

MARSHALL UNIVERSITY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2015 AND 2014

**MARSHALL UNIVERSITY
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INDEPENDENT AUDITORS' REPORT

Governing Board
Marshall University
Huntington, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Marshall University (the "University") (a component unit of the West Virginia Higher Education Fund) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audits. We did not audit the financial statements of Marshall University Research Corporation, a blended component unit of the University, (the "Corporation") for the years ended June 30, 2015 and 2014, which represent 10%, 0%, 13%, and 12%, respectively, of total assets, total deferred outflows, total net position, and total revenues of the University in 2015 and 12%, 0%, 13% and 12%, respectively in 2014. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Corporation, is based solely on the reports of such other auditors. We also did not audit the financial statements of the Marshall University Foundation, Inc. (the "Foundation"), Provident Group – Marshall Properties L.L.C. ("Provident – Marshall") or, Big Green Scholarship Foundation, Inc. ("Big Green") (collectively, discretely presented component units of the University). Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the discretely presented financial statements of the Foundation, Provident – Marshall and Big Green, is based solely on the reports of such other auditors. We, and the auditors for the Corporation, conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Foundation, Provident – Marshall and Big Green, which were audited by other auditors, were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

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 of the University as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the University implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for the year ended June 30, 2015, which represents a change in accounting principle. As of July 1, 2014, the University's net position was restated to reflect the impact of adoption. A summary of the restatement is presented in Note 2. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Governing Board
Marshall University

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
December 22, 2015

Marshall University
Management's Discussion and Analysis (RSI) (Unaudited)
Fiscal Year 2015

About Marshall University

Marshall University (the "University" or the "Institution") is a public, nonprofit institution of higher learning, which offers degrees in more than 100 academic fields of study at the baccalaureate and graduate degree level, including doctoral degrees (research/scholarly and professional practice doctorates) in various fields through its 14 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 13,000 students from all counties in West Virginia, 49 states, and the District of Columbia, as well as over 400 students from more than 50 countries across the globe. The students are served by 789 full-time faculty and 900 staff members on its main campus located in Huntington, West Virginia, and its four regional centers (South Charleston Campus, Mid-Ohio Valley Center, Teays Valley Center and Beckley Center).

Marshall University has been accredited continuously as an institution of higher learning by the Higher Learning Commission of the North Central Association of Colleges and Schools ("Commission") since 1928. It also has earned and maintains specialized accreditation status with 38 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 which are lay members appointed by the Governor of the State of West Virginia ("State") and 3 of which are constituency representatives elected by faculty, staff and students of the University. The Board determines, controls, supervises, and oversees the financial, business, and educational policies and affairs of the Institution. 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 2015 data explaining, with the use of approximate dollar amounts, the significant changes from the financial statements presented for the years ended June 30, 2015, 2014 and 2013, 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.

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

Marshall University
Management's Discussion and Analysis (RSI) (Unaudited)
Fiscal Year 2015

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 a liability, and contributions made, related to a multiple employer defined benefit pension 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 acquired 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) (Unaudited)
Fiscal Year 2015

Condensed Schedules of Net Position
(In thousands of dollars)

	FY 2015	FY 2014	FY 2013
Assets and Deferred Outflows:			
Current Assets	\$ 85,437	\$ 108,639	\$ 124,441
Other noncurrent assets	111,288	100,703	106,839
Capital Assets, net	<u>433,542</u>	<u>414,830</u>	<u>361,737</u>
Total Assets	630,267	624,172	593,017
Deferred Outflows of resources	<u>1,679</u>	<u>1,316</u>	<u>1,457</u>
Total	<u>\$ 631,946</u>	<u>\$ 625,488</u>	<u>\$ 594,474</u>
Liabilities and Deferred Inflows:			
Current liabilities	\$ 44,225	\$ 42,367	\$ 43,223
Noncurrent liabilities	<u>166,161</u>	<u>165,633</u>	<u>167,361</u>
Total Liabilities	210,386	208,000	210,584
Deferred Inflows of resources	<u>1,874</u>	<u>1,282</u>	<u>1,532</u>
Total	<u>\$ 212,260</u>	<u>\$ 209,282</u>	<u>\$ 212,116</u>
Net Position			
Net investment in capital assets	\$ 325,015	\$ 301,072	\$ 279,465
Restricted-nonexpendable	15,176	15,176	15,176
Restricted-expendable	19,405	19,061	18,871
Unrestricted	<u>60,090</u>	<u>80,897</u>	<u>68,846</u>
Total	<u>\$ 419,686</u>	<u>\$ 416,206</u>	<u>\$ 382,358</u>

Marshall University
Management's Discussion and Analysis (RSI) (Unaudited)
Fiscal Year 2015

Changes to Total Assets

Total assets of the Institution increased by \$6 million in FY 2015. The major components of this increase are:

- The total current and noncurrent cash and cash equivalents balances decreased \$19.2 million, which is comprised of a \$13.7 million decrease for the University and a \$5.5 million decrease in cash at MURC. Cash on deposit with the state decreased \$8 million primarily due to expenditures for construction projects. Cash equivalents for the University decreased \$5.4 million primarily due to funds moved to investments. Cash for MURC decreased \$5.5 million due to the transfer of \$2.5 million to investments and increased spending of unrestricted funds.
- Investments increased \$9.6 million in total with the University's investments increasing \$6.5 million and MURC's investments increasing \$3.1 million. University investments with Commonfund and Jefferies increased \$5.6 million due to funds moved to investments from cash equivalents and \$0.9 million in earnings/market value increases. Investments at MURC increased \$2.5 million due to additional amounts invested.
- Total current and noncurrent accounts receivable decreased \$2.7 million, including decreases in capital gifts receivable from the MU Foundation for construction projects of \$5.0 million, and a decrease of \$0.2 million receivable from Marshall Health (formerly University Physicians & Surgeons) related to the BRIM self-insurance. Increases in receivables include a new receivable of \$1.7 million for the no hardship payment provided to employees who were moved from current pay to arrears pay; the receivable amount will be deducted from each employee's last paycheck when they leave State employment. Student receivables and other receivables increased a total of \$0.6 million. MURC receivables, net of eliminations with the University, increased \$0.2 million.
- Loans receivable, inventories, and other current assets decreased a total of \$0.2 million.
- Capital assets, net of depreciation, increased \$18.7 million as a result of asset additions of \$33.5 million, offset by disposals and depreciation totaling \$14.8 million. Asset additions are discussed further in the Capital Asset and Debt Administration section.

Total assets of the Institution increased by \$31.2 million in FY 2014. The major components of this increase are:

- The total current and noncurrent cash and cash equivalents balances decreased \$24.2 million, which is comprised of a \$19.4 million decrease for the University and a \$4.8 million decrease in cash at MURC. Cash on deposit with the state decreased \$25.2 million primarily due to the transfer of additional funds to investments. Cash with the trustee for the 2011 bond funds decreased by the spending of \$7.6 million on construction projects. Cash equivalents for the University increased \$13.6 million due to additional investments using funds that were previously on deposit with the state. Cash equivalents for MURC decreased \$4.8 million primarily due to the transfer of funds to investments.
- Investments increased \$0.2 million in total with the University's investments decreasing \$6.8 million and MURC's investments increasing \$7.0 million. University investments with Commonfund and Jefferies increased \$22.3 million due to additional amounts invested and earnings/market value increases. The unspent bond proceeds invested by the trustee for the University's 2011 bond issue at June 30, 2013 totaling \$29.1 million all matured during 2014 and the proceeds were spent for construction projects. Investments at MURC increased \$7 million due to additional amounts invested.

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Fiscal Year 2015

- Total current and noncurrent accounts receivable increased \$1.6 million, including decreases in State Appropriations, bond draws, and other receivables from State agencies of \$4.1 million, and increases in student and other receivables of \$6.7 million primarily due to capital gifts receivable from the MU Foundation for construction projects of \$5.0 million, and an increase of \$0.4 million receivable from Marshall Health (formerly University Physicians & Surgeons) related to the BRIM self-insurance. MURC receivables, net of eliminations with the University, decreased \$1.4 million.
- Loans receivable, inventories, and other current and noncurrent assets increased a total of \$0.4 million.
- Capital assets, net of depreciation, increased \$53.1 million as a result of asset additions of \$67.3 million, offset by disposals and depreciation totaling \$14.2 million

Changes to Deferred Outflows of Resources

The deferred outflows of resources for the University increased \$0.4 million in FY 2015 and decreased \$0.1 million FY 2014. The deferred loss on refunding, when the 2010 Bonds were issued to refinance a previous bond issue, decreased \$0.1 million in both FY 2015 and FY 2014. This amount will continue to decrease over the life of the 2010 Bonds. The new deferred outflow in FY 2015 is for pension contributions made after the measurement date as required by GASB 68 (Note 14). This deferred outflow increased \$0.5 million in FY 2015.

Changes to Total Liabilities

Total liabilities of the Institution increased \$2.4 million in FY 2015. The major components of the decrease are:

- Current and noncurrent debt on notes, bonds, capital leases, the debt obligation to the Commission and the amount due to Mountwest Community and Technical College ("MCTC") decreased by a total of \$5 million due to principal payments made during FY 2015.
- Other Postemployment Benefits ("OPEB") liability increased \$2.4 million. This represents the unfunded liability the University is not currently required to pay. The additional liability was raised again in FY 2015 after being significantly less for FY 2014 and FY 2013 than in previous years. This was due to changes in the discount rate and other factors used in the actuarial study that the West Virginia Public Employees Insurance Agency ("PEIA") uses to determine the Annual Required Contribution ("ARC"). In FY 2015 the ARC was \$225 per policy per month, in FY 2014 the ARC was \$94, in FY 2013 the ARC was \$79, and in FY 2012 the ARC was \$794. See Notes 2 and 11 for more information on OPEB.
- Other noncurrent liabilities decreased \$0.7 million due to a decrease in the BRIM escrow liability of \$0.6 million and a decrease in the liability for stadium renovation projects of \$0.1 million.
- Accounts payable, accrued interest and unearned revenue, decreased a total of \$1.2 million, offset by an increase in compensated absences \$0.6 million.
- Accrued liabilities increased \$2.4 million primarily due to moving employees previously paid current to being paid in arrears, so that all employees are now paid one payday in arrears.
- The accrued service concession liability decreased \$0.1 million. This liability is for insurance and maintenance related to the service concession arrangement mentioned below in the Deferred Inflows section.
- A new net pension liability of \$4 million was added in FY 2015 to reflect the University's portion of the Teachers Retirement System liability as a result of implementing GASB 68 (Notes 2 and 14).

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Management's Discussion and Analysis (RSI) (Unaudited)
Fiscal Year 2015

Total liabilities of the Institution decreased \$2.6 million in FY 2014. The major components of the decrease are:

- Current and noncurrent debt on notes, bonds, capital leases, the debt obligation to the Commission and the amount due to Mountwest Community and Technical College ("MCTC") decreased by \$4.2 million due to principal payments made during FY 2014 net of capital lease additions.
- Other Postemployment Benefits ("OPEB") liability increased \$0.9 million. This represents the unfunded liability the University is not currently required to pay. The additional liability was significantly less for FY 2014 and FY 2013 than in previous years due to additional funding that will be provided by the State in future years, as well as changes in the discount rate and other factors used in the actuarial study that the West Virginia Public Employees Insurance Agency ("PEIA") uses to determine the Annual Required Contribution ("ARC"). In FY 2014 the ARC was \$94 per policy per month, in FY 2013 the ARC was \$79, and in FY 2012 the ARC was \$794. See Notes 2 and 11 for more information on OPEB.
- Other noncurrent liability increased \$1.9 million due to an increase in the BRIM escrow liability of \$0.8 million and a new liability for stadium renovation projects of \$1.1 million.
- Unearned revenue, accrued liabilities, and accrued interest increased a total of \$1.1 million, offset by decreases in accounts payable and compensated absences totaling \$2.2 million.
- The accrued service concession liability decreased \$0.1 million. This liability is for insurance and maintenance related to the service concession arrangement mentioned below in the Deferred Inflows section.

Changes to Deferred Inflows of Resources

The deferred inflows of resources for the University increased \$0.6 million in FY2015 and decreased \$0.2 million in FY2014. The deferred inflow of resources from the service concession arrangement with the food service provider (Sodexo) decreased \$0.2 million in both FY2015 and FY2014. Capital improvements paid for by Sodexo are being amortized over the life of the contract. See Note 20 for more information on the University's service concession arrangements. The new deferred inflow in FY 2015 is related to the pension liability changes required by the implementation of GASB 68 (Note 14). This deferred inflow increased \$0.8 million in FY 2015.

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 \$23.9 million in FY 2015 compared to an increase of \$21.6 million in FY 2014. The FY 2015 increase for the University is \$25.4 million, offset by a decrease at MURC of \$1.5 million due to depreciation of assets.

Endowments, which are recorded as restricted nonexpendable net position, did not change in FY 2015 or FY 2014 compared to an increase of \$6.1 million in FY 2013. This increase was at MURC for amounts received in connection with the "Bucks for Brains" West Virginia Research Trust fund.

Marshall University
Management's Discussion and Analysis (RSI) (Unaudited)
Fiscal Year 2015

Total restricted expendable net position increased \$0.3 million in FY 2015 compared to an increase of \$0.2 million in FY 2014, primarily due to grant activity at MURC.

The unrestricted net position balance of \$60.1 million in FY 2015 represents a \$20.8 million decrease from FY 2014. Unrestricted resources decreased \$1.9 million for MURC and decreased \$18.9 million for the University; the University decrease is primarily due to expenditures for construction projects which are classified in net investment in capital assets and the new net pension liability required by the implementation of GASB 68. See Notes 2 and 14 for more information on GASB 68.

Condensed Statements of Revenues, Expenses, and Changes in Net Position
(In thousands of dollars)

	FY 2015	FY 2014	FY 2013
Operating revenues	\$ 182,337	\$ 174,808	\$ 175,825
Operating expenses	<u>(269,434)</u>	<u>(257,373)</u>	<u>(256,275)</u>
Operating loss	(87,097)	(82,565)	(80,450)
Nonoperating revenues	91,330	97,220	99,638
Nonoperating expenses	<u>(1,422)</u>	<u>(3,145)</u>	<u>(4,967)</u>
Income before other revenues, expenses, gains, or losses	2,811	11,510	14,221
Other revenues, expenses, gains, or losses	<u>5,328</u>	<u>22,338</u>	<u>11,932</u>
Increase in net position	<u>\$ 8,139</u>	<u>\$ 33,848</u>	<u>\$ 26,153</u>

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.

Operating Revenues

Operating revenues are received for student tuition and fees, grants and contracts, auxiliary services, and miscellaneous revenue. Operating revenues of \$182.3 million in FY 2015 represents a \$7.5 million increase from FY 2014. This increase is primarily the result of:

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Management's Discussion and Analysis (RSI) (Unaudited)
Fiscal Year 2015

- Tuition and fee revenue, net of scholarship allowances, increased \$5.6 million. Tuition for full-time undergraduate students increased \$155 per semester for resident students, \$325 per semester for metro students and \$290 per semester for nonresident students. Tuition for full-time graduate students increased \$163 per semester for resident students, \$349 per semester for metro students and \$318 per semester for nonresident students.
- Grant and contract revenue decreased a total of \$0.4 million, including a \$4.4 million decrease in Federal, offset by a \$2.9 million increase in State, and a \$1.1 million increase in local and private grants and contracts. The Federal changes are primarily related to grant and contract activity at MURC. State grant and contract revenue increased \$0.5 million for the University and \$2.4 million for MURC net of eliminations with the University. Local and private grants and contracts decreased \$0.6 million for the University and increased \$1.7 million for MURC.
- Auxiliary enterprise revenue and other operating revenue increased a total of \$2.3 million. This increase includes a \$1.1 million increase in housing revenue due to increases in housing and meal plan rates as well as increased occupancy in the residence halls. Athletic revenues increased \$0.8 million primarily as a result of increased revenue distributions from Conference USA ("C-USA").

Operating revenues of \$174.8 million in FY 2014 represents a \$1 million decrease from FY 2013. This decrease is primarily the result of:

- Tuition and fee revenue, net of scholarship allowances, increased \$2.2 million. Tuition for full-time undergraduate students increased \$143 per semester for resident students, \$308 per semester for metro students and \$258 per semester for nonresident students. Tuition for full-time graduate students increased \$155 per semester for resident students, \$321 per semester for metro students, and \$271 per semester for nonresident students.
- Grant and contract revenue decreased a total of \$5.8 million, including a \$3 million decrease in Federal, and a \$6.5 million decrease in State, offset by a \$3.7 million increase in local and private grants and contracts. The Federal and State changes are primarily related to grant and contract activity at MURC. Local and private grants and contracts increased \$2.1 million for the University and \$1.6 million for MURC.
- Auxiliary enterprise revenue and other operating revenue increased a total of \$2.7 million. This increase includes a \$0.4 million increase in housing revenue and an increase in athletic revenues of \$1.5 million primarily as a result of increased revenue distributions from Conference USA (C-USA), the opening of the new sky suites, and participating in the C-USA championship game offset by other decreases.

Operating Expenses

Operating expenses are for goods and services acquired to carry out the mission of the Institution. Operating expenses of \$269.4 million in FY 2015 represents a \$12 million increase from FY 2014. This increase is primarily the result of:

Marshall University
Management's Discussion and Analysis (RSI) (Unaudited)
Fiscal Year 2015

- Salaries and wages increased \$3.2 million as a result of an increase in University salaries of \$3.1 million which include raises for faculty, classified staff and non-classified staff. On 7-1-14 an across the board increase of \$504 was made for every benefits eligible employee. On 10-1-14 classified staff salaries were increased to the appropriate salary on the statutory salary schedule based on pay grade and step, faculty salary increases were made in accordance with MUBOG policies utilizing distribution plans devised by each college, and non-classified salary increases were based on administrative recommendations and reviewed for factors of external equity, internal equity, experience and performance. MURC salaries increased \$0.1 million.
- Benefits expense increased \$3.8 million with a \$3.6 million increase for the University and a \$0.2 million increase for MURC. The University increase is primarily due to increases in OPEB expense of \$1.5 million and \$0.8 million in compensated absence expense, as well as increases in health insurance premiums and the employer matching on FICA and retirement totaling \$1.1 million. Changes related to the implementation of GASB 68 resulted in a net increase for pension expense of \$0.2 million for the University (Note 14)
- Increases in utilities, student financial aid expense and other operating expenses, were offset by a decrease in expense for fees assessed by the Commission for a net increase of \$1.8 million.
- Supplies and other services expense increased \$2.7 million including a \$1.4 million increase for the University and a \$1.3 million increase for MURC net of eliminations with the University. Increases for the University include \$0.4 million paid to the State for the new ERP implementation ("OASIS").
- Depreciation expense increased \$0.6 million primarily due to new buildings starting to depreciate.

Operating expenses of \$257.4 million in FY 2014 represents a \$1.1 million increase from FY 2013. This increase is primarily the result of:

- Salaries and wages increased \$2.5 million as a result of an increase in University salaries of \$2.7 million which include faculty increases to minimum salaries per rank and the addition of faculty salaries primarily related to the startup of new programs for Pharmacy and the College of Health Professions. MURC salaries decreased \$0.2 million as the result of a decline in grant activity.
- Benefits expense decreased \$0.3 million primarily due to decreases in compensated absences and employee tuition waivers, which was offset by increases in health insurance premiums and the employer matching on FICA and retirement.
- Increases in depreciation expense of \$0.6 million, were offset by decreases in expenses for fees assessed by the Commission, scholarships, supplies and other services, and other operating expenses, totaling \$0.9 million.
- Utilities expense decreased \$0.8 million due to electric rate reductions, gas usage reductions, installation of energy efficient equipment in several buildings, and building mechanics ensuring that existing equipment is running efficiently.

Nonoperating Revenues and Expenses

Revenues for which goods and services are not provided are reported as nonoperating revenues. Nonoperating revenues for FY 2015 were \$91.3 million, which is a decrease of \$5.9 million from FY 2014 as a result of:

- State appropriations decreased \$1.1 million due to State budget cuts. Decreases in the appropriations for SOM were \$0.3 million and the University decreases totaled \$0.8 million.

Marshall University
Management's Discussion and Analysis (RSI) (Unaudited)
Fiscal Year 2015

- Income from investments was \$2.4 million in FY 2015 which is a decrease of \$5.2 million from FY 2014, due to reduced performance of the investments. FY 2014 was an exceptionally good year with \$7.6 million in investment income.
- Other changes to nonoperating revenues include a decrease of \$0.1 million in federal Pell grants.
- Payments on behalf of the University increased \$0.5 million due to contributions made by the State to the Teachers Retirement System. This amount is recognized as revenue to the University as required by the implementation of GASB 68 (Note 14).

