

MARSHALL UNIVERSITY
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2023 AND 2022



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INDEPENDENT AUDITORS' REPORT

Governing Board
Marshall University
Huntington, West Virginia

Report on the Audit of the Financial Statements

Opinions

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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

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 aggregate discretely presented component units the University, as of June 30, 2023 and 2022, 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.

We did not audit the financial statements of the discretely presented component units which statements represent 100% of assets, net assets, and revenues of the discretely presented component units as of and for the years ended June 30, 2023 and 2022. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors.

Emphasis of Matter – Adoption of Accounting Principles

As discussed in Note 25 to the financial statements, the University implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 94, *Public-Public Partnerships & Public-Private Partnerships and Availability Payment Arrangements*, and GASB Statement No. 96 *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023, which represent changes in accounting principles. The University's June 30, 2022 statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows were restated to reflect the impact of adoption. A summary of the restatement is presented in Note 25. Our opinions are not modified with respect to this matter.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the 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) and the Marshall University Research Corporation (blended component unit), were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about University's ability to continue as a going concern for a reasonable period of time.

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

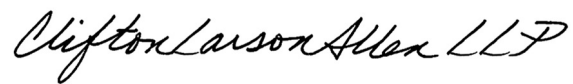
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 audits 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.

Governing Board
Marshall University

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2023, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over 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 University's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
October 12, 2023

**MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI)
FISCAL YEAR 2023
(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 12,900 students throughout the year from all counties in West Virginia, all 50 states and the District of Columbia, and over 150 students from more than 50 countries across the globe. The students are served by 855 full-time instructional faculty and 868 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 2023 data explaining, with the use of approximate dollar amounts, the significant changes from the financial statements presented for the years ended June 30, 2023, 2022, and 2021, 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 2023
(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 2023
(UNAUDITED)

CONDENSED SCHEDULES OF NET POSITION
(In Thousands of Dollars)

	FY 2023	FY 2022 (As Restated)	FY 2021
ASSETS AND DEFERRED OUTFLOWS			
Current Assets	\$ 67,354	\$ 90,151	\$ 105,743
Other Noncurrent Assets	151,431	145,898	165,232
Capital Assets, Net	<u>487,848</u>	<u>465,712</u>	<u>458,858</u>
Total Assets	706,633	701,761	729,833
Deferred Outflows of Resources	<u>5,808</u>	<u>5,550</u>	<u>8,653</u>
Total Assets and Deferred Outflows	<u>\$ 712,441</u>	<u>\$ 707,311</u>	<u>\$ 738,486</u>
LIABILITIES AND DEFERRED INFLOWS			
Current Liabilities	\$ 62,343	\$ 61,954	\$ 58,914
Noncurrent Liabilities	<u>186,202</u>	<u>186,583</u>	<u>196,053</u>
Total Liabilities	248,545	248,537	254,967
Deferred Inflows of Resources	<u>10,509</u>	<u>22,483</u>	<u>30,600</u>
Total Liabilities and Deferred Inflows	<u>\$ 259,054</u>	<u>\$ 271,020</u>	<u>\$ 285,567</u>
NET POSITION			
Net Investment in Capital Assets	\$ 318,485	\$ 314,019	\$ 317,285
Restricted, Nonexpendable	15,176	15,176	15,176
Restricted, Expendable	23,099	20,785	21,430
Unrestricted	<u>96,627</u>	<u>86,311</u>	<u>99,028</u>
Total Net Position	<u>\$ 453,387</u>	<u>\$ 436,291</u>	<u>\$ 452,919</u>

Changes to Total Assets

Total assets of the Institution increased by \$4.9 million in FY 2023. The major components of this increase are:

- The total current and noncurrent cash and cash equivalents balances decreased \$48.7 million, which is comprised of a \$46.7 million decrease for the University and a \$2.1 million decrease in cash at MURC. For the University, current cash and cash equivalents decreased \$26.7 million, due to a \$26.7 million decrease in cash on deposit with the state. Noncurrent cash for the University decreased \$19.9 million due to expenditures from the 2020A Bond issue for construction. See note 9 for more information on bond issues.
- Investments increased \$6.4 million in total with the University's investments increasing \$6.1 million and MURC's investments increasing \$0.3 million. For both the University and MURC, the increase was primarily due to positive investment earnings in FY23 combined with a downturn in the market in FY22.
- Total current and noncurrent accounts receivable increased \$6.3 million. For the University, State appropriations receivable increased \$1.7 million and noncurrent receivables increased \$1.2 million. Grants receivable at MURC increased \$4.0 million net of eliminations.

MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2023
(UNAUDITED)

- Loans receivable from students increased \$0.5 million primarily due to a decrease in the allowance for doubtful accounts of \$1.4 million offset by collections for the discontinued Perkins loan program of \$0.9 million.
- Other current assets increased \$0.2 million primarily due to an increase at the University in Supplies Inventories and Prepaid Expenses.
- Capital assets, net of depreciation, increased \$22.1 million as a result of asset additions of \$44.6 million, offset by disposals and depreciation totaling \$24.4 million. Asset additions are discussed further in the Capital Asset and Debt Administration section.

Total assets of the Institution decreased by \$32.2 million in FY 2022. The major components of this increase are:

- The total current and noncurrent cash and cash equivalents balances decreased \$10.5 million, which is comprised of a \$15.4 million decrease for the University offset by a \$4.9 million increase in cash at MURC. For the University, current cash and cash equivalents decreased \$12.6 million, due to a \$12.5 million decrease in cash on deposit with the state, and a \$0.2 million decrease in cash in outside bank accounts. Noncurrent cash for the University decreased \$2.7 million due to expenditures from the 2020A Bond issue for construction. See note 9 for more information on bond issues.
- Investments decreased \$11.0 million in total with the University's investments decrease \$5.6 million and MURC's investments decreasing \$5.4 million. For both the University and MURC, the decrease was primarily due to negative investment earnings.
- Total current and noncurrent accounts receivable decreased \$9.7 million. For the University, State appropriations receivable decreased \$10.4 million, other current receivables increased \$2.8 million, and noncurrent receivables decreased \$2.3 million. Grants receivable at MURC increased \$0.2 million net of eliminations.
- Loans receivable from students decreased \$1.4 million primarily due to collections for the discontinued Perkins loan program.
- Other current assets decreased \$0.2 million primarily due to a reduction at the University in Supplies Inventories and Prepaid Expenses.
- Capital assets, net of depreciation, decreased \$5.2 million as a result of asset additions of \$11.6 million, offset by disposals and depreciation totaling \$16.8 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 increased \$0.3 million in FY 2023 and decreased \$3.1 million in FY 2022.

- Deferred outflows related to Other Post Retirement Benefits as required by GASB 75 (Note 11), increased \$0.4 million in FY 2023. This deferred outflow decreased \$2.9 million in FY2022.
- Deferred outflows related to bond refunding decreased \$0.1 million in FY2023 and FY2022. 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), decreased \$0.1 million in FY 2023 and decreased \$0.1 million in FY 2022.

MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2023
(UNAUDITED)

Changes to Total Liabilities

Total liabilities of the Institution increased \$0.1 million in FY 2023. The major components of the increase are:

- Current and noncurrent debt on notes, bonds, finance purchases, lease obligations and the debt obligation to the Commission, decreased by a total of \$1.0 million, due to principal payments made during FY 2023.
- Accounts payable increased \$5.6 million. Payables increased \$3.4 million for the University and increased \$2.2 million for MURC net of eliminations.
- Other Postemployment Benefits (OPEB) liability increased \$1.8 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 enhanced further by a \$18.9 million decrease in deferred inflows related to OPEB.
- Other noncurrent liabilities increased \$0.7 million due to an increase in the BRIM Escrow liability.
- Advances from federal sponsors decreased \$0.4 million due to the return of funds related to the Perkins loan program.
- The slight increases in student deposits and accrued interest were offset by a decrease in compensated absences for a net decrease of \$0.2 million.
- Accrued liabilities decreased \$5.1 million. Liabilities for MURC were virtually unchanged and liabilities for the University decreased \$5.1 million.
- The net pension liability increased \$0.2 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 \$1.1 million. Unearned revenue for the University increased \$0.3 million and increased \$0.8 million for MURC.

Total liabilities of the Institution decreased \$12.3 million in FY 2022. The major components of the decrease are:

- Current and noncurrent debt on notes, bonds, finance purchases, lease obligations and the debt obligation to the Commission, decreased by a total of \$4.3 million, due to principal payments made during FY 2022 and the PPP loan at MURC for approximately \$2.5 million being forgiven.
- Accounts payable increased \$3.0 million. Payables increased \$2.8 million for the University and increased \$0.2 million for MURC net of eliminations.
- Other Postemployment Benefits (OPEB) liability decreased \$8.1 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 enhanced further by a \$6.0 million decrease in deferred inflows related to OPEB.
- Other noncurrent liabilities decreased \$2.0 million due to a decrease in the BRIM Escrow liability.
- Advances from federal sponsors decreased \$0.6 million due to the return of funds related to the Perkins loan program.
- The increase in student deposits was offset by a decrease in accrued interest and compensated absences for a net decrease of \$0.5 million.

MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2023
(UNAUDITED)

- Accrued liabilities decreased \$0.3 million. Liabilities for the University were virtually unchanged and liabilities for MURC decreased \$0.3 million.
- The net pension liability decreased \$1.2 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 \$1.7 million. Unearned revenue for the University decreased \$1.3 million and increased \$3.0 million for MURC.

Changes to Deferred Inflows of Resources

The deferred inflows of resources for the University decreased \$12.0 million in FY 2023 and decreased \$6.1 million in FY 2022.

- Deferred inflows related to Other Post Retirement Benefits as required by GASB 75 (Note 11), decreased \$11.1 million in FY 2023, and decreased \$6.0 million in FY 2022.
- The deferred inflow related to the Teachers Retirement System pension plan increased \$0.8 million in FY 2023, and increased \$0.6 million in FY 2022.
- The deferred inflow of resources from Leases decreased \$0.2 million in FY23 and decreased \$0.3 million in FY 2022.

MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2023
(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 \$4.5 million in FY 2023 and decreased \$3.6 million in FY 2022. The increase for the University was primarily due to additions.

Endowments, which are recorded as restricted nonexpendable net position, did not change in FY 2023 or FY 2022. 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 \$3.2 million in FY2023. The University had an increase of \$2.3 million and MURC had an increase of \$0.9 million related to sponsored projects. Total restricted expendable net position decreased \$0.6 million in FY 2022. The University had a decrease of \$2.3 million and MURC had an increase of \$1.7 million related to sponsored projects.

The unrestricted net position balance of \$96.6 million represents a \$11.0 million increase from FY 2022. Unrestricted resources increased \$10.3 million for the University and \$0.7 million for MURC. The unrestricted net position balance of \$85.5 million in FY 2022 represents a \$12.5 million decrease from FY 2021. Unrestricted resources increased \$0.4 million for MURC and decreased \$30.4 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 2023
(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)

	FY 2023	FY 2022 (As Restated)	FY 2021
Operating Revenues	\$ 217,460	\$ 200,187	\$ 198,779
Operating Expenses	<u>(315,586)</u>	<u>(306,583)</u>	<u>(290,037)</u>
Operating Loss	(98,126)	(106,396)	(91,258)
Nonoperating Revenues	98,225	91,212	134,378
Nonoperating Expenses	<u>(7,267)</u>	<u>(4,790)</u>	<u>(7,163)</u>
Loss Before Other Revenues, Expenses, Gains, or Losses	(7,168)	(19,974)	35,957
Other Revenues, Expenses, Gains, or Losses	<u>24,264</u>	<u>3,346</u>	<u>3,540</u>
INCREASE (DECREASE) IN NET POSITION	17,096	(16,628)	39,497
Net Position - Beginning of Year	<u>436,291</u>	<u>452,919</u>	<u>413,422</u>
NET POSITION - END OF YEAR	<u><u>\$ 453,387</u></u>	<u><u>\$ 436,291</u></u>	<u><u>\$ 452,919</u></u>

Operating Revenues

Operating revenues are received for student tuition and fees, grants and contracts, auxiliary services, and miscellaneous revenue. Operating revenues of \$217.5 million in FY 2023 represents a \$17.3 million increase from FY 2022. This increase is primarily the result of:

- Tuition and fee revenue, net of scholarship allowances, increased \$0.1 million as compared to FY22.
- Grant and contract revenue increased \$4.7 million, including a \$0.5 million decrease for the University offset by a \$5.2 million increase for MURC, net of eliminations. The increases were primarily due to increases in federal, private, and local grants and contracts.
- Other operating revenue increased \$7.9 million primarily due to the School of Medicine receiving \$4.9 million to purchase a building and for the establishment of an addiction sciences program.
- Auxiliary enterprise revenue increased \$4.8 million primarily due to increased occupancy and pricing activity. Changes within the various auxiliary areas include: Housing revenues increased \$2.3 million, and Athletics revenue increased \$1.5 million.

MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2023
(UNAUDITED)

Operating revenues of \$200.2 million in FY 2022 represents a \$1.4 million increase from FY 2021. This increase is primarily the result of:

- Tuition and fee revenue, net of scholarship allowances, decreased \$6.4 million. This decrease is due to a drop in enrollment as well as changes in the mix of In-State, Out-of-State, Metro, and online students.
- Grant and contract revenue increased \$3.3 million, including a \$2.3 million decrease for the University offset by a \$5.6 million increase for MURC, net of eliminations. The decrease 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 \$0.5 million.
- Auxiliary enterprise revenue increased \$4.7 million primarily due to increased activity due to the expiration of COVID19 restrictions. Changes within the various auxiliary areas include: Housing revenues increased \$3.6 million, and Athletics revenue decreased \$1.1 million.

Operating Expenses

Operating expenses are for goods and services acquired to carry out the mission of the Institution. Operating expenses of \$315.6 million in FY 2023 represents a \$9.0 million increase over FY 2022. This increase is primarily the result of:

- Salaries and wages increased \$5.4 million, including an increase in University salaries of \$1.8 million and a \$3.6 million increase at MURC.
- Benefits expense increased \$2.4 million with a \$1.7 million increase for the University and a \$0.7 million increase for MURC. The University increase is primarily due to a \$2.0 million decrease in OPEB credits.
- Supplies and other services increased \$11.8 million with a \$6.0 million increase for the University and a \$5.8 million increase, net of eliminations, for MURC.
- Student financial aid expense decreased \$9.9 million, with an immaterial decrease at MURC and a decrease of \$9.9 million at the University. The University decrease is due to \$13.5 million decrease in HEERF grants awarded to students, offset by a \$3.6 million increase in waivers and other scholarships.
- Other operating expenses decreased \$1.7 million.

MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2023
(UNAUDITED)

Operating expenses of \$306.6 million in FY 2022 represents a \$17.1 million increase over FY 2021. This increase is primarily the result of:

- Salaries and wages increased \$5.5 million, including an increase in University salaries of \$3.6 million and a \$1.9 million increase at MURC. For the University, this increase is primarily due to temporary salary reductions in FY 2021 for employees making more than \$50,000 annually. In FY2022 salaries were restored to full levels and a payment was made to employees for the amount they did not receive in FY 2021.
- Benefits expense decreased \$5.2 million with a \$4.1 million decrease for the University, a \$1.1 million decrease for MURC. The University decrease is primarily due to a \$4.0 million decrease related to changes in OPEB.
- Supplies and other services increased \$12.7 million with a \$11.8 million increase for the University and a \$0.6 million increase, net of eliminations, for MURC. For the University spending increased in many areas as a result of returning to normal operations after COVID restrictions were removed.
- Student financial aid expense increased \$2.8 million, with an increase of \$0.2 at MURC and an increase of \$2.6 million at the University. The University increase is due to a \$7.6 million increase in HEERF grants awarded to students, offset by a \$5.0 million decrease in waivers and other scholarships.
- Depreciation decreased \$0.2 million, offset by an increase in utility expenses of \$1.0 million.
- Other operating expenses increased \$0.5 million.

Nonoperating Revenues and Expenses

Revenues for which goods and services are not provided are reported as nonoperating revenues. Nonoperating revenues for FY 2023 were \$91.0 million, which is an increase of \$4.5 million from FY 2022 as a result of:

- Federal HEERF grant revenue decreased \$26.3 million. All federal relief funding was fully expended as of December 31, 2022.
- State appropriations increased \$12.7 million. This is primarily due to some FY 2022 appropriations received and recognized as revenue at the end of FY2021 totaling \$9.9 million. General appropriations for the University also increased \$3.1 million. These increases were offset by a \$0.3 million decrease in the amount of the indirect appropriation received from University Physicians & Surgeons.
- Income from investments increased \$21.2 million in FY 2023 with a \$13.3 million increase for the University and a \$7.9 million increase at MURC. This increase is due to an increase in the performance of the investment portfolios.
- Payments on behalf of the University increased \$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 increased \$0.1 million, and gift revenue increased \$0.5 million.

MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2023
(UNAUDITED)

Nonoperating revenues for FY 2022 were \$91.2 million, which is a decrease of \$42.2 million from FY 2021 as a result of:

- Federal HEERF grant revenue increased \$10.1 million. This increase includes funds for the third round of grants (HEERF III) as well as the remainder of the first round of grants and \$0.9 million received from the State governor's office.
- State appropriations decreased \$18.4 million. This is primarily due to some FY 2022 appropriations received and recognized as revenue at the end of FY2021 totaling \$9.9 million. General appropriations for the University also decreased \$0.3 million. These decreases were offset by a \$1.7 million increase in the amount of the indirect appropriation received from University Physicians & Surgeons.
- Income from investments decreased \$31.4 million in FY 2021 with a \$18.6 million decrease for the University and a \$12.8 decrease at MURC. This decrease is due to a decline in the performance of the investment portfolios.
- Payments on behalf of the University decreased \$1.8 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 \$0.6 million, and gift revenue was relatively unchanged from the prior year.

Nonoperating expenses for FY 2023 were \$7.3 million, which is an increase of \$2.8 million from FY 2022 as a result of an increase of \$2.6 million in other nonoperating expenses combined with an increase in interest on indebtedness of \$0.2 million.

