WE ARE . . .
MARSHALL

MARSHALL UNIVERSITY

FINANCIAL REPORT

For year ending
June 30, 2004

One John Marshall Drive
Huntington, WV 25755

CONTINUING STEWARDSHIP

The fiscal year ending June 30, 2004 was another challenging and good one for Marshall University. Our complete financial statements and the independent auditors' report are contained in this booklet.

As Marshall University continues its movement upward, we take our stewardship of the funds entrusted to us very seriously. With our report for the fiscal year ended June 30, 2004, we continue our commitment to the best possible use of the resources entrusted to us.

Sincerely,

Dan Angel
President

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ACKNOWLEDGEMENTS

Deloitte.

Deloitte & Touche LLP
2500 One PPG Place
Pittsburgh, PA 15222-5401
USA

Tel: +1 412 338 7200
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

Governing Board
Marshall University

We have audited the accompanying combined financial statements of the business-type activities and discretely presented component unit of Marshall University (the "University") as of June 30, 2004 and 2003, and for the years then ended, which collectively comprise Marshall's basic financial statements listed in the foregoing Table of Contents. These financial statements are the responsibility of the management of the University. Our responsibility is to express an opinion on these basic financial statements based on our audits. We did not audit the discretely presented financial statements of The Marshall University Foundation, Inc. (a component unit of Marshall University). Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the discretely presented financial statements of The Marshall University Foundation, Inc., is based solely on the report of such other auditors.

We 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 Marshall University Foundation, Inc.'s financial statements, 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2004 and 2003, and the respective changes in net assets and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, the University changed its financial statement presentation to adopt the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units,* as an amendment to GASB Statement No. 14 as of July 1, 2003.

As discussed in Note 3, the accompanying 2004 and 2003 financial statements have been restated.

The Management's Discussion and Analysis on pages 3 to 12 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the University's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed in the Table of Contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the University's management. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2004, on our consideration of the University's internal control over financial reporting and our tests of its compliance and other matters. The purpose of that report is to describe the scope of our 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* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

October 3, 2004
(November 23, 2004 as to the effects of the restatement discussed in Note 3)

Marshall University
Management Discussion and Analysis
Fiscal Year 2004

About Marshall University

Marshall University (the “University” or the “Institution”) is one of West Virginia’s State universities with more than 16,000 students, 686 faculty and 795 staff members. The University was founded in 1837 and achieved University status in 1961.

The University currently operates 13 colleges and schools, offering 23 associate degree programs, 44 baccalaureate degree programs, 41 master’s degree programs, 5 doctoral programs and a doctorate of medicine. Integral parts of the University, and included in the financial information presented, are the Marshall University Research Corporation (MURC), Joan C. Edwards School of Medicine and the Marshall Community and Technical College. MURC has a separately presented financial statement which can be referenced for additional details about changes to that organization.

Marshall University is governed by a 16-member Board of Governors (the “Board”) that determines, controls, supervises and manages the financial, business and educational policies and affairs of the University. The Board of Governors also develops a master plan, approves the University’s budget request, reviews all academic programs offered at the Institution, and fixes tuition and other fees for the different classes or categories of students enrolled.

Overview of the Financial Statements and Financial Analysis

The emphasis of discussions about these Statements will be on FY 2004 data explaining significant changes from the financial statements presented for the year ended June 30, 2003. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and, the Statement of Cash Flows. The Governmental Accounting Standards Board (GASB) issues directives for presentation of college and university financial statements. The reporting format prior to FY 2002 presented financial balances and activities by fund groups. The current reporting format places emphasis on the overall economic resources of the University. Direct comparison with financial statements issued for periods prior to FY 2002 will not always be consistent. The GASB Statement No. 39 “Determining Whether Certain Organizations are Component Units” became effective for financial statement periods beginning after June 15, 2003. This statement requires the University to include the financial information of Marshall University Foundation, Inc. The University’s Foundation is controlled and managed by an independent 501(c)(3) corporation with a separate independent Board of Directors. The University does not control these resources. Information regarding the University’s foundation is included in Notes 1 and 13 to the financial statements and required financial statement are discretely presented.

Statement of Net Assets

A Statement of Net Assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. A Statement of Net Assets is a point in time financial statement and provides a fiscal snapshot of Marshall University. A Statement of Net Assets presents end-of-year data concerning assets (current and non-current), liabilities (current and non-current), and net assets (assets minus liabilities). Current assets and liabilities are typically associated with resources or obligations that will be used within the fiscal year. Non-current assets and liabilities are not typically used within the fiscal year. From the data presented, readers of a Statement of Net Assets are able to determine the assets available to continue the operations of the Institution. They are also able to determine how much the Institution owes vendors, employees, lenders and others. Finally, a Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the Institution.

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the Institution's equity in or ownership of property, plant and equipment. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. Nonexpendable restricted net assets include endowments. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the Institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of these assets. Included in restricted expendable net assets for FY 2003 are balances that were designated in West Virginia State Code. Changes to WV State Code in FY 2004 removed these designations. The final category is unrestricted net assets. Unrestricted net assets are available for general use by the Institution.

Net Assets
(In thousands of dollars)

				Percentage Difference	
	FY 2004	**FY 2003**	**FY 2002**	**FY 03 to 04**	**FY 02 to 03**
Assets:					
Current assets	$ 74,852	$ 70,682	$ 64,947	5.9%	8.8%
Other noncurrent assets	16,587	19,089	42,788	13.1%	55.4%
Capital assets, net	236,577	226,244	203,308	4.6%	11.3%
Total Assets	$ 328,016	$ 316,015	$ 311,043	3.8%	1.6%
Liabilities					
Current liabilities	$ 27,674	$ 22,966	$ 22,209	20.5%	3.4%
Noncurrent liabilities	114,048	118,827	122,181	4.0%	2.7%
Total Liabilities	$ 141,722	$ 141,793	$ 144,390	0.1%	1.8%
Net Assets					
Invested in capital assets, net of debt	$ 141,113	$ 133,614	$ 131,700	5.6%	1.5%
Restricted - nonexpendable	176	176		0.0%	
Restricted - expendable	8,768	26,618	23,393	67.1%	13.8%
Unrestricted	36,237	13,814	11,560	162.3%	19.5%
Total Net Assets	$ 186,294	$ 174,222	$ 166,653	6.9%	4.5%

Changes to Total Assets

The increase of $12 million in total assets in FY 2004 is primarily related to changes in cash balances, changes in capital assets, and activity of MURC. There was an increase of $5.0 million in total assets in FY 2003.

Total current and non-current cash and equivalents of the University only decreased $2.4 million. Cash balances associated with auxiliary operations, including $5.6 million expended during the current fiscal year for the Marshall Commons housing project, were reduced $4 million. Cash balances of the CTC increased $775,000 and the School of Medicine increased $587,000. The cash balances of the general university other than CTC and School of Medicine increased $252,000. Of these total increases, $1.3 million is associated with student fees.

Net capital assets of the University only increased by $9.6 million in FY 2004. Building values increased by $12.5 million including the Marshall Commons housing project, Biotechnology Center, and Forensic Science Center. Equipment, land, and infrastructure added another $5.6 million. Total University only depreciation expenses offsetting these increases were $8.5 million. Note 6 to the Financial Statements provides additional information on changes to the net capital assets of the combined University.

MURC total assets increased from $24 million to $29 million. This increase of $5 million includes additional investments of $3.5 million and increase in net capital assets of $680,000.

Changes to Total Liabilities

Total Liabilities decreased $71,000 for FY 2004 related to changes in debt to commission, capital leases, current liabilities and activity of MURC, compared to the decrease of $2.6 million for FY 2003.

The University's outstanding obligation associated with system-wide bond issues to the Higher Education Policy Commission ("HEPC" or "Commission") was reduced by $2.8 million by payment of the principal amounts due and a reduction of $142,000 related to refinancing of the bonds at more favorable interest rates. System-wide bonds are further described in Note 11 to the financial statements.

The University's Capital leases outstanding were reduced by approximately $776,000 as a result of donations dedicated to early payment on a building lease. Additional information on the combined University's bonds and capital leases can be found in Notes 8 and 9 to the financial statements.

Current liabilities of the University only, outside of debt, increased by $1.3 million. The amount of outstanding accounts payable and deferred revenue increased a combined total by $855,000. These numbers can fluctuate from one year to the next, given activity around June 30.

Total liabilities of MURC increased from $4.8 million to $7.1 million. This increase of $2.3 million includes $1 million in additional accounts payable and $572,000 in deferred revenue. Accrued liabilities and advances from federal sponsors increased by $531,000 in total.

