ 8,475	\$ 49,740	\$ 37,137	111%	25.10%
June 30, 2018	1.803470%	38,692	7,996	46,688	37,243	104%	30.98%
June 30, 2019	1.855690%	30,788	6,300	37,088	38,045	81%	39.69%
June 30, 2020	1.838645%	8,121	1,796	9,917	35,309	23%	73.49%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
(In Thousands)**

Measurement Date	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actuarial Contribution as a Percentage of Covered Payroll
June 30, 2017	\$ 3,447	\$ 3,447	\$ -	\$ 37,137	9.28%
June 30, 2018	3,685	3,350	335	37,243	9.89%
June 30, 2019	3,823	3,143	680	38,045	8.26%
June 30, 2020	3,553	2,883	670	35,309	8.17%

*These schedules are intended to show information for ten years. Additional years will be displayed as the information becomes available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Change of assumptions. In the June 30, 2020 actuarial valuation, there were significant changes in capped subsidy rates, per capita costs, and trend rates. The key reason is due to significant decreases in the Medicare Advantage prescription drug (MAPD) per member per month rates and the resulting decrease in the capped subsidy.

Other than noted above, there are no factors that affect trends in the amounts reported, such as change in benefit terms or assumptions. With only four years reported in the required supplementary information, there is no additional information to include in notes. Information, if necessary, can be obtained from the RHBT financial statements.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board
Marshall University
Huntington, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component units of Marshall University (the University) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 15, 2021. Our report includes a reference to other auditors who audited the financial statements of the Marshall University Foundation, Inc. (the Foundation), Provident Group – Marshall Properties L.L.C. (Provident – Marshall), and the Big Green Scholarship Foundation, Inc. (Big Green), as described in our report on the University's financial statements. This report does not include the results of testing of internal control over financial reporting or compliance and other matters that are reported on separately by the Marshall University Research Corporation, a blended component unit. The financial statements of the Foundation, Provident – Marshall, and Big Green were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 15, 2021

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