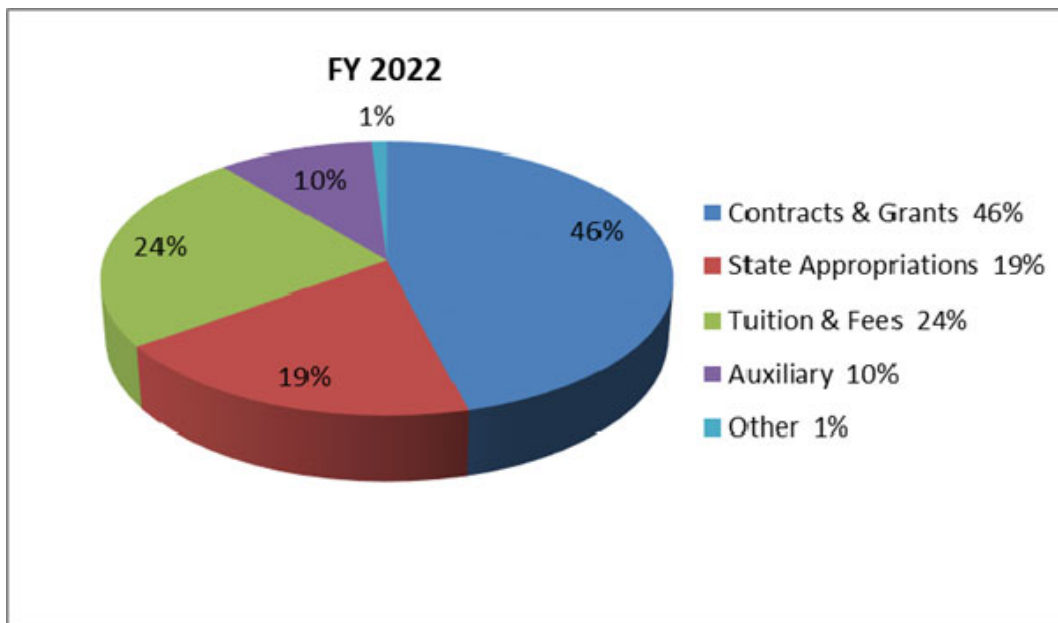
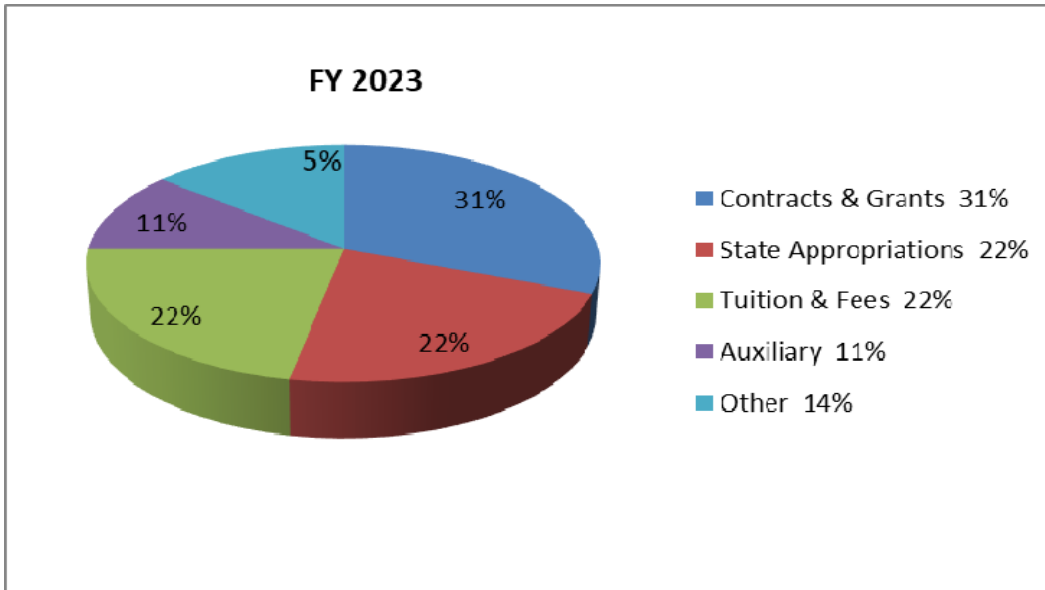
Nonoperating expenses for FY 2022 were \$4.8 million, which is a decrease of \$2.2 million from FY 2021 as a result of a decrease in interest on indebtedness of \$0.1 million, and a decrease of \$2.6 million in other nonoperating expenses.

Total operating and nonoperating revenue for the Institution was \$315.7 million in FY 2023 as compared to \$291.4 million in FY 2022. Revenues as a percentage for FY 2023 and 2022 are shown on Graph A.

Total operating and nonoperating expense for the Institution was \$321.6 million in FY 2023 as compared to \$311.4 million in FY 2022. Expenses as a percentage for FY 2023 and 2022 are shown by object of expenditure in Graph B and by functional classification in Graph C.

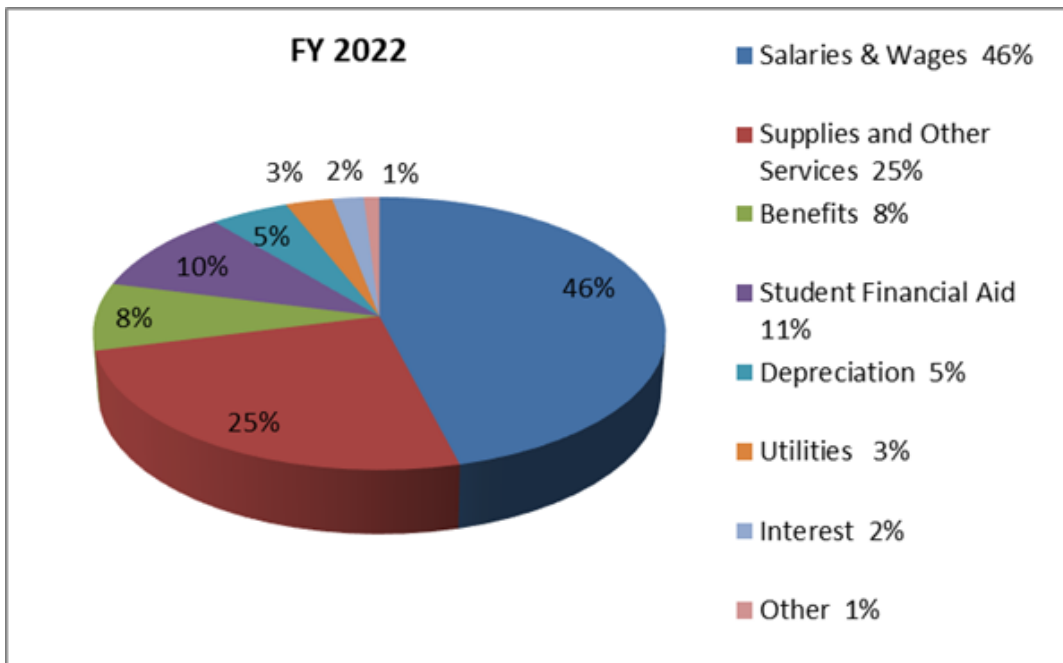
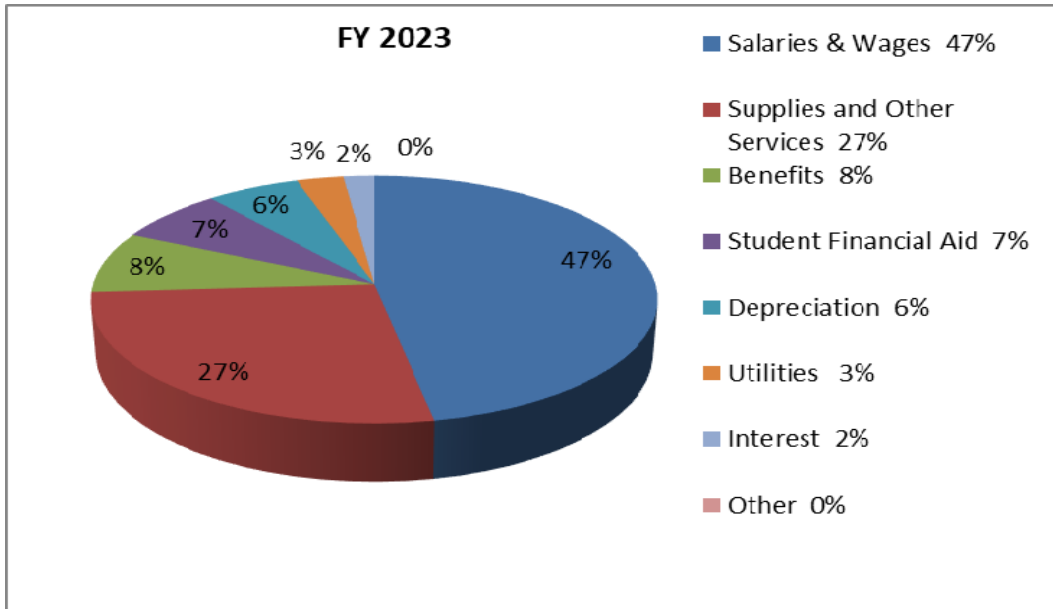
MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2023
(UNAUDITED)

Total Operating and Nonoperating Revenues
(Graph A)



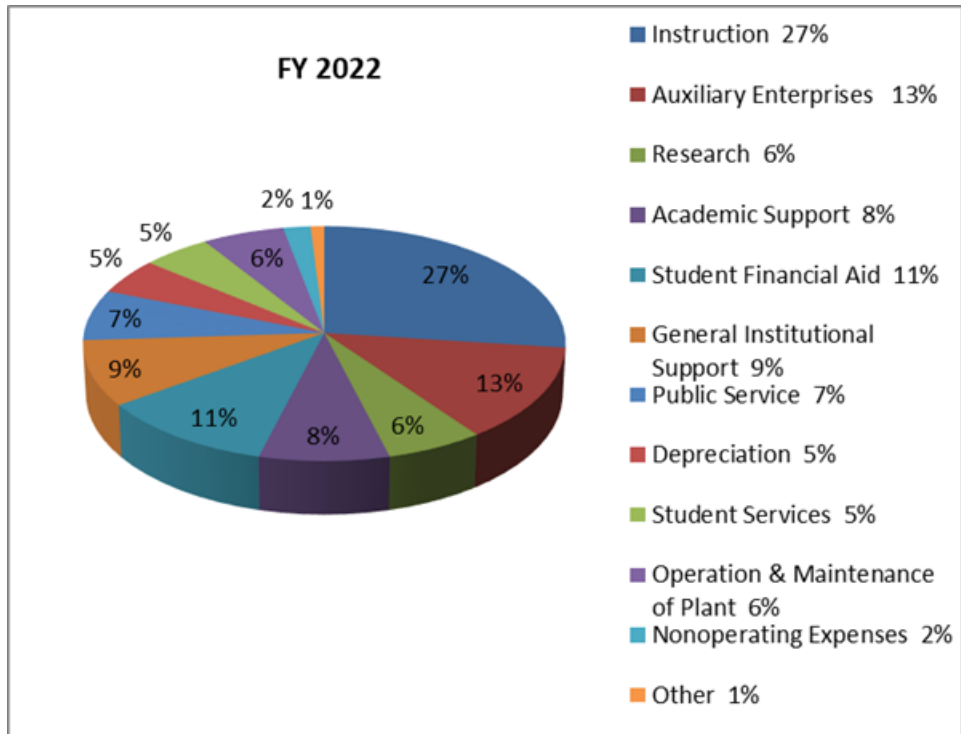
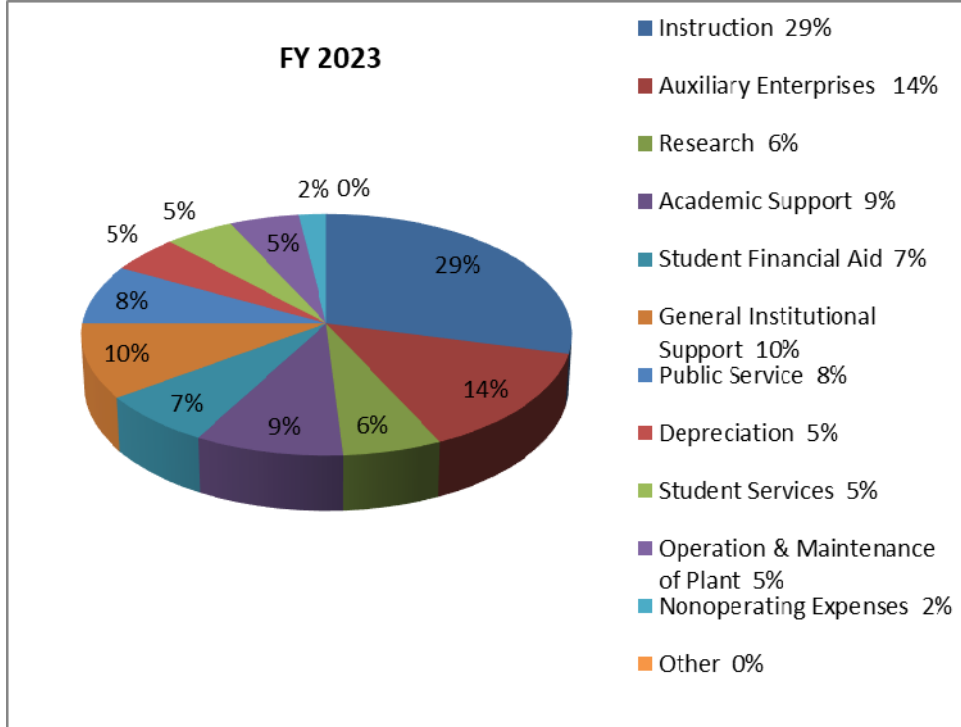
**MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2023
(UNAUDITED)**

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



**MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2023
(UNAUDITED)**

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



MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2023
(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 2023, there was a net decrease of \$5.9 million for the institution. Of this total, the University had a net decrease of \$6.6 million while MURC had an offsetting net increase of \$0.7 million.

Changes to Net Position

The increase in net position of \$17.1 million, is \$33.7 million greater than the net decrease in FY 2022. The net position increase for FY 2023 includes capital grants and gifts of \$24.3 million. The net position decrease for FY 2022 includes capital grants and gifts of \$3.3 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 2023	FY 2022 (As Restated)	FY 2021
CASH FLOWS PROVIDED (USED) BY			
Operating Activities	\$ (95,630)	\$ (98,346)	\$ (86,450)
Noncapital Financing Activities	87,549	112,620	98,801
Capital and Related Financing Activities	(44,886)	(25,268)	(24,273)
Investing Activities	24,202	3,221	11,308
NET CHANGE IN CURRENT CASH	(28,765)	(7,773)	(614)
Current Cash - Beginning of Year	58,908	66,681	67,295
CURRENT CASH - END OF YEAR	<u>\$ 30,143</u>	<u>\$ 58,908</u>	<u>\$ 66,681</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.
- 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.

MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2023
(UNAUDITED)

Capital Asset and Debt Administration

New capital projects started in FY 2023 include concrete replacement, roof repairs at the Henderson Center, and replacement of the Drinko Library chiller. Projects that were completed in FY 2023 include elevator modernizations and emergency power system enhancements, turf replacements for recreation and stadium fields, and roof repairs at the Fine Art building, MRI, and RCBI.

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, \$3.4 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 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

In January 2022, Marshall University welcomed its 38th president, Brad D. Smith. As a proud West Virginian with a passion for leadership and philanthropy, Brad D. Smith is focused on helping facilitate change by developing, supporting and investing in people. His devotion to giving back to his home state runs deep, and he is committed to transforming student affordability and accessibility in a region where many communities have been disproportionately affected by technological and economic change.

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 FY2023 realized some recovery of State revenues, The University continues to be at risk for reductions in State appropriations if broader revenue stabilization is not maintained. The University has withstood cuts to state appropriations of approximately 13% from FY2013 to FY2020.

In 2022, the West Virginia Higher Education Policy Commission, in collaboration with the West Virginia Legislature as well as other state colleges and universities, approved a new rule for the distribution of state appropriations to higher education institutions. This outcomes-based funding model will allocate state resources based on defined metrics centered around student success and innovation.

MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2023
(UNAUDITED)

Although confident this new outcomes-based funding model will optimize allocation activities and economic development, the University continues to mitigate uncertainty by being 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 revenue enhancements. Key components of the long-range plan include moving to an incentive budget model, 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.

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.

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.

Future Direction: The University's Board of Governors approved President Smith's Strategic Vision which includes actions to strengthen the University's foundation by optimizing current performance while building a stronger future by transforming to adopt best practices occurring in higher education and becoming the demonstration project for others to follow. The University has defined a strategic roadmap to future prosperity and has named that strategy "Marshall for All...Marshall Forever." Marshall for All...Marshall Forever begins with the University Vision to inspire learning and creativity that ignites the mind, nurtures the spirit, and fulfills the promise for a better future. The strategy is brought to life through the focus and execution of five student-first priorities:

- **Increase Access** – Target currently underserved populations including adults, out-of-state students, and certificate seekers.
- **Ensure Affordability** – Lower the debt burden for students by minimizing tuition increases and preventing student loan debt.
- **Grow Support Programs** – Grow the support network that will assist students with program selection and develop personalized pathways that will lead to increased retention and completion.
- **Deliver on Demand** – Develop flexible ways to learn across all programs to serve diverse populations, with best-in-class faculty, development and support.

MARSHALL UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (CONTINUED)
FISCAL YEAR 2023
(UNAUDITED)

- **Enable Lifetime Achievement** – Prepare students for strong jobs aligned with employer demand, grow programs that meet student interests and industry needs.

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, Cybersecurity, Engineering, Health Professions and Business.

Despite the unprecedented uncertainties surrounding higher education, Marshall University approaches these challenges as an opportunity to realign spending and processes with the University’s 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 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 Chief Financial Officer, One John Marshall Drive, Huntington, West Virginia 25755.