Nonoperating revenues for FY 2014 were \$97.2 million, which is a decrease of \$2.4 million from FY 2013 as a result of:

- State appropriations decreased \$6.5 million due to State budget cuts. Decreases in the appropriations for SOM were \$0.3 million and the University decreases totaled \$6.2 million.
- Income from investments increased \$3.5 million due to favorable performance of the investments as well as earnings on additional investments.
- Other changes to nonoperating revenues include an increase of \$0.6 million in gift revenue

Nonoperating expenses for FY 2015 were \$1.4 million, which is a decrease of \$1.7 million from FY 2014 primarily as a result of a reduction in interest on indebtedness. The interest expense incurred is reduced by the amount of interest that is capitalized when new construction projects are in progress. In FY 2015 the capitalized interest amount was \$3.5 million as compared to \$1.9 million in FY2014.

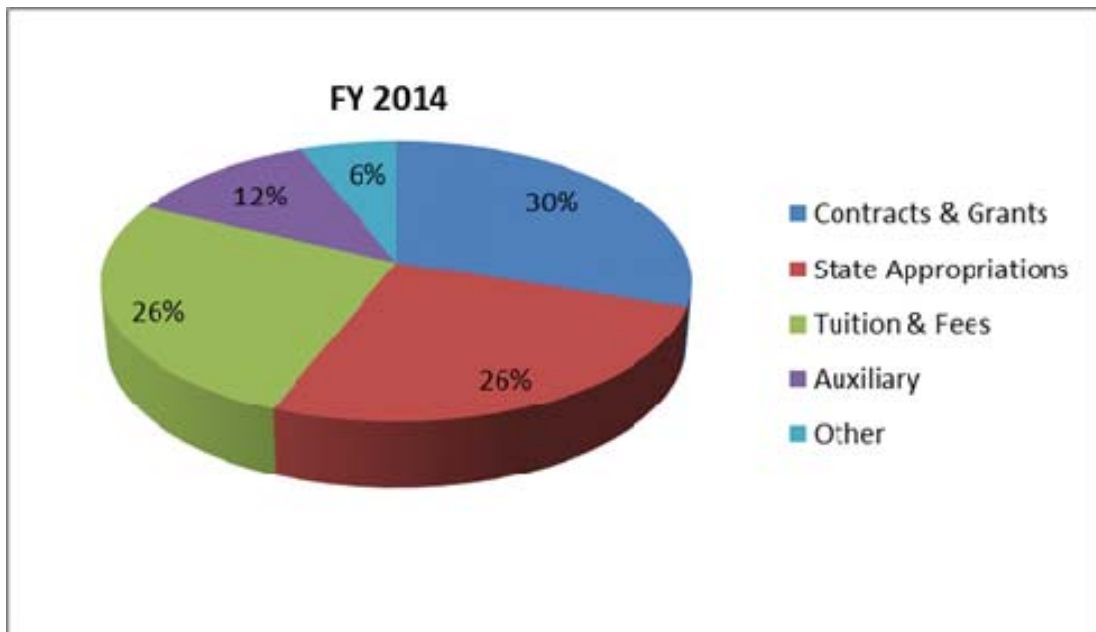
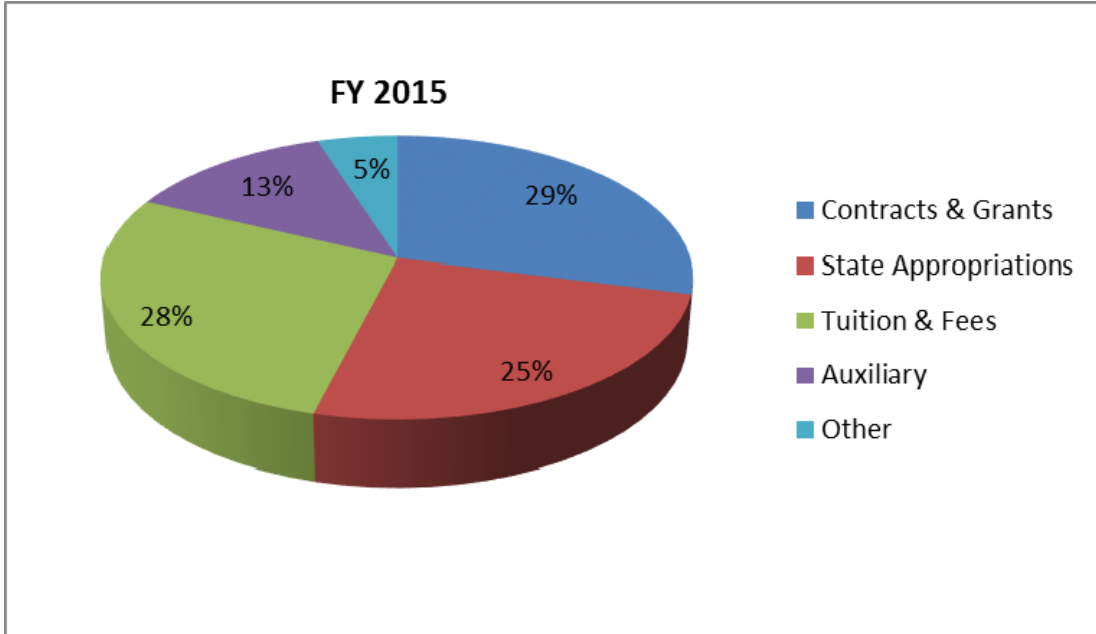
Nonoperating expenses for FY 2014 were \$3.1 million, which is a decrease of \$1.9 million from FY 2013 primarily as a result of a reduction in interest on indebtedness. The interest expense incurred is reduced by the amount of interest that is capitalized when new construction projects are in progress. In FY 2014 the capitalized interest amount was \$1.9 million as compared to \$0.3 million in FY 2013.

Total operating and nonoperating revenue for the Institution was \$273.7 million in FY 2015 as compared to \$272 million in FY 2014. Revenues as a percentage for FY 2015 and 2014 are shown on Graph A.

Total operating and nonoperating expense for the Institution was \$270.8 million in FY 2015 as compared to \$260.5 million in FY 2014. Expenses as a percentage for FY 2015 and 2014 are shown by object of expenditure in Graph B and by functional classification in Graph C.

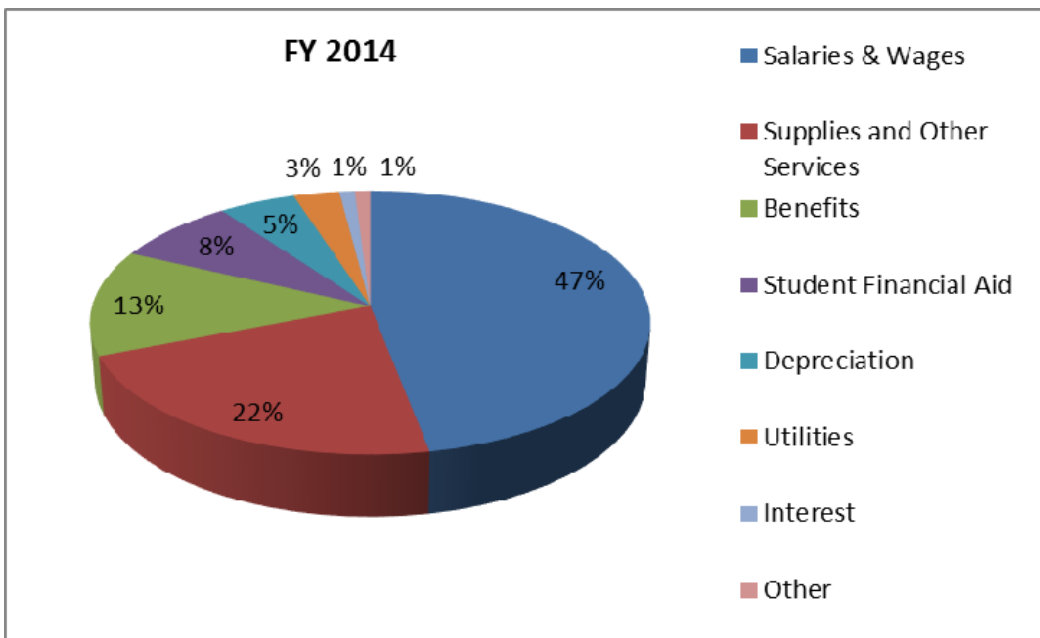
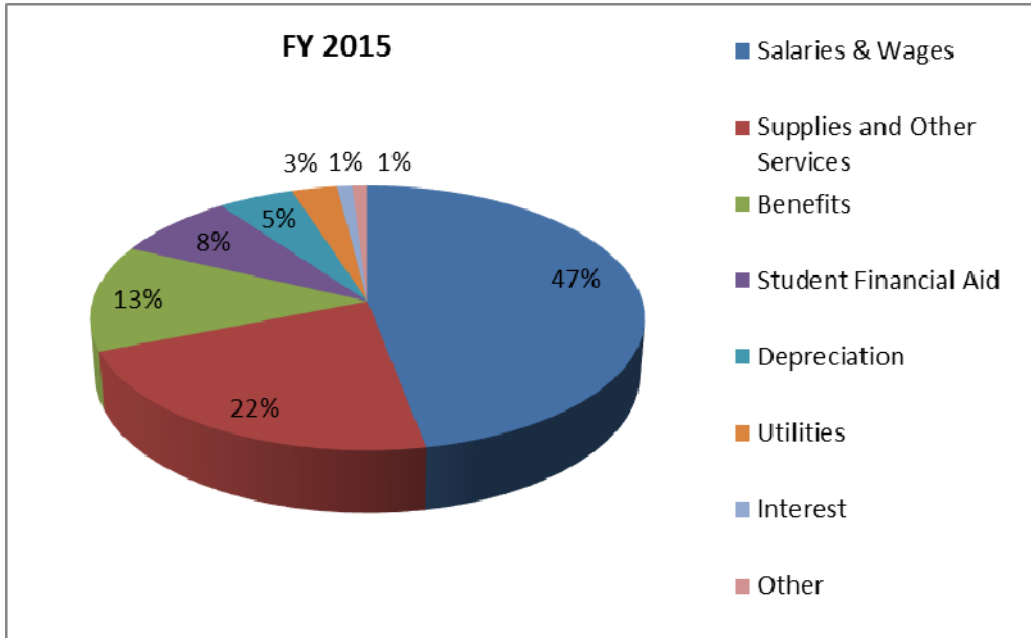
Marshall University
Management's Discussion and Analysis (RSI) (Unaudited)
Fiscal Year 2015

Total Operating and Nonoperating Revenues
(Graph A)



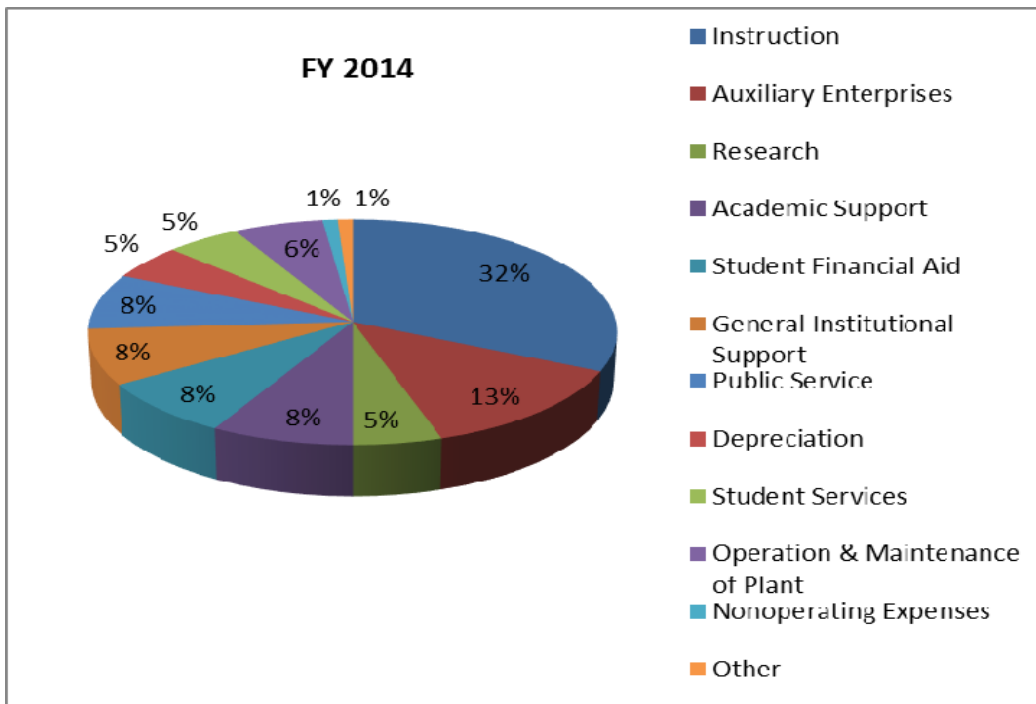
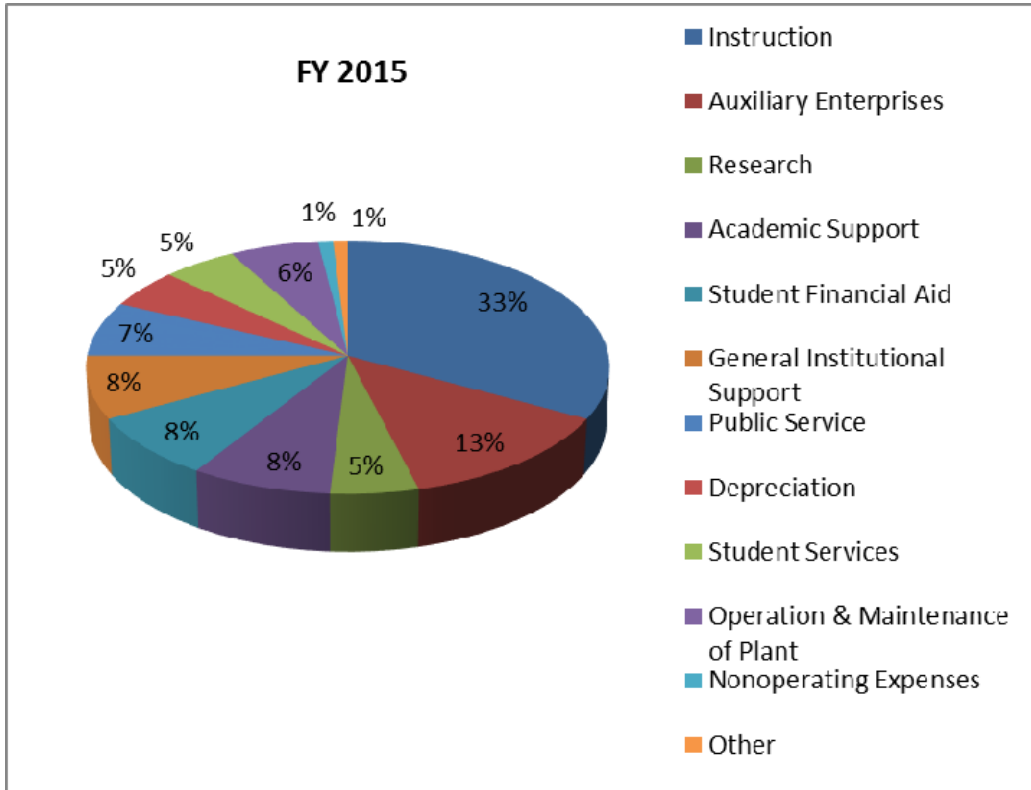
Marshall University
Management's Discussion and Analysis (RSI) (Unaudited)
Fiscal Year 2015

Total Operating and Nonoperating Expenses
(Graph B)



**Marshall University
Management's Discussion and Analysis (RSI) (Unaudited)
Fiscal Year 2015**

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



Marshall University
Management's Discussion and Analysis (RSI) (Unaudited)
Fiscal Year 2015

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 2015, there was a net increase of \$2.8 million for the institution. Of this total, the University had a net increase of \$5.5 million while MURC had a net decrease of \$2.7 million. Note, if the unfunded portion of OPEB expense were excluded, the total Institution would show a \$5.1 million net increase in FY 2015 as compared to \$12.4 million increase for FY 2014.

Changes to Net Position

The increase in net position of \$8.1 million is \$25.7 million less than the net increase in FY 2014. The net position increase for FY 2015 includes capital grants and gifts of \$5.3 million and \$28 thousand of capital bond proceeds from the Higher Education Policy Commission. The net position increase in FY 2014 included capital grants and gifts of \$8.4 million and \$13.9 million of capital bond proceeds from the Economic Development Authority and the Higher Education Policy Commission.

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 2015	FY 2014	FY 2013
Cash flows provided by (used in):			
Operating activities	\$ (73,538)	\$ (72,741)	\$ (68,468)
Noncapital financing activities	88,540	91,513	95,497
Capital and related financing activities	(26,654)	(43,088)	(30,194)
Investing activities	<u>(7,229)</u>	<u>7,357</u>	<u>5,629</u>
Net Change in current cash	(18,881)	(16,959)	2,464
Current cash, beginning of year	<u>87,456</u>	<u>104,415</u>	<u>101,951</u>
Current cash, end of year	<u>\$ 68,575</u>	<u>\$ 87,456</u>	<u>\$ 104,415</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.

Marshall University
Management's Discussion and Analysis (RSI) (Unaudited)
Fiscal Year 2015

- 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.

Capital Asset and Debt Administration

The University continued its significant construction, renovation, and capital activities in FY 2015, financed by capital gifts, and other University funds.

Projects that were completed in FY 2015 include the Visual Arts Center, as well as various renovation and maintenance projects at the Medical School, Welcome Center, Art Warehouse, and Buskirk Hall. New projects that were initiated in FY 2015 were various renovation and maintenance projects. Major construction projects that continued through FY 2015 include the Applied Engineering Complex and the Indoor Athletic Complex.

At June 30, 2015, the University had outstanding contractual commitments of \$6.2 million for property, plant and equipment expenditures. Most of these commitments will be funded by gifts from fundraising conducted by the MU Foundation as well as other University funds.

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, \$12.9 million is reported as debt service assessment payable to the Commission by the University.

During FY 2012, the University issued new Series 2011 Bonds to be 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. At June 30, 2014, all of these bond proceeds had been spent and any projects that were not yet completed are being paid from capital gift proceeds raised by the MU Foundation and other University funds.

Economic Outlook

Presently, Marshall University's financial position continues to remain closely intertwined with that of the State of West Virginia; however, in October of 2013 Marshall University initiated the Marshall 20/20 long-range strategic planning process, designed to significantly reduce this dependency over the next decade.

The University continues to be at risk for reductions in State appropriations resulting from insufficient annual State revenues to offset State expenditure obligations. The University has been subject to three consecutive years of reductions to its appropriations from the State, with those cuts totaling almost \$9 million, and a FY2016 midyear reduction is still possible.

Marshall University
Management's Discussion and Analysis (RSI) (Unaudited)
Fiscal Year 2015

Although no budget cuts are yet forecast for FY2017, West Virginia was one of only 13 states that cut per-student higher education funding for the past academic year, and one of only five that cut it by more than \$100 per student.

Due to the uncertainty of future State appropriations, the University has taken proactive steps through its Marshall 20/20 process (www.marshall.edu/2020) to lower its dependency on the State. Student affordability remains a crucial consideration in the strategic rebalancing process that has been initiated.

The University is now more focused than ever 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, expanding student enrollment strategically (including improving student retention rates and growing international student enrollments) and diversified revenue enhancements. Key components of Marshall 20/20 include budget model realignment, multi-year pro forma development, comprehensive academic and services portfolio reviews to identify hidden unnecessary costs for elimination, and establishing key performance indicators to allow greater performance accountability.

Comprehensive Marshall 20/20 reviews of the University's services and academic portfolios have identified more than \$3 million in projected net savings in FY2016 alone. A parallel analysis of our management structure and lines of reporting will result in a savings of more than \$2.7 million by the year 2020.

These measures are already showing success. More than \$83 million in Marshall University revenue bonds this year had their "AA-" ratings affirmed by Fitch Ratings with a stable outlook. In the affirmation document, Fitch said that the rating reflects "historically stable student enrollment and demand for auxiliary facilities." It also said that it expects Marshall to manage effectively through any cuts in State operating appropriations. Similarly, in March 2014, Moody's Investors Service affirmed Marshall's A1 rating on its Series 2010 and Series 2011 revenue bonds with a stable outlook.

Enrollment Growth Plan: Beginning in summer 2006, the University launched a series of initiatives to increase full-time undergraduate enrollment by up to 3,500 full-time students over the next decade. 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 non-resident student enrollment, greater leveraging of institutional financial aid, increasing the number of transfer and adult students, and improved retention rates across all levels to achieve six-year graduation rates for undergraduates that exceed 60%.

Recent successes include a five percent retention rate increase over the last two years. Additionally, overall enrollment and new freshman enrollment are both projected to increase for fall 2016, and the number of students enrolled through the INTO Marshall international recruitment initiative is up 55 students, or nearly 40 percent, over last fall.