Changes to Net Assets

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

The net asset category "Invested in capital assets, net of debt" reflects overall changes to the buildings, equipment and other capital assets net of depreciation and net of the liabilities associated with those assets. During FY 2004, the invested in capital assets-net of related debt increased by $7.5 million, compared to a FY 2003 increase of $1.9 million.

- The University's net investment in capital assets increased by $6.8 million. Assets of the University increased by $9.6 million offset by debt of $2.8 million related to those assets.
- The "Invested in capital assets, net of debt" for MURC increased by $700,000.

Endowments are recorded as restricted nonexpendable net assets.

In the spring of 2004, the WV Legislature removed certain restrictive language from state code resulting in a redistribution of Net Assets to other classifications. At June 30, 2003, the Net Asset category previously identified as "Restricted by state code" included $5.9 million associated with Auxiliaries and $12.8 million associated with non-Auxiliary operations that would be classified as "Unrestricted" under FY 2004 guidelines. This change resulted in a revised increase of "Total restricted expendable" of $850,000.

- Sponsored projects of the University remained relatively constant but net assets Restricted – Expendable" of MURC increased by $939,000.

Of the $22.4 million increase to the Unrestricted Net Asset balance in FY 2004, $18.7 million would have been classified as unrestricted assets in FY 2003 using the state code definition applicable to FY 2004 balances. With the change in state code that would reclassify "Restricted by State Code" to "Unrestricted, the increase from FY 2003 is $3.7 million:

- The increase of approximately $1.1 million associated with the University only consists of $878,000 associated with student fees that were collected but not expended in FY 2004.
- The "Restricted – Auxiliary" balance increased approximately $1.2 million with $732,000 associated with Housing and $193,000 associated with Memorial Student Center.
- Approximately $1.3 million related to activity of MURC.

Revenues, Expenses and Changes in Net Assets
(In thousands of dollars)

	FY 2004	FY 2003	FY 2002	Percentage Difference FY 03 to 04	Percentage Difference FY 02 to 03
Operating revenues	$ 128,050	$ 113,017	$ 101,179	13.3%	11.7%
Operating expenses	(180,328)	(173,721)	(163,394)	3.8%	6.3%
Operating gain (loss)	$ (52,278)	$ (60,704)	$ (62,215)	13.9%	2.4%
Nonoperating revenues	$ 64,767	$ 70,357	$ 74,440	7.9%	5.5%
Nonoperating expenses	(5,123)	(5,932)	(8,172)	13.6%	27.4%
Income (loss) before other revenues, expenses, gains or losses	$ 7,366	$ 3,721	$ 4,053	98.0%	8.2%
Other revenues, expenses, gains or losses	$ 4,564	$ 3,672	$ 4,810	24.3%	23.7%
Increase (decrease) in Net Assets before Transfers	$ 11,930	$ 7,393	$ 8,863	61.4%	16.6%
Transfer of asset (liability) from Policy Commission	$ 142	$ 176	$ (48,643)	19.3%	100.4%
Increase (Decrease) in Net Assets	$ 12,072	$ 7,569	$ (39,780)	59.5%	119.0%

Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of this Statement is to present the revenues received by the Institution, both operating and non-operating, and the expenses paid by the Institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the Institution.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the Institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the Institution. Revenues received for which goods and services are not provided are reported as non-operating revenues. For example, appropriations from the State of West Virginia (the “State”) are non-operating because they are provided by the West Virginia Legislature to the Institution without the Legislature directly receiving commensurate goods and services for those revenues.

Operating revenues and expenses associated with the University will normally result in an operating loss for the University since a significant source of operating expenses are covered by State appropriations which are, by definition, classified as a non-operating revenue.

Operating Revenues

Operating revenues increased to $128 million in FY 2004 for an increase of $15 million or 13.3% from FY 2003. These increases are primarily from tuition and fee revenues and revenue from grants and contracts.

Tuition and fee revenue in FY 2004 was $43.4 million for an increase of $2 million as compared to an increase in FY 2003 of $6.6 million. Tuition and fees accounted for 22.5% of the revenue received by the University in FY 2004, 22.5% in FY 2003 and 19.8% of the revenue for FY 2002. Charges for tuition and fees increased approximately 9.25% in FY 2004 and 9.5% in FY 2003. Total FTE enrollment increased by 1.6% with the number of non-resident students increasing by 2.3% in FY 2004. The Gross Revenue increase in FY 2004 was partially offset by a $3.5 million increase in scholarship allowance.

Grants and contracts increased to $55.5 million in FY 2004 compared to $45.3 million in FY 2003 and $41.2 million in FY 2002. This area of revenue accounts for 29% of revenue in FY 2004, 25% of the revenue in FY 2003 and 23% in FY 2002. Fluctuations from one year to the next within the various grant sources are expected and do not significantly influence changes to the operating gain or loss since most revenue received will be expended in the current year. This increase reflects the growing importance of grants to the University including the impact of the PROMISE Scholarship program. Of the $10.2 million increase, $6 million is associated with the University including student aid grants such as PROMISE Scholarships and Pell. The remainder is associated with increased grant activity of MURC.

Auxiliary revenue increased primarily due to the opening of the new dormitories in the fall semester of FY 2004. Other revenue increases are associated with programs at the Marshall Community and Technical College and MURC.

Operating Expenses

Operating expenses increased to $180.3 million in FY 2004 for an increase of $6.6 million or 3.8% over FY 2003.

Expenditures for personal services including salaries, wages and fringe benefits, were $115.1 million in FY 2004 for an increase of $1.8 million or 1.6%. The entire $1.8 million increase is related to MURC. University employees did not receive a general salary increase in FY 2004. Personal services accounted for 63.8% of total operating expenses in FY 2004 compared to 65.2% and 65.4% in FY 2003 and FY 2002. Health insurance costs in FY 2004 increased approximately 10% over FY 2003 premium payments.

Supplies and other services increased to $34.4 million for an increase of $1.9 million or 6%. MURC supplies and other services increased $3.2 million offset by $1.3 million decreased supplies and other services of the University.

Utilities in FY 2004 increased to $5.4 million for an 11.6% increase or $550,000 including increased costs associated with opening the new dormitories and increased rates for gas usage.

Student financial aid increased to $13.2 million in FY 2004 for an increase of $1.5 million primarily attributed to the PROMISE Scholarship Program.

Non-operating Revenues and Expenses

Non-operating revenues for FY 2004 were $64.8 million which was a decrease of $5.6 million or 7.8% from FY 2003. The most significant change to the non-operating revenue relates to reductions of State appropriations. Non-operating expenditures for FY 2004 were $5.1 million which was a decrease of $800,000 or 13.6% from FY 2003.

The largest source of revenue to the University is an appropriation from the State that is reflected as non-operating revenue under GASB requirements. Actual State appropriations decreased by 12.2% or $8.3 million to $59.2 million in FY 2004 but an indirect appropriation to the University through the WV Department of Health and Human Services in the amount of $3.2 million lessened the impact of reduced state appropriation to $5.1 million. The direct state appropriation of $59.2 million and indirect state appropriation of $3.2 million results in the numbers used for comparison of $62.4 million. State appropriations in FY 2003 were $67.5 million and $70.2 million in FY 2002. This revenue source accounted for 32% of the budget in FY 2004, 37% of the budget in FY 2003 and 40% of the budget in FY 2002. Sluggish economic conditions at both the State and national level continue. With slow revenue growth and rapidly increasing health care, pension costs, and other expenses at the State level, reductions in State appropriation were ordered for all State agencies, including higher education, for both FY 2004 and FY 2003. Support for the Institution from State sources continues to decline with more of the cost of education shifting to students through tuition fees that are rising faster than the rate of inflation.

Gift revenue in FY 2004 was $1.5 million. This was an increase of $1.2 million over the $329,000 in FY 2003 and $177,000 in FY 2002. There was a $1 million gift from the MU Foundation related to the capital lease for the Athletic Facilities Building.

Investment income in FY 2004 was down $1.8 million to $678,000 in FY 2004. This revenue source decreased $800,000 as a result of reduced funds available for investment from bond proceeds as construction progressed on the Housing and Parking bond projects. The remaining decrease of $1 million is related to interest distributions associated with the State's investment pool. Information on the investment pool of the State is discussed further in Note 2 to the financial statements.