MARSHALL UNIVERSITY
STATEMENTS OF NET POSITION – PRIMARY INSTITUTION
JUNE 30, 2023 AND 2022

	2023	2022 (As Restated)
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 30,142,832	\$ 58,908,252
Receivables, Net	35,330,338	29,586,177
Loans Receivable	718,270	661,650
Inventories	600,804	584,020
Other Current Assets	561,945	410,716
Total Current Assets	67,354,189	90,150,815
 NONCURRENT ASSETS		
Cash and Cash Equivalents	5,016,489	24,903,602
Investments	109,023,304	102,666,807
Accounts Receivable	12,417,807	11,947,449
Loans Receivable, Net of Allowance of \$922,953 in 2023 and \$2,312,620 in 2022	2,968,234	2,525,315
Other Post Employment Benefits Asset	-	546,745
Other Noncurrent Assets	21,954,902	3,308,427
Capital Assets, Net	487,848,001	465,711,941
Total Noncurrent Assets	639,228,737	611,610,286
Total Assets	706,582,926	701,761,101
 DEFERRED OUTFLOWS OF RESOURCES		
Loss on Refunding	2,730,307	2,858,875
Related to Pensions	334,874	370,857
Related to OPEB	2,742,426	2,319,878
Total Deferred Outflows of Resources	5,807,607	5,549,610
Total Assets and Deferred Outflows	\$ 712,390,533	\$ 707,310,711

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
STATEMENTS OF NET POSITION – PRIMARY INSTITUTION (CONTINUED)
JUNE 30, 2023 AND 2022

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	2023	2022 (As Restated)
CURRENT LIABILITIES		
Accounts Payable	\$ 10,904,003	\$ 7,525,558
Accrued Liabilities	12,426,980	17,491,599
Accrued Interest	597,286	560,612
Unearned Revenue	18,763,774	17,935,101
Deposits	903,241	891,872
Notes, Lease Obligation, and Bonds Payable, Current Portion	6,637,853	5,207,482
Compensated Absences	11,008,368	11,300,324
Debt Obligations to the Commission, Current Portion	1,101,427	1,041,906
Total Current Liabilities	62,342,932	61,954,454
NONCURRENT LIABILITIES		
Notes, Lease Obligation, and Bonds Payable, Net of Current Portion	163,390,087	164,381,909
Advances from Federal Sponsors	3,270,255	3,706,896
Unearned Revenue	2,181,226	2,752,338
Other Noncurrent Liabilities	12,017,526	11,365,231
Other Post Employment Benefits Liability	1,849,250	-
Net Pension Liability	1,166,431	948,451
Debt Obligations to the Commission, Net of Current Portion	2,326,902	3,428,329
Total Noncurrent Liabilities	186,201,677	186,583,154
Total Liabilities	248,544,609	248,537,608
DEFERRED INFLOWS OF RESOURCES		
Related to Private-Public Partnerships	722,608	692,499
Related to OPEB	8,477,137	19,537,127
Related to Pensions	564,986	1,327,519
Related to Leases	694,522	924,978
Total Deferred Inflows of Resources	10,459,253	22,482,123
Total Liabilities and Deferred Inflows	259,003,862	271,019,731
NET POSITION		
Net Investment in Capital Assets	318,484,480	314,018,861
Restricted for:		
Nonexpendable	15,176,000	15,176,000
Expendable:		
Scholarships	255,805	155,656
Sponsored Projects	20,897,404	19,073,498
Loans	1,945,741	971,384
Debt Service	-	585,127
Total Restricted Expendable	23,098,950	20,785,665
Unrestricted	96,627,241	86,310,454
Total Net Position	453,386,671	436,290,980
Total Liabilities, Deferred Inflows, and Net Position	\$ 712,390,533	\$ 707,310,711

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION – PRIMARY INSTITUTION
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022 (As Restated)
OPERATING REVENUES		
Student Tuition and Fees, Net of Scholarship Allowance of \$41,992,384 in 2023 and \$42,538,098 in 2022	\$ 70,709,957	\$ 70,641,021
Contracts and Grants:		
Federal	41,779,820	37,779,523
State	29,440,688	31,191,909
Local	956,712	1,024,530
Private	24,298,421	21,761,094
Interest on Loans Receivable	116,636	108,992
Sales and Services of Educational Activities	249,384	430,645
Auxiliary Enterprise Revenue, Net of Scholarship Allowance of \$6,750,952 in 2023 and \$6,838,684 in 2022	33,607,348	28,822,606
Other Operating Revenues	16,300,632	8,426,972
Total Operating Revenues	217,459,598	200,187,292
OPERATING EXPENSES		
Salaries and Wages	149,301,897	143,858,724
Benefits	26,239,859	23,843,404
Supplies and Other Services	88,544,824	76,769,639
Utilities	10,443,580	9,476,423
Student Financial Aid, Scholarships, and Fellowships	23,313,181	33,194,612
Depreciation and Amortization	18,600,192	18,576,012
Other Operating Expenses	(857,373)	864,168
Total Operating Expenses	315,586,160	306,582,982
OPERATING LOSS	(98,126,562)	(106,395,690)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	69,420,935	56,763,659
State Lottery Appropriations	609,019	598,436
Payments on Behalf of the University	(1,756,521)	(536,627)
Federal Pell Grants	15,746,352	15,636,657
Federal CARES Grants	1,867,102	28,129,899
Gifts	1,616,600	1,126,363
Investment Income	10,721,771	(10,506,501)
Interest on Indebtedness	(6,881,514)	(6,796,065)
Fees Assessed by the Commission for Debt Service	(332,392)	(377,002)
Other Nonoperating Revenues (Expenses), Net	(53,356)	2,383,080
Net Nonoperating Revenues	90,957,996	86,421,899
LOSS BEFORE OTHER REVENUES, EXPENSES GAINS, OR LOSSES	(7,168,566)	(19,973,791)
CAPITAL GRANTS AND GIFTS	24,264,257	3,345,986
INCREASE (DECREASE) IN NET POSITION	17,095,691	(16,627,805)
Net Position - Beginning of Year	436,290,980	452,918,785
NET POSITION - END OF YEAR	\$ 453,386,671	\$ 436,290,980

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
STATEMENTS OF CASH FLOWS – PRIMARY INSTITUTION
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Student Tuition and Fees	\$ 68,809,000	\$ 69,378,132
Contracts and Grants	96,196,816	93,362,004
Payments to and on Behalf of Employees	(191,842,271)	(180,728,108)
Payments to Suppliers	(88,057,250)	(75,167,658)
Payments to Utilities	(10,443,421)	(9,476,423)
Payments for Scholarships and Fellowships	(23,312,431)	(32,455,810)
Loans Issued	(253,799)	(221,452)
Collection of Loans	611,632	731,853
Sales and Service of Educational Activities	249,384	430,645
Auxiliary Enterprise Charges	33,734,738	28,854,347
Program Income	1,297,854	1,265,065
Student Loan and Provident Receipts	31,270,903	28,098,352
Student Loan and Provident Payments	(31,242,582)	(28,539,710)
William D. Ford Direct Lending Receipts	75,185,480	74,164,531
William D. Ford Direct Lending Payments	(75,185,484)	(74,164,530)
Other Receipts - Net	17,351,912	6,122,330
Net Cash Used by Operating Activities	(95,629,519)	(98,346,432)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	68,317,896	67,729,608
Federal Pell Grants	15,746,352	15,636,657
Federal Cares Grants	1,867,102	28,129,898
Gift Receipts	1,616,600	1,126,363
Other Nonoperating Receipts	-	(1,800)
Net Cash Provided by Noncapital Financing Activities	87,547,950	112,620,726
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital Grants and Gifts Received	17,692,929	22,538
Purchases of Capital Assets	(50,662,545)	(14,433,785)
Interest Paid on Notes Payable	(26,426)	(31,525)
Payments on Note Payable	(161,018)	(161,021)
Principal Paid on Bonds, Leases, and SBITAs	(3,646,702)	(5,380,217)
Interest Paid on Bonds, Leases and SBITAs	(6,744,084)	(3,955,595)
Proceeds from Sale of Capital Assets	36,603	48,052
Principal Payment on Debt Obligation Due to the Commission	(1,041,906)	(999,148)
Fees Assessed by the Commission	(332,392)	(377,002)
Net Cash Used by Capital Financing Activities	(44,885,541)	(25,267,703)
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits to Noncurrent Cash and Cash Equivalents	(1,957,981)	(4,488,633)
Withdrawals from Noncurrent Cash and Cash Equivalents	21,845,094	7,230,512
Purchases of Investments	(15,890,524)	(12,747,053)
Sales/Maturities of Investments	17,878,068	11,479,522
Investment Income	2,327,033	1,746,516
Net Cash Provided by Investing Activities	24,201,690	3,220,864
DECREASE IN CURRENT CASH AND CASH EQUIVALENTS	(28,765,420)	(7,772,545)
Current Cash and Cash Equivalents - Beginning of Year	58,908,252	66,680,797
CURRENT CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 30,142,832	\$ 58,908,252

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
STATEMENTS OF CASH FLOWS – PRIMARY INSTITUTION (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022 (As Restated)
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (96,126,562)	\$ (106,395,690)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:		
Depreciation and Amortization Expense	18,600,192	18,576,012
Expenses Paid on Behalf of the University	(1,756,521)	(536,627)
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows:		
Accounts Receivable - Net	(17,718,623)	(3,748,307)
Loans Receivable - Net	(471,222)	933,212
Other Assets	(269,479)	242,611
Inventories	(16,784)	110,620
Accounts Payable	2,307,164	2,999,857
Accrued Liabilities	(5,064,619)	(1,191,653)
Other Postemployment Benefits Related Pension Related	2,395,995	(8,667,887)
Compensated Absences	247,976	(1,243,625)
Unearned Revenue	(291,956)	(518,954)
Advances from Federal Sponsors	2,960,194	1,613,194
Deposits Held for Others	(436,643)	(598,223)
	11,369	79,028
Net Cash Used by Operating Activities	\$ (95,629,519)	\$ (98,346,432)
 SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS		
Loss on Disposal of Assets	\$ 53,621	\$ 41,921
Property Additions in Accounts Payable	\$ 1,212,230	\$ 72,499
Expenses Paid on Behalf of the University	\$ (1,756,521)	\$ (536,627)
Acquisition of Right-of-Use Assets Under Lease Arrangements	\$ 2,675,343	\$ 2,333,090

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
THE MARSHALL UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – COMPONENT UNIT
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 41,526,318	\$ 31,107,533
Unconditional promises to give, less allowance for uncollectible promises of \$ 4,412,110 and \$ 4,395,116 in 2023 and 2022, respectively	21,512,283	21,372,523
Other receivables	744,231	153,196
Prepays	30,449	49,777
Investments	282,805,357	268,825,338
Cash surrender value-life insurance, net of policy loans	688,121	679,773
Property and equipment - net	29,343,632	12,602,344
Other assets	16,525	16,525
Contributions receivable from remainder trusts	430,825	450,454
Beneficial interest in perpetual trust	10,168,393	9,807,326
Collections	<u>1,494,273</u>	<u>1,494,273</u>
TOTAL ASSETS	\$ <u>388,760,407</u>	\$ <u>346,559,062</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 2,060,913	\$ 1,972,895
Accrued vacation, wages and deferred compensation	323,630	490,612
Refundable Advances	3,142	2,000
Annuity payment liability	424,043	596,116
Funds held in custody for others	<u>78,589,601</u>	<u>72,940,794</u>
TOTAL LIABILITIES	<u>81,401,329</u>	<u>76,002,417</u>
 NET ASSETS		
Without donor restrictions	21,184,912	18,856,252
With donor restrictions	<u>286,174,166</u>	<u>251,700,393</u>
TOTAL NET ASSETS	<u>307,359,078</u>	<u>270,556,645</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>388,760,407</u>	\$ <u>346,559,062</u>

See accompanying Notes to Financial Statements.

**MARSHALL UNIVERSITY
THE MARSHALL UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES – COMPONENT UNIT
JUNE 30, 2023 AND 2022**

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS			
Gifts and contributions of cash and other financial assets	\$ 1,667,561	\$ 37,478,692	\$ 39,146,253
Gifts and contributions of nonfinancial assets	-0-	7,145	7,145
Investment income	699,423	4,602,083	5,301,506
Other	557,140	1,435,160	1,992,300
Net assets released from restrictions			
Satisfaction of program restrictions	<u>12,272,127</u>	<u>(12,272,127)</u>	<u>-0-</u>
TOTAL PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS	<u>15,196,251</u>	<u>31,250,953</u>	<u>46,447,204</u>
EXPENSES			
PROGRAM SERVICES			
Academic assistance	6,349,333	-0-	6,349,333
Student assistance	<u>5,991,739</u>	<u>-0-</u>	<u>5,991,739</u>
TOTAL PROGRAM SERVICES	<u>12,341,072</u>	<u>-0-</u>	<u>12,341,072</u>
SUPPORTING SERVICES			
Management and general	2,294,724	-0-	2,294,724
Fundraising	<u>2,068,643</u>	<u>-0-</u>	<u>2,068,643</u>
TOTAL SUPPORTING SERVICES	<u>4,363,367</u>	<u>-0-</u>	<u>4,363,367</u>
TOTAL EXPENSES	<u>16,704,439</u>	<u>-0-</u>	<u>16,704,439</u>
CHANGE IN NET ASSETS BEFORE OTHER INCOME (LOSS)	(1,508,188)	31,250,953	29,742,765
OTHER INCOME (LOSS)			
Unrealized gains (losses) on investments	<u>477,604</u>	<u>6,582,064</u>	<u>7,059,668</u>
CHANGE IN NET ASSETS	(1,030,584)	37,833,017	36,802,433
NET ASSETS AS OF BEGINNING OF YEAR	18,856,252	251,700,393	270,556,645
TRANSFERS	<u>3,359,244</u>	<u>(3,359,244)</u>	<u>-0-</u>
NET ASSETS AS OF END OF YEAR	\$ <u>21,184,912</u>	\$ <u>286,174,166</u>	\$ <u>307,359,078</u>

See accompanying Notes to Financial Statements.

**MARSHALL UNIVERSITY
THE MARSHALL UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES – COMPONENT UNIT
JUNE 30, 2023 AND 2022**

	2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS			
Gifts and contributions of cash and other financial assets	\$ 384,653	\$ 13,679,307	\$ 14,063,960
Gifts and contributions of nonfinancial assets	-0-	219,570	219,570
Investment income	872,955	11,072,253	11,945,208
Other	960,087	569,241	1,529,328
Net assets released from restrictions			
Satisfaction of program restrictions	<u>11,285,345</u>	<u>(11,285,345)</u>	<u>-0-</u>
TOTAL PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS	<u>13,503,040</u>	<u>14,255,026</u>	<u>27,758,066</u>
EXPENSES			
PROGRAM SERVICES			
Academic assistance	6,081,443	-0-	6,081,443
Student assistance	<u>5,367,754</u>	<u>-0-</u>	<u>5,367,754</u>
TOTAL PROGRAM SERVICES	<u>11,449,197</u>	<u>-0-</u>	<u>11,449,197</u>
SUPPORTING SERVICES			
Management and general	2,226,177	-0-	2,226,177
Fundraising	<u>1,846,545</u>	<u>-0-</u>	<u>1,846,545</u>
TOTAL SUPPORTING SERVICES	<u>4,072,722</u>	<u>-0-</u>	<u>4,072,722</u>
TOTAL EXPENSES	<u>15,521,919</u>	<u>-0-</u>	<u>15,521,919</u>
CHANGE IN NET ASSETS BEFORE OTHER INCOME (LOSS)	(2,018,879)	14,255,026	12,236,147
OTHER INCOME (LOSS)			
Unrealized gains (losses) on investments	<u>(2,261,559)</u>	<u>(24,431,059)</u>	<u>(26,692,618)</u>
CHANGE IN NET ASSETS	(4,280,438)	(10,176,033)	(14,456,471)
NET ASSETS AS OF BEGINNING OF YEAR	19,803,246	265,209,870	285,013,116
TRANSFERS	<u>3,333,444</u>	<u>(3,333,444)</u>	<u>-0-</u>
NET ASSETS AS OF END OF YEAR	\$ <u>18,856,252</u>	\$ <u>251,700,393</u>	\$ <u>270,556,645</u>

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
PROVIDENT GROUP – MARSHALL PROPERTIES L.L.C.
BALANCE SHEETS
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,278,682	\$ 1,043,684
Assets held by trustee, current portion	2,970,484	2,615,173
Accounts receivable, net of allowance, 2023 - \$101,000 and 2022 - \$150,000	252,785	218,353
Prepaid insurance and other current assets	142,057	70,642
Total current assets	<u>4,644,008</u>	<u>3,947,852</u>
 Assets held by trustee, net of current portion	 3,465,897	 3,498,694
Property and equipment		
Buildings and improvements	77,641,675	77,514,460
Equipment and furniture	7,903,520	7,823,860
Construction in progress	110,978	31,810
	<u>85,656,173</u>	<u>85,370,130</u>
Less accumulated depreciation	41,446,385	38,614,738
Total property and equipment	<u>44,209,788</u>	<u>46,755,392</u>
 Total assets	 <u>\$ 52,319,693</u>	 <u>\$ 54,201,938</u>
LIABILITIES AND MEMBER'S DEFICIT		
Current liabilities		
Revenue bonds payable, current portion	\$ 238,000	\$ 75,508,000
Accounts payable	879,503	211,175
Accrued interest	211,505	51,524
Interest rate swap agreement, current portion	2,688,238	6,625,256
Accrued expenses and other current liabilities	1,370,152	917,116
Total current liabilities	<u>5,387,398</u>	<u>83,313,071</u>
Long - term liabilities		
Revenue bonds payable, net of current portion	81,766,046	7,847,655
Deferred interest - subordinate bonds payable	3,247,927	2,592,727
Accrued expenses and other long-term liabilities	491,437	339,767
Total long-term liabilities	<u>85,505,410</u>	<u>10,780,149</u>
 Total liabilities	 <u>90,892,808</u>	 <u>94,093,220</u>
 Member's deficit	 <u>(38,573,115)</u>	 <u>(39,891,282)</u>
 Total liabilities and member's deficit	 <u>\$ 52,319,693</u>	 <u>\$ 54,201,938</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, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Operating revenue		
Rental revenue	\$ 5,161,696	\$ 4,636,871
Membership fees	4,972,391	5,032,394
Other revenue	78,612	53,267
Total operating revenue	<u>10,212,699</u>	<u>9,722,532</u>
Operating expenses		
Administration and general	3,801,860	3,543,467
Plant operations and maintenance	1,578,401	1,330,870
Marketing	24,548	25,566
Management fees	740,972	691,594
Bad debts	54,248	-
Total operating expenses	<u>6,200,029</u>	<u>5,591,497</u>
Operating income	<u>4,012,670</u>	<u>4,131,035</u>
Other income (expense)		
Interest income	91,749	1,017
Interest expense - subordinate management fees	(7,176)	(3,908)
Interest expense - senior bonds payable	(2,714,961)	(2,872,772)
Interest expense - subordinate bonds payable	(655,200)	(655,200)
Interest expense - amortization of debt related items	(58,391)	(60,165)
Unrealized gain on interest rate swap agreement	3,937,019	7,810,149
Depreciation	(3,130,353)	(3,113,936)
Loss on disposal of fixed assets	(157,190)	(15,160)
Total other (expense) income	<u>(2,694,503)</u>	<u>1,090,025</u>
Net income	<u>\$ 1,318,167</u>	<u>\$ 5,221,060</u>
Member's deficit, June 30, 2021		\$ (45,112,342)
Net income		<u>5,221,060</u>
Member's deficit, June 30, 2022		(39,891,282)
Net income		<u>1,318,167</u>
Member's deficit, June 30, 2023		<u>\$ (38,573,115)</u>