Marshall University
Management's Discussion and Analysis (RSI) (Unaudited)
Fiscal Year 2015

Future Direction: Going forward, the University's Board in April 2015 affirmed the following institutional priorities:

- Positioning the University to redefine the landscape of public higher education while attaining the highest possible levels of achievement across academic and student programs;
- Making an unprecedented University-wide commitment to student recruitment and retention;
- Promoting diversity and global engagement;
- Cultivating the symbiotic connection with Huntington and surrounding communities, particularly related to regional economic development, rural health care delivery, and improvement of elementary and secondary education;
- Establishing and maintaining a competitive Division I athletic program with high academic standards for athletes; and
- Building collaborative, interdisciplinary research clusters in biomedicine/biotechnology, transportation technology/logistics, engineering, advanced manufacturing and the physical sciences.

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.

MARSHALL UNIVERSITY
STATEMENTS OF NET POSITION – PRIMARY INSTITUTION
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 68,575,416	\$ 87,456,005
Accounts Receivable - Net	14,914,795	19,164,121
Loans Receivable	875,464	934,380
Inventories	730,379	680,993
Other Current Assets	341,176	403,414
Total Current Assets	85,437,230	108,638,913
NONCURRENT ASSETS		
Cash and Cash Equivalents	1,684,276	2,074,551
Investments	93,409,785	83,828,005
Accounts Receivable	9,223,664	7,697,449
Loans Receivable - Net of Allowance of \$2,223,846 in 2015 and \$2,350,289 in 2014	6,970,551	7,102,793
Capital Assets - Net	433,541,716	414,829,869
Total Noncurrent Assets	544,829,992	515,532,667
Total Assets	630,267,222	624,171,580
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding	1,180,171	1,316,450
Deferred Outflows Related to Pensions	499,696	-
Total Deferred Outflows of Resources	1,679,867	1,316,450
Total Assets and Deferred Outflows	\$ 631,947,089	\$ 625,488,030

(continued)

MARSHALL UNIVERSITY
STATEMENTS OF NET POSITION – PRIMARY INSTITUTION
JUNE 30, 2015 AND 2014

	2015	2014
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 9,126,460	\$ 9,745,263
Due to MCTC - Current Portion	525,000	350,000
Accrued Liabilities	11,469,992	9,044,874
Accrued Interest	676,824	688,213
Unearned Revenue	7,514,266	8,123,558
Deposits	679,168	678,733
Notes, Capital Lease, and Bonds Payable - Current Portion	2,576,205	2,792,141
Compensated Absences	9,740,094	9,108,453
Debt Obligations to the Commission - Current Portion	1,917,257	1,835,254
Total Current Liabilities	44,225,266	42,366,489
NONCURRENT LIABILITIES		
Notes, Capital Lease, and Bonds Payable	90,259,313	93,026,599
Advances from Federal Sponsors	6,345,285	6,345,285
Other Noncurrent Liabilities	10,683,875	11,412,570
Accrued Service Concession Liability	325,076	429,100
Other Post Employment Benefits Liability	42,824,167	40,395,938
Net Pension Liability	3,967,132	-
Due to MCTC	742,834	1,092,834
Debt Obligations to the Commission	11,013,502	12,930,759
Total Noncurrent Liabilities	166,161,184	165,633,085
Total Liabilities	210,386,450	207,999,574
DEFERRED INFLOWS OF RESOURCES		
Service Concession Arrangement	1,031,914	1,282,075
Deferred Inflows Related to Pensions	842,388	-
Total Deferred Inflows of Resources	1,874,302	1,282,075
Total Liabilities and Deferred Inflows	212,260,752	209,281,649
NET POSITION		
Net Investment in Capital Assets	325,014,690	301,072,582
Restricted for:		
Nonexpendable	15,176,000	15,176,000
Expendable:		
Scholarships	142,809	194,540
Sponsored Projects	17,237,950	16,853,303
Loans	2,024,763	2,005,219
Debt Service	15	7,921
Total Restricted Expendable	19,405,537	19,060,983
Unrestricted	60,090,110	80,896,816
Total Net Position	419,686,337	416,206,381
Total Liabilities, Deferred Inflows, and Net Position	\$ 631,947,089	\$ 625,488,030 (concluded)

See accompanying Notes to Financial Statements

MARSHALL UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PRIMARY INSTITUTION
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
OPERATING REVENUES		
Student Tuition and Fees - Net of Scholarship Allowance of \$35,056,078 in 2015 and \$30,578,373 in 2014	\$ 75,586,322	\$ 70,013,168
Contracts and Grants:		
Federal	18,091,507	22,480,530
State	21,937,828	19,056,907
Local	1,138,973	5,303,190
Private	21,454,070	16,165,533
Interest on Loans Receivable	158,287	161,629
Sales and Services of Educational Activities	115,610	138,030
Auxiliary Enterprise Revenue - Net of Scholarship Allowance of \$4,704,337 in 2015 and \$4,279,930 in 2014	35,323,825	33,661,356
Other Operating Revenues	8,530,752	7,827,294
Total Operating Revenues	182,337,174	174,807,637
OPERATING EXPENSES		
Salaries and Wages	125,808,823	122,560,796
Benefits	37,368,897	33,534,750
Supplies and Other Services	59,312,017	56,676,493
Utilities	8,839,811	8,261,744
Student Financial Aid - Scholarships and Fellowships	22,539,953	21,428,046
Depreciation	14,581,627	14,015,195
Other Operating Expenses	259,990	160,257
Fees Assessed by the Commission for Operations	723,345	735,660
Total Operating Expenses	269,434,463	257,372,941
OPERATING LOSS	(87,097,289)	(82,565,304)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	69,140,038	70,257,283
State Lottery Appropriations	610,016	629,701
Payments on Behalf of the University	529,560	-
Federal Pell Grants	17,552,855	17,639,860
Gifts	1,146,712	1,133,692
Investment Income	2,351,158	7,559,362
Interest on Indebtedness	(568,569)	(2,179,534)
Fees Assessed by the Commission for Debt Service	(689,474)	(767,963)
Other Nonoperating Revenues (Expenses) - Net	(164,127)	(196,621)
Net Nonoperating Revenues	89,908,169	94,075,780
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	2,810,880	11,510,476
CAPITAL GRANTS AND GIFTS	5,299,978	8,454,185
CAPITAL BOND PROCEEDS FROM THE COMMISSION	27,725	13,883,953
INCREASE IN NET POSITION	8,138,583	33,848,614
NET POSITION - BEGINNING OF YEAR	416,206,381	382,357,767
RESTATEMENT FOR JULY 1, 2014, PENSION LIABILITY	(4,658,627)	-
NET POSITION - BEGINNING OF YEAR, RESTATED	411,547,754	382,357,767
NET POSITION - END OF YEAR	\$ 419,686,337	\$ 416,206,381

See accompanying Notes to Financial Statements

MARSHALL UNIVERSITY
STATEMENTS OF CASH FLOWS – PRIMARY INSTITUTION
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Student Tuition and Fees	\$ 75,412,609	\$ 69,625,027
Contracts and Grants	62,490,930	67,071,354
Payments to and on Behalf of Employees	(159,050,629)	(155,091,353)
Payments to Suppliers	(64,546,585)	(64,750,685)
Payments to Utilities	(8,839,811)	(8,261,744)
Payments for Scholarships and Fellowships	(22,539,953)	(21,428,046)
Loans Issued	(1,202,861)	(1,923,526)
Collection of Loans	1,134,028	992,462
Sales and Service of Educational Activities	115,610	138,030
Auxiliary Enterprise Charges	35,528,913	33,292,422
Fees Assessed by the Commission	(723,345)	(735,660)
Program Income	1,053,711	1,078,570
Other Receipts - Net	7,630,068	7,252,526
Net Cash Used by Operating Activities	(73,537,315)	(72,740,623)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	69,831,355	72,726,397
Federal Pell Grants	17,552,855	17,639,860
Gift Receipts	1,146,712	1,133,692
Agency Fund Receipts	8,473,526	8,155,203
Agency Fund Payments	(8,464,635)	(8,142,541)
William D. Ford Direct Lending Receipts	78,390,118	78,672,424
William D. Ford Direct Lending Payments	(78,390,120)	(78,672,426)
Net Cash Provided by Noncapital Financing Activities	88,539,811	91,512,609
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital Grants and Gifts Received	9,783,500	3,100,000
Capital Bond Proceeds from the Commission	27,725	16,147,736
Capital Bond Proceeds from State	-	85,639
Purchases of Capital Assets	(27,054,226)	(59,713,980)
Unearned Rent Revenue Collected	(36,343)	-
Payments on Note Payable	(164,076)	(162,957)
Payments on Debt to MCTC	(175,000)	(350,000)
Principal Paid on Bonds and Leases	(2,844,263)	(2,767,297)
Interest Paid on Bonds and Leases	(4,083,145)	(4,173,142)
Proceeds from Sale of Capital Assets	26,425	49,643
Principal Payment on Debt Obligation Due to the Commission	(1,805,254)	(1,732,185)
Fees Assessed by the Commission	(689,474)	(767,963)
Principal Payment on Loan from the Commission	(30,000)	(30,000)
Deposits to Noncurrent Cash and Cash Equivalents	(1,878,411)	(2,002,247)
Withdrawals from Noncurrent Cash and Cash Equivalents	2,268,686	9,228,603
Net Cash Used by Capital Financing Activities	(26,653,856)	(43,088,150)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(24,130,870)	(29,357,848)
Sales/Maturities of Investments	15,229,786	35,355,893
Investment Income	1,671,855	1,359,192
Net Cash (Used) Provided by Investing Activities	(7,229,229)	7,357,237
DECREASE IN CURRENT CASH AND CASH EQUIVALENTS	(18,880,589)	(16,958,927)
Current Cash and Cash Equivalents - Beginning of Year	87,456,005	104,414,932
CURRENT CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 68,575,416	\$ 87,456,005

See accompanying Notes to Financial Statements

MARSHALL UNIVERSITY
STATEMENTS OF CASH FLOWS – PRIMARY INSTITUTION
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (87,097,289)	\$ (82,565,304)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	14,581,627	14,015,195
Changes in Assets and Liabilities:		
Accounts Receivable - Net	(2,302,316)	(612,622)
Loans Receivable - Net	191,158	(770,808)
Prepaid Expenses	62,238	295,515
Inventories	(49,386)	42,172
Accounts Payable	(3,327,551)	(5,271,745)
Accrued Liabilities	1,822,140	686,972
Other Post Employment Benefits Liability	2,428,229	864,729
Defined Benefit Pension Plan	180,757	-
Compensated Absences	631,641	(279,125)
Unearned Revenue	(658,998)	854,398
Deposits Held for Others	435	-
Net Cash Used by Operating Activities	\$ (73,537,315)	\$ (72,740,623)
NONCASH TRANSACTIONS		
Loss on Disposal of Assets	\$ 181,520	\$ 196,619
Property Additions in Accounts Payable	\$ 4,409,664	\$ 7,223,436
Expenses Paid on Behalf of the University	\$ 529,560	\$ -
Acquisition of Fixed Assets under Capital Lease Arrangements	\$ -	\$ 790,213
		(Concluded)

See accompanying Notes to Financial Statements

MARSHALL UNIVERSITY
THE MARSHALL UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – COMPONENT UNIT
JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 13,551,670	\$ 15,487,295
Unconditional promises to give, less allowance for uncollectible promises of \$859,741 and \$758,011 in 2015 and 2014, respectively	29,099,823	23,196,515
Contributions receivable from remainder trusts	647,855	874,687
Other receivables	48,372	57,156
Beneficial interest in perpetual trust	9,423,213	9,792,769
Investments	120,630,237	119,945,069
Net investment in direct financing leases	938,041	1,514,067
Property and equipment - net	13,535,485	13,935,533
Cash surrender value-life insurance, net of policy loans	502,552	464,718
Prepays	31,205	41,238
Other assets	<u>15,500</u>	<u>15,500</u>
TOTAL ASSETS	\$ <u>188,423,953</u>	\$ <u>185,324,547</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 32,675	\$ 24,865
Accrued vacation and wages	191,060	125,967
Accrued interest payable	53,910	44,799
Bonds payable	8,579,881	9,562,787
Notes payable	300,000	300,000
Annuity payment liability	367,709	295,032
Deferred revenue	280,530	223,894
Fair value of interest rate swap	<u>75,795</u>	<u>169,121</u>
TOTAL LIABILITIES	<u>9,881,560</u>	<u>10,746,465</u>
 NET ASSETS		
Unrestricted	13,939,804	19,901,648
Temporarily restricted	65,036,186	62,127,699
Permanently restricted	<u>99,566,403</u>	<u>92,548,735</u>
TOTAL NET ASSETS	<u>178,542,393</u>	<u>174,578,082</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>188,423,953</u>	\$ <u>185,324,547</u>

See accompanying Notes to Financial Statements

MARSHALL UNIVERSITY
THE MARSHALL UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES – COMPONENT UNIT
YEAR ENDED JUNE 30, 2015

	<u>2015</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS				
Gifts, contributions and other	\$ 794,339	\$ 17,882,963	\$ 7,674,051	\$ 26,351,353
Investment income	(40,873)	800,114	106,816	866,057
Net assets released from restrictions				
Satisfaction of program restrictions	<u>20,073,136</u>	<u>(20,073,136)</u>	<u>-0-</u>	<u>-0-</u>
TOTAL PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS	<u>20,826,602</u>	<u>(1,390,059)</u>	<u>7,780,867</u>	<u>27,217,410</u>
EXPENSES				
PROGRAM SERVICES				
Academic assistance	17,153,208	-0-	-0-	17,153,208
Student assistance	<u>3,273,978</u>	<u>-0-</u>	<u>-0-</u>	<u>3,273,978</u>
TOTAL PROGRAM SERVICES	<u>20,427,186</u>	<u>-0-</u>	<u>-0-</u>	<u>20,427,186</u>
SUPPORTING SERVICES				
Management and general	1,604,061	-0-	-0-	1,604,061
Fundraising	<u>1,221,852</u>	<u>-0-</u>	<u>-0-</u>	<u>1,221,852</u>
TOTAL SUPPORTING SERVICES	<u>2,825,913</u>	<u>-0-</u>	<u>-0-</u>	<u>2,825,913</u>
TOTAL EXPENSES	<u>23,253,099</u>	<u>-0-</u>	<u>-0-</u>	<u>23,253,099</u>
CHANGE IN NET ASSETS	(2,426,497)	(1,390,059)	7,780,867	3,964,311
NET ASSETS AS OF BEGINNING OF YEAR	19,901,648	62,127,699	92,548,735	174,578,082
TRANSFERS	<u>(3,535,347)</u>	<u>4,298,546</u>	<u>(763,199)</u>	<u>-0-</u>
NET ASSETS AS OF END OF YEAR	\$ <u>13,939,804</u>	\$ <u>65,036,186</u>	\$ <u>99,566,403</u>	\$ <u>178,542,393</u>

See accompanying Notes to Financial Statements

MARSHALL UNIVERSITY
THE MARSHALL UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES – COMPONENT UNIT
YEAR ENDED JUNE 30, 2014

2014

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 705,858	\$ 9,212,782	\$ 3,038,653	\$ 12,957,293
2,364,486	11,932,391	2,174,427	16,471,304
<u>12,713,971</u>	<u>(12,713,971)</u>	<u>-0-</u>	<u>-0-</u>
 <u>15,784,315</u>	 <u>8,431,202</u>	 <u>5,213,080</u>	 <u>29,428,597</u>
 9,223,262	 -0-	 -0-	 9,223,262
<u>3,408,662</u>	<u>-0-</u>	<u>-0-</u>	<u>3,408,662</u>
<u>12,631,924</u>	<u>-0-</u>	<u>-0-</u>	<u>12,631,924</u>
 1,998,710	 -0-	 -0-	 1,998,710
<u>769,253</u>	<u>-0-</u>	<u>-0-</u>	<u>769,253</u>
<u>2,767,963</u>	<u>-0-</u>	<u>-0-</u>	<u>2,767,963</u>
 <u>15,399,887</u>	 <u>-0-</u>	 <u>-0-</u>	 <u>15,399,887</u>
 384,428	 8,431,202	 5,213,080	 14,028,710
 17,671,287	 55,664,356	 87,213,729	 160,549,372
<u>1,845,933</u>	<u>(1,967,859)</u>	<u>121,926</u>	<u>-0-</u>
\$ <u>19,901,648</u>	\$ <u>62,127,699</u>	\$ <u>92,548,735</u>	\$ <u>174,578,082</u>

See accompanying Notes to Financial Statements

MARSHALL UNIVERSITY
PROVIDENT GROUP – MARSHALL PROPERTIES L.L.C.
BALANCE SHEETS – COMPONENT UNIT
JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets		
Cash	\$ 874,620	\$ 878,531
Assets held by trustee, current portion	1,541,953	1,722,905
Accounts receivable, net of allowance; 2015 - \$515,800 and 2014 - \$210,600	70,646	133,669
Prepaid insurance and other current assets	<u>83,105</u>	<u>92,575</u>
Total current assets	<u>2,570,324</u>	<u>2,827,680</u>
Assets held by trustee and deposits		
Assets held by trustee, net of current portion	<u>3,514,034</u>	<u>3,514,033</u>
Total assets held by trustee and deposits	<u>3,514,034</u>	<u>3,514,033</u>
Property and equipment		
Buildings and improvements	77,375,774	77,453,449
Equipment and furniture	7,433,204	7,276,198
Construction in progress	<u>139,330</u>	<u>-</u>
	84,948,308	84,729,647
Less accumulated depreciation	<u>17,735,127</u>	<u>14,213,532</u>
Total property and equipment	<u>67,213,181</u>	<u>70,516,115</u>
Other asset		
Deferred financing costs, net of accumulated amortization; 2015 - \$221,545 and 2014 - \$177,373	<u>772,528</u>	<u>816,700</u>
Total assets	<u>\$ 74,070,067</u>	<u>\$ 77,674,528</u>
LIABILITIES AND MEMBER'S DEFICIT		
Current liabilities		
Revenue bonds payable, current portion	\$ 319,000	\$ 187,000
Accounts payable	170,329	286,695
Accrued interest	6,418	6,511
Interest rate swap agreement, current portion	2,756,592	2,870,354
Accrued expenses and other current liabilities	<u>1,082,663</u>	<u>894,762</u>
Total current liabilities	<u>4,335,002</u>	<u>4,245,322</u>
Long-term liabilities		
Revenue bonds payable, net of current portion	88,234,753	88,535,444
Deferred interest - subordinate bonds payable	672,600	681,125
Interest rate swap agreement, net of current portion	<u>14,372,353</u>	<u>12,990,043</u>
Total long-term liabilities	<u>103,279,706</u>	<u>102,206,612</u>
Total liabilities	<u>107,614,708</u>	<u>106,451,934</u>
Member's deficit	<u>(33,544,641)</u>	<u>(28,777,406)</u>
Total liabilities and member's deficit	<u>\$ 74,070,067</u>	<u>\$ 77,674,528</u>

See accompanying Notes to Financial Statements

MARSHALL UNIVERSITY
PROVIDENT GROUP – MARSHALL PROPERTIES L.L.C.
STATEMENTS OF OPERATIONS – COMPONENT UNIT
YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Operating revenue		
Rental revenue	\$ 4,461,157	\$ 4,209,632
Membership fees	5,167,989	5,099,941
Other revenue	<u>37,017</u>	<u>26,431</u>
Total operating revenue	<u>9,666,163</u>	<u>9,336,004</u>
Operating expenses		
Administration and general	3,293,759	3,344,919
Plant operations and maintenance	1,399,106	1,230,708
Marketing	86,680	74,627
Management fee	609,838	603,127
Bad debts	<u>315,266</u>	<u>68,665</u>
Total operating expenses	<u>5,704,649</u>	<u>5,322,046</u>
Operating income	<u>3,961,514</u>	<u>4,013,958</u>
Other income (expense)		
Interest income	299	301
Interest expense - senior bonds payable	(2,938,522)	(2,964,128)
Interest expense - subordinate bonds payable	(672,600)	(681,125)
Depreciation	(3,702,288)	(3,682,903)
Amortization	(62,481)	(63,189)
Loss on disposal of fixed assets	(84,609)	(12,699)
Unrealized loss on interest rate swap agreement	<u>(1,268,548)</u>	<u>(705,312)</u>
Total other income (expense)	<u>(8,728,749)</u>	<u>(8,109,055)</u>
Net loss	<u>\$ (4,767,235)</u>	<u>\$ (4,095,097)</u>

See accompanying Notes to Financial Statements

MARSHALL UNIVERSITY
BIG GREEN SCHOLARSHIP FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION – COMPONENT UNIT
JUNE 30, 2015 AND 2014