Fees assessed by the Commission in FY 2004, 2003 and 2002 were $2.3 million, $2.9 million, and $5.2 million respectively. At the end of FY 2002, the HEPC distributed $48.6 million of system debt to the University representing the University's share of the West Virginia Higher Education System debt. In FY 2002, both the principal and interest was assessed and paid as a non-operating expense. In FY 2003, the payment was a reduction of the recorded liability and only the interest on system debt was recorded as non-operating expense. The decrease of $600,000 from FY 2003 to FY 2004 represents the reduction in interest associated with system-wide bonds issued through the Commission.

Income before other Revenues, Expenses and Other items

The gain or loss from the total of both operating and non-operating revenues and expenses is reflected in the income before other revenues, expenses and other items. In FY 2004, the income was $7.4 million for the University and MURC combined. Of this total, the University had income of $4.5 million in FY 2004, $700,000 in FY 2003 and $1.9 million in FY 2002. MURC had income of $2.9 million, $3.0 million and $2.1 million for FY 2004, 2003 and 2002, respectively.

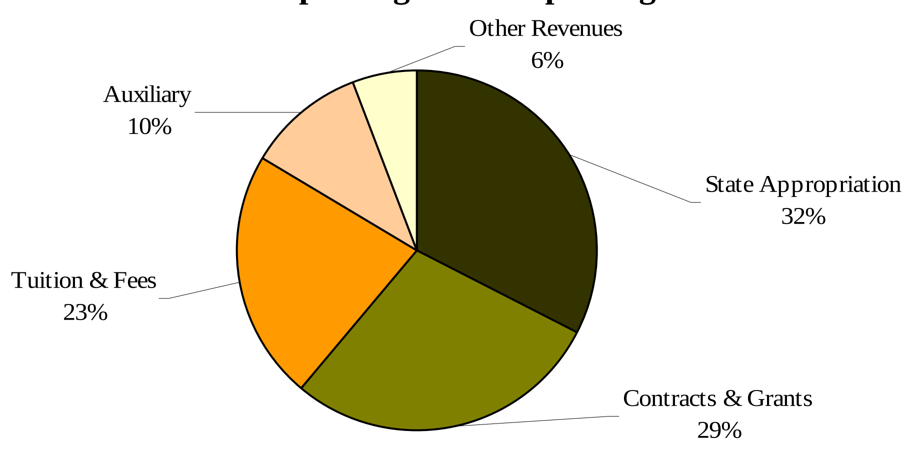
The income in each of these years reflects the increased revenues associated with student fee increases, increase in FTE enrollment, increased numbers of nonresident students and grant revenue offset by relatively stable expenditures.

Changes to Net Assets

The increase in net assets of $12.1 million reflects improvement in the University's general financial condition. Increased tuition and fees as well as revenue from contracts and grants helped to offset decreases in State appropriations and investment earnings. Specific net asset category changes from FY 2003 were discussed under the "Statement of Net Assets" section.

The $48.6 million transfer of liability from the HEPC in FY 2002 represented a "one time" transfer of accumulated debt that had not been included in the University's financial Statements prior to FY 2002. This is a nonrecurring item and is further explained in Note 11 to the financial statements. The transfer of $176,000 in FY 2003 is transfer of the Eminent Scholars program from HEPC to the University. The $142,100 in FY 2004 is the reduction in liability attributable to the Commission refinancing in FY 2004.

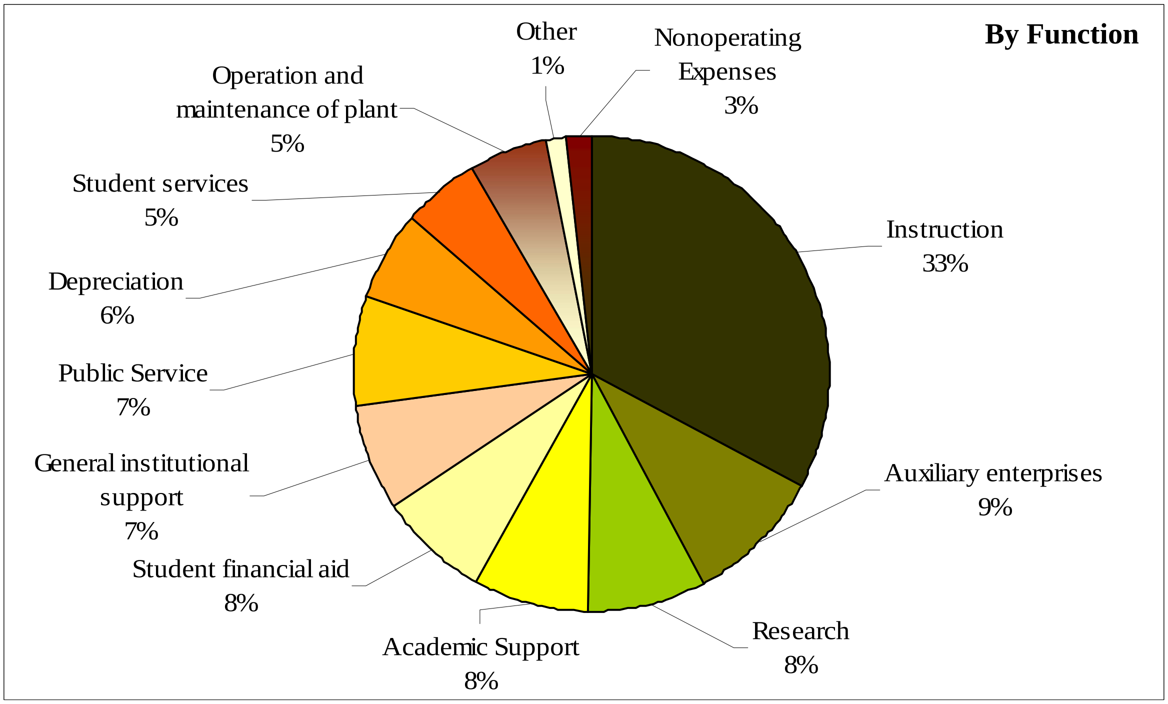
FY 2004 Total Operating and Nonoperating Revenues

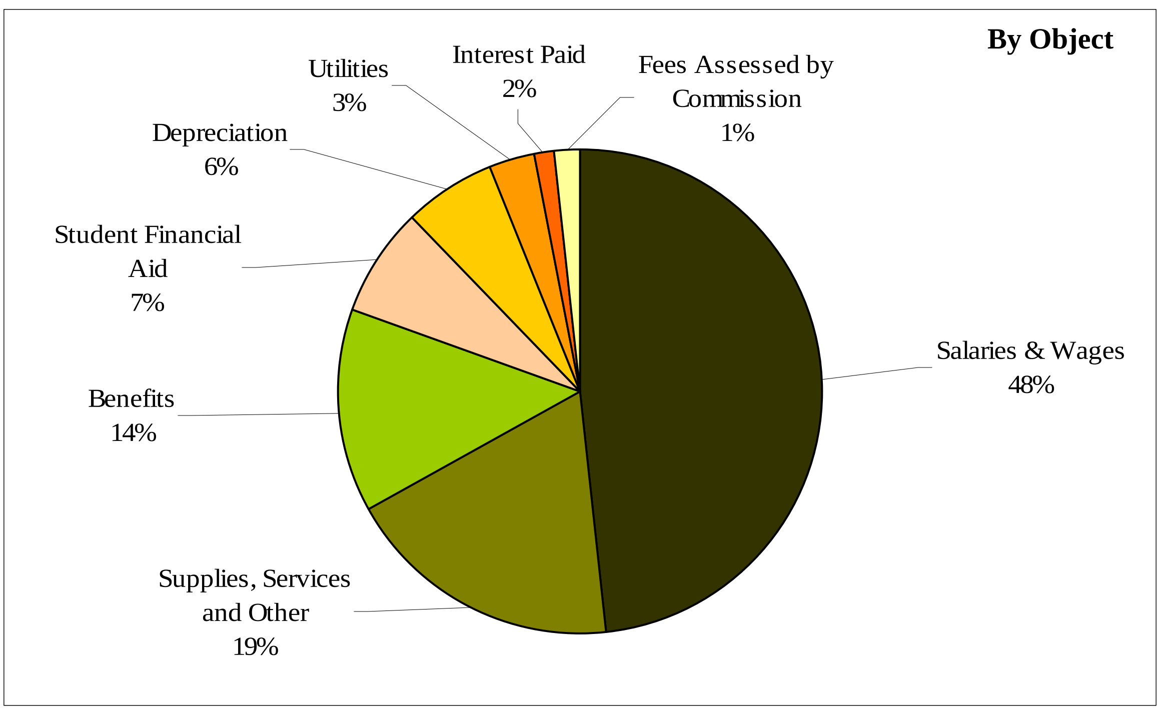


Total operating and non-operating revenue for the University was $193.0 million in FY 2004 as compared to $183.0 million in FY 2003.