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
BIG GREEN SCHOLARSHIP FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION – COMPONENT UNIT
JUNE 30, 2023 AND 2022

ASSETS	2023	2022
CURRENT ASSETS		
Cash	\$ 4,984,815	\$ 2,288,107
Accounts Receivable	46,513	64,054
Unconditional Pledges (Net of Allowance for Uncollectible Pledges)	10,163,925	2,802,748
Prepaid Expenses	235,657	2,039
Total Current Assets	15,430,910	5,156,948
FIXED ASSETS		
Right of use asset Office Space	262,476	64,521
Vehicles	124,484	124,484
Less: Accumulated Depreciation	(59,301)	(40,098)
Net Fixed Assets	327,659	148,907
OTHER ASSETS		
Security Deposit	2,039	2,039
Beneficial Interest in Charitable Remainder Trust, With Donor Restrictions	638,629	636,618
Endowment Investments:		
Without Donor Restrictions	139,154	121,701
With Donor Restrictions	11,401,386	10,369,255
Cash Value Life Insurance	59,432	58,296
Total Other Assets	12,240,640	11,187,909
 Total Assets	 \$ 27,999,209	 \$ 16,493,764
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued Expenses	\$ 30,807	\$ 3,699
Accounts Payable	242,609	20,346
Current Portion of Operating Lease Liability	74,005	27,100
Current Portion of Long-Term Debt	224,596	-
Deferred Revenue	-	350
Total Current Liabilities	572,017	51,495
NONCURRENT LIABILITIES		
Operating Lease Liability	188,471	37,421
Note Payable	3,815,404	40,000
Total Liabilities	4,575,892	128,916
NET ASSETS		
Without Donor Restrictions	3,630,230	3,289,968
With Donor Restrictions	19,793,087	13,074,880
Total Net Assets	23,423,317	16,364,848
 Total Liabilities and Net Assets	 \$ 27,999,209	 \$ 16,493,764

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
BIG GREEN SCHOLARSHIP FOUNDATION, INC.
STATEMENTS OF ACTIVITIES – COMPONENT UNIT
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and Gains:		
Contributions	\$ 4,075,449	\$ 3,631,448
Special Events	757,036	545,243
Investment Return, Net	323,431	408,900
Other Income	159,299	80,781
In-Kind Contributions	458,637	467,461
Realized Gain/(Loss) on Sale of Capital Assets	-	10,414
Total Revenue and Gains Without Donor Restrictions	5,773,852	5,144,247
Expenses:		
Management and General Expenses:		
Salaries and Benefits	177,732	170,003
Special Events	683,326	374,285
Travel and Entertainment	203,416	126,774
Promotions	437,905	235,458
Public Relations	39,400	25,839
Printing and Graphics	63,860	36,610
Office Expenses	90,061	39,335
Insurance	7,587	10,274
Repair, Maintenance, and Rental	105,298	86,950
Accounting and Professional Services	31,475	16,485
Other Expenses	60,063	2,568
Bank Charges and Credit Card Fees	37,843	36,363
Bad Debt Expense	116,142	48,164
Total Management and General Expenses	2,054,108	1,209,108
Program Service Expenses:		
Contributions to Marshall University Department of Athletics	2,266,904	2,115,424
Capital Purchases to Marshall University	98,844	737,572
Salaries and Benefits	169,673	173,177
Financial Aid	-	2,500
Athletic Equipment and Awards	161,675	15,599
Courtesy Cars	238,111	233,596
Travel, Team	281,347	103,702
Recruiting	551	126,925
Meals	54,821	-
Medical	178,144	160,012
Housing	80,836	66,308
Facility Maintenance	58,060	35,618
Office Expenses	471	14,786
Interest Expense	2,453	-
Depreciation	19,203	11,628
Other Expenses	64,029	19,337
Total Program Service Expenses	3,675,122	3,816,184

See accompanying Notes to Financial Statements.

**MARSHALL UNIVERSITY
BIG GREEN SCHOLARSHIP FOUNDATION, INC.
STATEMENTS OF ACTIVITIES – COMPONENT UNIT (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
NET ASSETS WITHOUT DONOR RESTRICTIONS (CONTINUED)		
Total Expenses	\$ 5,729,230	\$ 5,025,292
Operating Transfers In/(Out) Without Restrictions	-	-
Change in Net Assets Without Donor Restrictions	44,622	118,955
NET ASSETS WITH DONOR RESTRICTIONS		
Revenues and Gains:		
Contributions	9,751,999	753,635
Investment Return, Net	1,018,541	(2,436,342)
Other Income	865	-
Total Revenues and Gains With Donor Restrictions	10,771,405	(1,682,707)
Expenses:		
Management and General Expenses:		
Office Expenses	367	-
Promotions	7,423	7,307
Printing and Graphics	5,350	-
Interest	12,915	-
Bank Charges and Credit Card Fees	11,728	6,223
Bad Debt Expense	594,125	(6,415)
Total Management and General Expenses	631,908	7,115
Program Service Expenses:		
Contributions of Capital Purchases to MUAD	3,125,650	350,000
Total Program Service Expenses	3,125,650	350,000
Total Expenses	3,757,558	357,115
Operating Transfers Out With Restrictions	-	-
Change in Net Assets With Donor Restrictions	7,013,847	(2,039,822)
Increase in Total Net Assets	7,058,469	(1,920,867)
Beginning Net Assets	16,364,848	18,285,715
Ending Net Assets	\$ 23,423,317	\$ 16,364,848

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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, 2023 and 2022.

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, 2023 AND 2022

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, 2023 AND 2022**

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, 2023 and 2022, 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 amortization 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

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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, 2023 AND 2022

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.wvbti.com>.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The University's investments are entirely managed and held by the Foundation at June 30, 2023 and 2022. MURC held U.S. government agency securities, corporate/foreign bonds, equity mutual funds and fixed income investments at June 30, 2023 and 2022.

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, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets include property, plant, and equipment; leases, subscription based information technology arrangements (SBITAs), 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.

Leases and SBITA assets are initially measured as the sum of the present value of payments expected to be made during the term, payments associated with the contract made to the vendor at the commencement of the contractual term, when applicable, and capitalizable implementation costs, less any vendor incentives received from the vendor at the commencement of the contractual term. Leases and SBITA assets are amortized in a systematic and rational manner over the shorter of the contractual term or the useful life of the underlying 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.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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).

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023 and 2022, the University had a deferred loss on refunding of \$2,730,307 and \$2,858,875, respectively, and deferred outflows of resources related to pensions of \$334,874 and \$370,857 as of June 30, 2023 and 2022, respectively (Note 14). As of June 30, 2023 and 2022, the University had deferred outflows of resources related to OPEB of \$2,742,426 and \$2,319,878, respectively, as required by GASB 75 (Note 11).

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, 2023 and 2022, the University had deferred inflows from public-private partnerships of \$772,608 and \$692,499, respectively, and deferred inflows related to pensions of \$564,986 and \$1,327,519 as of June 30, 2023 and 2022, respectively (Note 14). As of June 30, 2023 and 2022, the University had deferred inflows of resources related to OPEB of \$8,477,137 and \$19,537,127, respectively, as required by GASB 75 (Note 11). As of June 30, 2023 and 2022, the University had deferred inflows of resources related to leases of \$694,522 and \$924,978, respectively.

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.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management (Continued)

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, 2023 and 2022, the balance in the escrow account was \$689,854 and \$1,571,855, respectively. Based on an actuarial valuation of this self-insurance program, the University has recorded a liability of \$11,769,000 and \$11,067,000 at June 30, 2023 and 2022, respectively, to reflect projected claim payments at 80% confidence level and a discount rate of 3% at June 30, 2023 and 2022. The receivable from University Physicians & Surgeons, Inc., for the funding it has agreed to provide for this liability was \$11,079,146 and \$9,495,145 at June 30, 2023 and 2022, respectively, and is included in noncurrent other accounts receivable (see Note 4).

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.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2023 and 2022, the University received and disbursed approximately \$75,000,000 and \$74,000,000, 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.

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 2023 and 2022, the University received and disbursed approximately \$17,079,000 and \$17,804,000, 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.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This standard provides accounting and financial reporting requirements for public-private and public-public partnership arrangements (PPPs) that either meet the definition of an SCA or are not within the scope of Statement 87, as amended. This standard also provides guidance for accounting and financial reporting for availability payment arrangements (APAs), which are arrangements in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The University adopted the requirements of the guidance effective July 1, 2022, and has applied the provisions of this standard to the beginning of the earliest period presented. Net position as of July 1, 2021 was restated by \$925,846 due to the adoption of GASB 94 (Note 25).

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. The Entity adopted the requirements of the guidance effective July 1, 2022 has applied the provisions of this standard to the earliest period presented.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 CASH AND CASH EQUIVALENTS

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

	2023		
	Current	Noncurrent	Total
State Treasurer	\$ 22,464,929	\$ 176,000	\$ 22,640,929
Trustee	6,939	4,150,636	4,157,575
State Treasurer - Escrow	-	689,854	689,854
Cash Equivalents	5,804,747	-	5,804,747
In Bank	1,858,936	-	1,858,936
On Hand	7,281	-	7,281
Total	<u>\$ 30,142,832</u>	<u>\$ 5,016,490</u>	<u>\$ 35,159,322</u>

	2022		
	Current	Noncurrent	Total
State Treasurer	\$ 49,134,947	\$ 176,000	\$ 49,310,947
Trustee	12	23,155,747	23,155,759
State Treasurer - Escrow	-	1,571,855	1,571,855
Cash Equivalents	7,875,225	-	7,875,225
In Bank	1,890,787	-	1,890,787
On Hand	7,281	-	7,281
Total	<u>\$ 58,908,252</u>	<u>\$ 24,903,602</u>	<u>\$ 83,811,854</u>

Cash held by the State Treasurer includes \$2,311,859 and \$1,742,291 at June 30, 2023 and 2022, 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 \$689,854 and \$1,571,855 at June 30, 2023 and 2022, respectively.

MURC cash equivalents totaling \$5,803,493 and \$7,895,279 at June 30, 2023 and 2022, respectively, are held in a business savings account, collateralized at 163% and 117%, respectively. The collateral was held in the name of MURC.

The carrying amount of cash in bank at June 30, 2023 and 2022, was \$1,858,936 and \$1,890,787 as compared with the bank balance of \$1,869,372 and \$1,812,888, 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, 2023 and 2022.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Amounts with the State Treasurer as of June 30, 2023 and 2022, are comprised of approximately \$2,933,320 and \$13,057,146, 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	2023		2022	
	Carrying Value (in Thousands)	S & P Rating	Carrying Value (in Thousands)	S & P Rating
WV Money Market Pool	\$ 17,611	AAAm	\$ 31,909	AAAm
WV Short Term Bond Pool	409	Not Rated	757	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	2023		2022	
	Carrying Value (in Thousands)	WAM (Days)	Carrying Value (in Thousands)	WAM (Days)
WV Money Market Pool	\$ 17,611	29	\$ 31,909	21

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

External Pool	2023		2022	
	Carrying Value (in Thousands)	Effective Duration (Days)	Carrying Value (in Thousands)	Effective Duration (Days)
WV Short Term Bond Pool	\$ 409	609	\$ 757	584

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, 2023 AND 2022

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	
	2023	2022
Money Market Fund	\$ 4,157,575	\$ 23,155,759

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, 2023 and 2022, are as follows:

	2023		
	Current	Noncurrent	Total
Student Tuition and Fees, Net of Allowance for Doubtful Accounts of \$1,050,376	\$ 1,767,319	\$ -	\$ 1,767,319
Grants and Contracts Receivable, Net of Doubtful Accounts of \$2,245,684	20,676,951	-	20,676,951
Due from the Commission	76,222	-	76,222
Due from Other State Agencies	32,604	-	32,604
Primary Government	5,767,707	-	5,767,707
Lease Receivable	237,029	456,909	693,938
Other Accounts Receivable	6,772,506	11,960,898	18,733,404
Total	\$ 35,330,338	\$ 12,417,807	\$ 47,748,145

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)

	2022		
	Current	Noncurrent	Total
Student Tuition and Fees, Net of Allowance for Doubtful Accounts of \$990,381	\$ 750,780	\$ -	\$ 750,780
Grants and Contracts Receivable, Net of Doubtful Accounts of \$1,095,577	16,616,480	-	16,616,480
Due from the Commission	225,755	-	225,755
Due from Other State Agencies	16,284	-	16,284
Primary Government	4,055,648	-	4,055,648
Lease Receivable	234,412	693,937	928,349
Other Accounts Receivable	7,686,818	11,253,512	18,940,330
Total	<u>\$ 29,586,177</u>	<u>\$ 11,947,449</u>	<u>\$ 41,533,626</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, 2023 and 2022:

	2023			
	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	\$ 78,903,761	\$ -	\$ 78,903,761	\$ -
MURC:				
U.S. Government Agency Obligations	363,889	-	363,889	-
U.S. Treasury Obligations	5,645,796	-	5,645,796	-
Corporate/Foreign Bonds	3,069,594	-	3,069,594	-
Equity Mutual Funds	19,348,397	19,348,397	-	-
Fixed Income	1,691,867	1,691,867	-	-
Total	<u>\$ 109,023,304</u>	<u>\$ 21,040,264</u>	<u>\$ 87,983,040</u>	<u>\$ -</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 5 INVESTMENTS (CONTINUED)

	2022			
	Fair Value Measurements Using			
	Fair Value	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	\$ 72,896,853	\$ -	\$ 72,896,853	\$ -
MURC:				
U.S. Government Agency Obligations	504,467	-	504,467	-
U.S. Treasury Obligations	3,960,190	-	3,960,190	-
Corporate/Foreign Bonds	5,064,159	-	5,064,159	-
Equity Mutual Funds	17,791,816	17,791,816	-	-
Fixed Income	2,449,322	2,449,322	-	-
Total	<u>102,666,807</u>	<u>\$ 20,241,138</u>	<u>\$ 82,425,669</u>	<u>\$ -</u>
Investments Measured at Cost				
MURC:				
Progenesis Technologies				
Total Investments		<u>\$ 102,666,807</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, 2023 AND 2022

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 4.36 years. At June 30, 2023 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, 2023 by MURC have S&P ratings ranging from AA+ to BBB and Moody's ratings ranging from Aaa to Baa2.

Concentration of Credit Risk

MURC's investment policy (not approved by the board of directors as of June 30, 2023 and 2022) 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%

MURC has investments in a single issuer greater than 5% as of June 30, 2023 and 2022 as follows:

	<u>2023</u>	<u>2022</u>
iShares Russell Mid-Cap Growth	\$ -	\$ 1,769,553.00
TIAA-CREF Large-Cap Growth	4,458,431	4,395,236
TIAA-CREF Large-Cap Value	3802672	3437647
Harding Inst. Emerging Markets	1837424	1597604
iShares Core MSCI EAFE	5,084,505	4,432,935
DFA Inflation Protected Portfolio	1,694,867	1,712,366
Ishares Russell Mid-Cap Value	1,960,424	-
	<u>\$ 18,838,323</u>	<u>\$ 17,345,341</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 5 INVESTMENTS (CONTINUED)

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, 2023 AND 2022

NOTE 6 CAPITAL ASSETS

Capital asset transactions for the years ended June 30, 2023 and 2022, are as follows:

	2023				
	Beginning Balance (As Restated)	Additions	Reductions	Other	Ending Balance
Capital Assets Not Being Depreciated:					
Land	\$ 37,451,177	\$ 5,086,533	\$ -	\$ -	\$ 42,537,710
Antiques and Artwork (Inexhaustible)	121,607	-	(55,000)	-	66,607
Construction in Progress	6,415,146	24,136,756	-	(2,941,502)	27,610,400
Total Capital Assets Not Being Depreciated	<u>\$ 43,987,930</u>	<u>\$ 29,223,289</u>	<u>\$ (55,000)</u>	<u>\$ (2,941,502)</u>	<u>\$ 70,214,717</u>
Other Capital Assets:					
Land Improvements	\$ 8,535,507	\$ 265,962	\$ -	\$ -	\$ 8,801,469
Infrastructure	29,677,488	123,263	-	-	29,800,751
Buildings	610,459,496	954,109	-	2,675,540	614,089,145
Right-of-Use Asset, Facilities	10,290,438	-	(542,823)	265,962	10,013,577
SBITA Asset	4,619,854	6,815,710	-	-	11,435,564
Equipment	67,691,740	5,286,698	(2,786,537)	-	70,191,901
Library Books	9,713,557	47,670	(6,610)	-	9,754,617
Total Other Capital Assets	<u>740,988,080</u>	<u>13,493,412</u>	<u>(3,335,970)</u>	<u>2,941,502</u>	<u>754,087,024</u>
Less: Accumulated Depreciation and Amortization for:					
Land Improvements	7,241,378	364,396	-	-	7,605,774
Infrastructure	26,231,457	436,321	-	-	26,667,778
Buildings	220,613,914	11,482,581	-	-	232,096,495
Right-of-Use Asset, Facilities	1,626,673	986,092	(548,618)	-	2,064,147
SBITA Asset	1,239,614	1,525,616	-	-	2,765,230
Equipment	52,719,967	2,974,109	(2,761,605)	-	52,932,471
Library Books	9,591,066	54,200	(6,610)	-	9,638,656
Total Accumulated Depreciation/Amortization	<u>319,264,069</u>	<u>17,823,315</u>	<u>(3,316,833)</u>	<u>-</u>	<u>333,770,551</u>
Other Capital Assets - Net	<u>\$ 421,724,011</u>	<u>\$ (4,329,903)</u>	<u>\$ (19,137)</u>	<u>\$ 2,941,502</u>	<u>\$ 420,316,473</u>
Capital Asset Summary:					
Capital Assets Not Being Depreciated	\$ 43,987,930	\$ 29,223,289	\$ (55,000)	\$ (2,941,502)	\$ 70,214,717
Capital Assets	740,988,080	13,493,412	(3,335,970)	2,941,502	754,087,024
Total Cost of Capital Assets	<u>784,976,010</u>	<u>42,716,701</u>	<u>(3,390,970)</u>	<u>-</u>	<u>824,301,741</u>
Less: Accumulated Depreciation and Amortization	<u>(319,264,069)</u>	<u>(17,823,315)</u>	<u>3,316,833</u>	<u>-</u>	<u>(333,770,551)</u>
Capital Assets - Net	<u>\$ 465,711,941</u>	<u>\$ 24,893,386</u>	<u>\$ (74,137)</u>	<u>\$ -</u>	<u>\$ 490,531,190</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 CAPITAL ASSETS (CONTINUED)