	Operating Fund	Branch Entity Clubs	Booster Clubs	Endowment Fund	Totals (Memorandum Only)	
					June 30, 2015	June 30, 2014
ASSETS						
Current Assets:						
Cash	\$ 863,286	\$ 9,442	\$ 699,324	\$ -	\$ 1,572,052	\$ 1,728,965
Accounts receivable	636,730	-	5,120	-	641,850	670,629
Unconditional pledges (Net of allowance for uncollectible pledges)	325,258	-	134,191	204,701	664,150	1,109,015
Prepaid expenses	3,981	-	600	-	4,581	16,200
Total Current Assets	1,829,255	9,442	839,235	204,701	2,882,633	3,524,809
Fixed Assets:						
Vehicles	208,860	-	53,881	-	262,741	262,741
Less: Accumulated depreciation	(90,506)	-	(53,881)	-	(144,387)	(99,561)
Net Fixed Assets	118,354	-	-	-	118,354	163,180
Other Assets:						
Other receivable (See Note 13)	2,493,619	-	243	-	2,493,862	2,852,982
Beneficial interest in charitable remainder trust - temporarily restricted	749,385	-	-	-	749,385	794,392
Endowment Investments:						
Unrestricted	-	-	62,611	29,352	91,963	111,241
Permanently restricted	-	-	-	7,208,248	7,208,248	7,260,750
Cash value life insurance	-	-	-	111,729	111,729	105,930
Total Other Assets	3,243,004	-	62,854	7,349,329	10,655,187	11,125,295
Total Assets	\$ 5,190,613	\$ 9,442	\$ 902,089	\$ 7,554,030	\$ 13,656,174	\$ 14,813,284
LIABILITIES AND NET ASSETS						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 31,206	\$ 5,400	\$ 349	\$ -	\$ 36,955	\$ 141,815
Current portion of long-term debt	547,119	-	-	-	547,119	526,510
Deferred revenue	13,589	-	-	-	13,589	7,192
Total Current Liabilities	591,914	5,400	349	-	597,663	675,517
Other Liabilities						
Long-term debt	2,646,640	-	-	-	2,646,640	3,067,596
Total Liabilities	3,238,554	5,400	349	-	3,244,303	3,743,113
Net Assets:						
Unrestricted	1,202,674	4,042	901,740	29,352	2,137,808	2,606,583
Temporarily restricted	749,385	-	-	-	749,385	794,392
Permanently restricted	-	-	-	7,524,678	7,524,678	7,669,196
Total Net Assets	1,952,059	4,042	901,740	7,554,030	10,411,871	11,070,171
Total Liabilities and Net Assets	\$ 5,190,613	\$ 9,442	\$ 902,089	\$ 7,554,030	\$ 13,656,174	\$ 14,813,284

See accompanying Notes to Financial Statements

MARSHALL UNIVERSITY
BIG GREEN SCHOLARSHIP FOUNDATION, INC.
STATEMENTS OF ACTIVITIES – COMPONENT UNIT
YEARS ENDED JUNE 30, 2015 AND 2014

	Operating Fund	Branch Entity Clubs	Booster Clubs	Endowment Fund	Totals (Memorandum Only)	
					June 30, 2015	June 30, 2014
UNRESTRICTED NET ASSETS						
Support:						
Contributions	\$ 1,552,285	\$ -	\$ 475,602	\$ 2,500	\$ 2,030,387	\$ 2,773,614
Special events	193,418	46,283	276,541	-	516,242	591,506
Other income	50	-	70,260	-	70,310	56,247
In-kind contributions	425,165	-	-	-	425,165	357,294
Total Unrestricted Support	<u>2,170,918</u>	<u>46,283</u>	<u>822,403</u>	<u>2,500</u>	<u>3,042,104</u>	<u>3,778,661</u>
Other Revenue, Gains, Expenses, and Losses:						
Revenue & Gains:						
Interest and dividend income	1,246	-	8,191	105,832	115,269	153,006
Unrealized gain on investments	-	-	-	-	-	11,263
Total Revenue & Gains	<u>1,246</u>	<u>-</u>	<u>8,191</u>	<u>105,832</u>	<u>115,269</u>	<u>164,269</u>
Expenses & Losses:						
Investment fees	-	-	536	57,385	57,921	65,973
Unrealized loss on investments	-	-	910	391	1,301	-
Total Expenses & Losses	<u>-</u>	<u>-</u>	<u>1,446</u>	<u>57,776</u>	<u>59,222</u>	<u>65,973</u>
Total Other Revenue, Gains, Expenses, and Losses:	<u>1,246</u>	<u>-</u>	<u>6,745</u>	<u>48,056</u>	<u>56,047</u>	<u>98,296</u>
Total Support and Other Income	2,172,164	46,283	829,148	50,556	3,098,151	3,876,957
BIG GREEN EXPENSES:						
Salaries and benefits	183,891	-	5,168	-	189,059	203,086
Special events	177,466	20,540	183,910	-	381,916	422,969
Travel and entertainment	60,804	-	1,635	-	62,439	55,722
Promotions	70,979	375	83,652	-	155,006	376,058
Public relations	2,977	-	1,323	-	4,300	6,642
Membership publication	69,928	-	-	-	69,928	69,928
Printing and graphics	36,071	-	3,204	-	39,275	28,559
Office expenses	38,055	49	1,615	-	39,719	55,579
Insurance	11,775	-	-	(5,799)	5,976	9,632
Repair, maintenance, and rental	26,217	-	630	-	26,847	25,867
Accounting and professional services	10,475	-	-	-	10,475	11,938
Interest	133,735	-	-	-	133,735	145,434
Other expenses	-	62	1,692	9,000	10,754	2,562
Bank charges and credit card fees	19,655	45	2,706	-	22,406	24,807
Bad debt expense	12,722	-	11,761	115,275	139,758	345,443
Total Big Green Expenses	<u>\$ 854,750</u>	<u>\$ 21,071</u>	<u>\$ 297,296</u>	<u>\$ 118,476</u>	<u>\$ 1,291,593</u>	<u>\$ 1,784,226</u>

See accompanying Notes to Financial Statements

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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, 2015 and 2014.

On July 30, 2010, Provident — Marshall purchased the project previously owned by MSH — Marshall, LLC ("MSH — Marshall"). MSH — Marshall recognized a gain on sale of the project, net of unamortized issuance costs, of \$17 million.

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, 2015 AND 2014

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 GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the University’s assets, deferred inflows of resources, liabilities, deferred outflows 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 Notes 15, 16, and 17) 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, 2015 AND 2014

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, 2015 and 2014, 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, 24, and 25).

Financial Statement Presentation

GASB establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a basis to focus on the University as a whole. Net position is classified into four categories according to external donor restrictions or availability of assets for satisfaction of University obligations. The University’s net position is classified as follows:

Net Investment in Capital Assets — This represents the University’s total investment in capital assets, net of depreciation and outstanding debt obligations related to those capital assets. To the extent that debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted Net Position, Expendable — This includes resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

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

Restricted Net Position, Nonexpendable — This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

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

Basis of Accounting

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

Cash and Cash Equivalents

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

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

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

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The University had investments in six long-term funds comprised of bond, equity, commodities, and fixed-income investments, with Commonfund at June 30, 2015 and 2014 and eight and four investment funds with Jefferies Group, at June 30, 2015 and 2014, respectively. MURC held U.S. government agency securities and four investment funds with Jefferies Group at June 30, 2015 and 2014.

Investments, other than alternative investments, are presented at fair value based on quoted market prices. The alternative investments are carried at fair value. These valuations include assumptions and methods that were reviewed by University management and are primarily based on quoted market prices or other readily determinable market values for the underlying investments. The University believes that the carrying amount of its alternative investments is a reasonable estimate of fair value. Because a portion of alternative investments is not readily marketable and the estimated value is subject to uncertainty, the reported value may differ from the value that would have been used had a ready market existed.

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 article six-c, chapter forty-four 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, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets include property, plant, and equipment; books and materials that are part of a catalogued library; and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction or at market value at the date of donation in the case of gifts. Interest on related borrowings, net of interest earnings on invested proceeds, is capitalized during the period of construction and was \$3,488,246 and \$1,959,866 for the years ended June 30, 2015 and 2014, respectively. 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, seven years for library books, and three to 10 years for furniture and equipment. The University's capitalization threshold is \$100,000 for buildings and \$5,000 for most other capital assets.

Unearned Revenue

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

Compensated Absences and Other Post Employment 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, sponsored by the State of West Virginia. Details regarding this plan and its stand-alone financial statements can be obtained by contacting the West Virginia Public Employees Insurance Agency ("PEIA"), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, WV 25305-0710, or <http://www.wvpeia.com>.

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

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences and Other Post Employment Benefits (OPEB) (Continued)

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

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

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the West Virginia Teachers' Retirement System ("TRS"), administered by the West Virginia Consolidated Public Retirement Board ("CPRB"), and additions to/reductions from the TRS fiduciary net position have been determined on the same basis as they are reported in the TRS financial statements, which can be found at <https://www.wvretirement.com/Publications.html#CAFR>. The plan schedules of TRS are prepared using the accrual basis of accounting and economic resources measurement focus in accordance with U.S. GAAP as prescribed by GASB. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Investments are reported at fair value. Detailed information on investment valuation can be found in the TRS financial statements. Management of TRS has made certain estimates and assumptions relating to employer allocation schedules, and actual results could differ (Note 14).

Deferred Outflows of Resources

Consumption of net position 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, 2015 and 2014, the University had a deferred loss on refunding of \$1,180,171 and \$1,316,450, respectively, and deferred outflows of resources related to pensions of \$499,696 as of June 30, 2015 (Note 14).

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, 2015 and 2014, the University had deferred inflows from service concession arrangements of \$1,031,914 and \$1,282,075, respectively (Note 20), and deferred inflows related to pensions of \$842,388 as of June 30, 2015 (Note 14).

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management

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

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

SOM established a \$250,000 deductible program under the BRIM professional liability coverage effective July 1, 2005. Prior to this date, the SOM was totally covered by BRIM at a limit of \$1,000,000 per occurrence. Starting July 1, 2005, the SOM assumed the risk and responsibility for any and all indemnity amounts up to \$250,000 per occurrence and all loss expenses associated with medical malpractice claims and/or suits in exchange for a reduction in its premium for medical malpractice insurance.

Under the program, SOM entered into an agreement with BRIM whereby SOM initially deposited \$500,000 in an escrow account with the State Treasury from which BRIM could withdraw amounts to pay indemnity costs and allocated expenses in connection with medical malpractice claims against the SOM. At June 30, 2015 and 2014, the balance in the escrow account was \$1,508,276 and \$1,898,551, respectively. Based on an actuarial valuation of this self-insurance program, the University has recorded a liability of \$9,000,000 and \$9,596,000 at June 30, 2015 and 2014, respectively, to reflect projected claim payments at 80% confidence level and a discount rate of 3% at June 30, and 2015 and 2014. The receivable from University Physicians & Surgeons, Inc., for the funding it has agreed to provide for this liability was \$7,491,724 and \$7,697,449 at June 30, 2015 and 2014, 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.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Revenues

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

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

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

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

Use of Restricted Net Position

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

Federal Financial Assistance Programs

The University makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students through institutions, such as the University. Direct student loan receivables are not included in the University's accompanying statements of net position since the loans are repayable directly to the U.S. Department of Education. In 2015 and 2014, the University received and disbursed approximately \$78,000,000 and \$79,000,000, 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 both 2015 and 2014, the University received and disbursed approximately \$18,426,000 and \$18,385,000, 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.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Scholarship Allowances (Continued)

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

Government Grants and Contracts

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

Service Concession Arrangements

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

Income Taxes

The University is exempt from income taxes, except for unrelated business income, as a nonprofit organization under federal income tax laws and regulations of the Internal Revenue Service.

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.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The University has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statements Nos. 68 and 71 require the University to report its share of the defined benefit pension liabilities and expense, as well as the related deferred outflows of resources and deferred inflows of resources, allocated to it by the CPRB. The July 1, 2014, balance of the net pension liability and related deferred outflows of resources and deferred inflows of resources is reported in the statement of revenues, expenses, and changes in net position as a restatement to the 2015 net position – beginning of the year. The CPRB was not able to provide sufficient information to restate the June 30, 2014 financial statements.

	2015
Net Position - Beginning of Year, as Previously stated	\$ 416,206,381
July 1, 2014, Balance of the Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(4,658,627)
Net Position - Beginning of Year, Restated	\$ 411,547,754

Recent Statements Issued by the Governmental Accounting Standards Board (GASB)

The GASB has issued Statement No. 72, *Fair Value Measurement and Application*, effective for fiscal years beginning after June 15, 2015. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The University has not yet determined the effect that the adoption of GASB Statement No. 72 may have on its financial statements.

The GASB has issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of this statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

This statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions that are provided to the employees of state and local governmental employers and are not within the scope of Statement 68. This statement also establishes requirements for pensions that are provided through pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. This statement also establishes requirements for governments that hold assets accumulated for purposes of providing pensions through defined benefit pension plans that are not administered through trusts that meet certain criteria and amends certain provisions for pension plans that are within the scope of Statement 67 and for pensions that are within the scope of Statement 68. The University has not yet determined the effect that the adoption of GASB Statement No. 73 may have on its financial statements.

The GASB has also issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is effective for fiscal years beginning after June 15, 2016. This statement establishes financial reporting standards for state and local governmental other postemployment benefit plans – defined benefit plans and defined contribution plans – that are administered through trusts or equivalent arrangements that meet certain criteria. This statement also establishes financial reporting standards for governments that hold assets accumulated for purposes of providing other postemployment benefits through defined benefit plans that are not administered through trusts or equivalent arrangements that meet certain criteria. The University has not yet determined the effect that the adoption of GASB Statement No. 74 may have on its financial statements.

The GASB has also issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for fiscal years beginning after June 15, 2017. This statement establishes standards of accounting and financial reporting for defined benefit other postemployment benefits and defined contribution other postemployment benefits that are provided to the employees of state and local governmental employers through other postemployment benefit plans that are administered through trusts or equivalent arrangements that meet certain criteria. This statement also establishes standards of accounting and financial reporting for defined benefit other postemployment benefits and defined contribution other postemployment benefits that are provided to the employees of state and local governmental employers through other postemployment benefit plans that are not administered through trusts that meet certain criteria. The University has not yet determined the effect that the adoption of GASB Statement No. 75 may have on its financial statements.

The GASB has also issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is effective for fiscal years beginning after June 15, 2015. This statement establishes the hierarchy of GAAP for state and local governments. The University has not yet determined the effect that the adoption of GASB Statement No. 76 may have on its financial statements.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The GASB has also issued Statement No. 77, *Tax Abatement Disclosures*, which is effective for fiscal years beginning after December 15, 2015. This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The University has not yet determined the effect that the adoption of GASB Statement No. 77 may have on its financial statements.

NOTE 3 CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents was held as follows:

	June 30, 2015		
	Current	Noncurrent	Total
State Treasurer	\$ 48,670,832	\$ 176,000	\$ 48,846,832
Trustee	15	-	15
State Treasurer - Escrow	-	1,508,276	1,508,276
Cash Equivalents	18,914,124	-	18,914,124
In Bank	980,339	-	980,339
On Hand	10,106	-	10,106
Total	<u>\$ 68,575,416</u>	<u>\$ 1,684,276</u>	<u>\$ 70,259,692</u>

	June 30, 2014		
	Current	Noncurrent	Total
State Treasurer	\$ 56,686,568	\$ 176,000	\$ 56,862,568
Trustee	19	-	19
State Treasurer - Escrow	-	1,898,551	1,898,551
Cash Equivalents	29,845,346	-	29,845,346
In Bank	913,966	-	913,966
On Hand	10,106	-	10,106
Total	<u>\$ 87,456,005</u>	<u>\$ 2,074,551</u>	<u>\$ 89,530,556</u>

Cash held by the State Treasurer includes \$1,345,281 and \$1,958,576 at June 30, 2015 and 2014, respectively, of restricted cash for sponsored projects, loans, and other purposes.

Cash on deposit with Trustee represents funds reserved for debt payments on the University Refunding Revenue Bonds, Series 2010 (the "2010 Bonds") and project expenditures, and debt payments on the University Revenue Bonds, Series 2011 (the "2011 Bonds") (see Note 9).

State Treasurer escrow represents an escrow agreement the University entered into with BRIM for malpractice insurance deductibles with a balance of \$1,508,276 and \$1,898,551 at June 30, 2015 and 2014, respectively.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

MURC cash equivalents totaling \$4,536,360 and \$10,474,726 at June 30, 2015 and 2014, respectively, are held in repurchase agreements and a business savings account, both collateralized at 112% and 103% respectively. The collateral was held in the name of MURC.

The carrying amount of cash in bank at June 30, 2015 and 2014, was \$980,339 and \$913,966 as compared with the bank balance of \$1,315,496 and \$1,029,100, 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. Non-interest-bearing accounts are 100% insured through December 31, 2015.

Amounts with the State Treasurer as of June 30, 2015 and 2014, are comprised of three investment pools, the WV Money Market Pool, the WV Government 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	2015		2014	
	Carrying Value (in Thousands)	S & P Rating	Carrying Value (in Thousands)	S & P Rating
WV Money Market Pool	\$ 48,412	AAAm	\$ 55,232	AAAm
WV Government Money Market Pool	424	AAAm	459	AAAm
WV Short Term Bond Pool	11	Not Rated	1,172	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 and the WV Government Money Market Pool:

External Pool	2015		2014	
	Carrying Value (in Thousands)	WAM (Days)	Carrying Value (in Thousands)	WAM (Days)
WV Money Market Pool	\$ 48,412	47	\$ 55,232	36
WV Government Money Market Pool	424	51	459	37

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

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

External Pool	2015		2014	
	Carrying Value (in Thousands)	Effective Duration (Days)	Carrying Value (in Thousands)	Effective Duration (Days)
WV Short Term Bond Pool	\$ 11	410	\$ 1,172	407

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.

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	
	2015	2014
Money Market Fund	\$ 15	\$ 19

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.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2015 and 2014, are as follows:

	2015		
	Current	Noncurrent	Total
Student Tuition and Fees - Net of Allowance for Doubtful Accounts of \$224,130	\$ 993,512	\$ -	\$ 993,512
Grants and Contracts Receivable - Net of Doubtful Accounts of \$841,500	6,850,937	-	6,850,937
Due from the Commission	31,336	-	31,336
Due from Other State Agencies	291,266	-	291,266
Appropriations due from Primary Government	2,834,879	-	2,834,879
Other Accounts Receivable	3,912,865	9,223,664	13,136,529
Total	\$ 14,914,795	\$ 9,223,664	\$ 24,138,459
	2014		
	Current	Noncurrent	Total
Student Tuition and Fees - Net of Allowance for Doubtful Accounts of \$195,371	\$ 714,673	\$ -	\$ 714,673
Grants and Contracts Receivable - Net of Doubtful Accounts of \$339,686	6,729,526	-	6,729,526
Due from the Commission	24,348	-	24,348
Due from Other State Agencies	214,760	-	214,760
Appropriations due from Primary Government	2,916,179	-	2,916,179
Other Accounts Receivable	8,564,635	7,697,449	16,262,084
Total	\$ 19,164,121	\$ 7,697,449	\$ 26,861,570

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 5 INVESTMENTS

The University had the following investments as of June 30, 2015 and 2014, as follows:

Investment Type	2015		Fair Value
	University	MURC	
Commonfund			
High Quality Bond Fund	\$ 3,792,036	\$ -	\$ 3,792,036
Equity Index Fund	1,847,441	-	1,847,441
Intermediate Term Fund	582,350	-	582,350
Multi-Strategy Equity Fund	17,213,883	-	17,213,883
Core Equity Fund	782,781	-	782,781
Multi-Strategy Bond Fund	6,022,388	-	6,022,388
Multi-Strategy Commodities Fund	595,323	-	595,323
Jefferies & Company, Inc.			
BHR Offshore Fund	4,251,786	1,199,484	5,451,270
Salsman Offshore Fund	4,481,493	1,144,239	5,625,732
Z Capital Loan Op Offshore Fund	1,273,696	928,434	2,202,130
Mudrick Dist Opportunity Fund	4,407,764	660,122	5,067,886
RBR European Fund	2,308,537	-	2,308,537
Han Mid Term Fund	1,591,078	-	1,591,078
Operating Fund	1,004,800	-	1,004,800
Mid Term Fund-JW3	3,217,440	-	3,217,440
Mid Term Fund-JW4	5,816,673	-	5,816,673
Progenesis Technologies	-	100,000	100,000
U.S. Government National			
Mortgage Association Securities	-	30,188,037	30,188,037
Total	<u>\$ 59,189,469</u>	<u>\$ 34,220,316</u>	<u>\$ 93,409,785</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 5 INVESTMENTS (CONTINUED)

Investment Type	2014		Fair Value
	University	MURC	
Commonfund			
High Quality Bond Fund	\$ 3,714,255	\$ -	\$ 3,714,255
Equity Index Fund	1,722,470	-	1,722,470
Intermediate Term Fund	577,453	-	577,453
Multi-Strategy Equity Fund	16,341,344	-	16,341,344
Multi-Strategy Bond Fund	5,947,200	-	5,947,200
Multi-Strategy Commodities Fund	775,635	-	775,635
Jefferies & Company, Inc.			
BHR Offshore Fund	4,496,450	1,268,838	5,765,288
Salsman Offshore Fund	4,522,463	1,154,700	5,677,163
Z Capital Loan Op Offshore Fund	1,205,815	883,453	2,089,268
Mudrick Dist Opportunity Fund	4,579,466	696,447	5,275,913
RBR European Fund	2,245,552	-	2,245,552
Han Mid Term Fund	1,004,752	-	1,004,752
Operating Fund	2,007,793	-	2,007,793
Mid Term Fund	3,590,942	-	3,590,942
U.S. Government National			
Mortgage Association Securities	-	27,092,977	27,092,977
Total	<u>\$ 52,731,590</u>	<u>\$ 31,096,415</u>	<u>\$ 83,828,005</u>

Credit Risk

The University's investment policy adheres to fiduciary responsibilities in accordance with the provisions of the Uniform Prudent Investor Act (WV State Code §44-6C-1 Prudent Investor Rule). Oversight will occur with care, skill, prudence, and diligence. At June 30, 2015, the High Quality Bond Fund had an average maturity of 8.64 years and a rating of A+, the Intermediate Term Fund had an average maturity of 2.43 years and a rating of AA, the Multi-Strategy Bond Fund had an average maturity of 7.30 years and a rating of A+, and the Multi-Strategy Commodities Fund had an average maturity of .57 years and a rating of AA-; all other University investments do not have an assigned rating. At June 30, 2014, the High Quality Bond Fund had an average maturity of 7.12 years and a rating of A+, the Intermediate Term Fund had an average maturity of 1.96 years and a rating of AA, the Multi-Strategy Bond Fund had an average maturity of 7.20 years and a rating of A+, and the Multi-Strategy Commodities Fund had an average maturity of .93 years and a rating of A; all other University investments do not have an assigned rating.