Total operating and non-operating expenditures of the University including MURC amounted to $185.5 million in FY 2004 as compared to $179.7 million in FY 2003. Expenditures are shown by primary object of expenditure and by functional classifications. Salaries, wages, and benefits account for more than 62% of the total budgeted expenditures of the University. Of the total expenditures, 33% are used for instruction. Payments on system-wide debt of $2.3 million are included in the fees assessed by the Commission.

FY 2004 Total Operating and Non-operating Expenses





Cash Flows
(In thousands of dollars)

	FY 2004	FY 2003	FY 2002	Percentage Difference FY 03 to 04	FY 02 - 03
Cash provided (used) by:					
Operating activities	$ (37,767)	$ (47,218)	$ (49,289)	20.0%	4.2%
Noncapital financing activities	63,384	67,736	70,269	6.4%	3.6%
Investing activities	(2,572)	2,663	3,704	196.6%	28.1%
Capital and related financing activities	(18,710)	(14,888)	(21,740)	25.7%	31.5%
Net Change in current cash	$ 4,335	$ 8,293	$ 2,944	47.7%	181.7%
Current cash, beginning of year	$ 58,497	$ 50,204	$ 47,260	16.5%	6.2%
Current cash, end of year	$ 62,832	$ 58,497	$ 50,204	7.4%	16.5%

Statement of Cash Flows

The final statement presented is the Statement of Cash Flows. This Statement presents detailed information about the cash activity of the Institution during the year. The Statement is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the Institution. The second section identifies cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, noninvesting, and noncapital financing purposes. The third section describes the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fourth section provides information on cash flows from capital and related financing activities. This section identifies the cash used for the acquisition and construction of capital and related items. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

The change in "Operating activities" reflects increases to tuition and fees offset by increased operating expenditures. Compared to FY 2003 and FY 2002, the difference between the cash received from operating activity compared to the cash used by operating activities has improved. Each year this reflects the shift of revenue sources from State appropriations, a non-operating revenue, to student fees and grants which are operating revenues. Reflected in the "Noncapital financing activities" is the reduction of State appropriations. The category "Investing activities" was primarily impacted by reduced amounts available for investment as construction proceeded on the Housing and Parking Project Bonds, reduced interest earnings on the state investment pool and the purchase of investments by MURC. The final category of "Capital and related financing activities" reflects the change in cash available as the Housing and Parking Projects were completed and increased payments on bonds and leases.

Capital Asset and Debt Administration

The University continues to expand its facilities. A new housing complex for 500 students opened in the fall of 2003. In addition to ongoing maintenance of existing facilities, the addition of new facilities reflects the continued growth of the University. The Robert C. Byrd Biotechnology Science Center is under construction on 3rd Avenue in Huntington. The total project cost for this facility is $48 million funded primarily by federal and state grants.

The University is also participating in a new system-wide bond issue managed by HEPC and the West Virginia Lottery Commission to be paid by lottery revenues of the State of West Virginia. Bond proceeds of $30.5 million available to the University will be used for a new biotechnology development center, student health and wellness center, community college facilities, other facilities and major improvements to existing facilities.

The University has utilized two separate bonding mechanisms in the past for financing major campus improvements. The first method pledges specific revenue sources of the University to repayment of the bonds. The second method pledges specific revenue sources of the entire West Virginia Higher Education

System toward repayment of the bond debt with a portion of that debt attributed to each institution within the West Virginia Higher Education System.

Two revenue bond issues have been issued for the University. The first was for construction of Memorial Student Center (1969) and the second was for construction of housing and parking facilities (2001). Both of these bonds including payment schedules are more fully described in Note 8 to the financial statements.

In addition to these specific bond issues, the University has participated in other bond issues of the West Virginia Higher Education System currently managed by the HEPC. Tuition and registration fees of the entire system are pledged to repayment of these system-wide bond issues and the obligation for repayment of these bonds rests with the HEPC. Since 1992, all public colleges and universities within the West Virginia Higher Education System maintain a separate payment schedule for any projects of that campus even if consolidated with other projects for a combined bond issue. Principal payments to the HEPC of $2.7 million in addition to the fees and interest assessed by HEPC of $2.3 million resulted in a total payment of $5.0 million related to system-wide bonds. In addition to $200,000 for debt service reserve requirements and other bond costs, the remaining $4.8 million was distributed to the following bond issues:

- In August 2003, West Virginia Higher Education System 1992 bonds in which the University participated were refinanced. Through prior agreement under the University System of West Virginia (predecessor to the HEPC), the University's portion of these bonds approximated 24%. The annual amount paid for this bond issue is approximately $2 million. These bonds will be retired through 2012.
- The University through the University System of West Virginia arranged for issuance of bonds in 1996 for construction of the Drinko Library. These system-wide bonds will be retired through 2016 and the annual payment is $1.3 million. These bonds were refinanced in August 2004 as part of another system-wide bond issue of HEPC. Annual cash savings is more than $60,000 per year through 2016.
- In 1997, the University participated in another system-wide bond issue through the University System of West Virginia for various projects, including construction of the Jomie Jazz Center, improvements to Henderson Center, and Old Main renovations. These bonds are being retired through 2027 for annual payments of approximately $800,000.
- In 2000, the University issued system-wide bonds through the University System of West Virginia for purchase of facilities located at Cabell Huntington Hospital and associated with the University's School of Medicine. Payment on these bonds is approximately $700,000 per year through 2025 and payment on these bonds is made from rental income from University Physicians and Surgeons, Inc., the practice plan associated with the University's School of Medicine.
- Subsequent to June 30, 2004, the University participated in a system-wide bond issue of HEPC and the West Virginia Lottery Commission. Repayment of these bonds is through lottery sales of the State of West Virginia. Tuition and fees of all public colleges and universities in West Virginia have been pledged to the retirement of these bonds in the event lottery sales are insufficient to meet bond payments. No liability from this bond issue is expected to be assessed to the University by HEPC in FY 2005, but $30.5 million of these bond proceeds are dedicated to projects at the University.

Economic Outlook

Although the number of high school graduates in the State continues to decline, the University is well positioned in a major metropolitan region to attract and maintain non-traditional students to replace losses of traditional college-age students. Headcount enrollment was down by 1.2% in FY 2004 but increases in FTE enrollment of 1.6% continue to be a positive factor. Increases in non-resident student headcount and FTE enrollment are viewed as positive factors related to the image of the university. Improved facilities and favorable comparison of fee structures with peer institutions along with the enrollment numbers indicate that the University will be able to remain competitive for new and returning students.

With less than promising economic forecasts for the State and a significant percentage of operations funded by State appropriation, the University may be vulnerable to significant downturns in the State's economy. Following a trend that has impacted many other states, Marshall University's State support budget for

FY 2004 was 7.5% less than the original State support budget for FY 2003. In line with the anticipated reductions in support from State appropriations, the University increased general student fees by an average of 11% for FY 2005 and 9.25% for FY 2004. For FY 2005, the University implemented a $100 per semester equity fee to support Title IX athletic programs as well as program and laboratory fees to support specific academic programs and colleges.

A significant portion of University resources is expended on salaries and fringe benefits associated with a labor-intensive organization. The increased costs of health insurance and post employment benefits place economic pressure on the University to continue to keep up with these expenses. The ability to adequately compensate personnel to recruit and maintain quality faculty and staff is an ongoing challenge with tight budgets and uncertain future economic conditions. Medical malpractice insurance premiums are another area of concern.

The University has implemented a fund raising program, "The Campaign for National Prominence," to raise $100 million by December 2005. Management is optimistic that the University will succeed in this effort.

Management is unable to predict with certainty the full extent or effect of these economic events. However, we are confident the University has a sound financial base and will take the necessary action required should State economic conditions negatively impact the University's budget.