	2022 (As Restated)				Ending Balance
	Beginning Balance	Additions	Reductions	Other	
Capital Assets Not Being Depreciated:					
Land	\$ 37,451,177	\$ -	\$ -	\$ -	\$ 37,451,177
Antiques and Artwork (Inexhaustible)	121,607	-	-	-	121,607
Construction in Progress	12,033,214	6,462,140	(523,549)	(11,556,659)	6,415,146
Total Capital Assets Not Being Depreciated	<u>\$ 49,605,998</u>	<u>\$ 6,462,140</u>	<u>\$ (523,549)</u>	<u>\$ (11,556,659)</u>	<u>\$ 43,987,930</u>
Other Capital Assets:					
Land Improvements	\$ 8,535,507	\$ -	\$ -	\$ -	\$ 8,535,507
Infrastructure	29,500,263	177,225	-	-	29,677,488
Buildings	598,902,837	-	-	11,556,659	610,459,496
Right-of-Use Asset, Facilities	7,331,926	2,958,512	-	-	10,290,438
SBITA Asset	2,683,189	1,936,665	-	-	4,619,854
Equipment	64,359,828	4,947,607	(1,615,695)	-	67,691,740
Library Books	9,708,723	22,519	(17,685)	-	9,713,557
Total Other Capital Assets	<u>721,022,273</u>	<u>10,042,528</u>	<u>(1,633,380)</u>	<u>11,556,659</u>	<u>740,988,080</u>
Less: Accumulated Depreciation and Amortization for:					
Land Improvements	6,737,414	503,964	-	-	7,241,378
Infrastructure	25,710,125	521,332	-	-	26,231,457
Buildings	208,419,234	12,194,680	-	-	220,613,914
Right-of-Use Asset, Facilities	811,407	815,266	-	-	1,626,673
SBITA Asset	-	1,239,614	-	-	1,239,614
Equipment	51,344,290	2,888,085	(1,512,408)	-	52,719,967
Library Books	9,544,557	64,194	(17,685)	-	9,591,066
Total Accumulated Depreciation/Amortization	<u>302,567,027</u>	<u>18,227,135</u>	<u>(1,530,093)</u>	<u>-</u>	<u>319,264,069</u>
Other Capital Assets - Net	<u>\$ 418,455,246</u>	<u>\$ (8,184,607)</u>	<u>\$ (103,287)</u>	<u>\$ 11,556,659</u>	<u>\$ 421,724,011</u>
Capital Asset Summary:					
Capital Assets Not Being Depreciated	\$ 49,605,998	\$ 6,462,140	\$ (523,549)	\$ (11,556,659)	\$ 43,987,930
Capital Assets	<u>718,339,084</u>	<u>10,042,528</u>	<u>(1,633,380)</u>	<u>11,556,659</u>	<u>738,304,891</u>
Total Cost of Capital Assets	767,945,082	16,504,668	(2,156,929)	-	782,292,821
Less: Accumulated Depreciation and Amortization	<u>(302,567,027)</u>	<u>(18,227,135)</u>	<u>1,530,093</u>	<u>-</u>	<u>(319,264,069)</u>
Capital Assets - Net	<u>\$ 465,378,055</u>	<u>\$ (1,722,467)</u>	<u>\$ (626,836)</u>	<u>\$ -</u>	<u>\$ 463,028,752</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, 2023, the University had outstanding contractual commitments of approximately \$7,619,356 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, 2023 AND 2022

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, 2023, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2024	\$ 161,018
2025	161,018
2026	161,018
2027	161,018
2028	161,018
Total	<u>\$ 805,090</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 BONDS

Bonds payable as of June 30, 2023 and 2022, consist of the following:

	Original Interest Rate	Annual Principal Installment Due	Principal Amount Outstanding	
			2023	2022
University 2020A Series Bonds, Maturing 2030 - 2050M	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	39,710,000	41,890,000
			95,745,000	97,925,000
Add Bond Premium			938,865	983,075
Total			<u>\$ 96,683,865</u>	<u>\$ 98,908,075</u>

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 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.

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.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 BONDS (CONTINUED)

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.

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, 2023 and 2022, net revenues, when combined with other monies legally available for payment of debt service, was 3.18 times and 3.11 times the maximum annual debt service, respectively.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 BONDS (CONTINUED)

A summary of the annual aggregate principal and interest payments for years subsequent to June 30, 2023, is as follows:

Year Ending June 30,	2020A Bonds		2020B Bonds		Combined	
	Principal	Interest	Principal	Interest	Principal	Interest
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	-	1,935,450	2,425,000	1,182,679	2,425,000	3,118,129
2028-2032	2,660,000	9,411,250	10,750,000	4,895,846	13,410,000	14,307,096
2033-2037	-	9,012,250	16,055,000	2,642,651	16,055,000	11,654,901
2038-2042	15,645,000	8,325,550	3,595,000	145,058	19,240,000	8,470,608
2043-2047	22,350,000	5,364,250	-	-	22,350,000	5,364,250
2048-2050	15,380,000	1,246,600	-	-	15,380,000	1,246,600
Total	<u>\$ 56,035,000</u>	<u>\$ 41,101,700</u>	<u>\$ 39,710,000</u>	<u>\$ 12,803,612</u>	<u>\$ 95,745,000</u>	<u>\$ 53,905,312</u>

NOTE 10 FINANCED PURCHASES

The University has financed various equipment and building assets through financed purchases. At June 30, 2023 and 2022, financed equipment with a net book value of \$648,865 and \$284,221 and financed buildings with a net book value of \$55,573,218 and \$56,836,418, respectively, are included in equipment and buildings.

Future annual minimum finance payments for years subsequent to June 30, 2023, are as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,282,059	\$ 2,975,545	\$ 4,257,604
2025	901,427	2,925,678	3,827,105
2026	880,461	2,887,104	3,767,565
2027	977,268	2,844,463	3,821,731
2028	680,479	2,797,140	3,477,619
2029-2033	3,675,721	13,463,763	17,139,484
2034-2038	5,271,013	12,353,559	17,624,572
2039-2043	7,822,442	10,693,797	18,516,239
2044-2048	12,896,825	8,169,413	21,066,238
2049-2053	19,694,580	3,971,658	23,666,238
2054-2055	5,033,966	151,497	5,185,463
Total	<u>\$ 59,116,241</u>	<u>\$ 63,233,617</u>	122,349,858
Less: Interest			63,233,617
Total			<u>\$ 59,116,241</u>

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 10 FINANCED PURCHASES (CONTINUED)

In December 1998, the University entered into a financed 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 agreement was terminated and replaced with a new finance purchase agreement in December 2005, with the new agreement 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 agreement term.

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 an agreement with the Signet Marshall I, LLC, an Ohio limited liability company, to pay for the buildings constructed in the development agreement over 35 years, once construction is complete. Ownership of the facilities will transfer to the University at the end of the term. Construction was substantially complete on August 15, 2019.

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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Net OPEB Liability (Asset)	\$ 1,849,250	\$ (546,745)
Deferred Outflows of Resources	2,742,426	2,319,878
Deferred Inflows of Resources	8,477,137	19,537,127
Revenues	(2,038,936)	(500,522)
OPEB Expense	(9,934,505)	(10,772,717)
Contributions Made by the University	1,190,975	1,557,496

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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.

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. There will be no paygo billed in Fiscal Year 2024.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions (Continued)

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.

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, 2022. 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.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Assumptions

The net OPEB liability as of June 30, 2023 and 2022 for financial reporting purposes was determined by an actuarial valuation as of June 30, 2021 and 2020, rolled forward to June 30, 2022 and 2021, respectively. 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.
- Rates based on 2015-2020 OPEB experience study and dependent on plan participation and attained age, and range from 2.75% to 5.18%, including inflation.
- Trend rate for pre-Medicare per capita costs of 7.0% for plan year-end 2023, decreasing by 0.50% for two years then 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 8.83% for plan year end 2023, decreasing ratably each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2032.
- Inflation rate: 2.75%.
- Discount rate: 6.65%
- Mortality rates: Postretirement, Pub-2010 general Healthy Retiree Mortality Tables (100% males, 108% females) projected with MP-2021. Pre-retirement, Pub-2010 general Healthy Retiree Mortality Tables (100% males, 100% females) projected with MP-2021.

The long-term investment rate of return of 6.65% on OPEB Plan investments was determined by a combination of an expected long-term rate of return of 7.00% for long-term assets invested with the West Virginia Investment Management Board (IMB) and an expected short-term rate of return of 2.5% 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, 2023 AND 2022**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Assumptions (Continued)

The actuarial assumptions used in the June 30, 2022, valuation was based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2020.

2023		
Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	55%	4.8%
Core Plus Fixed Income	15%	2.1%
Core Real Estate	10%	4.1%
Hedge Fund	10%	2.4%
Private Equity	10%	6.8%

2022		
Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	55%	4.8%
Core Plus Fixed Income	15%	2.1%
Core Real Estate	10%	4.1%
Hedge Fund	10%	2.4%
Private Equity	10%	6.8%

Discount Rate. A single discount rate of 6.65% was used to measure the total OPEB liability. This single discount rate was based on the expected rate of return on OPEB plan investments of 6.65%. 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. Based on these 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.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Assumptions (Continued)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate. The following presents the University's proportionate share of the net OPEB liability (asset) as of June 30, 2023 and 2022, respectively, calculated using the discount rate of 6.65%, as of June 30, 2022 and 2021, respectively, as well as what the University's net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.65%) or one percentage point higher (7.65%) than the current rate (in thousands):

	1% Decrease (5.65%)	Current Discount Rate (6.65%)	1% Increase (7.65%)
June 30, 2023	\$ 4,753	\$ 1,849	\$ (642)
	1% Decrease (5.65%)	Current Discount Rate (6.65%)	1% Increase (7.65%)
June 30, 2022	\$ 2,934	\$ (547)	\$ (3,437)

Sensitivity of the Net OPEB Liability (Asset) to Changes in Healthcare Cost Trend Rates. The following presents the University's proportionate share of the net OPEB liability (asset) as of June 30, 2023 and 2022, respectively, calculated using the current healthcare cost trend rates, as well as what the University's net OPEB liability (asset) 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, 2023	\$ (1,051)	\$ 1,849	\$ 5,281
June 30, 2022	(4,037)	(547)	3,705

OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. The net OPEB liabilities (assets) at June 30, 2023 and 2022, were measured as of June 30, 2022 and 2021. The total OPEB liabilities (assets) at June 30, 2023 and 2022, were determined by an actuarial valuations as of June 30, 2021 and 2020.

At June 30, 2023 and 2022, respectively, the amount recognized as the University's proportionate share of the net OPEB liability (asset) was \$1,849,250 and \$(546,745). At June 30, 2023 and 2022, respectively, the nonemployer contributing entity's (State of West Virginia) portion of the collective net OPEB liability (asset) was \$633,481 and \$(107,656). At June 30, 2023 and 2022, the total net OPEB liability (asset) attributable to the University was \$2,482,731 and \$(654,401), respectively.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Assumptions (Continued)

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, 2022 and 2021, respectively. Employer contributions are recognized when due. At June 30, 2022, the University's proportion was 1.661518986%, a decrease of 0.177224812% from its proportion of 1.838743798% as of June 30, 2021. At June 30, 2021, the University's proportion was 1.838743798% an increase of 0.000099015% from its proportion of 1.838644783% calculated as of June 30, 2020.

For the years ended June 30, 2023 and 2022, the University recognized OPEB expense of \$(9,934,505) and \$(10,772,717), respectively. Of this amount, \$(7,895,569) and \$(10,272,195), respectively, was recognized as the University's proportionate share of the OPEB expense, and \$(2,038,936) and \$(500,522), respectively as the amount of OPEB expense attributed to special funding. The University also recognized revenue of \$(2,038,936) and \$(500,522), respectively, for support provided by the State.

At June 30, 2023 and 2022, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows:

	2023		2022	
	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	\$ 78,479	\$ (1,408,007)	\$ 762,383	\$ (224,961)
Changes in Assumptions	1,185,932	(4,698,625)	-	(11,569,383)
Net Difference Between Projected and Actual Investment Earnings	-	(2,359,085)	-	(3,766,257)
Differences Between Expected and Actual Experience	287,040	-	-	(3,773,242)
Reallocation of Opt-Out Employer Change in Proportionate Share Contributions After the Measurement Date	-	(11,420)	-	(203,284)
Total	<u>\$ 1,190,975</u>	<u>\$ -</u>	<u>\$ 1,557,495</u>	<u>\$ -</u>
	<u>\$ 2,742,426</u>	<u>\$ (8,477,137)</u>	<u>\$ 2,319,878</u>	<u>\$ (19,537,127)</u>

The University will recognize the \$1,190,975 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, 2024. 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>
2024	(6,645,263)
2025	(675,334)
2026	(391,056)
1905	785,967
Total	<u>\$ (6,925,686)</u>

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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.

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, 2023 and 2022, is as follows:

	2023	2022
Principal	\$ 1,041,906	\$ 999,148
Interest	242,501	293,395
Other	89,891	83,607
Total	\$ 1,374,298	\$ 1,376,150

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, 2023 AND 2022**

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, 2023, 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, 2023, 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, 2023, 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, 2023 and 2022, includes certain designated net positions as follows:

	<u>2023</u>	<u>2022</u>
Designated for Auxiliaries	\$ 7,818,692	\$ 84,175
Designated for Auxiliaries Repairs and Maintenance Debt Payments, Capital Projects, and Equipment Purchases	6,016,221	6,917,688
Designated for Other Repairs and Maintenance, Debt Payments, Capital Projects, and Equipment Purchases	-	4,857,199
Undesignated	<u>84,641,578</u>	<u>73,904,647</u>
Total Unrestricted Net Position Before OPEB Liability	98,476,491	85,763,709
Less: OPEB Liability	<u>1,849,250</u>	<u>(546,745)</u>
Total Unrestricted Net Position	<u>\$ 96,627,241</u>	<u>\$ 86,310,454</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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, 2023, 2022, and 2021, were approximately \$16,361,000, \$16,077,000, and \$15,588,000, respectively, which consisted of approximately \$8,129,000, \$7,960,000, and \$7,736,000 from the University in 2023, 2022, and 2021, respectively, and approximately \$8,232,000, \$8,116,000, and \$7,852,000 from covered employees in 2023, 2022, and 2021, 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 University's total payroll for the years ended June 30, 2023, 2022, and 2021, was approximately \$149,125,100, \$143,858,700 and \$132,857,859, respectively; total covered employees' salaries in the TIAA-CREF were approximately \$116,640,700 in 2023, \$115,225,000 in 2022, and \$112,461,000 in 2021.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Net Pension Liability	\$ 1,166,431	\$ 948,451
Deferred Outflows of Resources	334,874	370,857
Deferred Inflows of Resources	564,986	1,327,519
Revenues	186,963	(36,108)
Pension Expense	(522,309)	(517,542)
Contributions Made by University	173,227	175,848

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#AnnualReport>.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 (\$36,105) and \$501,177.

The University's contributions to TRS for the years ended June 30, 2023, and 2022, were approximately \$173,000, and \$176,000, respectively.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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, 2021 and 2020, respectively, and rolled forward to the measurement dates of June 30, 2022 and 2021, 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 value
- Amortization method and period: Level dollar, fixed period through fiscal year 2034
- Investment rate of return of (6.20%) and 7.25%, as of July 1, 2022 and 2021, respectively, net of investment expenses
- Projected salary increases: Teachers 2.75% - 5.90% as of June 30, 2022 and 2.75% - 5.90% as of June 30, 2021, and nonteachers 2.75% - 6.5% as of June 30, 2022 and 2.75% - 6.00% as of June 30, 2021, based on age
- Inflation rate of 2.75% and 2.75% as of June 30, 2022 and 2021, respectively
- Discount rate of 7.25% and 7.25% as of June 30, 2022 and 2021, respectively
- Mortality rates based on MP-2019 Mortality Tables
- Withdrawal rates: Teachers 7.00% - 35% and nonteachers 2.30% - 18.00%
- Disability rates: 0.004% - 0.563%
- 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, 2022 and 2021, are summarized below:

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 14 RETIREMENT PLANS (CONTINUED)

TRS (Continued)

Assumptions (Continued)

Asset Class	2022	
	Long-Term Expected Rate of Return	Target Allocation
Domestic Equity	5.3%	27.5%
International Equity	6.1%	27.5%
Core Fixed Income	2.2%	15.0%
Real Estate	6.5%	10.0%
Private Equity	9.5%	10.0%
Hedge Funds	3.8%	10.0%

Asset Class	2021	
	Long-Term Expected Rate of Return	Target Allocation
Domestic Equity	5.1%	27.5%
International Equity	5.2%	27.5%
Core Fixed Income	1.5%	15.0%
Real Estate	5.8%	10.0%
Private Equity	9.3%	10.0%
Hedge Funds	3.8%	10.0%

Discount Rate. The discount rate used to measure the total TRS pension liability was 7.25% and 7.25% as of June 30, 2022 and 2021, respectively. 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, 2023 and 2022, calculated using the discount rate of 7.25% and 7.25%, respectively, as well as what the Commission's TRS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25% and 6.25%) or one percentage point higher (8.25% and 8.25%) than the current rate (dollars in thousands) for 2023 and 2022.

	1% Decrease (6.25% 2023) (6.25% 2022)	Current Discount Rate (7.25% 2023) (7.25% 2022)	1% Increase (8.25% 2023) (8.25% 2022)
June 30, 2023	\$ 1,715,677	\$ 1,166,431	\$ 699,961
June 30, 2022	1,675,977	948,451	330,232

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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, 2023, the TRS net pension liability was measured as of June 30, 2022. The total pension liability was determined by an actuarial valuation as of July 1, 2021 and rolled forward to the measurement date. At June 30, 2022, the TRS net pension liability was measured as of June 30, 2021. The total pension liability was determined by an actuarial valuation as of July 1, 2020 and rolled forward to the measurement date.

At June 30, 2023 and 2022, the University's proportionate share of the TRS net pension liability was approximately \$3,765,000 and \$3,069,000, respectively. Of this amount, the University recognized approximately \$1,167,000 and \$948,000, respectively, as its proportionate share on the statement of net position. The remainder of \$2,598,000 and \$2,121,000, 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, 2022 and 2021. Employer contributions are recognized when due. At June 30, 2022, the University's proportion was .045350%, a decrease of 0.015340% from its proportion of 0.060690% calculated as of June 30, 2021. At June 30, 2021, the University's proportion was 0.060690%, an decrease of .007367% from its proportion of 0.068057%, calculated as of June 30, 2020.