The U.S. Government National Mortgage Association Securities held by MURC have an average maturity of between 7 and 29 years, respectively, for fiscal year 2015 and 2014 and the FDIC Insured National Certificates of Deposit, acquired in fiscal year 2014, have an average maturity of 8-10 years. At both June 30, 2015 and 2014, the MURC investment in U.S. Government National Mortgage Association Securities and FDIC Insured National Certificates of Deposit, were AAA/AA+/AAA rated government-backed securities. The alternative investments held by Jeffries & Company and the investment in Progenesis Technologies, LLC do not have assigned rates.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 5 INVESTMENTS (CONTINUED)

Concentration of Credit Risk

To minimize risk, MURC's investment policy allows for no more than 60% of available assets to be invested with any one issuer, except U.S. government securities.

The University's investment portfolio strategy 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 Pool's 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.

NOTE 6 CAPITAL ASSETS

Capital asset transactions for the years ended June 30, 2015 and 2014 are as follows:

	2015				Ending Balance
	Beginning Balance	Additions	Reductions	Other	
Capital Assets not being Depreciated:					
Land	\$ 32,436,357	\$ 1,062,944	\$ -	\$ -	\$ 33,499,301
Antiques and Artwork (Inexhaustible)	132,107	-	-	-	132,107
Construction in Progress	76,194,044	28,891,054	(124,800)	(17,732,507)	87,227,791
Total Capital Assets not being Depreciated	<u>\$ 108,762,508</u>	<u>\$ 29,953,998</u>	<u>\$ (124,800)</u>	<u>\$ (17,732,507)</u>	<u>\$ 120,859,199</u>
Other Capital Assets:					
Land Improvements	\$ 7,937,601	\$ -	\$ -	\$ -	\$ 7,937,601
Infrastructure	26,265,683	282,155	(7,438)	-	26,540,400
Buildings	408,344,046	778,161	-	17,732,507	426,854,714
Equipment	54,611,932	2,000,090	(395,250)	-	56,216,772
Library Books	8,894,737	469,623	(3,500)	-	9,360,860
Total Other Capital Assets	506,053,999	3,530,029	(406,188)	17,732,507	526,910,347
Less Accumulated Depreciation for:					
Land Improvements	3,278,719	475,152	-	-	3,753,871
Infrastructure	19,541,180	978,387	(7,438)	-	20,512,129
Buildings	129,646,512	9,189,358	-	-	138,835,870
Equipment	39,137,400	3,724,972	(329,497)	-	42,532,875
Library Books	8,382,787	213,758	(3,500)	-	8,593,045
Total Accumulated Depreciation	<u>199,986,598</u>	<u>14,581,627</u>	<u>(340,435)</u>	<u>-</u>	<u>214,227,790</u>
Other Capital Assets - Net	<u>\$ 306,067,401</u>	<u>\$ (11,051,598)</u>	<u>\$ (65,753)</u>	<u>\$ 17,732,507</u>	<u>\$ 312,682,557</u>
Capital Asset Summary:					
Capital Assets not being Depreciated	\$ 108,762,468	\$ 29,953,998	\$ (124,800)	\$ (17,732,507)	\$ 120,859,159
Capital Assets	506,053,999	3,530,029	(406,188)	17,732,507	526,910,347
Total Cost of Capital Assets	614,816,467	33,484,027	(530,988)	-	647,769,506
Less Accumulated Depreciation	<u>(199,986,598)</u>	<u>(14,581,627)</u>	<u>340,435</u>	<u>-</u>	<u>(214,227,790)</u>
Capital Assets - Net	<u>\$ 414,829,869</u>	<u>\$ 18,902,400</u>	<u>\$ (190,553)</u>	<u>\$ -</u>	<u>\$ 433,541,716</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 6 CAPITAL ASSETS (CONTINUED)

	2014				Ending Balance
	Beginning Balance	Additions	Reductions	Other	
Capital Assets not being Depreciated:					
Land	\$ 32,436,357	\$ -	\$ -	\$ -	\$ 32,436,357
Antiques and Artwork (Inexhaustible)	132,107	-	-	-	132,107
Construction in Progress	37,262,307	64,205,470	-	(25,273,733)	76,194,044
Total Capital Assets not being Depreciated	<u>\$ 69,830,771</u>	<u>\$ 64,205,470</u>	<u>\$ -</u>	<u>\$ (25,273,733)</u>	<u>\$ 108,762,508</u>
Other Capital Assets:					
Land Improvements	\$ 6,546,924	\$ -	\$ -	\$ 1,390,677	\$ 7,937,601
Infrastructure	25,451,258	119,128	(4,879)	700,176	26,265,683
Buildings	385,235,441	780,846	(855,161)	23,182,920	408,344,046
Equipment	66,392,706	2,176,948	(13,957,722)	-	54,611,932
Library Books	8,964,161	71,751	(141,175)	-	8,894,737
Total Other Capital Assets	<u>492,590,490</u>	<u>3,148,673</u>	<u>(14,958,937)</u>	<u>25,273,773</u>	<u>506,053,999</u>
Less Accumulated Depreciation for:					
Land Improvements	2,846,940	431,779	-	-	3,278,719
Infrastructure	18,580,734	965,325	(4,879)	-	19,541,180
Buildings	121,786,190	8,608,588	(748,266)	-	129,646,512
Equipment	49,117,892	3,837,863	(13,818,355)	-	39,137,400
Library Books	8,352,322	171,640	(141,175)	-	8,382,787
Total Accumulated Depreciation	<u>200,684,078</u>	<u>14,015,195</u>	<u>(14,712,675)</u>	<u>-</u>	<u>199,986,598</u>
Other Capital Assets - Net	<u>\$ 291,906,412</u>	<u>\$ (10,866,522)</u>	<u>\$ (246,262)</u>	<u>\$ 25,273,773</u>	<u>\$ 306,067,401</u>
Capital Asset Summary:					
Capital Assets not being Depreciated	\$ 69,830,771	\$ 64,205,470	\$ -	\$ (25,273,773)	\$ 108,762,468
Capital Assets	492,590,490	3,148,673	(14,958,937)	25,273,773	506,053,999
Total Cost of Capital Assets	<u>562,421,261</u>	<u>67,354,143</u>	<u>(14,958,937)</u>	<u>-</u>	<u>614,816,467</u>
Less Accumulated Depreciation	<u>(200,684,078)</u>	<u>(14,015,195)</u>	<u>14,712,675</u>	<u>-</u>	<u>(199,986,598)</u>
Capital Assets - Net	<u>\$ 361,737,183</u>	<u>\$ 53,338,948</u>	<u>\$ (246,262)</u>	<u>\$ -</u>	<u>\$ 414,829,869</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, 2015, the University had outstanding contractual commitments of approximately \$6,223,266 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, 2015 AND 2014

NOTE 7 LONG-TERM LIABILITIES

Long-term obligation transactions for the years ended June 30, 2015 and 2014 are as follows:

	2015				
	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Current Portion
Notes, Bonds and Capital Leases:					
Notes Payable	\$ 2,254,253	\$ -	\$ (161,018)	\$ 2,093,235	\$ 161,018
Revenue Bonds Payable	87,575,548	-	(1,662,564)	85,912,984	1,520,000
Capital Leases Payable	5,988,939	-	(1,159,640)	4,829,299	895,187
Total Notes, Bonds and Capital Leases	95,818,740	-	(2,983,222)	92,835,518	2,576,205
Other Long-Term Liabilities:					
Debt Obligation to the Commission	14,691,013	-	(1,805,254)	12,885,759	1,887,257
Loan Payable to the Commission	75,000	-	(30,000)	45,000	30,000
Due to MCTC	1,442,834	-	(175,000)	1,267,834	525,000
OPEB Liability	40,395,938	2,812,950	(384,721)	42,824,167	-
Net Pension Liability	5,188,323	-	(1,221,191)	3,967,132	-
Other Noncurrent Liabilities	11,625,251	1,298,681	(2,029,288)	10,894,644	210,769
Accrued Service Concession Liability	533,124	-	(104,024)	429,100	104,024
Advances from Federal Sponsors	6,345,285	-	-	6,345,285	-
Total Other Long-Term Liabilities	80,296,768	4,111,631	(5,749,478)	78,658,921	-
Total Long-Term Liabilities	\$ 176,115,508	\$ 4,111,631	\$ (8,732,700)	\$ 171,494,439	\$ -
2014					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes, Bonds and Capital Leases:					
Notes Payable	\$ 2,415,271	\$ -	\$ (161,018)	\$ 2,254,253	\$ 161,018
Revenue Bonds Payable	89,196,740	-	(1,621,192)	87,575,548	1,475,000
Capital Leases Payable	6,299,123	790,213	(1,100,397)	5,988,939	1,156,123
Total Notes, Bonds and Capital Leases	97,911,134	790,213	(2,882,607)	95,818,740	2,792,141
Other Long-Term Liabilities:					
Debt Obligation to the Commission	16,423,198	-	(1,732,185)	14,691,013	1,805,254
Loan Payable to the Commission	105,000	-	(30,000)	75,000	30,000
Due to MCTC	1,792,834	-	(350,000)	1,442,834	350,000
OPEB Liability	39,525,519	1,256,216	(385,797)	40,395,938	-
Other Noncurrent Liabilities	9,523,576	4,011,944	(1,910,269)	11,625,251	212,681
Accrued Service Concession Liability	637,148	-	(104,024)	533,124	104,024
Advances from Federal Sponsors	6,345,285	-	-	6,345,285	-
Total Other Long-Term Liabilities	74,352,560	5,268,160	(4,512,275)	75,108,445	-
Total Long-Term Liabilities	\$ 172,263,694	\$ 6,058,373	\$ (7,394,882)	\$ 170,927,185	\$ -

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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, 2013, through April 10, 2018, is 1.6415%. 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.

Scheduled maturities on notes payable as of June 30, 2015, are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 161,018	\$ 34,360
2017	161,018	31,717
2018	161,018	29,074
2019	161,018	26,431
2020	161,018	23,788
2021-2025	805,090	79,293
2026-2029	483,055	15,859
Total	<u>\$ 2,093,235</u>	<u>\$ 240,522</u>

NOTE 9 BONDS

Bonds payable as of June 30, 2015 and 2014 consist of the following:

	<u>Original Interest Rate</u>	<u>Annual Principal Installment Due</u>	<u>Principal Amount Outstanding</u>	
			<u>2015</u>	<u>2014</u>
University Revenue Bonds	2.0% - 5.0%	\$1,190,000 - \$3,375,000	\$ 51,910,000	\$ 51,910,000
University Refunding Revenue Bonds	2.0% - 5.0%	\$915,000 - \$2,885,000	31,930,000	33,405,000
			<u>83,840,000</u>	<u>85,315,000</u>
Add Bond Premium			<u>2,072,984</u>	<u>2,260,548</u>
Total			<u>\$ 85,912,984</u>	<u>\$ 87,575,548</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 9 BONDS (CONTINUED)

In November 2010, the Board sold \$37,140,000 of University Refunding Revenue Bonds, Series 2010. The 2010 Bonds were issued under the authority contained in Article 10, Chapter 18B of the Code of West Virginia, 1931, as amended, and the 2010 Bonds will be secured pursuant to an indenture dated as of November 1, 2010, by and between the University and United Bank, Inc., Charleston, West Virginia, as the Trustee. The 2010 Bonds are secured by and payable from auxiliary fees as defined in the indenture. The proceeds of the 2010 Bonds were used to (1) advance refund \$40,690,000 of State of West Virginia, Higher Education Interim Governing Board, University Facilities Revenue Bonds, Series 2001A Bonds and (2) pay the costs of issuance of the 2010 Bonds. The indenture allows for additional bonds to be issued on a parity as to lien and source of payment with the 2010 Bonds.

In November 2011, the Board sold \$51,910,000 of 2011 Bonds. The 2011 Bonds were issued under the authority contained in Chapter 18, Article 18B of the Code of West Virginia, 1931, as amended, and the 2011 Bonds are secured pursuant to a Trust Indenture dated as of November 1, 2011, between the University and United Bank, Inc., Charleston, West Virginia, as the Trustee. The 2011 Bonds are secured by and payable from certain revenues as defined Trust Indenture. The proceeds of the 2011 Bonds will be used to (1) finance various capital improvement projects and (2) to pay the costs of issuance of the 2011 Bonds. These bonds were issued on parity with the 2010 Bonds, with additional revenues pledged in the indenture.

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 may hold 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 Bonds 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 110% the maximum annual debt service of the Bonds. During the years ended June 30, 2015 and 2014, net revenues, when combined with other monies legally available for payment of debt service, was 3.68 times and 3.36 times the maximum annual debt service, respectively.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 9 BONDS (CONTINUED)

A summary of the annual aggregate principal and interest payments for years subsequent to June 30, 2015, is as follows:

Year Ending June 30,	2010 Bonds University Revenue		2011 Bonds University Refunding Revenue		Combined	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,520,000	\$ 1,498,450	\$ -	\$ 2,333,925	\$ 1,520,000	\$ 3,832,375
2017	1,585,000	1,437,650	1,190,000	2,333,925	2,775,000	3,771,575
2018	1,645,000	1,374,250	1,215,000	2,310,125	2,860,000	3,684,375
2019	1,725,000	1,292,000	1,265,000	2,261,525	2,990,000	3,553,525
2020	1,815,000	1,205,750	1,315,000	2,210,925	3,130,000	3,416,675
2021-2025	10,455,000	4,637,000	7,440,000	10,191,475	17,895,000	14,828,475
2026-2030	13,185,000	1,914,675	9,365,000	8,265,850	22,550,000	10,180,525
2031-2035	-	-	11,880,000	5,748,000	11,880,000	5,748,000
2036-2040	-	-	14,865,000	2,760,944	14,865,000	2,760,944
2041-2042	-	-	3,375,000	148,687	3,375,000	148,687
Total	<u>\$ 31,930,000</u>	<u>\$ 13,359,775</u>	<u>\$ 51,910,000</u>	<u>\$ 38,565,381</u>	<u>\$ 83,840,000</u>	<u>\$ 51,925,156</u>

NOTE 10 LEASES

Operating

Future annual minimum lease payments on operating leases for years subsequent to June 30, 2015, are as follows:

Years Ending June 30,	Amount
2016	\$ 934,527
2017	907,327
2018	888,281
2019	813,051
2020	813,051
2021-2025	3,095,113
2026-2028	845,663
Total	<u>\$ 8,297,013</u>

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

Total rent expense for the years ended June 30, 2015 and 2014, was \$1,000,021 and \$882,053, respectively. The University does not have any noncancelable leases.

Capital

The University leases various equipment and buildings through capital leases. At June 30, 2015 and 2014, leased equipment with a net book value of \$67,017 and \$502,198 and leased buildings with a net book value of \$10,049,785 and \$10,437,199, respectively, are included in equipment and buildings.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 10 LEASES (CONTINUED)

Capital (Continued)

In December 1996, the University entered into a lease agreement with the Marshall University Graduate College (MUGC) Foundation for an academic center to be used by the MUGC. The construction of the academic center was financed by the MUGC Foundation through the issuance of governmental revenue bonds. Effective September 1, 1997, the MUGC Foundation leased the academic center to the University for 20 years. Upon expiration of the lease term, the University will have the right to purchase the academic center for a sum equal to the amount required to redeem or otherwise satisfy or defease the MUGC Foundation's bonds on the date of such purchase. During the year ended June 30, 2008, all assets and liabilities of the MUGC Foundation became part of the Foundation. This lease agreement is now with the Foundation.

The University has a capital lease agreement with the Foundation for the MUGC's administration facility (the "Facility"). The fair value of the Facility was estimated by an independent appraisal during the year ended June 30, 1995, at \$5,000,000 (building: \$4,300,000 and land: \$700,000), and the 21-year lease term commenced with the MUGC's occupancy of the Facility in June 1995. Ownership of the Facility transfers to the University at the end of the lease term.

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

The University did not enter into any new leases in 2015. In 2014, the University entered into a new capital lease for the stadium turf replacement.

Future annual minimum lease payments for years subsequent to June 30, 2015, are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 895,187	\$ 164,892	\$ 1,060,079
2017	740,256	134,766	875,022
2018	587,203	106,436	693,639
2019	443,588	88,516	532,104
2020	458,707	73,396	532,103
2021-2025	1,704,358	137,898	<u>1,842,256</u>
			5,535,203
Less Interest			705,904
Total			<u><u>\$ 4,829,299</u></u>

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

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 11 OTHER POST EMPLOYMENT BENEFITS

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA based upon actuarial determined amounts. At June 30, 2015, 2014, and 2013, the noncurrent liability related to OPEB costs was \$ 42,824,167, \$40,395,938, and \$39,525,519, respectively. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$5,111,143 and \$2,682,914, respectively, during 2015, or 52.5%. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$4,365,373 and \$3,494,954, respectively, during 2014, or 80.1%. The total of OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$4,239,937 and \$3,501,365, respectively, during 2013, or 82.6%. As of and for the years ended June 30, 2015, 2014, and 2013, there were 215, 204 and 191 retirees, respectively, receiving these benefits.

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, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Principal	\$ 1,805,254	\$ 1,732,185
Interest	643,392	721,880
Other	46,082	46,083
Total	<u>\$ 2,494,728</u>	<u>\$ 2,500,148</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 12 STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS (CONTINUED)

During September 2011, the Commission loaned the University \$150,000 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 10 semiannual installments of \$15,000 each, over five 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.

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. As of June 30, 2015, the University has recognized \$17.6 million of these funds as 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, 2015, 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, 2015, the University has recognized \$426,725 of these funds as revenue.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 13 UNRESTRICTED NET POSITION

The University's unrestricted net position as of June 30, 2015 and 2014 include certain designated net position as follows:

	<u>2015</u>	<u>2014</u>
Designated for Auxiliaries	\$ 2,983,179	\$ 3,393,054
Designated for Auxiliaries Repairs and Maintenance Debt Payments, Capital Projects, and Equipment Purchases	9,944,099	8,927,590
Designated for Other Repairs and Maintenance, Debt Payments, Capital Projects, and Equipment Purchases	4,830,280	7,773,240
Undesignated	<u>85,156,719</u>	<u>101,198,870</u>
Total Unrestricted Net Position before OPEB Liability	102,914,277	121,292,754
Less OPEB Liability	<u>42,824,167</u>	<u>40,395,938</u>
Total Unrestricted Net Position	<u>\$ 60,090,110</u>	<u>\$ 80,896,816</u>

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, 2015, 2014, and 2013, were approximately \$13,441,000, \$12,857,000, and \$12,653,000, respectively, which consisted of approximately \$6,661,000, \$6,378,000, and \$6,277,000 from the University in 2015, 2014, and 2013, respectively, and approximately \$6,780,000, \$6,479,000, and \$6,376,000 from covered employees in 2015, 2014, and 2013, respectively.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 14 RETIREMENT PLANS (CONTINUED)

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

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

Total contributions to the Educators Money for the years ended June 30, 2015, 2014, and 2013 were approximately \$268,000, \$216,000, and \$210,000, respectively, which consisted of approximately \$134,000, \$108,000, and \$105,000 each from the University and the covered employees in 2015, 2014, and 2013, respectively.