MARSHALL UNIVERSITY

COMBINED STATEMENTS OF NET ASSETS
JUNE 30, 2004 AND 2003

	2004	2003
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 62,831,938	$ 58,497,230
Accounts receivable—net	9,826,597	9,953,049
Loans receivable	1,016,857	991,732
Inventories	769,140	844,033
Other current assets	406,957	395,948
Total current assets	74,851,489	70,681,992
Noncurrent assets:		
Cash and cash equivalents	4,164,259	10,593,654
Accounts receivable	876,591	903,931
Loans receivable (net of allowance of $1,296,652 and $1,442,532)	6,565,166	6,302,914
Investments	3,763,465	308,478
Other assets	1,217,992	980,234
Capital assets—net	236,577,024	226,243,783
Total noncurrent assets	253,164,497	245,332,994
TOTAL ASSETS	$328,015,986	$316,014,986

(Continued)

MARSHALL UNIVERSITY

COMBINED STATEMENTS OF NET ASSETS
JUNE 30, 2004 AND 2003

	2004	2003
LIABILITIES:		
Current liabilities:		
Accounts payable	$ 7,178,484	$ 5,562,938
Accrued liabilities	4,101,380	3,664,526
Deferred revenue	6,928,023	5,807,428
Deposits	469,680	421,455
Compensated absences, current portion	4,568,348	4,359,073
Debt obligation to Commission, current portion	2,556,300	2,398,400
Capital lease obligations, current portion	802,085	587,351
Bonds payable, current portion	1,070,000	165,000
Total current liabilities	27,674,300	22,966,171
Noncurrent liabilities:		
Notes payable	51,358	40,433
Advances from federal sponsors	6,948,568	6,614,452
Compensated absences	10,307,553	10,372,828
Debt obligation to Commission	40,968,275	43,966,800
Capital lease obligations	9,256,887	10,247,659
Bonds payable	46,515,000	47,585,000
Total noncurrent liabilities	114,047,641	118,827,172
TOTAL LIABILITIES	141,721,941	141,793,343
NET ASSETS:		
Invested in capital assets-net of related debt	141,112,864	133,614,487
Restricted for:		
Nonexpendable	176,000	176,000
Expendable:		
Specific purposes by State Code		18,661,090
Scholarships	57,378	49,292
Sponsored projects	6,206,488	5,215,086
Loans	1,935,533	1,729,336
Capital projects	416,082	877,181
Debt service	152,810	85,559
Total restricted expendable	8,768,291	26,617,544
Unrestricted	36,236,890	13,813,612
TOTAL NET ASSETS	186,294,045	174,221,643
TOTAL LIABILITIES AND NET ASSETS	$ 328,015,986	$ 316,014,986

See notes to combined financial statements.

(Concluded)

MARSHALL UNIVERSITY (AS RESTATED)

THE MARSHALL UNIVERSITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2004 AND 2003

ASSETS	2004	2003
Cash and cash equivalents	$ 4,572,337	$ 9,488,553
Interest receivable	3,583	124,510
Notes receivable	1,404,567	1,077,456
Unconditional promises to give, less allowance for uncollectible promises of $257,847 and $189,978 in 2004 and 2003, respectively	6,581,493	6,128,126
Contributions receivable from Remainder Trusts	954,307	884,676
Assets held in Charitable Remainder Trust		355,579
Investments	65,046,693	52,245,970
Net investment in direct financing leases	455,890	726,936
Property and equipment—net	1,356,104	1,396,405
Property on operating lease	545,350	648,550
Cash surrender value—life insurance, net of policy loans	146,867	146,867
TOTAL ASSETS	$81,067,191	$73,223,628
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 308,150	$ 253,150
Notes payable	850,083	979,565
Annuity payment liability	381,477	527,558
Total liabilities	1,539,710	1,760,273
NET ASSETS:		
Unrestricted:		
Operating	14,598,048	12,392,973
Interest receivable—unallocated	3,583	124,510
Unrealized (loss) on investments—net	(214,937)	(126,608)
Fixed assets	1,052,571	1,065,390
Total unrestricted	15,439,265	13,456,265
Temporarily restricted:		
Current, loan and quasi-endowment funds	19,089,221	17,482,713
Unrealized gain on investments—net	2,453,490	155,986
Total temporarily restricted	21,542,711	17,638,699
Permanently restricted:		
Endowment funds	42,104,877	40,295,726
Unrealized gain on investments—net	440,628	72,665
Total permanently restricted	42,545,505	40,368,391
Total net assets	79,527,481	71,463,355
TOTAL LIABILITIES AND NET ASSETS	$81,067,191	$73,223,628

The accompanying notes are an integral part of the financial statements.

MARSHALL UNIVERSITY

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
OPERATING REVENUES:		
Student tuition and fees (net of scholarship allowance of $15,751,669 and $12,232,333)	$ 43,423,513	$ 41,408,452
Contracts and grants:		
Federal	36,762,535	31,605,141
State	11,617,023	7,064,215
Local	809,973	656,008
Private	6,321,177	6,000,941
Interest on student loans receivable	140,269	137,728
Sales and services of educational activities	264,917	272,505
Auxiliary enterprise revenue (net of scholarship allowance of $2,247,827 and $1,221,446)	20,285,096	19,035,787
Other operating revenues	8,425,310	6,836,150
Total operating revenues	128,049,813	113,016,927
OPERATING EXPENSES:		
Salaries and wages	89,631,914	88,380,091
Benefits	25,449,632	24,843,690
Supplies and other services	34,437,032	32,509,756
Utilities	5,358,256	4,802,927
Student financial aid—scholarships and fellowships	13,157,602	11,607,133
Depreciation	11,587,535	10,481,983
Other operating expenses	45,614	434,540
Fees assessed by the Commission for operations	660,600	660,600
Total operating expenses	180,328,185	173,720,720
OPERATING LOSS	(52,278,372)	(60,703,793)

(Continued)

MARSHALL UNIVERSITY

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
NONOPERATING REVENUES (EXPENSES):		
State appropriations	$ 62,427,203	$ 67,453,819
Gifts	1,483,503	329,396
Investment income	677,637	2,453,661
Interest on indebtedness	(2,836,042)	(3,039,795)
Fees assessed by the Commission for debt service	(2,286,434)	(2,892,051)
Other nonoperating revenues—net	178,494	120,252
Net nonoperating revenues	59,644,361	64,425,282
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	7,365,989	3,721,489
CAPITAL GRANTS AND GIFTS	4,564,313	2,646,756
CAPITAL PROJECTS PROCEEDS FROM THE COMMISSION		1,024,830
INCREASE IN NET ASSETS BEFORE TRANSFERS	11,930,302	7,393,075
TRANSFERS OF ASSETS FROM THE COMMISSION	142,100	176,000
INCREASE IN NET ASSETS	12,072,402	7,569,075
NET ASSETS—Beginning of year	174,221,643	166,652,568
NET ASSETS—End of year	$186,294,045	$174,221,643

See notes to combined financial statements. (Concluded)

MARSHALL UNIVERSITY (AS RESTATED)

THE MARSHALL UNIVERSITY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS:				
Gifts, contributions and other	$ 738,553	$ 5,954,188	$ 1,457,464	$ 8,150,205
Investment income	4,540,514	1,847,578	310,717	6,698,809
Net assets released from restrictions				
Satisfaction of program restrictions	5,047,485	(5,047,485)		
Total public support, revenues and reclassifications	10,326,552	2,754,281	1,768,181	14,849,014
EXPENSES:				
Program services:				
Academic assistance	4,199,291			4,199,291
Student assistance	1,094,794			1,094,794
Total program services	5,294,085	-	-	5,294,085
Supporting services:				
Management and general	819,262			819,262
Fundraising	671,541			671,541
Total supporting services	1,490,803	-	-	1,490,803
Total expenses	6,784,888	-	-	6,784,888
CHANGE IN NET ASSETS	3,541,664	2,754,281	1,768,181	8,064,126
NET ASSETS—Beginning of year	13,456,265	17,638,699	40,368,391	71,463,355
TRANSFERS	(1,558,664)	1,149,731	408,933	
NET ASSETS—End of year	$15,439,265	$21,542,711	$42,545,505	$79,527,481

The accompanying notes are an integral part of the financial statements.

MARSHALL UNIVERSITY (AS RESTATED)

THE MARSHALL UNIVERSITY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2003

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS:				
Gifts, contributions and other	$ 1,495,148	$ 5,046,261	$ 3,458,181	$ 9,999,590
Investment income	(1,190,780)	1,132,556	560,399	502,175
Net assets released from restrictions				
Satisfaction of program restrictions	4,375,212	(4,375,212)		
Total public support, revenues and reclassifications	4,679,580	1,803,605	4,018,580	10,501,765
EXPENSES:				
Program services:				
Academic assistance	3,620,239			3,620,239
Student assistance	1,300,504			1,300,504
Total program services	4,920,743	-	-	4,920,743
Supporting services:				
Management and general	1,016,923			1,016,923
Fundraising	941,881			941,881
Total supporting services	1,958,804	-	-	1,958,804
Total expenses	6,879,547	-	-	6,879,547
CHANGE IN NET ASSETS	(2,199,967)	1,803,605	4,018,580	3,622,218
NET ASSETS—Beginning of year	12,585,095	16,374,936	38,881,106	67,841,137
TRANSFERS	3,071,137	(539,842)	(2,531,295)	
NET ASSETS—End of year	$13,456,265	$17,638,699	$40,368,391	$71,463,355

The accompanying notes are an integral part of the financial statements.