For the years ended June 30, 2023 and 2022, the University recognized TRS pension expense of (\$522,309) and \$(517,542), respectively. Of this amount, \$(355,346) and \$(481,437), respectively, was recognized as the University's proportionate share of the TRS expense; \$(214,994) and \$(36,105), respectively, as the amount of pension expense attributable to special funding from a nonemployer contributing entity; and \$28,031 and \$-0-, 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 \$186,963 and \$(36,105), respectively, for support provided by the State.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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, 2023, 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	\$ -	\$ 555,474
Net Difference Between Projected and Actual Investment Earnings	47,313	
Difference between Expected and Actual Experience	48,435	9,512
Changes in Assumptions	65,899	-
Contributions After the Measurement Date	173,227	-
Total	<u>\$ 334,874</u>	<u>\$ 564,986</u>

At June 30, 2022, 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	\$ -	\$ 541,728
Net Difference Between Projected and Actual Investment Earnings	-	758,021
Difference between Expected and Actual Experience	77,267	27,770
Changes in Assumptions	117,742	-
Contributions After the Measurement Date	175,848	-
Total	<u>\$ 370,857</u>	<u>\$ 1,327,519</u>

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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 \$173,227 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, 2024. 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>
2024	\$ (178,694)
2025	(129,572)
2026	(166,081)
2027	71,008
Total	<u>\$ (403,339)</u>

Payables to the Pension Plan

The University did not report any amounts payable for normal contributions to the TRS as of June 30, 2023 and 2022.

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 \$12,341,072 and \$11,449,197 during the years 2023 and 2022, respectively. This support and related expenditures are recorded in the University's financial statements.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 \$3,675,122 and \$3,816,184 during the years 2023 and 2022, 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, 2023 AND 2022

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, 2023 and 2022.

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, 2023 AND 2022

NOTE 19 CONTINGENCIES AND COMMITMENTS (CONTINUED)

On December 28, 2021, the University entered into a Ground Lease Agreement and Master Lease Agreement (together the Agreements) related to the construction and use of a new educational building with the Foundation. The Foundation is responsible for financing and constructing the building. The University is leasing the land the building is being constructed on to the Foundation. Upon completion of construction, the University will lease the building from the Foundation in an amount equal to the debt service payments of the debt incurred by the Foundation to construct the building and a monthly payment of \$3,350 for a term of 30 years. The University agreed to pay a defined portion of the construction costs from existing resources, and certain lease payments have started prior to the start of the lease term. As of June 30, 2023 and 2022, the University has paid approximately \$21,232,294 and \$3,308,000, respectively, which is included in other noncurrent assets on the statement of financial position. A portion of the construction of the building are being provided by an irrevocable gift agreement, made by the President of the University, for approximately \$25,000,000.

NOTE 20 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

	2023	2022
Assets:		
Current Assets	\$ 26,855,752	\$ 24,880,905
Receivable from University	1,248,230	1,179,784
Capital Assets, Net	11,727,111	10,694,137
Other Assets	30,119,543	29,769,954
Total Assets	69,950,636	66,524,780
Liabilities:		
Current Liabilities	23,588,866	20,513,895
Long-Term Liabilities	939,883	1,274,679
Total Liabilities	24,528,749	21,788,574
Net Position:		
Net Investment in Capital Assets	10,714,051	9,424,461
Restricted:		
Nonexpendable	15,000,000	15,000,000
Sponsored Projects	19,581,185	18,678,041
Unrestricted	126,651	1,633,704
Total Net Position	\$ 45,421,887	\$ 44,736,206

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 20 CONDENSED COMPONENT UNIT INFORMATION - MURC (CONTINUED)

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

	2023	2022
Operating Revenues:		
Federal, State, Local Grants	\$ 53,073,293	\$ 47,927,975
Other Operating Revenues	5,554,223	5,493,032
Total Operating Revenues	58,627,516	53,421,007
Operating Expenses:		
Operations	59,284,728	49,110,187
Depreciation	1,560,462	1,637,796
Total Operating Expenses	60,845,190	50,747,983
Operating Loss	(2,217,674)	2,673,024
Nonoperating Revenues (Expenses):		
Investment Income	2,929,517	(4,985,792)
Other Nonoperating Revenues (Expenses)	(26,162)	2,509,068
Total Nonoperating Revenues	2,903,355	(2,476,724)
INCREASE IN NET POSITION	685,681	196,300
Net Position - Beginning of Year	44,736,206	44,539,906
NET POSITION - END OF YEAR	\$ 45,421,887	\$ 44,736,206

CONDENSED STATEMENTS OF CASH FLOWS

	2023	2022
Net Cash Provided (Used) by:		
Operating Activities	\$ (1,780,552)	\$ 6,739,383
Capital Financing Activities	(2,891,162)	(2,290,122)
Investing Activities	2,579,928	417,741
INCREASE (DECREASE) IN CURRENT CASH AND CASH EQUIVALENTS	(2,091,786)	4,867,002
Current Cash and Cash Equivalents - Beginning of Year	7,895,279	3,028,277
CURRENT CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,803,493	\$ 7,895,279

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 21 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, 2023 AND 2022**

NOTE 21 SEGMENT INFORMATION (CONTINUED)

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

CONDENSED SCHEDULES OF POSITION

	2023	2022
Assets:		
Current Assets	\$ 14,667,723	\$ 11,190,433
Noncurrent Assets	163,023,307	167,047,777
Total Assets	\$ 177,691,030	\$ 178,238,210
Liabilities and Deferred Inflows:		
Current Liabilities	\$ 6,174,332	\$ 4,251,760
Noncurrent Liabilities	129,705,210	113,142,780
Total Liabilities	135,879,542	117,394,540
Deferred Inflows of Resources	2,331,419	2,436,556
Total	138,210,961	119,831,096
Net Position:		
Net Investment in Capital Assets	8,227,857	51,415,304
Restricted for Debt Service	6,938	3
Unrestricted	30,943,607	6,991,807
Total Net Position	39,178,402	58,407,114
Total	\$ 177,389,363	\$ 183,344,794

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 21 SEGMENT INFORMATION (CONTINUED)

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

	2023	2022
Operating:		
Operating Revenues	\$ 22,577,288	\$ 20,656,395
Operating Expenses	<u>(19,816,115)</u>	<u>(19,177,943)</u>
Net Operating Income	2,761,173	1,478,452
Nonoperating:		
Nonoperating Revenues	590,585	451,135
Nonoperating Expenses	<u>(4,813,567)</u>	<u>(4,863,205)</u>
Total Nonoperating	<u>(4,222,982)</u>	<u>(4,412,070)</u>
Net Revenues	(1,461,809)	(2,933,618)
Transfers (to) from the University	<u>(17,766,903)</u>	<u>(1,188,473)</u>
CHANGES IN NET POSITION	(19,228,712)	(4,122,091)
Net Position - Beginning of Year	<u>58,407,114</u>	<u>62,529,205</u>
NET POSITION - END OF YEAR	<u><u>\$ 39,178,402</u></u>	<u><u>\$ 58,407,114</u></u>

CONDENSED SCHEDULES OF CASH FLOWS

	2023	2022
Net Cash Provided by Operating Activities	\$ 12,856,389	\$ 8,901,890
Net Cash Used by Capital and Related Financing	<u>(9,437,981)</u>	<u>(9,880,260)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,418,408	(978,370)
Cash and Cash Equivalents - Beginning of Year	<u>11,140,254</u>	<u>12,118,624</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 14,558,662</u></u>	<u><u>\$ 11,140,254</u></u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 22 LEASE OBLIGATIONS

The University leases certain office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2051 and provide for renewal options ranging from three months to six years.

Total future minimum lease payments under lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 809,979	\$ 138,612	\$ 858,727
2025	621,270	129,827	751,098
2026	637,620	121,746	759,366
2027	573,824	113,336	687,160
2028	194,979	107,789	302,768
2029-2033	1,032,716	481,125	1,513,840
2034-2038	1,136,117	377,724	1,513,840
2039-2043	1,249,871	263,970	1,513,840
2044-2048	1,375,014	138,826	1,513,840
2049 and Thereafter	791,064	19,717	763,496
Total Minimum Lease Payments	<u>\$ 8,422,454</u>	<u>\$ 1,892,671</u>	<u>\$ 10,177,976</u>

Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class.

Leased Space	\$ 10,013,577
Less: Accumulated Amortization	2,064,147
Total	<u>\$ 7,949,430</u>

NOTE 23 LEASE RECEIVABLES

The University, acting as lessor, leases space in facilities under long-term, non-cancelable lease agreements. The leases expire at various dates through 2032 and provide for renewal options ranging from three months to six years. During the year ended June 30, 2023, the University recognized \$250,838 and \$9,338 in lease revenue and interest revenue, respectively, pursuant to these contracts. During the year ended June 30, 2022, the University recognized \$263,025 and \$11,966 in lease revenue and interest revenue, respectively, pursuant to these contracts. Total future minimum lease payments to be received under lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 237,029	\$ 7,335	\$ 244,364
2025	228,513	4,723	233,236
2026	46,654	2,928	49,582
2027	45,178	2,304	47,482
2028	45,788	1,694	47,482
2029-2033	90,775	1,522	92,297
Total Minimum Lease Payments	<u>\$ 693,937</u>	<u>\$ 20,506</u>	<u>\$ 714,443</u>

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 24 NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The operating expenses within both natural and functional classifications for the years ended June 30, 2023 and 2022 are as follows:

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation and Amortization	Other Operating Expense	Total
2023								
Instruction	\$ 66,869,855	\$ 5,792,709	\$ 15,745,699	\$ 208,240	\$ 1,400,755	\$ 3,110,828	\$ -	\$ 93,128,086
Research	9,293,927	2,978,987	8,307,089	35,815	286,970	-	-	20,902,788
Public Service	14,586,354	3,669,637	8,135,305	74,705	285,572	-	-	26,751,573
Academic Support	15,789,344	2,763,937	9,413,747	104,505	54,709	-	-	28,126,242
Student Services	8,829,221	2,171,582	4,662,923	14,267	104,789	-	-	15,782,782
General Institutional Support	15,739,836	2,976,436	13,943,600	539,726	49,303	-	-	33,248,901
Operations and Maintenance of Plant	4,706,277	1,144,609	3,310,192	6,954,043	-	-	-	16,115,121
Student Financial Aid	-	1,109,462	-	-	21,115,329	-	-	22,224,791
Auxiliary Enterprises	13,487,083	3,610,237	24,726,503	2,512,280	51,068	-	-	44,387,171
Depreciation/Amortization	-	-	-	-	-	15,489,364	-	15,489,364
Other	-	22,262	299,766	-	(35,314)	-	(857,373)	(570,659)
Total	\$ 149,301,897	\$ 26,239,858	\$ 88,544,824	\$ 10,443,581	\$ 23,313,181	\$ 18,600,192	\$ (857,373)	\$ 315,586,160
2022 (Restated)								
Instruction	\$ 67,346,167	\$ 6,266,009	\$ 11,237,848	\$ 1,964	\$ -	\$ -	\$ -	\$ 84,851,988
Research	7,916,647	2,871,295	9,461,761	3,465	-	-	-	20,253,168
Public Service	11,891,110	3,269,080	7,111,588	61,711	-	-	-	22,333,489
Academic Support	13,986,232	3,483,413	7,580,117	480	-	-	-	25,050,242
Student Services	8,104,578	2,373,618	3,766,369	4,547	-	-	-	14,249,112
General Institutional Support	17,619,679	710,007	9,365,007	74,491	-	-	-	27,769,184
Operations and Maintenance of Plant	4,494,340	1,236,085	6,727,536	7,031,418	-	-	-	19,489,379
Student Financial Aid	-	-	-	-	33,194,612	-	-	33,194,612
Auxiliary Enterprises	12,499,971	3,633,897	21,519,413	2,298,347	-	-	-	39,951,628
Depreciation/Amortization	-	-	-	-	-	18,576,012	-	18,576,012
Other	-	-	-	-	-	-	864,168	864,168
Total	\$ 143,858,724	\$ 23,843,404	\$ 76,769,639	\$ 9,476,423	\$ 33,194,612	\$ 18,576,012	\$ 864,168	\$ 306,582,982

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 25 RESTATEMENTS

During the current year, the University adopted GASB Statements 94 and 96. The University adopted the requirements of the guidance effective July 1, 2022, and has applied the provisions of this standard to the beginning of earliest period presented. The below charts summarize the impacts of adoption of these standards:

Statement of Net Position as of June 30, 2022

	Balance, as Previously Reported	Effect of Adoption	Balance, as Restated
Noncurrent Accounts Receivable, Net	\$ 11,224,841	\$ 722,608	\$ 11,947,449
Capital Assets, Net	453,667,936	12,044,005	465,711,941
Total Assets	697,658,253	4,102,848	701,761,101
Notes, Lease Obligations and Bonds: Payable, Current Portion	3,840,445	1,367,037	5,207,482
Notes, Lease Obligations and Bonds: Payable, Noncurrent Portion	162,732,806	1,649,103	164,381,909
Unearned Revenue, Noncurrent	-	2,752,338	2,752,338
Accrued Service Concession Liability	775,653	(775,653)	-
Total Liabilities	243,544,783	27,474,948	271,019,731
Deferred Inflows of Resources: Related to Public Private Partnerships	-	692,499	692,499
Related to SCA Arrangements	2,752,338	(2,752,338)	-
Net Investment in Capital Assets	313,624,652	394,209	314,018,861
Unrestricted Net Position	85,534,801	775,653	86,310,454
Total Net Position	435,121,118	1,169,862	436,290,980

Statement of Revenues, Expenses and Changes in Net Position Year Ended June 30, 2022

	Balance, as Previously Reported	Effect of Adoption	Balance, as Restated
Other Operating Revenues	\$ 8,396,863	\$ 30,109	\$ 8,426,972
Total Operating Revenues	200,157,183	30,109	200,187,292
Supplies and Other Services	78,563,555	(1,793,916)	76,769,639
Depreciation and Amortization	17,336,398	1,239,614	18,576,012
Total Operating Expenses	307,137,284	(554,302)	306,582,982
Interest on Indebtedness	(6,605,863)	(190,202)	(6,796,065)
Other Nonoperating Revenues (Expenses)	2,533,273	(150,193)	2,383,080
Net Nonoperating Revenues	86,763,294	(341,395)	86,421,899
Decrease in Net Position	(16,871,821)	244,016	(16,627,805)
Net Position - Beginning of Year	451,992,939	925,846	452,918,785
Net Position - End of Year	435,121,118	1,169,862	436,290,980

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 25 RESTATEMENTS (CONTINUED)

Statement of Cash Flows Year Ended June 30, 2022

	Balance, as Previously Reported	Effect of Adoption	Balance, as Restated
Payments to Suppliers	\$ (77,654,023)	\$ 2,486,365	\$ (75,167,658)
Other Receipts, Net	6,814,829	(692,499)	6,122,330
Net Cash Used by Operating Activities	(99,698,941)	1,352,509	(98,346,432)
Principal Paid on Bonds, Leases and SBITAs	(3,776,553)	(1,603,664)	(5,380,217)
Interest Paid on Bonds, Leases and SBITAs	(3,765,393)	(190,202)	(3,955,595)
Net Cash Used by Capital Financing Activities	(23,473,837)	(1,793,866)	(25,267,703)
Operating Loss	(106,980,101)	584,411	(106,395,690)
Depreciation and Amortization Expense	17,336,398	1,239,614	18,576,012
Accounts Receivable, Net	(3,025,699)	(722,608)	(3,748,307)
Accrued Liabilities	(1,884,102)	692,449	(1,191,653)

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 26 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 most 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 affect 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, 2023 AND 2022

NOTE 26 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 several 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, 2023 AND 2022**

NOTE 26 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.

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 \$67,389 and \$37,246 for 2023 and 2022, 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, 2023 AND 2022**

NOTE 26 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CHANGE IN ACCOUNTING POLICIES

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires a lessee to recognize a liability representing future lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. Upon adoption, a reporting entity should apply the provisions of ASU 2016-02 at the beginning of the earliest period presented using a modified retrospective approach, which includes certain operational practical expedients that an entity may elect to apply.

The Foundation has reviewed operations and identified no leases with a term greater than 12 months. Therefore, the new standard had no impact on the consolidated financial statements.

NOTE 2 – FINANCIAL ASSETS AND LIQUIDITY

As of June 30, 2023 and 2022, financial assets and liquid resources available within one year for general expenditures were as follows:

	<u>2023</u>	<u>2022</u>
Financial assets available		
Cash and cash equivalents	\$ 1,159,225	\$ 5,309,420
Unconditional promises to give, net	600	3,983
Other receivables	<u>744,231</u>	<u>153,196</u>
Total financial assets available within one year	\$ <u>1,904,056</u>	\$ <u>5,466,599</u>

In addition, as of June 30, 2023 and 2022, the Foundation had \$9,384,673 and \$8,278,823, 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, 2023 AND 2022

NOTE 26 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents on June 30, 2023 and 2022 are comprised of the following:

	<u>2023</u>	<u>2022</u>
Cash and overnight repurchase agreements	\$ 27,982,099	\$ 20,640,195
Short-term investments	<u>13,544,219</u>	<u>10,467,338</u>
TOTAL	\$ <u>41,526,318</u>	\$ <u>31,107,533</u>

NOTE 4 – INVESTMENTS

Investments as of June 30, 2023 and 2022 are summarized as follows:

	<u>2023</u> Fair Value	<u>2022</u> Fair Value
Fixed income	\$ 43,404,941	\$ 42,229,655
Equities	143,697,420	128,062,988
Other	<u>95,702,996</u>	<u>98,532,695</u>
TOTAL	\$ <u>282,805,357</u>	\$ <u>268,825,338</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, 2023 and 2022 inclusive of income on cash equivalents, perpetual trusts, and the investments described above:

	<u>2023</u>	<u>2022</u>
Investment Income:		
Interest and dividends	\$ 1,852,950	\$ 1,973,270
Realized gain	4,174,086	10,632,001
Investment fees	<u>(725,530)</u>	<u>(660,063)</u>
Net investment return	\$ <u>5,301,506</u>	\$ <u>11,945,208</u>
Other Income (Loss):		
Unrealized (losses) gains	\$ <u>7,059,668</u>	\$ <u>(26,692,618)</u>

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

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 26 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 5 - NOTES PAYABLE

In April 2020, the Foundation applied for, and received, an SBA Paycheck Protection Program loan made available under the America CARES Act. The Foundation did elect to report the loan as a financial liability in accordance with FASB ASC 470. The Foundation did utilize the loan proceeds in accordance with the SBA requirements and the application for forgiveness of the debt was approved in September 2021. This discharge of indebtedness resulted in a \$376,000 increase in other income on the statement of activities for the year ended June 30, 2022.