The University's total payroll for the years ended June 30, 2015, 2014, and 2013 was approximately \$125,809,000, \$122,561,000, and \$120,045,000, respectively; total covered employees' salaries in the TIAA-CREF and Educators Money were approximately \$111,062,000, and \$2,227,000, respectively, in 2015; \$106,350,000, and \$1,792,000, respectively, in 2014; and \$104,705,000, and \$1,748,000 respectively, in 2013.

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 year ended June 30, 2015:

		<u>TRS</u>	
Net Pension Liability	\$	3,967,132	
Deferred Outflows of Resources		499,696	
Deferred Inflows of Resources		842,388	
Revenues		529,560	
Pension Expense		680,453	
Contributions Made by University		499,696	

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 14 RETIREMENT PLANS (CONTINUED)

TRS

Plan Description

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

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

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 percent 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.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 14 RETIREMENT PLANS (CONTINUED)

TRS (Continued)

Contributions (Continued)

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, 2014, the University's proportionate share attributable to this special funding subsidy was \$529,560.

The University's contributions to TRS for the years ended June 30, 2015, 2014, and 2013, were approximately \$499,000, \$526,000, and \$563,000, respectively.

Assumptions

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2013 and rolled forward to June 30, 2014. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost with level percentage of payroll.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method and period: Level dollar, fixed period over 40 years, from July 1, 1994 through fiscal year 2034.
- Investment rate of return of 7.50%, net of pension plan administrative and investment expenses.
- Projected salary increases: Teachers 3.75–5.25% and non-teachers 3.40–6.50%, based on age.
- Inflation rate of 2.2%.
- Discount rate of 7.50%
- Mortality rates based on RP-2000 Mortality Tables.
- Withdrawal rates: Teachers 1.2-30% and non-teachers 1.4-22.5%.
- Disability rates: 0-0.8%
- 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.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 14 RETIREMENT PLANS (CONTINUED)

TRS (Continued)

Assumptions (Continued)

Experience studies are performed at least once in every five-year period. The most recent experience study covered the period from July 1, 2005 to June 30, 2010. 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 arithmetic real rates of return for each major asset class included in TRS' target asset allocation as of June 30, 2014, are summarized below.

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>
Domestic Equity	5.4%	27.5%
International Equity	6.3%	27.5%
Core Fixed Income	0.7%	*
High-yield Fixed Income	2.6%	15.0%
TIPS	0.7%	-
Real Estate	4.6%	10.0%
Private Equity	7.7%	10.0%
Hedge Funds	2.8%	10.0%

* Core and high-yield fixed income securities have a combined target allocation of 15.0%

Discount rate. The discount rate used to measure the total TRS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that State contributions will continue to follow the current funding policy. Based on those assumptions, TRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on TRS' investments was applied to all periods of projected benefit payments to determine the total pension liability. In the event of benefit payments that are not covered by the pension plan's fiduciary net position, a municipal bond rate of 3.66% is to be used to discount the benefit payments not covered by the plan's fiduciary net position. The rate equals the S&P Municipal Bond 20 Year High Grade Rate Index at June 30, 2014.

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, 2015 calculated using the discount rate of 7.50%, as well as what the University's TRS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Net Pension Liability	\$ 5,144,897	\$ 3,967,132	\$ 2,955,977

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 14 RETIREMENT PLANS (CONTINUED)

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

The TRS net pension liability was measured as of June 30, 2014. The total pension liability was determined by an actuarial valuation as of July 1, 2013 and rolled forward to the measurement date.

At June 30, 2015, the University's proportionate share of the TRS net pension liability was \$12,930,000. Of this amount, the University recognized approximately \$3,967,000 as its proportionate share on the statement of net position. The remainder of \$8,963,333 denotes the University's proportionate share of net pension liability attributable to the special funding.

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on their proportionate share of employer and non-employer contributions to TRS for each of the fiscal years ended June 30, 2014 and 2013. Employer contributions are recognized when due. At June 30, 2014, the University's proportion was 0.114986%, a decrease of 0.009159% from its proportion of 0.124145% calculated as of June 30, 2013.

For the year ended June 30, 2015, the University recognized TRS pension expense of \$680,453. Of this amount, \$150,893 was recognized as the University's proportionate share of the TRS expense and \$529,560 as the amount of pension expense attributable to special funding from a non-employer contributing entity. The University also recognized revenue of \$529,560 for support provided by the State.

At June 30, 2015, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Proportion and Difference between Employer Contributions and Proportionate Share of Contributions	\$ -	\$ 318,011
Net Difference between Projected and Actual Investment Earnings	-	524,377
Contributions After the Measurement Date	499,696	-
Total	\$ 499,696	\$ 842,388

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 14 RETIREMENT PLANS (CONTINUED)

The University will recognize the \$499,696 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, 2016. 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:

Fiscal Year Ended	Amortization
June 30, 2016	\$ 195,862
June 30, 2017	195,862
June 30, 2018	195,862
June 30, 2019	195,862
June 30, 2020	58,940
Total	\$ 842,388

Payables to the pension plan

The University did not report any amounts payable for normal contributions to the TRS as of June 30, 2015.

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 \$22,253,099 and \$12,631,924 during the years 2015 and 2014, respectively. This support and related expenditures are recorded in the University's financial statements.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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, non-voting 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 the Foundation in support of University activities totaled \$2,574,795 and \$2,606,013 during the years 2015 and 2014, 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.

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).

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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, 2015 or 2014.

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.

NOTE 20 SERVICE CONCESSION ARRANGEMENTS

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

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 20 SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

The University has a contract with Sodexo to provide food services within University facilities on the Huntington campus. These services provide the University with the best, most accurate and appropriate campus dining program that enhances the student's quality of life and is supportive of the education experience. The current contract began on August 16, 2009, and allows for nine annual renewals. Sodexo provides meal plans to students through the University as well as offering cash sales to the University community. The University receives annual commission payments from Sodexo calculated as a contractually agreed percentage of cash sales and the University pays Sodexo for the meal plans from fees collected by the University from students. In 2015 and 2014, the University received \$621,476 and \$590,161, respectively, in commissions from Sodexo. Renovations to the University facilities of \$108,735 were made by Sodexo and capitalized by the University in 2013, no renovations were made by Sodexo in 2014 or 2015. Sodexo also made renovations that were capitalized by the University totaling \$1,759,541 in prior years of the contract. These renovations are accreted over the remaining life of the contract and if the contract is not renewed the University will be required to pay Sodexo for the unaccreted portion of these renovations. At June 30, 2015 and 2014, the University has a deferred inflow of \$1,031,914 and \$1,282,075, respectively, for the unaccreted inflow for renovations, and an accrued service concession liability of \$325,075 and \$429,100, respectively, for estimated insurance and maintenance costs that the University will be required to pay through the end of the contract.

The University contracts with Follett to operate bookstores located within University facilities on the Huntington, South Charleston, and Mid-Ohio Valley campuses. These services provide the University community with a professional bookstore that will provide the highest caliber of services to Marshall University's campuses. The current contract began on April 15, 2005 and allows for nine annual renewals. The University receives annual commission payments calculated as a contractually agreed percentage of bookstore revenue. In 2015 and 2014, the University received \$578,933 and \$496,888, respectively, in commissions from Follett. No significant renovations to University facilities were made by Follett in either 2015 or 2014.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 21 CONDENSED COMPONENT UNIT INFORMATION

Condensed component unit information for MURC, the University's blended component unit, for the years ended June 30, 2015 and 2014, is as follows:

Condensed Statements of Net Position		
	2015	2014
Assets		
Current Assets	\$ 13,427,937	\$ 18,792,967
Receivable from University	416,842	311,818
Capital Assets, Net	14,185,243	15,892,797
Other Assets	34,218,642	31,096,415
Total Assets	62,248,664	66,093,997
Liabilities		
Current Liabilities	6,816,369	7,800,637
Long-term Liabilities	2,579,505	2,793,475
Total Liabilities	9,395,874	10,594,112
Net Position		
Net Investment in Capital Assets	12,079,045	13,621,862
Restricted		
Nonexpendable	15,000,000	15,000,000
Sponsored Projects	16,523,201	15,734,406
Unrestricted	9,250,544	11,143,617
Total Net Position	\$ 52,852,790	\$ 55,499,885

Condensed Statements of Revenues, Expenses, and Changes in Net Position		
	2015	2014
Operating Revenues		
Federal, State, Local Grants	\$ 29,303,728	\$ 31,178,120
Other Operating Revenues	3,975,035	3,974,219
Total Operating Revenues	33,278,763	35,152,339
Operating Expenses		
Operations	34,347,968	34,838,514
Depreciation	2,502,209	2,639,767
Total Operating Expenses	36,850,177	37,478,281
Operating Loss	(3,571,414)	(2,325,942)
Nonoperating Revenues (Expenses)		
Investment Income	997,647	1,227,180
Other Nonoperating Expenses	(73,328)	(116,451)
Total Nonoperating Revenues	924,319	1,110,729
Decrease in Net Position	(2,647,095)	(1,215,213)
Net Position - Beginning of Year	55,499,885	56,715,098
Net Position - End of Year	\$ 52,852,790	\$ 55,499,885

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 21 CONDENSED COMPONENT UNIT INFORMATION (CONTINUED)

Condensed Statements of Cash Flows		
	2015	2014
Net Cash Provided (Used) By:		
Operating Activities	\$ (2,369,445)	\$ 2,484,984
Noncapital Financing Activities	-	-
Capital Financing Activities	(1,032,059)	(1,538,871)
Investing Activities	(2,124,580)	(5,779,595)
Decrease in Current Cash and Cash Equivalents	(5,526,084)	(4,833,482)
Current Cash and Cash Equivalents - Beginning of Year	11,547,395	16,380,877
Current Cash and Cash Equivalents - End of Year	\$ 6,021,311	\$ 11,547,395

NOTE 22 SEGMENT INFORMATION

The University issues revenue bonds to finance certain of its auxiliary enterprise activities. Investors in those bonds rely solely on the revenues generated by the activities of the auxiliaries for repayment.

Board of Governors of Marshall University, University Revenue Bonds, Series 2011

In November 2011, the Board sold \$51,910,000 of 2011 Bonds. The 2011 Bonds were issued under the authority contained in Chapter 18, Article 18B of the Code of West Virginia, 1931, as amended, and the 2011 Bonds are secured pursuant to a Trust Indenture dated as of November 1, 2011, between the Board and United Bank, Inc., Charleston, West Virginia, as the Trustee. The 2011 Bonds were issued on parity with the 2010 Bonds and are secured by and payable from certain revenues as defined in the Trust Indenture.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 22 SEGMENT INFORMATION (CONTINUED)

Board of Governors of Marshall University, University Refunding Revenue Bonds, Series 2010

In November 2010, the Board sold \$37,140,000 of 2010 Bonds. The 2010 Bonds were issued under the authority contained in Article 10, Chapter 18B of the Code of West Virginia, 1931, as amended, and the 2010 Bonds are secured pursuant to an indenture dated as of November 1, 2010, by and between the trustee. The 2010 bonds are secured by and payable from auxiliary fees as defined in the indenture.

The proceeds of the 2010 Bonds were used to (1) advance refund \$40,690,000 of State of West Virginia, Higher Education Interim Governing Board, University Facilities Revenue Bonds, Series 2001A and (2) pay the costs of issuance of the 2010 Bonds.

Condensed accrual basis financial information for the University's segment as of June 30, 2015 and 2014 is as follows:

	2015	2014
Condensed Schedules of Position		
Assets		
Current Assets	\$ 15,853,044	\$ 14,733,073
Noncurrent Assets	148,662,678	93,975,696
Total Assets	164,515,722	108,708,769
Deferred Outflows of Resources	1,180,172	1,316,450
Total	\$ 165,695,894	\$ 110,025,219
Liabilities and Deferred Inflows:		
Current Liabilities	\$ 4,249,087	\$ 3,060,503
Noncurrent Liabilities	86,821,244	88,536,498
Total Liabilities	91,070,331	91,597,001
Deferred Inflows of Resources	923,129	1,173,290
Total	91,993,460	92,770,291
Net Position:		
Net Investment in Capital Assets	62,548,514	6,010,185
Restricted for Debt Service	15	18
Unrestricted	11,153,905	11,244,725
Total Net Position	73,702,434	17,254,928
Total	\$ 165,695,894	\$ 110,025,219

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 22 SEGMENT INFORMATION (CONTINUED)

	2015	2014
Condensed Schedules of Revenues, Expenses, and Changes in Net Position		
Operating:		
Operating Revenues	\$ 27,417,509	\$ 26,038,908
Operating Expenses	(16,360,344)	(15,297,710)
Net Operating Income	11,057,165	10,741,198
Nonoperating:		
Nonoperating Revenues	370,692	416,791
Nonoperating Expenses	(2,824,447)	(4,809,856)
Total Nonoperating	(2,453,755)	(4,393,065)
Net Revenues	8,603,410	6,348,133
Transfers from the University	47,844,096	(1,473,733)
Changes in Net Position	56,447,506	4,874,400
Net Position - Beginning of Year	17,254,928	12,380,528
Net Position - End of Year	\$ 73,702,434	\$ 17,254,928
	2015	2014
Condensed Schedules of Cash Flows		
Net Cash Provided by Operating Activities	\$ 6,439,059	\$ 2,959,135
Net Cash Provided (Used) by Capital and Related Financing	(5,533,924)	(9,097,407)
Net Increase in Cash and Cash Equivalents	905,135	(6,138,272)
Cash and Cash Equivalents - Beginning of Year	14,517,578	20,655,850
Cash and Cash Equivalents - End of Year	\$ 15,422,713	\$ 14,517,578

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 23 NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The operating expenses within both natural and functional classifications for the years ended June 30, 2015 and 2014 are as follows:

2015	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Other Operating Expense	Fees Assessed by the Commission	Total
Instruction	\$ 61,542,391	\$ 20,111,165	\$ 6,675,154	\$ 11	\$ -	\$ -	\$ -	\$ -	\$ 88,328,721
Research	5,441,424	1,739,502	5,339,146	10,947	-	-	-	-	12,531,019
Public Service	10,274,819	2,765,725	6,378,967	124,854	-	-	-	-	19,544,365
Academic Support	13,147,406	3,611,423	6,481,346	976	-	-	-	-	23,241,151
Student Services	6,938,863	2,253,823	3,116,184	4,778	-	-	-	-	12,313,648
General Institutional Support	14,348,135	1,999,948	5,183,335	387,086	-	-	-	-	21,918,504
Operations and Maintenance of Plant	4,575,065	1,497,804	5,615,886	6,059,296	-	-	-	-	17,748,051
Student Financial Aid	-	-	-	-	22,539,953	-	-	-	22,539,953
Auxiliary Enterprises	9,540,720	3,389,507	20,521,999	2,251,863	-	-	-	-	35,704,089
Depreciation	-	-	-	-	-	14,581,627	-	-	14,581,627
Other	-	-	-	-	-	-	259,990	723,345	983,335
Total	\$ 125,808,823	\$ 37,368,897	\$ 59,312,017	\$ 8,839,811	\$ 22,539,953	\$ 14,581,627	\$ 259,990	\$ 723,345	\$ 269,434,463
2014	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Other Operating Expense	Fees Assessed by the Commission	Total
Instruction	\$ 58,673,937	\$ 15,380,194	\$ 9,969,238	\$ 327	\$ -	\$ -	\$ -	\$ -	\$ 84,023,696
Research	5,675,939	1,706,204	5,045,402	12,282	-	-	-	-	12,439,827
Public Service	10,730,245	2,907,723	6,412,321	166,779	-	-	-	-	20,217,068
Academic Support	12,902,824	3,277,918	5,763,954	400	-	-	-	-	21,945,096
Student Services	6,700,516	1,979,119	3,814,264	5,179	-	-	-	-	12,499,078
General Institutional Support	13,437,490	3,611,556	4,599,846	317,145	-	-	-	-	21,966,037
Operations and Maintenance of Plant	4,309,515	1,600,264	3,705,031	5,664,384	-	-	-	-	15,279,194
Student Financial Aid	-	-	-	-	21,428,046	-	-	-	21,428,046
Auxiliary Enterprises	10,130,330	3,071,772	17,366,437	2,095,248	-	-	-	-	32,663,787
Depreciation	-	-	-	-	-	14,015,195	-	-	14,015,195
Other	-	-	-	-	-	-	160,257	735,660	895,917
Total	\$ 122,560,796	\$ 33,534,750	\$ 56,676,493	\$ 8,261,744	\$ 21,428,046	\$ 14,015,195	\$ 160,257	\$ 735,660	\$ 257,372,941

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 24 COMPONENT UNIT DISCLOSURES - FOUNDATION

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of The Marshall University Foundation, Inc. and its wholly owned for profit subsidiary, Marshall Services Corporation. 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.

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.

PUBLIC SUPPORT AND REVENUE

Contributions are generally available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recorded as received. 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 of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Contributions of long lived assets received without donor stipulation about how long the donated asset must be used are reported as unrestricted support.

Endowment contributions are permanently restricted by the donor. Investment earnings on endowment funds inclusive of realized and unrealized gains and losses are recorded in temporarily restricted net assets except for donor restricted endowments that require investment earnings to be added to the endowment principal.

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.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

Investments are reported in the consolidated financial statements at fair value. The current year increase or decrease in fair value over book value is recognized currently in the consolidated statement of activities. The Foundation uses a number of valuation techniques to value its investments which are described in Note 19. 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 and capital appreciation (depreciation), net of related investment expenses.

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 is 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.

OTHER ASSETS

Other assets consists of donated works of art and musical instruments which do not meet the definition of a collection and have been recorded at their estimated fair values at the date of donation.

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 \$45,639 and \$41,270 for 2015 and 2014, respectively are charged to operations when incurred.

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2015 and 2014 are comprised of the following:

	<u>2015</u>	<u>2014</u>
Cash and overnight repurchase agreements	\$ 5,720,818	\$ 4,255,296
Short-term investments	<u>7,830,852</u>	<u>11,231,999</u>
TOTAL	\$ <u>13,551,670</u>	\$ <u>15,487,295</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 3 - INVESTMENTS

Investments as of June 30, 2015 and 2014 are summarized as follows:

	<u>2015</u>	<u>2014</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Fixed income	\$ 18,885,097	\$ 22,907,904
Equities	58,510,965	60,185,289
Other	<u>43,234,175</u>	<u>36,851,876</u>
TOTAL	\$ <u>120,630,237</u>	\$ <u>119,945,069</u>

See Note 19 for further breakdown by each individual investment or group of investments that represent a significant concentration of market risk.

The following summarizes the investment income for the years ended June 30, 2015 and 2014 inclusive of income on cash equivalents, perpetual trusts, the investments described above, and interest rate swap:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 813,177	\$ 350,489
Realized gain	(3,479,444)	1,973,775
Unrealized gains	3,749,422	14,391,933
Investment fees	<u>(217,098)</u>	<u>(244,893)</u>
Net investment return	\$ <u>866,057</u>	\$ <u>16,471,304</u>

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

NOTE 4 - DIRECT FINANCING LEASES AND BONDS PAYABLE

On February 29, 2008, the Foundation acquired certain assets and assumed certain liabilities of the Marshall University Graduate College Foundation, Inc. (MUGCFI) consisting principally of the investment in direct financing leases and bonds payable described below.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 4 - DIRECT FINANCING LEASES AND BONDS PAYABLE (CONTINUED)

The MUGCFI had borrowed funds in the form of two separate bond issues and utilized the funds to construct buildings on properties that had been donated to MUGCFI in previous years. The facilities and land are leased to the State of West Virginia, and the bonds are to be liquidated by pass-through lease payments from the State of West Virginia in amounts exactly equal to the debt requirements. The lease agreements provide that, upon retirement of the bonds, title to the leased property passes to the State of West Virginia. Although the State of West Virginia can cancel the lease, the intent is that all other requirements of payment will be honored. Therefore, the leases have been capitalized and the transactions recorded as though the properties had been sold and transferred.