MARSHALL UNIVERSITY

COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 43,926,103	$ 41,231,522
Contracts and grants	60,612,949	50,777,603
Payments to and on behalf of employees	(114,834,722)	(111,762,106)
Payments to suppliers	(38,092,216)	(36,543,683)
Payments to utilities	(5,358,256)	(4,872,927)
Payments for scholarships and fellowships	(13,157,602)	(11,733,023)
Loans issued to students	(1,727,238)	(1,478,734)
Collection of loans to students	1,386,610	1,102,402
Sales and service of educational activities	264,917	330,213
Auxiliary enterprise charges	21,106,981	19,017,840
Fees assessed by Commission	(660,600)	(660,600)
Other receipts—net	8,765,580	7,373,655
Net cash used in operating activities	(37,767,494)	(47,217,838)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	62,315,854	67,284,792
New loans	1,751	1,650
Gift receipts	793,503	449,648
Advance from federal sponsor (nonoperating)	272,568	
William D. Ford direct lending receipts	41,802,108	36,800,802
William D. Ford direct lending payments	(41,801,948)	(36,800,926)
Net cash provided by noncapital financing activities	63,383,836	67,735,966
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Capital grants and gifts received	4,783,686	2,369,683
Capital projects proceeds from Commission		1,207,478
Purchases of capital assets	(21,030,296)	(33,616,764)
Principal paid on bonds and leases	(1,155,547)	(828,593)
Interest paid on bonds and leases	(2,878,227)	(2,979,669)
Proceeds from sale of capital assets	125,915	107,517
Principal payment on debt obligation due Commission	(2,698,525)	(2,277,350)
Fees assessed by Commission	(2,286,434)	(2,892,051)
Decrease in noncurrent cash and cash equivalents	6,429,395	24,021,885
Net cash used in capital financing activities	(18,710,033)	(14,887,864)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(3,893,575)	(308,478)
Sale/maturity of investments	400,000	
Interest on investments	792,008	2,896,885
Lease receipts	129,966	74,266
Net cash (used in) provided by investing activities	(2,571,601)	2,662,673
INCREASE IN CURRENT CASH AND CASH EQUIVALENTS	4,334,708	8,292,937
CURRENT CASH AND CASH EQUIVALENTS—Beginning of year	58,497,230	50,204,293
CURRENT CASH AND CASH EQUIVALENTS—End of year	$ 62,831,938	$ 58,497,230

(Continued)

MARSHALL UNIVERSITY

COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$(52,278,372)	$(60,703,793)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	11,587,535	10,481,983
Changes in assets and liabilities:		
Accounts receivables—net	109,709	2,027,023
Loans to students—net	(305,614)	66,400
Prepaid expenses	(301,250)	114,553
Inventories	74,893	(104,656)
Accounts payable	1,466,049	(406,283)
Accrued liabilities	436,695	227,867
Compensated absences	143,999	855,684
Deferred revenue	1,120,595	161,700
Deposits held in custody for others	48,225	49,675
Advances from federal sponsors	130,042	12,009
NET CASH USED IN OPERATING ACTIVITIES	$(37,767,494)	$(47,217,838)
NONCASH TRANSACTIONS:		
Capital lease obligation incurred for equipment	$ 1,074,633	$ 117,009
Capital gifts of equipment	$ 513,105	$ 199,128
Loss on disposal of assets	$ 60,790	$ 74,661

See notes to combined financial statements. (Concluded)

1. ORGANIZATION

Marshall University (the "University") is governed by the Marshall University Board of Governors (the "Board"). The Board was established by Senate Bill 653 ("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 request, the duty to review at least every five years all academic programs offered at the institution, and the power to fix tuition and other fees for the different classes or categories of students enrolled at its institution.

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

During fiscal year 2004, Senate Bill 448 ("S.B. 448") was passed. Beginning for fiscal years ending June 30, 2005, S.B. 448 requires the transfer of certain net assets from the University to its related community and technical college. The exact amounts to be transferred have not yet been determined.

As a requirement of GASB 39, the University has included information from the Marshall University Foundation, Inc. Although the University benefits from the activities of the Foundation, the Foundation is independent of the University in all respects. The Foundation is not a subsidiary of the University and is not directly or indirectly controlled by the University. The Foundation has its own separate, independent board of directors. Moreover, the assets of the Foundation are the exclusive property of the foundation 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. The University does not have the power or authority to mortgage, pledge or encumber the assets of the Foundation. The board of directors of the Foundation are entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the University. Under state law, neither the principal nor income generated by the assets of the Foundation can be taken into consideration in determining the amount of state-appropriated funds allocated to the University. Third partied dealing with the University, The Marshall University Board of Governors and the State of West Virginia (or any agency thereof) should not rely upon the financial statements of the Foundation for any purpose without consideration of all the foregoing conditions and limitations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements of the University have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB"), including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, an Amendment of GASB Statement No. 34. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

The University follows all GASB pronouncements, as well as Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, and has elected not to apply the FASB Statements and Interpretations issued after November 30, 1989, to its combined financial statements.

Reporting Entity—The University is an operating unit of the West Virginia Higher Education Fund and represents separate funds of the State of West Virginia (the "State") that are not included in the State's general fund. The University is a separate entity which, along with all State institutions of higher education and the Commission (which includes West Virginia Network for Educational Telecomputing), 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 combined financial statements present all funds under the authority of Marshall University, including Marshall University Research Corporation ("MURC"). The basic criteria for inclusion in the accompanying combined 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. Related foundations and other affiliates of the University (see Notes 13 and 14) are not part of the University reporting entity and are not included in the accompanying combined financial statements as 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 Statement No. 14, *The Financial Reporting Entity*.

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units,* as an amendment to GASB Statement No. 14, was adopted by the University as of July 1, 2003. As a result, the audited financial statements of the Marshall University Foundation, Incorporated (the "Foundation") are presented here as a discrete component unit with the University financial statements for the fiscal years ended June 30, 2004 and 2003. The Foundation is a separate private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. 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 Foundations audited financial information as it is presented herein. (See also footnote 13)

Financial Statement Presentation—During fiscal 2002, the University adopted GASB Statement No. 35, as amended by GASB Statements No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a basis to focus on the University as a whole. Net assets are classified into four categories according to external donor restrictions or availability of assets for satisfaction of University obligations. The University's net assets are classified as follows:

- *Invested in capital assets, net of related debt*—This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

- *Restricted net assets, 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 State Legislature (“State Legislature”), as a regulatory body outside the reporting entity, had 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 101 passed in March 2004, simplified the tuition and fee structure and removed the restrictions but included designations associated with auxiliary and capital items. For 2004, these restrictions are for auxiliaries and capital items. For 2003, these restrictions were primarily for the following: debt service; off campus instruction; student unions; libraries, library supplies, and improvement in student services; faculty improvement; health education student loan fund; health sciences education; athletic programs; student activities; auxiliary operations; and special programs. These activities are fundamental to the normal ongoing operations of the institution. These restrictions are subject to change by future actions of the State Legislature.

- *Restricted net assets, 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.

- *Unrestricted net assets*—Unrestricted net assets represent 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 of Governors to meet current expenses for any purpose.

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

Cash and Cash Equivalents—For purposes of the statement of net assets, 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 Investment Management Board (the “IMB”). These funds are transferred to the IMB and the IMB is directed by the State Treasurer to invest the funds in specific external investment pools. Balances in the investment pools are recorded at fair value, which is determined by a third-party pricing service based on asset portfolio pricing models and other sources, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments for External Investment Pools.* The IMB 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 with the State Treasurer are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying combined financial statements.

Investments—MURC held US Government Securities at June 30, 2004. Additionally, MURC invested in an intermediate term fund comprised of high-quality fixed income securities at June 30 2004 and 2003. The estimated fair value of all financial instruments has been determined using available market information. The MURC investments are categorized as to credit risk as insured and registered.