Interest expense on notes payable charged to operations was \$0 for the years ended June 30, 2023 and 2022.

NOTE 6 - PROMISES TO GIVE

Unconditional promises to give on June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 8,817,727	\$ 7,412,104
Receivable in one to five years	7,173,984	7,465,009
Receivable in more than five years	<u>11,787,559</u>	<u>12,745,405</u>
Total unconditional promises to give	27,779,270	27,622,518
Less discounts to net present value	(1,854,877)	(1,854,879)
Less allowance for uncollectible promises	<u>(4,412,110)</u>	<u>(4,395,116)</u>
Net unconditional promises to give	\$ <u>21,512,283</u>	\$ <u>21,372,523</u>

Discount rates used on long-term promises to give ranged from 0.25% to 5.25% for fiscal years ending June 30, 2023 and 2022.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 26 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 7 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment on June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land	\$ 1,642,000	\$ 1,642,000
Buildings	10,858,897	10,823,230
Equipment	1,197,778	1,165,783
Construction in Progress	<u>20,456,630</u>	<u>3,480,364</u>
	34,155,305	17,111,377
Less: Accumulated depreciation	<u>(4,811,673)</u>	<u>(4,509,033)</u>
Property and equipment, net	\$ <u>29,343,632</u>	\$ <u>12,602,344</u>

Depreciation expenses charged to operations was \$305,235 and \$304,660 for the years ended June 30, 2023 and 2022, 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 \$1,860,882 and \$1,858,983 on June 30, 2023 and 2022, respectively.

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, 2023 and 2022 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 2023 and 2022 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, 2023 and 2022 totaled \$0.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 26 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, 2023 and 2022 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 2020.

NOTE 10 - CHARITABLE GIFT ANNUITIES

As of June 30, 2023 and 2022, the Foundation had liabilities under irrevocable charitable gift annuities. The Foundation agrees to pay the donors' quarterly annuity payments until the donors' deaths. Based on the donors' life expectancy and the IRS discount rate (4.2% on June 30, 2023), the present value of future liabilities expected to be paid by the Foundation to the beneficiaries totaled \$424,043 and \$596,116 as of June 30, 2023 and 2022, 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 \$252,955 and \$48,702 for the years ended June 30, 2023 and 2022, 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 contributed 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 4.2% on June 30, 2023. On June 30, 2023 and 2022, the contribution receivable from the remainder trusts totaled \$430,825 and \$450,454 respectively.

Revenue net of change in valuation of charitable remainder trusts totaled \$7,990 and \$(85,408) for the years ended June 30, 2023 and 2022, respectively.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 26 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, 2023 and 2022, the beneficial interest in perpetual trusts totaled \$10,168,393 and \$9,807,326, 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 \$361,067 and \$(1,481,607) for the years ended June 30, 2023 and 2022, respectively.

NOTE 13 - NET ASSETS

Net assets with donor restrictions at June 30, 2023 and 2022 were comprised as follows:

Periods after June 30,	<u>2023</u>	<u>2022</u>
Purpose restrictions		
Academic assistance	\$ 81,884,594	\$ 62,507,503
Student assistance	15,231,736	14,136,549
Fundraising	124,556	150,062
Management and General	402,864	339,437
Held in perpetuity		
Collection, Touma Museum	1,494,273	1,494,273
Perpetual and remainder trusts	10,599,218	10,257,780
Endowments	<u>176,436,925</u>	<u>162,814,789</u>
Total net assets with donor restrictions	\$ <u>286,174,166</u>	\$ <u>251,700,393</u>

Net assets were released from donor restrictions during the years ended June 30, 2023 and 2022 by incurring expenses satisfying the purpose specified by donors as follows:

Purpose restrictions accomplished:	<u>2023</u>	<u>2022</u>
Academic assistance	\$ 6,261,197	\$ 5,906,400
Student assistance	5,991,740	5,367,755
Fundraising	11,190	11,190
Management and general	<u>8,000</u>	<u>-0-</u>
Total	\$ <u>12,272,127</u>	\$ <u>11,285,345</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 26 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 13 - NET ASSETS (CONTINUED)

Net assets without donor restrictions on June 30, 2023 and 2022 were comprised as follows:

	<u>2023</u>	<u>2022</u>
Board-designated endowments	\$ 9,384,673	\$ 8,278,823
Investment in property and equipment	8,886,018	9,118,902
Undesignated	<u>2,914,221</u>	<u>1,458,527</u>
Total net assets without donor restrictions	\$ <u>21,184,912</u>	\$ <u>18,856,252</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 \$4,412,110 and \$4,395,116 on June 30, 2023 and 2022, respectively.

The Foundation maintains substantially all its cash balances with six financial institutions. On June 30, 2023 and 2022, 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 \$22,438,052 and \$17,553,518 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 employees do 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 expenses for the fiscal years ended June 30, 2023 and 2022 were \$111,902 and \$125,149, respectively.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 26 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, 2023 and 2022, 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 \$241,614 and \$201,293 for the fiscal years ended June 30, 2023 and 2022, 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 number 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, 2023 AND 2022

NOTE 26 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, 2023 AND 2022

NOTE 26 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 18 - FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of assets measured on a recurring basis at June 30, 2023 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	\$ 430,825	\$ 430,825	\$ -0-	\$ -0-
Beneficial Interest In				
Perpetual Trusts	10,168,393	10,168,393	-0-	-0-
Investments				
Fixed Income				
Commingled Domestic				
Fixed*	8,976,547	-0-	-0-	-0-
Commingled Global Fixed*	15,928,896	7,304,250	-0-	-0-
Domestic Mutual Funds	14,040,034	14,040,034	-0-	-0-
International Mutual Funds	<u>4,459,464</u>	<u>4,459,464</u>	<u>-0-</u>	<u>-0-</u>
Total Fixed Income	<u>43,404,941</u>	<u>25,803,748</u>	<u>-0-</u>	<u>-0-</u>
Equities				
Publicly Traded Equity	47,407	47,407	-0-	-0-
Domestic Mutual Funds	510,995	510,995	-0-	-0-
International Mutual Funds	4,190,395	4,190,395	-0-	-0-
Commingled Global				
Equity*	138,940,373	-0-	-0-	-0-
Other	<u>8,250</u>	<u>8,250</u>	<u>-0-</u>	<u>-0-</u>
Total Equities	<u>143,697,420</u>	<u>4,757,047</u>	<u>-0-</u>	<u>-0-</u>
Other				
Commingled Hedge Funds*	29,790,242	-0-	-0-	-0-
Commingled				
Real Asset Fund*	8,870,053	-0-	-0-	-0-
Commodities*	6,191,918	-0-	-0-	-0-
Public Real Assets	30,380	30,380	-0-	-0-
Private Capital				
Commingled Private				
Capital Fund*	17,663,910	-0-	-0-	-0-
Private Equity*	3,776,952	-0-	-0-	-0-
Private Infrastructure*	5,770,559	-0-	-0-	-0-
Private Real Estate*	11,407,266	-0-	-0-	-0-
Natural Resources*	10,642,843	-0-	-0-	-0-
Venture*	1,516,987	-0-	-0-	-0-
Distressed Debt*	<u>41,886</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Other	<u>95,702,996</u>	<u>30,380</u>	<u>-0-</u>	<u>-0-</u>
Total Assets	\$ <u>293,404,575</u>	\$ <u>41,190,393</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 26 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, 2022 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	\$ 450,454	\$ 450,454	\$ -0-	\$ -0-
Beneficial Interest In				
Perpetual Trusts	9,807,326	9,807,326	-0-	-0-
Investments				
Fixed Income				
Commingled Domestic				
Fixed*	9,757,041	-0-	-0-	-0-
Commingled Global Fixed*	4,686,146	-0-	-0-	-0-
Domestic Mutual Funds	15,426,619	15,426,619	-0-	-0-
International Mutual Funds	<u>12,359,849</u>	<u>12,359,849</u>	<u>-0-</u>	<u>-0-</u>
Total Fixed Income	<u>42,229,655</u>	<u>27,786,468</u>	<u>-0-</u>	<u>-0-</u>
Equities				
Publicly Traded Equity	42,402	42,402	-0-	-0-
Domestic Mutual Funds	555,104	555,104	-0-	-0-
International Mutual Funds	18,288,065	18,288,065	-0-	-0-
Commingled Global				
Equity*	109,169,167	-0-	-0-	-0-
Other	<u>8,250</u>	<u>8,250</u>	<u>-0-</u>	<u>-0-</u>
Total Equities	<u>128,062,988</u>	<u>18,893,821</u>	<u>-0-</u>	<u>-0-</u>
Other				
Commingled Hedge Funds*	39,810,061	-0-	-0-	-0-
Commingled Real				
Asset Fund*	9,478,948	-0-	-0-	-0-
Public Real Assets	78,442	78,442	-0-	-0-
Private Capital				
Commingled Private				
Capital Fund*	19,347,175	-0-	-0-	-0-
Private Equity*	2,663,961	-0-	-0-	-0-
Private Infrastructure*	2,238,930	-0-	-0-	-0-
Private Real Estate*	12,000,007	-0-	-0-	-0-

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 26 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)
Natural Resources*	\$ 10,676,273	\$ -0-	\$ -0-	\$ -0-
Venture*	2,201,147	-0-	-0-	-0-
Distressed Debt*	<u>37,751</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Other	<u>98,532,695</u>	<u>78,442</u>	<u>-0-</u>	<u>-0-</u>
 Total Assets	 <u>\$ 279,083,118</u>	 <u>\$ 57,016,511</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, 2023 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	\$ 424,043	\$ 424,043	\$ -0-	\$ -0-
Total Liabilities	<u>\$ 424,043</u>	<u>\$ 424,043</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Fair values of liabilities measured on a recurring basis at June 30, 2022 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	\$ 596,116	\$ 596,116	\$ -0-	\$ -0-
Total Liabilities	<u>\$ 596,116</u>	<u>\$ 596,116</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, 2023 AND 2022

NOTE 26 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 consist 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, 2023 and 2022.

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 \$252,214,182 and \$222,066,607 on June 30, 2023 and June 30, 2022, 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, 2023 are as follows:

	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
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>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 26 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 18 - FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of assets measured on a nonrecurring basis on June 30, 2022 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 consist 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 Domestic Fixed Income	Daily	1 Day
Commingled Global Fixed Income	Daily, Quarterly	Daily, 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
Commodities	Twice a month	5 Day

Commingled Domestic Fixed Income: This class includes investments in commingled funds that invest in domestic debt, including government bonds, investment grade corporate bonds, commercial mortgage securities, and other asset-backed securities that are publicly for sale within U.S. fixed income markets. These funds attempt to correspond generally to the Barclays U.S. Aggregate Bond Index. The External Funds that are not private equity are available daily with one-day notice.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 26 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

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

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

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 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 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.

Commodities: This class includes investments with the objective of providing exposure to commodity markets via an actively managed format. The objective is pursued with commodity- related or commodity -linked financial instruments of a type traded or cleared through a regulated clearing organization or futures exchange, including buying and selling commodity futures contracts and forward contracts or exchange traded options on futures contracts. External funds that are not private equity in nature provide liquidity twice a month with a 5-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.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 26 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

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

<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	\$ 1,945,179	Illiquid
Commingled Private Capital	2013, 2015, 2016, 2018	22,500,000	3,667,411	Illiquid
Private Equity	2007, 2010, 2011, 2020, 2021, 2022	13,425,000	8,074,564	Illiquid
Private Infrastructure	2020	5,600,000	-0-	Illiquid
Private Real Estate	2016	12,000,000	-0-	Illiquid
Natural Resources	2008, 2021, 2023	3,000,000	1,706,064	Illiquid
Venture	2007, 2010	1,800,000	38,500	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, 2023 to be over the next 0 to 7 years.

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, 2023 to be over the next 0 to 9 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, 2023 to be over the next 0 to 10 years.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 26 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

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

Private Infrastructure: This class includes investments in funds that invest primarily in investments in core infrastructure in developed OECD countries with low volatility and strong downside protection. Redemptions are limited during a three year hard-lock up period, at a 5% early redemption penalty for a three-year soft lock-up period and are available quarterly thereafter.

Private Real Estate: This class includes investments in funds that invest primarily in a diversified group of core U.S. real estate investments with the objective of achieving current income, capital appreciation, or both. Redemptions may be requested quarterly but are subject to cash available in the investment fund, and in a manner consistent with REIT rules and principles of prudent management.

Natural Resources: This class includes investments in funds that invest in natural gas and oil, power, industrial and manufacturing, chemicals and energy, energy efficiency and green fuels and food and agriculture, 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. Funds have remaining partnership terms ranging from 1 to 10 years.

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, 2023 to be over the next 0 to 1 year.

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, 2023 to be over the next 0 to 4 years.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 26 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 20 - ENDOWMENTS

The Marshall University Foundation, Inc.'s endowment consists of approximately 1,168 funds established for the benefit of the students at 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, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -0-	\$ 189,112,432	\$ 189,112,432
Board-designated endowment funds	<u>9,384,673</u>	<u>-0-</u>	<u>9,384,673</u>
Total funds	\$ <u>9,384,673</u>	\$ <u>189,112,432</u>	\$ <u>198,497,105</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -0-	\$ 177,237,929	\$ 177,237,929
Board-designated endowment funds	<u>8,278,823</u>	<u>-0-</u>	<u>8,278,823</u>
Total funds	\$ <u>8,278,823</u>	\$ <u>177,237,929</u>	\$ <u>185,516,752</u>

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 26 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 20 - ENDOWMENTS (CONTINUED)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 8,278,823	\$ 177,237,929	\$ 185,516,752
Investment return:			
Investment income	41,557	826,845	868,402
Fees	(26,044)	(522,863)	(548,907)
Realized & unrealized gain (loss)	<u>516,878</u>	<u>9,847,443</u>	<u>10,364,321</u>
Total investment return	<u>532,391</u>	<u>10,151,425</u>	<u>10,683,816</u>
 Contributions	 1,003,006	 10,368,385	 11,371,391
 Appropriation of endowment assets for expenditure	 (429,547)	 (8,645,307)	 (9,074,854)
 Other changes:			
Transfers in endowment classification	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
 Endowment net assets, end of year	 \$ <u>9,384,673</u>	 \$ <u>189,112,432</u>	 \$ <u>198,497,105</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 26 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 20 - ENDOWMENTS (CONTINUED)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 9,060,004	\$ 183,236,754	\$ 192,296,758
Investment return:			
Investment income	58,073	1,233,818	1,291,891
Fees	(21,439)	(453,854)	(475,293)
Realized & unrealized gain (loss)	<u>(573,824)</u>	<u>(12,412,698)</u>	<u>(12,986,522)</u>
Total investment return	<u>(537,190)</u>	<u>(11,632,734)</u>	<u>(12,169,924)</u>
Contributions	222,711	14,895,616	15,118,327
Appropriation of endowment assets for expenditure	(466,702)	(9,261,707)	(9,728,409)
Other changes:			
Transfers in endowment classification	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Endowment net assets, end of year	\$ <u>8,278,823</u>	\$ <u>177,237,929</u>	\$ <u>185,516,752</u>

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, 2023, seventy-five funds with original gift values of \$10,275,505, fair values of \$10,032,354 and deficiencies of \$243,151 were reported in net assets with donor restrictions. On June 30, 2022, ninety-four funds with original gift values of \$28,000,976, fair values of \$27,438,905 and deficiencies of \$562,071 were reported in net assets with donor restrictions.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 26 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 20 - ENDOWMENTS (CONTINUED)

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, 2023 AND 2022

NOTE 26 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 an 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, 2023 AND 2022**

NOTE 26 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 using 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, 2023 AND 2022

NOTE 26 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, 2023 and 2022 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 2024 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 \$78,589,601 and \$ 72,940,794 on June 30, 2023 and June 30, 2022, respectively.

NOTE 23 – LEASES

In December 2021, the MUREF entered into a ground lease with Marshall University for one dollar for the purpose of developing, financing, constructing, furnishing, and equipping a three-story educational facility to house the Marshall University College of Business.

The MUREF also entered into a master lease agreement with Marshall University in December 2021 for the use of the facility once completed. Base rent payments of \$3,350 monthly are to be received beginning February 1, 2022. The University is also providing first-tier funding to cover development and construction costs. Once other funding is exhausted, the MUREF will begin drawing on a line of credit to cover the remaining costs of the project. Beginning December 15, 2024, the University will begin paying annual loan base rental installments of \$1,000,000 to cover the repayment of the debt. The term of this lease is 30 years from the date of completion but is subject to early termination.

Since the Facility is under construction, the new lease standards promulgated by FASB ASU No. 2016-02, *Leases* (Topic 842) do not apply.

Rental revenue for the years ended June 30, 2023 and 2022 totaled \$40,200 and \$16,750, respectively.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 26 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, 2023 and 2022 are as follows:

Line of Business	<u>2023</u>	<u>2022</u>
Department Promotion & Fundraising	\$ 90,519	\$ 69,049
Educational Assistance	607,905	329,938
Registration	57,433	28,668
Development Services	986,130	483,000
Rental of Facilities	110,508	55,712
Sponsorship	74,125	59,900
Royalties	31,280	17,121
Miscellaneous	<u>41,431</u>	<u>28,465</u>
Total	\$ <u>1,999,331</u>	\$ <u>1,071,853</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. Individuals and organizations pay registration fees to participate in study abroad opportunities and tournaments sponsored by University departments. Service 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 goods 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 except for 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.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 26 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 25 – CONTRIBUTION OF NONFINANCIAL ASSETS

The Foundation receives donations of items to be utilized, as required by the donors, by various departments at Marshall University. These assets are transferred to the University as soon as received. The contributions are recorded at fair market value of the nonfinancial assets. Items with a value greater than \$5,000 require a certified appraisal. Contributions of nonfinancial assets that were transferred to the University totaled \$7,145 and \$54,570 during the years ended June 30, 2023 and 2022.

For the years ended June 30, 2023 and 2022, the Marshall Real Estate Foundation, Inc. recorded contribution income from the donations of real estate of \$-0- and \$165,000, respectively. The donated nonfinancial assets were valued at fair market value based on certified real estate appraisals and were liquidated with proceeds being used in accordance with the donors' restrictions.

NOTE 26 – EMPLOYEE RETENTION CREDIT

The CARES Act provides an employee retention credit which is a refundable tax credit against certain employment taxes per employee for eligible employers. The Foundation qualifies for the tax credit under the CARES Act. During the fiscal year ended June 30, 2023, the Foundation recorded \$547,737 related to the CARES Act employee retention credit in gifts and contributions of cash and other financial assets on the Foundation's consolidated statement of activities. As of June 30, 2023, the Foundation had a \$547,737 receivable balance from the United States government related to the CARES Act, which is recorded in other receivables on the Foundation's consolidated statement of financial position.