Investment in direct financing leases

At June 30, 2015, the Foundation's net investment in direct financing leases is summarized as follows:

Future minimum lease payments to be received in years ending June 30:

2016	\$	502,328
2017		323,071
2018		<u>161,535</u>
Gross investment in direct financing leases		986,934
Less unearned income		<u>(48,893)</u>
Net investment in direct financing leases	\$	<u>938,041</u>

The two lease agreements expire in February, 2016 and September, 2017.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 4 - DIRECT FINANCING LEASES AND BONDS PAYABLE (CONTINUED)

Bonds payable

Bonds payable are as follows at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
City of South Charleston, West Virginia Commercial Development Refunding Revenue Bonds, Series 1998, original principal amount \$3,630,470, interest at 4.60%, payable in monthly installments of principal and interest of approximately \$25,610 through February 1, 2016, secured by real property leased to the State of West Virginia under direct finance lease.	\$ 201,380	\$ 492,130
City of South Charleston, West Virginia Commercial Development Refunding Revenue Bonds, Series 2005, original principal amount \$3,177,495, interest at 3.99%, payable in semi-annual installments of principal and interest of \$161,535 through September 1, 2017, secured by real property leased to the State of West Virginia under direct finance lease.	761,501	1,045,657
The County Commission of Cabell County, West Virginia Commercial Development Revenue Bond, Series 2010, (The Marshall University Foundation, Inc. Projects) original principal amount \$9,200,000, interest at LIBOR + 2% X 67%, interest is payable monthly, semi-annual installments of principal are due each August and February with the final installment due February 21, 2031, secured by real property with a book value of \$10,916,089 at June 30, 2015.	<u>7,617,000</u>	<u>8,025,000</u>
Total bonds payable	\$ <u>8,579,881</u>	\$ <u>9,562,787</u>

Scheduled bond principal and interest payments are as follows at June 30, 2015:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 911,986	\$ 142,923	\$ 1,054,909
2017	729,519	121,608	851,127
2018	588,376	102,602	690,978
2019	438,000	93,004	531,004
2020	<u>446,000</u>	<u>86,445</u>	<u>532,445</u>
Total due in next five years	3,113,881	546,582	3,660,463
Amounts due in later years	<u>5,466,000</u>	<u>483,701</u>	<u>5,949,701</u>
Total bonds payable	\$ <u>8,579,881</u>	\$ <u>1,030,283</u>	\$ <u>9,610,164</u>

Interest expense on bonds payable charged to operations was \$281,194 and \$316,085 for the years ended June 30, 2015 and 2014, respectively.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 5 - NOTES PAYABLE

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

Payments on the loan including interest on the outstanding balance at a rate of 5% per annum, compounded annually, are to be paid from any profits, distributions, dividends, or payments that Marshall Services Corporation receives from INTO MARSHALL, LLC after the payment of any taxes and reasonable and customary operating and administrative expenses of Marshall Services Corporation. No interest or principal payments were made on the loan during the years ended June 30, 2015 and 2014. The outstanding loan balance totaled \$300,000 at June 30, 2015 and 2014.

Interest expense on notes payable charged to operation was \$16,078 and \$15,312 for the years ended June 30, 2015 and 2014, respectively.

NOTE 6 - PROMISES TO GIVE

Unconditional promises to give at June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 5,822,929	\$ 8,099,107
Receivable in one to five years	20,849,562	10,823,526
Receivable in more than five years	<u>3,759,575</u>	<u>5,413,882</u>
Total unconditional promises to give	30,432,066	24,336,515
Less discounts to net present value	(472,502)	(381,989)
Less allowance for uncollectible promises	<u>(859,741)</u>	<u>(758,011)</u>
Net unconditional promises to give	\$ <u>29,099,823</u>	\$ <u>23,196,515</u>

Discount rates used on long-term promises to give ranged from 0.50% to 8.25% for fiscal years ended June 30, 2015 and 2014.

NOTE 7 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land	\$ 2,442,000	\$ 2,442,000
Buildings	12,304,863	12,304,863
Office equipment	<u>1,070,665</u>	<u>1,181,066</u>
	15,817,528	15,927,929
Less: Accumulated depreciation	<u>(2,282,043)</u>	<u>(1,992,396)</u>
Property and equipment, net	\$ <u>13,535,485</u>	\$ <u>13,935,533</u>

Depreciation expense charged to operations was \$ 417,633 and \$441,813 for the years ended June 30, 2015 and 2014, respectively.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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 \$2,161,694 at June 30, 2015 and \$2,170,827 at June 30, 2014.

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, 2015 and 2014 totaled \$-0-. Management believes the Organization is no longer subject to income tax examinations for years prior to 2012.

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 2015 and 2014 and, therefore, no income tax expense (benefit) is recognized in the accompanying consolidated financial statements.

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.

NOTE 10 - CHARITABLE GIFT ANNUITIES

As of June 30, 2015 and 2014, the Foundation had liabilities under irrevocable charitable gift annuities. The Foundation agrees to pay to the donors' quarterly annuity payments until the donors' deaths. Based on the donors' life expectancy and the IRS discount rate (2.0% at June 30, 2015), the present value of future liabilities expected to be paid by the Foundation to the beneficiaries totaled \$367,709 and \$295,032 as of June 30, 2015 and 2014, 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 \$(104,586) and \$83,314 for the years ended June 30, 2015 and 2014, respectively.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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 of the principal and income of the trust. Because these unitrusts are administered by third-party trustees, the Foundation records this as a contribution receivable and contribution revenue for the present value of the future benefits expected to be received from the trusts. The present value is calculated based on IRS actuarial formulas based on the primary beneficiary's life expectancy utilizing a rate of 2% at June 30, 2015. At June 30, 2015 and 2014, the contribution receivable from the remainder trusts totaled \$647,855 and \$874,687 respectively.

Contribution revenue net of change in valuation of charitable remainder trusts totaled \$(185,474) and \$(144,491) for the years ended June 30, 2015 and 2014, respectively.

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 permanently restricted contribution revenue. At June 30, 2015 and 2014, the beneficial interest in perpetual trusts totaled \$9,423,213 and \$9,792,769, respectively.

The change in the beneficial interest in perpetual trust assets is recorded in permanently restricted other income and investment income in the accompanying consolidated financial statements and totaled \$(373,155) and \$843,977 for the years ended June 30, 2015 and 2014, respectively.

NOTE 13 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2015 and 2014 are available for the following purposes or periods:

Periods after June 30,	<u>2015</u>	<u>2014</u>
Program activities		
Academic assistance	\$ 54,767,699	\$ 50,935,240
Student assistance	<u>10,268,487</u>	<u>11,192,459</u>
Total temporarily restricted net assets	\$ <u>65,036,186</u>	\$ <u>62,127,699</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 13 - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Net assets were released from donor restrictions during the years ended June 30, 2015 and 2014 by incurring expenses satisfying the purpose specified by donors as follows:

Purpose restrictions accomplished:

	<u>2015</u>	<u>2014</u>
Academic assistance	\$ 16,738,977	\$ 9,202,416
Student assistance	3,260,575	3,392,424
Fundraising	<u>73,584</u>	<u>119,131</u>
Total	\$ <u>20,073,136</u>	\$ <u>12,713,971</u>

NOTE 14 - PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Academic assistance	\$ 36,058,081	\$ 36,455,942
Student assistance	<u>63,508,322</u>	<u>56,092,793</u>
Total permanently restricted net assets	\$ <u>99,566,403</u>	\$ <u>92,548,735</u>

NOTE 15 - 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 \$ 859,741 and \$758,011 at June 30, 2015 and 2014, respectively.

The Foundation maintains substantially all of its cash balances with four financial institutions. At June 30, 2015 and 2014, 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 \$3,763,431 and \$-0-, respectively.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 16 - RETIREMENT PLAN

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

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

Employer	6%
Employee	6%

Pension expense for the fiscal years ended June 30, 2015 and 2014 was \$79,857 and \$66,803, respectively.

NOTE 17 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 18 - DONATED SERVICES

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

NOTE 19 - 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.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 19 - FAIR VALUE MEASUREMENTS (CONTINUED)

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.

Fair values of assets measured on a recurring basis at June 30, 2015 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				
Contributions Receivable				
From Remainder Trusts	\$ 647,855	\$ 647,855	\$ -0-	\$ -0-
Beneficial Interest In				
Perpetual Trusts	9,423,213	9,423,213	-0-	-0-
Investments				
Fixed Income				
Commingled Global Fixed	15,584,080	-0-	-0-	15,584,080
U.S. Government Bonds	55,500	55,500	-0-	-0-
Domestic Mutual Funds	214,680	214,680	-0-	-0-
International Mutual Funds	<u>3,030,838</u>	<u>3,030,838</u>	<u>-0-</u>	<u>-0-</u>
Total Fixed Income	<u>18,885,098</u>	<u>3,301,018</u>	<u>-0-</u>	<u>15,584,080</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 19 - FAIR VALUE MEASUREMENTS (CONTINUED)

	<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>
Equities				
Publicly Traded Equity	\$ 436,107	\$ 436,107	\$ -0-	\$ -0-
Domestic Mutual Funds	2,026,153	2,026,153	-0-	-0-
International Mutual Funds	1,813,346	1,813,346	-0-	-0-
Commingled Global Equity	54,227,109	-0-	-0-	54,227,109
Other	<u>8,250</u>	<u>8,250</u>	<u>-0-</u>	<u>-0-</u>
Total Equities	<u>58,510,965</u>	<u>4,283,856</u>	<u>-0-</u>	<u>54,227,109</u>
Other				
Commingled Hedge Funds	17,975,190	-0-	-0-	17,975,190
Commingled Real Asset Fund	15,269,854	-0-	-0-	15,269,854
Public Real Assets	32,402	-0-	-0-	32,402
Private Capital				
Commingled Private				
Capital Fund	3,762,512	-0-	-0-	3,762,512
Private Equity	2,095,819	-0-	-0-	2,095,819
Natural Resources	681,944	-0-	-0-	681,944
Venture	2,327,608	-0-	-0-	2,327,608
Distressed Debt	<u>1,088,845</u>	<u>-0-</u>	<u>-0-</u>	<u>1,088,845</u>
Total Other	<u>43,234,174</u>	<u>-0-</u>	<u>-0-</u>	<u>43,234,174</u>
Total Assets	\$ <u>130,701,305</u>	\$ <u>17,655,942</u>	\$ <u>-0-</u>	\$ <u>113,045,363</u>

Fair values of assets measured on a recurring basis at June 30, 2014 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	\$ 874,687	\$ 874,687	\$ -0-	\$ -0-
Beneficial Interest In				
Perpetual Trusts	9,792,769	9,792,769	-0-	-0-

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 19 - FAIR VALUE MEASUREMENTS (CONTINUED)

	<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>
Investments				
Fixed Income				
Commingled Global Fixed	\$ 15,014,001	\$ -0-	\$ -0-	\$ 15,014,001
U.S. Government Bonds	55,500	55,500	-0-	-0-
Domestic Mutual Funds	306,378	306,378	-0-	-0-
International Mutual Funds	<u>7,532,025</u>	<u>7,532,025</u>	-0-	-0-
Total Fixed Income	<u>22,907,904</u>	<u>7,893,903</u>	<u>-0-</u>	<u>15,014,001</u>
Equities				
Publicly Traded Equity	89,090	89,090	-0-	-0-
Domestic Mutual Funds	1,967,708	1,967,708	-0-	-0-
International Mutual Funds	1,963,682	1,963,682	-0-	-0-
Commingled Global Equity	56,156,559	-0-	-0-	56,156,559
Other	<u>8,250</u>	<u>8,250</u>	-0-	-0-
Total Equities	<u>60,185,289</u>	<u>4,028,730</u>	<u>-0-</u>	<u>56,156,559</u>
Other				
Commingled Hedge Funds	15,531,395	-0-	-0-	15,531,395
Commingled Real Asset Fund	14,201,470	-0-	-0-	14,201,470
Private Capital				
Commingled Private				
Capital Fund	967,683	-0-	-0-	967,683
Private Real Estate	9,183	-0-	-0-	9,183
Private Equity	2,034,535	-0-	-0-	2,034,535
Natural Resources	725,626	-0-	-0-	725,626
Venture	1,884,338	-0-	-0-	1,884,338
Distressed Debt	<u>1,497,646</u>	-0-	-0-	<u>1,497,646</u>
Total Other	<u>36,851,876</u>	<u>-0-</u>	<u>-0-</u>	<u>36,851,876</u>
Total Assets	\$ <u>130,612,525</u>	\$ <u>22,590,089</u>	\$ -0-	\$ <u>108,022,436</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 19 - FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value measurements at the reporting date using significant unobservable inputs (Level 3) are as follows:

	<u>2015</u>	<u>2014</u>
BEGINNING BALANCE	\$108,022,436	\$ 92,113,974
Investment income (loss)	(13,022)	(49,536)
Unrealized/realized gain (loss) included in changes in net assets, reported in investment income	1,123,065	14,239,284
Purchases	11,663,402	9,940,913
Sales	<u>(7,750,518)</u>	<u>(8,222,199)</u>
ENDING BALANCE	\$ <u>113,045,363</u>	\$ <u>108,022,436</u>

The amount of the total gains and losses for the period included in changes in net assets, reported in investment income, attributable to the change in unrealized gains and losses relating to assets still held at June 30, 2015 and June 30, 2014 was \$5,189,383 and \$12,843,664, respectively.

Fair values of liabilities measured on a recurring basis at June 30, 2015 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>
LIABILITIES				
Annuity payment liability	\$ 367,709	\$ 367,709	\$ -0-	\$ -0-
Interest rate swap	<u>75,795</u>	<u>75,795</u>	<u>-0-</u>	<u>-0-</u>
Total Liabilities	\$ <u>443,504</u>	\$ <u>443,504</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

Fair values of liabilities measured on a recurring basis at June 30, 2014 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>
LIABILITIES				
Annuity payment liability	\$ 295,032	\$ 295,032	\$ -0-	\$ -0-
Interest rate swap	<u>169,121</u>	<u>169,121</u>	<u>-0-</u>	<u>-0-</u>
Total Liabilities	\$ <u>464,153</u>	\$ <u>464,153</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 19 - FAIR VALUE MEASUREMENTS (CONTINUED)

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:

Contribution 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, mutual funds and certificates of deposit.

Beneficial Interest in Perpetual Trusts

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

Investments

The Foundation uses quoted market prices in an active market when available. These investments consist 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. When quoted market prices are unobservable in an active market, the Foundation uses fair value measurements provided by independent third party investment managers based on quoted prices in active markets for similar investments, quoted prices for identical or similar investments in less active markets, or model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market. These investments are included in Level 2 and consist primarily of commingled hedge funds. The Foundation had no Level 2 investments at June 30, 2015 and 2014.

When observable inputs are not available, the Foundation uses fair value measurements provided by independent third party investment managers utilizing model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market. These investments are included in Level 3 and consist primarily of commingled global fixed, commingled global equity, commingled hedge funds, commingled real asset fund, and private capital funds. Fair values of the investments in these entities are based on the latest available information at the consolidated financial statement closing date, which, due to differing fiscal reporting periods, may not reflect all transactions and activity through June 30. Management believes that any resulting differences are not material in relation to the consolidated financial statements taken as a whole.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 19 - FAIR VALUE MEASUREMENTS (CONTINUED)

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, and domestic and international mutual funds.

Interest Rate Swap

The Foundation uses quoted market prices provided by the counterparty which makes a market in interest rate swaps and, therefore, they are included in Level 1.

Fair values of assets measured on a nonrecurring basis at June 30, 2015 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	\$ <u>15,500</u>	\$ <u>-0-</u>	\$ <u>15,500</u>	\$ <u>-0-</u>
Total assets	\$ <u>15,500</u>	\$ <u>-0-</u>	\$ <u>15,500</u>	\$ <u>-0-</u>

Fair values of assets measured on a nonrecurring basis at June 30, 2014 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	\$ <u>15,500</u>	\$ <u>-0-</u>	\$ <u>15,500</u>	\$ <u>-0-</u>
Total assets	\$ <u>15,500</u>	\$ <u>-0-</u>	\$ <u>15,500</u>	\$ <u>-0-</u>

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

Other Assets: Other assets consists of donated works of art and musical instruments. 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.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 20 - ENDOWMENTS

The Marshall University Foundation, Inc.'s endowment consists of approximately 815 funds established for the benefit of the students of Marshall University through both scholarship assistance and supplemental support of various university departments and endeavors. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by Generally Accepted Accounting Principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment Net Asset Composition by Type of Fund as of June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -0-	\$ 6,183,855	\$ 93,823,215	\$ 100,007,070
Board-designated endowment funds	<u>11,658,596</u>	<u>-0-</u>	<u>-0-</u>	<u>11,658,596</u>
Total funds	\$ <u>11,658,596</u>	\$ <u>6,183,855</u>	\$ <u>93,823,215</u>	\$ <u>111,665,666</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 2,258,866	\$ 2,449,980	\$ 89,392,874	\$ 94,101,720
Board-designated endowment funds	<u>12,182,430</u>	<u>-0-</u>	<u>-0-</u>	<u>12,182,430</u>
Total funds	\$ <u>14,441,296</u>	\$ <u>2,449,980</u>	\$ <u>89,392,874</u>	\$ <u>106,284,150</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 20 – ENDOWMENTS (CONTINUED)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ <u>14,441,296</u>	\$ <u>2,449,980</u>	\$ <u>89,392,874</u>	\$ <u>106,284,150</u>
Investment return:				
Investment income	50,449	21,207	361,043	432,699
Fees	(6,954)	(3,132)	(50,843)	(60,929)
Realized & unrealized gain (loss)	<u>58,676</u>	<u>45,930</u>	<u>491,567</u>	<u>596,173</u>
Total investment return	<u>102,171</u>	<u>64,005</u>	<u>801,767</u>	<u>967,943</u>
Contributions	137,996	1,670,359	8,225,311	10,033,666
Appropriation of endowment assets for expenditure	(764,001)	(346,707)	(4,509,385)	(5,620,093)
Other changes:				
Transfers in endowment classification	<u>(2,258,866)</u>	<u>2,346,218</u>	<u>(87,352)</u>	<u>-0-</u>
Endowment net assets, end of year	\$ <u>11,658,596</u>	\$ <u>6,183,855</u>	\$ <u>93,823,215</u>	\$ <u>111,665,666</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 20 – ENDOWMENTS (CONTINUED)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ <u>12,991,714</u>	\$ <u>2,079,777</u>	\$ <u>75,565,493</u>	\$ <u>90,636,984</u>
Investment return:				
Investment income	(2,761)	(19,459)	-0-	(22,220)
Fees	(5,969)	(42,273)	-0-	(48,242)
Realized & unrealized gain (loss)	<u>1,743,509</u>	<u>12,321,200</u>	<u>-0-</u>	<u>14,064,709</u>
Total investment return	<u>1,734,779</u>	<u>12,259,468</u>	<u>-0-</u>	<u>13,994,247</u>
Contributions	133,178	173,484	5,562,026	5,868,688
Appropriation of endowment assets for expenditure	(605,986)	(3,609,783)	-0-	(4,215,769)
Other changes:				
Transfers in endowment classification	<u>187,611</u>	<u>(8,452,966)</u>	<u>8,265,355</u>	<u>-0-</u>
Endowment net assets, end of year	\$ <u>14,441,296</u>	\$ <u>2,449,980</u>	\$ <u>89,392,874</u>	\$ <u>106,284,150</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 20 - ENDOWMENTS (CONTINUED)

Permanently and Temporarily Restricted Net Assets (Endowment Only)

	<u>2015</u>	<u>2014</u>
Permanently Restricted		
Net Assets		
Portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation	\$ <u>93,823,215</u>	\$ <u>89,392,874</u>
Total endowment funds classified as permanently restricted net assets	\$ <u>93,823,215</u>	\$ <u>89,392,874</u>
Temporarily Restricted		
Net Assets		
Term endowment funds	\$ <u>6,183,855</u>	\$ <u>2,449,980</u>
Total endowment funds classified as temporarily restricted net assets	\$ <u>6,183,855</u>	\$ <u>2,449,980</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. In accordance with Generally Accepted Accounting Principles, deficiencies of this nature that are reported as unrestricted net assets were \$4,242 and \$2,961 as of June 30, 2015 and 2014, respectively. These deficiencies resulted from unfavorable market fluctuations.

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 permanently 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 gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation. In accordance with the law, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 20 - ENDOWMENTS (CONTINUED)

- 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.

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-Commonfund Study of Endowments).

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

Investment Philosophy

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

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

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

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 20 - ENDOWMENTS (CONTINUED)

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.

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>
Global Equity Strategies	30%	45%	60%
Global Fixed Income Strategies	0%	7.5%	20%
Absolute Return	5%	17.5%	25%
Real Assets	5%	15%	25%
Private Capital	0%	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 ACWI"); and

30% weight of the Barclays Capital Global Aggregate Bond Index (the "Barclays Capital GAI").

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

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 20 - ENDOWMENTS (CONTINUED)

Spending Policy

Balancing the investment of endowments for Intergenerational Equity with the current programmatic needs supported by the endowments, the Marshall University Foundation 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.

NOTE 21 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Financial Instruments Topic of the FASB Accounting Standards Codification, requires disclosure of fair value information about financial instruments, whether or not recognized in the consolidated statement of financial position. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. The Financial Instruments Topic of the FASB Accounting Standards Codification excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Foundation.

The following methods and assumptions were used by the Foundation in estimating its fair value disclosures for financial instruments.

Cash and cash equivalents - The carrying amount reported in the consolidated statements of financial position for cash and cash equivalents approximate those assets' fair values.

Unconditional promises to give - It is not practicable to estimate the fair value of unconditional promises to give due to the lack of available software capable of calculating fair value.

Contributions receivable from Remainder Trusts - Fair value for contributions receivable from remainder trusts is based on quoted prices of the underlying investments in active markets for identical investments adjusted for the present value of the future benefits expected to be received utilizing IRS actuarial formulas.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 21 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Other receivables - The carrying amount reported in the consolidated statements of financial position for other receivables approximates those assets' fair value.

Beneficial Interest in Perpetual Trusts - Fair value for beneficial interest in perpetual trusts is based on quoted prices of the underlying investments in active markets for identical investments.