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 collectibility experienced by the University on such balances and such other factors which, 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 and Cash Equivalents—Cash, that is (1) externally restricted to make debt service payments, long-term loans to students or to maintain sinking or reserve funds, (2) to purchase capital or other noncurrent assets and (3) permanently restricted net assets, is classified as a noncurrent asset in the statement of net assets.

Other Assets—Other assets consist primarily of debt issuance costs that have been incurred in connection with the issuance of the 2001 Housing and Parking Facilities Series A Bonds. These costs, consisting primarily of the underwriter's discount and legal and consulting fees, are amortized over the term of the bonds.

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 fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and infrastructure, 15 years for land improvements, 7 years for library books, and 3 to 10 years for furniture and equipment. The University's capitalization threshold is $100,000 for buildings and $1,000 for most other capital assets.

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

Compensated Absences—The University accounts for compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences.* This statement 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, 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.

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.

The estimate of the liability for the extended health or life insurance benefit has been calculated using the vesting method in accordance with the provisions of GASB Statement No. 16. Under that method, the University has identified the accrued sick leave benefit earned to date by each employee, determined the cost of that benefit by reference to the benefit provisions and the current cost experienced by the University for such coverage, and estimated the probability of the payment of that benefit to employees upon retirement.

The estimated expense and expense incurred for vacation leave, sick leave or extended health or life insurance benefits are recorded as a component of benefits expense on the statement of revenues, expenses and changes in net assets.

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. 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 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.

Classification of Revenues—The University has classified its revenues as either operating or non-operating 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 non-exchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34, such as state appropriations and investment income.

Use of Restricted Net Assets—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 assets 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 like the University. Direct student loan receivables are not included in the University's statement of net assets as the loans are repayable directly to the U.S. Department of Education. In 2004 and 2003, the University received and disbursed approximately $41,802,000 and $36,800,000, 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 statements of revenues, expenses and changes in net assets.

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 combined financial statements. In 2004 and 2003, the University received and disbursed approximately $11,900,000 and $11,000,000, 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 statement of revenues, expenses and changes in net assets. 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 student's behalf.

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

Interest Expense—The University accounts for interest on debt as an expense of the period in which it is incurred. The University does not capitalize interest on debt as part of the cost of the asset.

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, restricted for noncurrent assets or in funded reserves have not been included as cash and cash equivalents for the purpose of the statement of cash flows.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Recent Statements Issued by the GASB—The GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures*. This statement is effective for periods beginning after June 15, 2004. The University has not completed the process of evaluating the impact, if any, that will result from adopting GASB Statement No. 40. The statement, when adopted, could result in additional disclosure in the University's financial statements regarding custodial credit risk, concentration of credit risk and interest rate risk related to deposits and investments.

The GASB has also issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, effective for fiscal years beginning after December 15, 2004. This statement requires the University to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred and record impaired assets and impairment losses accordingly. This statement also addresses the appropriate recording of an insurance recovery associated with events or changes in circumstances resulting in impairment of a capital asset. The University has not yet determined the effect that the adoption of GASB Statement No. 42 may have on the financial statements.

The GASB has also issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after December 15, 2006. This statement provides standards for the measurement, recognition and display of other postemployment benefit expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. The University has not yet determined the effect that the adoption of GASB Statement No. 45 may have on the financial statements.

Reclassifications—Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

3. REISSUED FINANCIAL STATEMENTS

Subsequent to the issuance of the University's 2004 and 2003 financial statements, the University entered into a Memorandum of Understanding with the Foundation, which granted the University permission to include the Foundation's financial statements. The University did not include information from The Marshall University Foundation, Incorporated in the initially released financial statements from FY 2004 and 2003 as required by GASB Statement No. 39. The required financial information has now been received and is discretely presented.

4. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents was as follows at June 30, 2004 and 2003:

	2004		
	Current	**Noncurrent**	**Total**
Cash on deposit with the State Treasurer:			
University	$ 52,659,564	$ 176,000	$ 52,835,564
Municipal Bond Commission	275,767	382,534	658,301
Cash on deposit with Trustee	915,642	3,605,725	4,521,367
Cash equivalents	512,013		512,013
Cash in bank	8,406,430		8,406,430
Cash on hand	62,522		62,522
	$ 62,831,938	$ 4,164,259	$ 66,996,197

	2003		
	Current	Noncurrent	Total
Cash on deposit with the State Treasurer:			
University	$ 49,824,739	$ 176,000	$ 50,000,739
Municipal Bond Commission	373,905	378,827	752,732
Cash on deposit with Trustee	2,086	10,038,827	10,040,913
Cash equivalents	506,398		506,398
Cash in bank	7,753,138		7,753,138
Cash on hand	36,964		36,964
	$ 58,497,230	$ 10,593,654	$ 69,090,884

Cash designated as held by the Municipal Bond Commission for the University represents various repair and replacement and debt service accounts trusteed with the State's Municipal Bond Commission related to various University specific bond issues (see Note 8). Other cash held by the State Treasurer includes $20,493,457 at June 30, 2004 and $23,926,630 at June 30, 2003 of restricted cash for specific purposes by State Code, sponsored projects and loans. Cash on deposit with Trustee represents funds reserved for acquisition and construction of housing and parking facilities as well as various repair and replacement and debt service accounts and relates to the 2001 Housing and Parking Series A Bonds (see Note 8).

MURC has $512,013 and $506,398 of cash and cash equivalents held in highly liquid money market funds comprised of high grade fixed income securities at June 30, 2004 and 2003, respectively.

The combined carrying amount of cash in bank at June 30, 2004 and 2003 was $8,406,430 and $7,753,138, respectively, as compared with the combined bank balance of $10,858,147 and $9,430,072, respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances are covered by federal depository insurance or are collateralized by securities held by the State's agent.

Cash on deposit with the State Treasurer and with Trustee is a noncategorized deposit (with respect to risk and collateral disclosure) in accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*.

5. ACCOUNTS RECEIVABLE

Accounts receivable were as follows at June 30, 2004 and 2003:

	2004		
	Current	Noncurrent	Total
Student tuition and fees, net of allowance for doubtful accounts of $136,607	$ 674,521	$ -	$ 674,521
Grants and contracts receivable, net of allowance for doubtful accounts of $304,132	7,148,621		7,148,621
Due from the Commission	121,425		121,425
Due from other State agencies	818,253		818,253
Other accounts receivable	1,063,777	876,591	1,940,368
	$ 9,826,597	$ 876,591	$ 10,703,188

	2003		
	Current	Noncurrent	Total
Student tuition and fees, net of allowance for doubtful accounts of $117,759	$ 788,395	$ -	$ 788,395
Grants and contracts receivable, net of allowance for doubtful accounts of $428,489	6,973,131		6,973,131
Due from the Commission	148,578		148,578
Due from other State agencies	1,232,238		1,232,238
Other accounts receivable	810,707	903,931	1,714,638
	$ 9,953,049	$ 903,931	$ 10,856,980

6. CAPITAL ASSETS

The following is a summary of capital asset transactions for the University for the years ended June 30, 2004 and 2003:

	2004				
	Beginning Balance	Additions	Reductions	Other	Ending Balance
Capital assets not being depreciated:					
Land	$ 18,934,550	$ 608,910	$ -	$ -	$ 19,543,460
Antiques and artwork (inexhaustible)	132,107				132,107
Construction in progress	34,549,413	12,542,734	(18,750)	(35,298,101)	11,775,296
Total capital assets not being depreciated	53,616,070	13,151,644	(18,750)	(35,298,101)	31,450,863
Other capital assets:					
Land improvements	1,522,704				1,522,704
Infrastructure	11,402,566	707,356	(41,159)	7,168,777	19,237,540
Buildings	210,770,112			28,129,324	238,899,436
Equipment	52,072,876	8,017,099	(1,584,346)		58,505,629
Library books	7,572,555	228,302	(10,590)		7,790,267
Total other capital assets	283,340,813	8,952,757	(1,636,095)	35,298,101	325,955,576
Less accumulated depreciation for:					
Land improvements	613,387	101,514			714,901
Infrastructure	8,148,819	1,203,735	(41,159)		9,311,395
Buildings	64,795,700	4,454,920			69,250,620
Equipment	30,753,448	5,471,830	(1,419,471)		34,805,807
Library books	6,401,746	355,536	(10,590)		6,746,692
Total accumulated depreciation	110,713,100	11,587,535	(1,471,220)	-	120,829,415
Other capital assets—net	$ 226,243,783	$ 10,516,866	$ (183,625)	$ -	$ 236,577,024
Capital asset summary:					
Capital assets not being depreciated	$ 53,616,070	$ 13,151,644	$ (18,750)	$ (35,298,101)	$ 31,450,863
Other capital assets	283,340,813	8,952,757	(1,636,095)	35,298,101	325,955,576
Total cost of capital assets	336,956,883	22,104,401	(1,654,845)		357,406,439
Less accumulated depreciation	(110,713,100)	(11,587,535)	1,471,220		(120,829,415)
Capital assets—net	$ 226,243,783	$ 10,516,866	$ (183,625)	$ -	$ 236,577,024