NOTE 27 - COMMITMENTS

On December 28, 2021, the Marshall Real Estate Foundation, Inc. entered into a development agreement with FP Marshall, LLC for the construction of a College of Business building on property owned by Marshall University but held by MUREF under a ground lease agreement. This agreement will terminate with the completion of the project and certificate of occupancy from the COB. The project is scheduled to be completed in December 2023 and is expected to cost approximately \$42.6 million. As of June 30, 2023, total costs incurred on the building were \$22,166,311, including pre-lease costs of \$1,709,681 and construction in progress of \$20,456,630.

In April 2022, the Marshall Real Estate Foundation, Inc. entered into a promissory note with United Bank to provide a \$12,500,000 line of credit to finance the remaining costs of the construction of the college of business building once all additional funding has been exhausted. The terms of the note require interest only payments for two years beginning December 15, 2022. Annual payments of principal and interest in the amount of \$1,000,000 are due beginning on December 15, 2024, and continuing each year thereafter. All unpaid principal and interest are due and payable on April 15, 2041. The debt may be prepaid, in full or in part, at any time, without penalty. As of June 30, 2023, no amounts had been drawn on this line of credit, and therefore, no interest payments made.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 26 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 28 - SUBSEQUENT EVENTS

Management has reviewed events occurring subsequent to June 30, 2023 through September 29, 2023 (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.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 27 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 LLC (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.

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, 2023 and 2022, 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, 2023 AND 2022

NOTE 27 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, 2023 and 2022, 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 therein. At June 30, 2023 and 2022, 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.

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, 2023 AND 2022

NOTE 27 COMPONENT UNIT DISCLOSURES – PROVIDENT MARSHALL (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, 2023 and 2022, the amount of deferred revenue was \$664,041 and \$365,054, 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 reasonable 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, 2023 and 2022.

The Company is not subject to examination by U.S. federal taxing authorities for years before 2020 and for all state income taxes before 2020. 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, 2023 and 2022.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2023, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2023. Management has performed their analysis of subsequent events through September 28, 2023, the date the financial statements were issued.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 27 COMPONENT UNIT DISCLOSURES – PROVIDENT MARSHALL (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On August 29, 2023, the Company has refinanced the revenue bonds payable. The transaction refunded the floating rate debt into long-term fixed rate bonds, simultaneously terminating the interest rate swap with Deutsche Bank and the letter of credit, and restructured the bonds to provide more manageable and predictable debt service moving forward. The proceeds from the Series 2023A and 2023B project bonds, issued by the West Virginia Economic Development Authority, were used to refund outstanding Series 2010A and 2010B bonds for debt service savings. As part of the transaction, the current \$2.8 million in the debt service reserve fund was released and was replaced by the University's support, but this will be replaced with the University's support for 1 times debt service under the coordination agreement. Assured Guaranty Municipal issued a municipal bond insurance policy for the Series 2023A bonds. In exchange for this support, there will be a \$1.0 million payment to the University as part of this transaction.

In connection with the refinancing transaction, the housing facility management agreement and the wellness 2023, and all deferred fees have been paid current.

NOTE 2 - REVENUE BONDS PAYABLE

	Fixed/ Variable Rate	Fiscal Year Maturity	Interest Rate	<u>2023</u>	<u>2022</u>
Cabell County Series 2010A senior tax-exempt revenue bonds payable secured by a \$80,918,562 of letter credit set to expire on September 30, 2023	Variable (LIBOR x 70%)	July 1, 2039	3.56% and 0.84% respectively	\$ 73,875,000	\$ 75,285,000
Cabell County Series 2010B subordinate tax-exempt revenue bonds payable	Fixed	July 1, 2039	7.50%	<u>8,736,000</u> 82,611,000	<u>8,736,000</u> 84,021,000
Unamortized discount on Series 2010A bonds underlying the bonds payable				(177,854)	(194,953)
Unamortized deferred financing costs				<u>(429,100)</u>	<u>(470,392)</u>
Less current maturities				<u>82,004,046</u> <u>238,000</u>	<u>83,355,655</u> <u>75,508,000</u>
				<u>\$ 81,766,046</u>	<u>\$ 7,847,655</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, 2023 AND 2022

NOTE 27 COMPONENT UNIT DISCLOSURES – PROVIDENT MARSHALL (CONTINUED)

NOTE 2 - REVENUE BONDS PAYABLE (Continued)

Aggregate annual maturities of the revenue bonds payable at June 30, 2023, are as follows:

2024	\$ 238,000
2025	257,000
2026	277,000
2027	298,000
2028	319,000
Thereafter	<u>81,222,000</u>
	<u>\$ 82,611,000</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, 2023 and 2022, 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, 2023 and 2022, management believes the Company was not in compliance with the debt service coverage ratio covenant under the reimbursement agreement. Prior to the issuance of the financial statements at June 30, 2023, the Company refinanced the senior lien floating rate bonds in August 2023 that eliminated the Reimbursement Agreement financial covenants and requirements.

The Company obtained a waiver from the bank to waive the debt service coverage ratio covenant for the fiscal year ended June 30, 2022.

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).

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 27 COMPONENT UNIT DISCLOSURES – PROVIDENT MARSHALL (CONTINUED)

NOTE 3 - DERIVATIVES (Continued)

Interest Rate Swap Not Designated as a Hedge: Summary information about the interest rate swap not designated as a hedge as of June 30, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Notional amounts	\$ 73,875,000	\$ 75,285,000
Weighted average pay rates (fixed)	3.728%	3.728%
Weighted average receive rates (LIBOR x 70%)	2.785%	0.231%
Weighted average maturity	5 years	6 years

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

	<u>Amounts Recognized</u>	
	<u>2023</u>	<u>2022</u>
Unrealized gain on interest rate swap agreement	\$ 3,937,019	\$ 7,810,149
Interest expense - senior bonds payable	672,073	2,630,869

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:

	<u>2023</u>	<u>2022</u>
Current liabilities		
Interest rate swap agreement, current portion	\$ 2,688,238	\$ 6,625,256

The swap was terminated in August 2023.

NOTE 4 - RELATED PARTY TRANSACTIONS

Provident receives a fee from the Company to cover corporate administrative overhead costs. For the years ended June 30, 2023 and 2022, corporate administrative overhead costs, which are included in management fees in the statements of operations, were \$219,067 and \$210,624, respectively. Per the trust indenture, the Company has deferred a portion of the corporate administrative overhead costs as of June 30, 2023 and 2022. As of June 30, 2023 and 2022, \$112,280 and \$86,438, respectively, remained outstanding.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 27 COMPONENT UNIT DISCLOSURES – PROVIDENT MARSHALL (CONTINUED)

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 \$219,763 and \$202,498 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022. As of June 30, 2023 and 2022, \$220,632 and \$161,591, respectively, remains outstanding.

The Company's wellness center is managed by Centers LLC, an unaffiliated management agent. The management fee was \$302,142 and \$278,472 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022. As of June 30, 2023 and 2022, \$319,874 and \$215,312, respectively, remains outstanding.

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, 2023 and 2022, were valued using Level 2.

The total amount of gains for the years ended June 30, 2023 and 2022, included in other income (expense) attributable to the change in unrealized gains relating to liabilities still held at June 30, 2023 and 2022, were \$3,937,019 and \$7,810,149, respectively.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 28 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 2022-2023, Marshall sponsored eighteen varsity sports (eight men and ten women), and provided for approximately 505 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, 2023 and 2022, the uninsured balance in these cash accounts totaled \$0 and \$129,148, 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, 2023, 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, 2022, from which the summarized information was derived.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

**NOTE 28 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 Championship Fund accounts of the Foundation represent the various related Marshall intercollegiate sports-specific support organizations, 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, 2023 AND 2022

NOTE 28 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 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 2022, 2021, and 2020 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, 2023 and 2022 were \$109,740 and \$57,394, respectively.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

**NOTE 28 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC.
(CONTINUED)**

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

O. Accounts Receivable

Accounts Receivable represents amounts owed to the Foundation for the Operating Fund and the Championship Fund for special events and/or sponsorships that have occurred but for which payment has not yet been received. The Foundation has not calculated an allowance for bad debt on these balances due to historical collection rates being nearly 100%.

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, 2023	\$ 17,223,418
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	(3,490,975)
Subject to appropriation and satisfaction of donor restrictions	(12,040,015)
Board designations:	
Quasi-endowment fund, primarily for long-term investing	(139,154)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,553,274

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 – Promises to Give:

Promises to give at June 30, 2023, were as follows:

Description	Amount
Pledges due in less than one year	\$ 2,795,594
Pledges due in one to five years	9,531,649
Total pledges receivable	12,327,243
Less: Discounts to present value, discounted at 2% annually	(1,215,389)
Less: Allowance for uncollectible pledges	(947,929)
Total promises to give	\$ 10,163,925

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

**NOTE 28 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC.
(CONTINUED)**

Note 3 – Promises to Give (Continued):

As of June 30, 2023, \$366,094 (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, 2023, \$7,943,611 (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 4 – Investments:

Investments, valued at fair market value as of June 30, 2023 and 2022, are summarized as follows:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 112,212	\$ 40,162
Corporate Stock	979,347	844,216
Other	18,264	22,310
Mutual Funds:		
Bond Funds	2,275,306	2,218,305
Equity Funds	8,155,412	7,359,386
Multi-strategy Equity Funds	582,237	435,775
Multi-strategy Bond Funds	56,392	200,842
Total Mutual Funds	<u>11,069,347</u>	<u>10,214,308</u>
Total Investments	<u>\$ 12,179,170</u>	<u>\$ 11,120,996</u>

The following schedule summarizes investment return and its classification in the Statement of Activities and Functional Expenses for the fiscal years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 323,432	\$ 424,209
Unrealized gain/(loss)	1,065,514	(2,399,986)
Investment fees	(46,974)	(51,665)
Total investment return	<u>\$ 1,341,972</u>	<u>\$ (2,027,442)</u>

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

**NOTE 28 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC.
(CONTINUED)**

Note 5 – Fair Value Measurements:

Fair value of assets measured on a recurring basis at June 30, 2023 and 2022, are as follows:

June 30, 2023	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and Cash Equivalents	\$ 112,212	\$ 112,212	\$ -	\$ -
Corporate Stock	979,347	979,347	-	-
Other	18,264	18,264	-	-
Mutual Funds	11,069,347	11,069,347	-	-
Total	<u>\$ 12,179,170</u>	<u>\$ 12,179,170</u>	<u>\$ -</u>	<u>\$ -</u>
June 30, 2022	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and Cash Equivalents	\$ 40,162	\$ 40,162	\$ -	\$ -
Corporate Stock	844,216	844,216	-	-
Other	22,310	22,310	-	-
Mutual Funds	10,214,308	10,214,308	-	-
Total	<u>\$ 11,120,996</u>	<u>\$ 11,120,996</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, 2023 and 2022.

Note 6 – Endowments:

A. Board-Designated Endowments

As of June 30, 2023, 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, 2023 AND 2022

NOTE 28 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.

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.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

**NOTE 28 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC.
(CONTINUED)**

Note 6 – Endowments (Continued):

Endowment net asset composition by type of fund as of June 30, 2023, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Donor-restricted endowment funds	\$ -	\$ 11,401,386	\$ 11,401,386
Board-designated endowment funds	139,156	-	139,156
Total	<u>\$ 139,156</u>	<u>\$ 11,401,386</u>	<u>\$ 11,540,542</u>

Changes in endowment net assets as of June 30, 2023, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of year	\$ 121,701	\$ 10,362,678	\$ 10,484,379
Contributions	2,500	320,369	322,869
Investment income	3,950	339,367	343,317
Net appreciation (depreciation)	11,005	944,191	955,196
Amounts appropriated for expenditure	-	(565,219)	(565,219)
Endowment net assets, end of year	<u>\$ 139,156</u>	<u>\$ 11,401,386</u>	<u>\$ 11,540,542</u>

Note 7 – 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, 2023 were \$46,974.

Note 8 – 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, 2023, the trust incurred a gain of \$2,011 and the fair value of the Foundation's beneficial interest in the trust was \$638,629.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

**NOTE 28 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC.
(CONTINUED)**

Note 9 – Property and Equipment:

Property and equipment at June 30, 2023 and 2022, 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, 2023, are as follows:

	June 30, 2022			June 30, 2023
	<u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u>
Operating Fund				
Vehicles	\$ 54,070	\$ -	\$ -	\$ 54,070
Less: Accumulated depreciation	<u>(31,883)</u>	<u>(5,120)</u>	<u>-</u>	<u>(37,003)</u>
Total Operating Fund	<u>22,187</u>	<u>(5,120)</u>	<u>-</u>	<u>17,067</u>
Championship Fund				
Vehicles	70,414	-	-	70,414
Less: Accumulated depreciation	<u>(8,215)</u>	<u>(14,083)</u>	<u>-</u>	<u>(22,298)</u>
Total Championship Fund	<u>62,199</u>	<u>(14,083)</u>	<u>-</u>	<u>48,116</u>
Total property and equipment	<u>\$ 84,386</u>	<u>\$ (19,203)</u>	<u>\$ -</u>	<u>\$ 65,183</u>

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

<u>Fund</u>	<u>Amount</u>
Operating	\$ 5,120
Championship Fund	<u>14,083</u>
Total depreciation	<u>\$ 19,203</u>

Note 10 – 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 rate or value of these items is then reviewed by the Foundation's Board of Trustees for proper fair market value determination. These items are received absent donor restrictions.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

**NOTE 28 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC.
(CONTINUED)**

Note 10 – Donated Facilities, Services, and Other Items (Continued):

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, 2023, are as follows:

Facilities, Services, and Other Items	Value
Capital improvements	\$ 11,696
Courtesy cars	170,000
Facility equipment	5,000
Housing	8,887
Medical	178,144
Promotions	30,011
Travel	54,900
Total	\$ 458,638

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, 2023, does not materially differ from the aggregate carrying values of its financial instruments recorded in the accompanying Statement of Financial Position.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

**NOTE 28 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC.
(CONTINUED)**

Note 12 – Debt:

During the year ended June 30, 2022, through the Championship Fund, the Foundation entered into a \$60,000 loan and obtained a 3.00% interest-bearing, three-year note payable in annual installments of \$21,229 that was used for the purchase of a van for the Marshall Men's Golf Team. This note is secured by the van.

During the year ended June 30, 2023, through the Capital Fund, the Foundation entered into a \$4,000,000 loan and obtained a 5.10% interest-bearing, twelve-year note payable in monthly installments of \$37,347 that was to assist in the funding of capital improvement projects. This note is secured by all corporate assets.

Future principal maturities under these loans are as follows:

<u>For years ending June 30:</u>	<u>Championship Fund</u>	<u>Capital Fund</u>	<u>Total</u>
2024	\$ 20,000	\$ 204,596	\$ 224,596
2025	20,000	257,974	277,974
2026	-	271,635	271,635
2027	-	286,018	286,018
2028	-	300,763	300,763
Thereafter	-	2,679,014	2,679,014
Total	<u>\$ 40,000</u>	<u>\$ 4,000,000</u>	<u>\$ 4,040,000</u>

Note 13 – 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 14 – Revenue Concentrations:

During the fiscal year ended June 30, 2023, 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, 2023 AND 2022**

**NOTE 28 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC.
(CONTINUED)**

Note 15 – Leases:

The Foundation has an operating lease for its office space that was executed in October, 2021 and amended during 2023 for a period of four years. The lessor is required to pay all maintenance, utility, and property tax costs. The following summarizes the line items in the Statement of Financial Position which include amounts for operating leases as of June 30, 2023:

	June 30, 2022 Balance	Additions	Reductions	June 30, 2023 Balance
Operating Fund				
Right of Use Asset - Office Space	\$ 64,521	\$ 225,055	\$ -	\$ 289,576
Less: Accumulated amortization	-	-	(27,100)	(27,100)
Total Operating Fund	\$ 64,521	\$ 225,055	\$ (27,100)	\$ 262,476
	June 30, 2022 Balance	Additions	Reductions	June 30, 2023 Balance
Operating Fund				
Operating Lease Liability	\$ 64,521	\$ 225,055	\$ (27,100)	\$ 262,476
Total Operating Fund	\$ 64,521	\$ 225,055	\$ (27,100)	\$ 262,476

These asset and liabilities were determined using a term of three years and a discount rate of 5.1%

Future minimum lease payments under this operating lease is:

For years ending June 30:	Amount
2024	\$ 85,676
2025	85,676
2026	85,676
2027	28,979
2028	-
Thereafter	-
Total	286,007
Less: Interest	(23,531)
Present value of lease liability	\$ 262,476

During the year ended June 30, 2023, payments totaling \$59,582 were made toward this liability under Office expenses in the Statement of Activities and Functional Expenses and Operating Activities in the Statement of Cash Flows.

The above transactions are reported in the Foundation's Operating Fund.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

**NOTE 28 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC.
(CONTINUED)**

Note 16 – Subsequent Events:

The Foundation has evaluated all subsequent events through October 9, 2023, 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%
June 30, 2021	0.060690%	948	2,121	3,069	1,679	56%	80.82%
June 30, 2022	0.045350%	1,167	2,598	3,765	1,230	95%	77.78%

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%
June 30, 2021	253	176	77	1,679	15.07%
June 30, 2022	187	173	14	1,230	15.20%

*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 (ASSET)
(In Thousands)**

Measurement Date	University's Proportionate Share as a Percentage of Net OPEB Liability (Asset)	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 (Asset)
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%
June 30, 2021	1.838744%	(546)	(107)	(653)	33,458	-2%	101.81%
June 30, 2022	1.661519%	1,849	633	2,482	29,783	6%	93.59%

**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	36,053	8.00%
June 30, 2021	3,353	1,557	1,796	34,001	9.86%
June 30, 2022	1,954	1,191	763	35,309	5.53%

*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 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 year ended June 30, 2023, 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 12, 2023. 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 Big Green Scholarship Foundation, Inc. (Big Green) (collectively, discretely presented component units of the University), as described in our report on the University's financial statements. The financial statements of the discretely presented component units of the University were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the discretely presented component units of the University.

Report on 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 a 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.

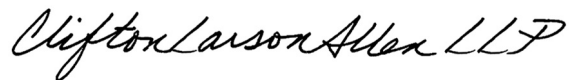
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether University's financial statements are free from 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

King Of Prussia, Pennsylvania
October 12, 2023