Investments - Fair value for investments is based on quoted market prices in active markets for identical investments, where available. If quoted market prices for identical investments in active markets are not available, fair value is based on observable inputs including quoted prices in active markets for similar investments, quoted prices for identical or similar investments in less active markets, model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market, or model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

Cash surrender value - life insurance, net of policy loans - The carrying amount reported in the consolidated statements of financial position for cash surrender value - life insurance, net of policy loans approximate those assets' fair values.

Accounts payable - The carrying amount reported in the consolidated statements of financial position for accounts payable approximates those liabilities' fair values.

Accrued vacation and wages - The carrying amount reported in the consolidated statements of financial position for accrued vacation and wages approximates those liabilities' fair values.

Accrued interest payable - The carrying amount reported in the consolidated statements of financial position for accrued interest payable approximates those liabilities' fair values.

Bonds payable - It is not practicable to estimate the fair value of bonds payable due to the lack of available software capable of calculating fair value.

Notes payable - it is not practicable to estimate the fair value of notes payable due to the lack of available software capable of calculating fair value.

Annuity payment liability - Fair value for annuity payment liability is based on quoted prices of the underlying investments in active markets for identical investments adjusted for the present value of the expected future annuity payments utilizing IRS actuarial formulas.

Deferred revenue - The carrying amount reported in the consolidated statements of financial position for deferred revenue approximates those liabilities' fair values.

Interest rate swap - Fair value for interest rate swap is based on quoted market prices provided by the counterparty which makes a market in interest rate swaps.

The estimated fair values of the Organization's financial instruments at June 30, 2015 and 2014 are as follows:

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 21 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	2015		2014	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:				
Cash and cash Equivalents	\$ 13,551,670	\$ 13,551,670	\$ 15,487,295	\$ 15,487,295
Unconditional promises to give, net	29,099,823	Not Practicable	23,196,515	Not Practicable
Contribution receivable from Remainder Trusts	647,855	647,855	874,687	874,687
Other receivables	48,372	48,372	57,156	57,156
Beneficial interest in Perpetual Trusts	9,423,213	9,423,213	9,792,769	9,792,769
Investments	120,630,237	120,630,237	119,945,069	119,945,069
Cash surrender value - life insurance, net	502,552	502,552	464,718	464,718
Financial Liabilities:				
Accounts payable	32,675	32,675	24,865	24,865
Accrued vacation and wages	191,060	191,060	125,967	125,967
Accrued interest payable	53,910	53,910	44,799	44,799
Bonds payable	8,579,881	Not Practicable	9,562,787	Not Practicable
Notes Payable	300,000	Not Practicable	300,000	Not Practicable
Annuity payable liability	367,709	367,709	295,032	295,032
Deferred revenue	280,530	280,530	223,894	223,894
Interest rate swap	75,795	75,795	169,121	169,121

MARSHALL UNIVERSITY
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NOTE 22 - DERIVATIVE FINANCIAL INSTRUMENTS

The Foundation is exposed to risks relating to the variability of future costs and cash flows caused by movements in interest rates in the normal course of its operations. The Foundation holds derivative financial instruments for the purpose of managing such risks. The Foundation does not hold or issue derivatives that are not designated as hedging instruments. In particular, interest rate swaps (which are designated as fair value hedges) are used to manage the risk associated with interest rates on certain variable-rate borrowings.

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Foundation entered into an interest rate swap agreement for a portion of its floating rate debt in December, 2010. The agreement provides for the Foundation to receive interest from the counterparty at LIBOR times 67% and to pay interest to the counterparty at a fixed interest rate of 2.64% on the notional amount of \$4,600,000 at June 30, 2015. Under the agreement, the Foundation pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The agreement has optional termination dates beginning February 21, 2016, and each day thereafter, with a final termination date of February 21, 2026.

The table below presents certain information regarding the Foundation's interest rate swap agreements;

	<u>2015</u>	<u>2014</u>
Fair value of interest rate swap agreement	\$ 75,795	\$ 169,121
Consolidated statement of financial position location of fair value amount	Liability	Liability
Gain recognized in change in net assets	\$ 93,326	\$ 49,481
Location of gain recognized in change in net assets	Gifts, contributions and other	Gifts, contributions and other

NOTE 23 - 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 at June 30, 2015 and 2014 as the joint venture's accumulated losses are in excess of the initial capital contribution. When profits accumulate to return the capital account to a positive amount, the value of the equity investment in joint venture will appear on the consolidated statement of financial position.

NOTE 24 - SUBSEQUENT EVENTS

Management has reviewed events occurring subsequent to June 30, 2015 through October 1, 2015 (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
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NOTE 25 COMPONENT UNIT DISCLOSURES – PROVIDENT MARSHALL

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Cash and Cash Equivalents: 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.

Assets Held by Trustee: 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, 2015 and 2014, 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.

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
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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	3 - 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, 2015 and 2014, 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 Marshall University, on behalf of Marshall University (MU). The ground lease agreement requires the Company to pay rent of \$1 annually along with additional rent, as outlined in the ground lease. At June 30, 2015 and 2014, no additional rent payment was due.

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.

Revenue Recognition and Deferred Revenue: Rental revenue and membership fee revenue are recognized as rentals become due or services are rendered. Rental payments or membership fees received in advance are deferred until earned and are included in accrued expenses and other current liabilities in the balance sheet.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015 and 2014.

The Company is not subject to examination by U.S. federal taxing authorities for years before 2012 and for all state income taxes before 2012. 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, 2015 and 2014.

Reclassifications: Certain reclassifications have been made to present last year's financial statements on a basis comparable to the current year's financial statements. These reclassifications had no effect on net loss or member's deficit.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2015, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2015. Management has performed their analysis of subsequent events through September 30, 2015, the date the financial statements were issued.

NOTE 2 - REVENUE BONDS PAYABLE

	<u>2015</u>	<u>2014</u>
<p>Series 2010A senior tax-exempt revenue bonds payable to Cabell County, by and through the County Commission on behalf of Cabell County, West Virginia with interest at a variable rate, which adjusts weekly (.10% and .11% at June 30, 2015 and 2014, respectively). Interest on the bonds is payable on the first business day of each month commencing September 1, 2010. An irrevocable letter of credit was issued by Bank of America in the amount of \$80,711,596, which expires on January 30, 2017. The bonds are collateralized by all the assets of the Company. The bonds mature July 1, 2039, but are subject to certain mandatory and optional redemption and tender provisions as stated in the Trust Indenture. Pursuant to the loan agreement, reimbursement agreement, trust indenture and ground lease, the Company is subject to certain financial covenants, reporting covenants, and other requirements. At June 30, 2015 and 2014, management believes the Company was in compliance with all covenants.</p>	\$ 79,945,000	\$ 80,015,000

MARSHALL UNIVERSITY
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NOTE 2 - REVENUE BONDS PAYABLE (Continued)

	<u>2015</u>	<u>2014</u>
Series 2010B subordinate tax-exempt revenue bonds payable to Cabell County, by and through the County Commission on behalf of Cabell County, West Virginia with interest at a fixed rate (7.5%). Principal and interest on the subordinate tax-exempt revenue bonds are payable solely out of available surplus cash in accordance with the trust indenture. The bonds are collateralized by all the assets of the Company. The bonds mature on July 1, 2039, but are subject to certain mandatory and optional redemption and tender provisions as stated in the trust indenture. Pursuant to the loan agreement, reimbursement agreement, trust indenture and ground lease, the Company is subject to certain reporting covenants and other requirements. At June 30, 2015 and 2014, management believes the Company was in compliance with all covenants.	<u>\$ 8,929,000</u>	<u>\$ 9,046,000</u>
	88,874,000	89,061,000
Unamortized discount on Series 2010A bonds underlying the note payable.	<u>(320,247)</u>	<u>(338,556)</u>
	88,553,753	88,722,444
Less current maturities	<u>319,000</u>	<u>187,000</u>
	<u>\$ 88,234,753</u>	<u>\$ 88,535,444</u>

Aggregate annual maturities of the revenue bonds payable at June 30, 2015, are as follows:

2016	\$ 319,000
2017	79,884,000
2018	144,000
2019	154,000
2020	167,000
Thereafter	<u>8,206,000</u>
	<u>\$ 88,874,000</u>

Interest expense was \$3,611,122 and \$3,645,253 for the years ended June 30, 2015 and 2014, respectively.

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.

MARSHALL UNIVERSITY
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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 \$176,720 and \$173,269 for the years ended June 30, 2015 and 2014, 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, 2015 and 2014. As of June 30, 2015 and 2014, \$55,225 and \$54,147, respectively, remains outstanding.

The Company's wellness center is managed by Centers, LLC, an unaffiliated management agent. The management fee was \$243,112 and \$238,112 for the years ended June 30, 2015 and 2014, 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, 2015 and 2014. As of June 30, 2015 and 2014, \$75,973 and \$104,174, 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, 2015 or 2014, were valued using Level 2.

The total amount of losses for the years ended June 30, 2015 and 2014, included in expenses attributable to the change in unrealized losses relating to liabilities still held at June 30, 2015 and 2014, was \$1,268,548 and \$705,312, respectively.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Unlike typical long-term debt, interest rates and other terms for subordinated debt are not readily available and generally involve a variety of factors, including due diligence by the debt holders. As such, it is not practicable to determine the fair value of the subordinated tax-exempt revenue bonds payable without incurring excessive cost.

The fair values of financial instruments other than the interest rate swap agreement and subordinate tax-exempt revenue bonds payable, which include cash, accounts receivable, assets held by trustee and senior tax-exempt revenue bonds are based on a variety of factors. In some cases, fair values represent quoted market prices for identical or comparable instruments (Level 1). In other cases, fair values have been estimated based on assumptions about the amount and timing of estimated future cash flows and assumed discount rates reflecting varying degrees of risk (Level 2). Accordingly, the fair values may not represent actual values that could have been realized at year-end or that will be realized in the future. All other financial instruments' carrying values approximate fair value as of June 30, 2015 and 2014.

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

The notes taken directly from the audited financial statements of Big Green Scholarship Foundation, Inc. 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 2014-2015, Marshall sponsored sixteen varsity sports (six men and ten women), and provided for approximately 370 athletes, equivalent to approximately 215 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. Such deposits at June 30, 2015, have been fully secured by federal depository insurance or adequate collateral.

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 three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. At June 30, 2015, the Foundation had unrestricted, temporarily restricted, and permanently restricted net assets.

D. Fund Accounting

The accounts of the Foundation are maintained in accordance with the principles of 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.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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Note 1 – Summary of Significant Accounting Policies (Continued):

E. Combined Financial Statements

The financial statements include the accounts of the Foundation. In addition, the Booster Club accounts of the Foundation represent the various related Marshall intercollegiate sports Booster Clubs and other related organizational accounts of the Foundation, which encourage and promote support for their respective intercollegiate teams at Marshall.

F. “Memorandum Only” Total Columns

Total columns on the financial statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither are such data comparable to a consolidation; interfund activities have not been eliminated in the aggregation of this data.

G. Investments

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

H. 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 unrestricted net assets 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 temporarily or permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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 5 to 100%.

I. Deferred Revenue

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

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

J. Donated Assets

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

K. 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 Organization Exempt from Income Tax*, for the fiscal years 2014, 2013, and 2012 are subject to examination by the IRS, generally three years after they were filed.

L. Property and Equipment

Property and equipment is recorded at estimated fair market value at date of donation or cost if purchased. Depreciation is computed on the straight-line method and is based on useful lives ranging from 3 to 25 years.

Note 2 – Investments:

Investments, valued at fair market value as of June 30, 2015 and 2014, are summarized as follows:

	<u>2015</u>	<u>2014</u>
Cash and Cash Equivalents	\$ 1,083,786	\$ 977,220
Corporate Stock	4,260,676	4,010,464
Government Securities	1,955,748	1,726,022
Mutual Funds	749,385	1,452,677
Other	-	-
Total Investments	\$ <u>8,049,596</u>	\$ <u>8,166,383</u>

The following schedule summarizes investment return and its classification in the statement of activities for the fiscal years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 115,269	\$ 153,006
Unrealized (loss) / gain	<u>(143,711)</u>	<u>777,743</u>
Total Investment Return	\$ <u>(28,442)</u>	\$ <u>930,749</u>

MARSHALL UNIVERSITY
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Note 3 – Fair Value Measurements:

Fair value of assets measured on a recurring basis at June 30, 2015 and 2014, are as follows:

Fair Value Measures at Reporting Date Using:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2015				
Cash and Cash Equivalents	\$ 1,083,786	\$ 1,083,786	\$ -	\$ -
Corporate Stock	4,260,676	4,260,676	-	-
Government Securities	1,955,748	1,955,748	-	-
Mutual Funds	749,385	749,385	-	-
Other	-	-	-	-
Total	<u>\$ 8,049,596</u>	<u>\$ 8,049,596</u>	<u>\$ -</u>	<u>\$ -</u>
June 30, 2014				
Cash and Cash Equivalents	\$ 977,220	\$ 977,220	\$ -	\$ -
Corporate Stock	4,010,464	4,010,464	-	-
Government Securities	1,726,022	1,726,022	-	-
Mutual Funds	1,452,677	1,452,677	-	-
Other	-	-	-	-
Total	<u>\$ 8,166,383</u>	<u>\$ 8,166,383</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, 2015 and 2014.

Note 4 – Promises to Give:

Promises to give at June 30, 2015, were as follows:

<u>Description</u>	<u>Amount</u>
Pledges due in less than one year	\$ 1,041,209
Pledges due in one to five years	<u>15,100</u>
Total pledges receivable	1,056,309
Less: Discounts to present value	(7,583)
Less: Allowance for uncollectible pledges	<u>(384,576)</u>
Total promises to give	<u>\$ 664,150</u>

As of June 30, 2015, \$204,701 (net of present value discounts) represented promises to the Foundation's endowment fund. This income is used for scholarships and other support of the Marshall University Athletic Department.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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Note 5 – Donated Services:

The Foundation received donated services and assets during the fiscal year ended June 30, 2015, which meet the criteria of ASC 958. These services and assets are recorded in the financial statements at fair value as determined by the donor.

The value of donated services included in the financial statements and the corresponding expenses for the fiscal year ended June 30, 2015, are as follows:

<u>Services</u>	<u>Value</u>
Courtesy cars	\$ 123,750
Housing	62,884
Medical	210,731
Travel	<u>27,800</u>
 Total Services	 \$ <u>425,165</u>

Note 6 – Property and Equipment:

Property and equipment at June 30, 2015 and 2014, are present 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, 2015, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Operating Fund				
Vehicles	\$ 208,860	\$ -	\$ -	\$ 208,860
Less: Accumulated Depreciation	<u>(48,734)</u>	<u>(41,772)</u>	-	<u>(90,506)</u>
Total Operating Fund	160,126	(41,772)	-	118,354
 Booster Clubs				
Vehicles	53,881	-	-	\$ 53,881
Less: Accumulated Depreciation	<u>(50,828)</u>	<u>(3,053)</u>	-	<u>(53,881)</u>
Total Booster Clubs	3,053	(3,053)	-	-
 Total Property and Equipment	 \$ <u>163,179</u>	 \$ <u>(44,825)</u>	 \$ -	 \$ <u>118,354</u>

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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Note 6 – Property and Equipment (Cont.):

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

<u>Fund</u>	<u>Amount</u>
Operating Fund	\$ 41,772
Booster Clubs	<u>3,053</u>
Total Depreciation	\$ <u>44,825</u>

Note 7 – Endowment Investment Fees:

Total endowment investment fees paid for the fiscal year ended June 30, 2015, were as follows:

	<u>Amount</u>
Unrestricted investment and administrative fees	\$ 57,921
Temporarily restricted investment and administrative fees	-
Permanently restricted investment and administrative fees	<u>-</u>
Total investment and administrative fees	\$ <u>57,921</u>

The Foundation's investments policy requires the management fees to be paid out of interest and dividends which are considered unrestricted even though the investments are considered permanently restricted.

Note 8 – Debt:

The Foundation has a 3.94% interest-bearing note that is payable in monthly installments of \$3,349 that is secured by all corporate assets. The note has an outstanding balance of \$70,869 at June 30, 2015, \$38,040 of which is classified as short-term debt. The note was obtained in order to finance the acquisition of vehicles and will reach full maturity in fiscal year 2017.

The Foundation has an interest-free note that is payable in monthly installments of \$512 that is secured by all corporate assets. The note has an outstanding balance of \$11,272 at June 30, 2015, of which \$6,149 was classified as short-term debt. The note was obtained in order to finance the acquisition of a vehicle and will reach full maturity in fiscal year 2017.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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Note 8 – Debt (Continued):

The Foundation has a 4.95% interest-bearing, eleven-year note that is payable in quarterly installments of \$94,150 that is secured by an agreement between Marshall and Marshall's athletics marketing firm, IMG. The note has an outstanding balance of \$1,861,739 at June 30, 2015, \$289,499 of which is classified as short-term debt. The note was obtained in order to finance facility improvements for the Marshall University Athletic Department. In the agreement with IMG, the firm will make payments to Marshall for the improvements and Marshall has agreed to the assignment of payments from IMG to the Foundation for this note. This note will reach full maturity in fiscal year 2021.

The Foundation has an interest-bearing, eight-year note, which allowed the Foundation to access \$1,700,000 of principal to assist with the financing of facility improvements for the Marshall University Athletic Department football stadium. The interest rate on the note will be fixed at 2.43% through July 15, 2018, at which time the rate will be adjusted to the current market rate, not to exceed 5.00% for the remaining two years. The note is secured by an agreement between Marshall and individual donors for long-term leases for sky deck level suites at the Marshall University Athletic Department football stadium. The note has an outstanding balance of \$1,248,480 at June 30, 2015, \$212,033 of which is classified as short-term debt. This note will reach full maturity in fiscal year 2021.

The future scheduled maturities of notes payable are:

<u>Fiscal Years Ending June 30:</u>	<u>Amount</u>
2016	\$ 547,120
2017	556,751
2018	539,429
2019	545,271
2020	572,763
Thereafter	<u>432,427</u>
Total	\$ <u>3,193,760</u>

Note 9 – Financial Instruments:

A. Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of the aforementioned temporary cash investments and pledges receivable. 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.

MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Note 9 – Financial Instruments (Cont.):

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, 2015, does not materially differ from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

Note 10 – 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 11 – Revenue Concentrations:

During the fiscal year ended June 30, 2015, 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.

Note 12 – Beneficial Interest In 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 temporarily restricted contribution based on ASC 958. For the fiscal year ended June 30, 2015, the trust incurred a loss of \$45,008, and the fair value of the Foundation's beneficial interest in the trust was \$749,385.

Note 13 – Other Receivables:

As discussed in Note 8, the Foundation has two interest-bearing notes that were obtained to finance improvements to facilities of the Marshall University Athletic Department.

A. General Facility Improvements

A note has been placed in the Foundation's name for operational purposes and the payments on the note will be made by an outside organization, Marshall's athletics marketing firm, IMG. As the facility improvements allow IMG to market the Marshall University Athletic Department, IMG has agreed to pay this debt on behalf of the Foundation. IMG has an agreement with the Marshall University Athletic Department for this arrangement and the Marshall University Athletic Department has agreed to assign the payments from IMG to the Foundation to pay this obligation. Due to this assignment, the Foundation will have a receivable on the statement of financial position.

**MARSHALL UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

Note 13 – Other Receivables (Cont.):

B. Football Stadium Sky Suite Additions

A note has been placed in the Foundation's name for operational purposes and the payments on the note will be made by the Marshall University Athletic Department. As the addition of sky suites to the football stadium supports the Marshall University Athletic Department and allows for added fund-raising opportunities for the Foundation, Marshall has agreed to pay this debt on behalf of the Foundation. Individual donors have lease agreements with the Marshall University Athletic Department for this arrangement and the Marshall University Athletic Department has agreed to assign the payments from the donors to the Foundation for this obligation. Due to this assignment, the Foundation will have a receivable on the statement of financial position.

Note 14 – Subsequent Events:

The Foundation has evaluated all subsequent events through September 16, 2015, the date the financial statements were available to be issued.

MARSHALL UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION (RSI) (UNAUDITED)
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS
JUNE 30, 2015 AND 2014

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	University's 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%

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	14.85%

These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information
For the Year Ended June 30, 2015

There are no factors that affect trends in the amounts reported, such as change in benefit terms or assumptions. With only one year 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.



**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 Marshall University (the "University") as of and for the year ended June 30, 2015, and the related notes to the financial statements and have issued our report thereon dated December 22, 2015. Our report includes a reference to other auditors who audited the financial statements of the Marshall University Research Corporation ("MURC"), the Marshall University Foundation, Inc. (the "Foundation"), Provident Group – Marshall Properties L.L.C. ("Provident – Marshall") and the Big Green Scholarship Foundation, Inc. ("Big Green"), as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by the auditors of the MURC. The financial statements of the Foundation, Provident – Marshall and Big Green were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
December 22, 2015