	2003				
	Beginning Balance	Additions	Reductions	Other	Ending Balance
Capital assets not being depreciated:					
Land	$ 18,661,489	$ 273,061	$ -	$ -	$ 18,934,550
Antiques and artwork (inexhaustible)	132,107				132,107
Construction in progress	16,740,286	27,000,505		(9,191,378)	34,549,413
Total capital assets not being depreciated	35,533,882	27,273,566		(9,191,378)	53,616,070
Other capital assets:					
Land improvements	1,522,704				1,522,704
Infrastructure	11,426,479	41,803	(65,716)		11,402,566
Buildings	201,578,734			9,191,378	210,770,112
Equipment	48,881,695	5,997,293	(2,806,112)		52,072,876
Library books	7,149,257	433,153	(9,855)		7,572,555
Total other capital assets	270,558,869	6,472,249	(2,881,683)	9,191,378	283,340,813
Less accumulated depreciation for:					
Land improvements	511,873	101,514			613,387
Infrastructure	7,705,453	509,082	(65,716)		8,148,819
Buildings	60,855,674	3,940,026			64,795,700
Equipment	27,670,940	5,560,155	(2,477,647)		30,753,448
Library books	6,040,395	371,206	(9,855)		6,401,746
Total accumulated depreciation	102,784,335	10,481,983	(2,553,218)		110,713,100
Other capital assets—net	$ 203,308,416	$ 23,263,832	$ (328,465)	$ -	$ 226,243,783
Capital asset summary:					
Capital assets not being depreciated	$ 35,533,882	$ 27,273,566	$ -	$ (9,191,378)	$ 53,616,070
Other capital assets	270,558,869	6,472,249	(2,881,683)	9,191,378	283,340,813
Total cost of capital assets	306,092,751	33,745,815	(2,881,683)		336,956,883
Less accumulated depreciation	(102,784,335)	(10,481,983)	2,553,218		(110,713,100)
Capital assets—net	$ 203,308,416	$ 23,263,832	$ (328,465)	$ -	$ 226,243,783

The University maintains certain collections of inexhaustible assets to 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.

Title for certain real property is with the Commission.

At June 30, 2004, the University had outstanding contractual commitments of approximately $1,100,000 for property, plant and equipment expenditures.

7. LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for the University for the years ended June 30, 2004 and 2003:

	2004				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and capital leases:					
Revenue bonds payable, including unexpended funds of $3,605,725 at June 30, 2004	$ 47,750,000	$ -	$ (165,000)	$ 47,585,000	$1,070,000
Capital leases payable	10,835,010	1,074,633	(1,850,671)	10,058,972	802,085
Total bonds and capital leases	58,585,010	1,074,633	(2,015,671)	57,643,972	1,872,085
Other long-term liabilities:					
Notes payable	40,433	10,925		51,358	
Accrued compensated absences	14,731,901	5,135,687	(4,991,687)	14,875,901	4,568,348
Advances from Federal sponsors	6,614,452	352,616	(18,500)	6,948,568	
Debt obligation to Commission	46,365,200		(2,840,625)	43,524,575	2,556,300
Total long-term liabilities	$126,336,996	$6,573,861	$(9,866,483)	$123,044,374	$8,996,733

	2003				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and capital leases:					
Revenue bonds payable, including unexpended funds of $10,038,827 at June 30, 2003	$ 47,905,000	$ -	$ (155,000)	$ 47,750,000	$ 165,000
Capital leases payable	11,537,879	117,009	(819,878)	10,835,010	587,351
Total bonds and capital leases	59,442,879	117,009	(974,878)	58,585,010	752,351
Other long-term liabilities:					
Notes payable	26,742	13,691		40,433	
Accrued compensated absences	13,876,218	4,978,511	(4,122,828)	14,731,901	4,359,073
Advances from Federal sponsors	6,602,443	91,375	(79,366)	6,614,452	
Debt obligation to Commission	48,642,550		(2,277,350)	46,365,200	2,398,400
Total long-term liabilities	$128,590,832	$5,200,586	$(7,454,422)	$126,336,996	$7,509,824

Additional information regarding bonds payable is included in Note 8. Additional information regarding leases payable is included in Note 9. Additional information regarding the debt obligation to Commission is included in Note 11.

8. BONDS

Bonds payable consisted of the following at June 30, 2004 and 2003:

		2004		2003	
	Original Interest Rate	Annual Principal Installment Due	Principal Amount Outstanding	Annual Principal Installment Due	Principal Amount Outstanding
University Center Revenue Bonds due through 2009	4%- 6%	$ 175,000 to $ 215,000	$ 975,000	$ 165,000 to $ 215,000	$ 1,140,000
University Facilities Revenue Bonds due through 2031	3.6%-5.3%	$ 895,000 to $3,035,000	46,610,000	$ 895,000 to $3,035,000	46,610,000
			$47,585,000		$47,750,000

The University Center Revenue Bonds were issued in 1969 to finance the construction of the University Student Center. Interest is payable semiannually on January 1 and July 1 of each year, at varying rates up to 6% per annum. These bonds are secured by a first lien on and pledge of the entire University Center fees charged to students at the University and the net revenues, excluding bookstore revenues, derived from the operation of the University Center.

In June 2001, the Board sold $46,610,000 of Revenue Bonds, 2001 Housing and Parking Facilities Series A (the “Bonds”). The Bonds were issued under the authority contained in Chapter 18, Article 23 of the Code of West Virginia, 1931, as amended, and the Bonds are secured pursuant to a Trust Indenture (the “Indenture”) dated as of June 1, 2001, by and between the Interim Governing Board and Bank One, West Virginia, National Association, Charleston, West Virginia (the “Trustee”). The Bonds are secured by and payable from the revenues of the dormitories and parking facilities and certain funds held under the Indenture. The proceeds of the Bonds are being used (1) to finance a portion of the costs of acquisition, construction and equipping of a new student housing complex and parking facilities at the University and renovations and improvements to existing dormitories at the University, (2) to fund capitalized interest on the Bonds, (3) to fund debt service reserves for the Bonds, and (4) to pay a portion of the costs of issuance of the Bonds.

The above bond issues are specific to the University, although the bonds were also issued in the name of the Board or the State itself. As debt service is required on these bond issues, the University remits the funds to either the State’s Municipal Bond Commission or a commercial bank for payment to the trustee of the bond issue and the bondholders. Mandatory debt service transfers are recorded as the funds are so remitted. The Municipal Bond Commission or a commercial bank may hold certain cash and cash equivalents (see Note 4) for debt service or other bond issue purposes on behalf of the University.

A summary of the annual aggregate principal payments for years subsequent to June 30, 2004 is as follows:

Year Ending	University Center		University Facilities		Total	Total
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2005	$ 175,000	$ 54,200	$ 895,000	$ 2,293,845	$ 1,070,000	$ 2,348,045
2006	185,000	43,700	930,000	2,261,401	1,115,000	2,305,101
2007	195,000	32,600	965,000	2,226,526	1,160,000	2,259,126
2008	205,000	20,900	1,000,000	2,187,926	1,205,000	2,208,826
2009	215,000	8,600	1,045,000	2,146,677	1,260,000	2,155,277
2010-2014			5,940,000	10,003,391	5,940,000	10,003,391
2015-2019			7,610,000	8,338,181	7,610,000	8,338,181
2020-2024			9,780,000	6,168,156	9,780,000	6,168,156
2025-2029			12,515,000	3,430,513	12,515,000	3,430,513
2030-2031			5,930,000	448,250	5,930,000	448,250
Total	$ 975,000	$ 160,000	$ 46,610,000	$ 39,504,866	$ 47,585,000	$ 39,664,866

9. LEASES

Operating—Future annual minimum lease payments on operating leases for years subsequent to June 30, 2004 are as follows:

Year Ending June 30	
2005	$ 362,928
2006	243,984
2007	228,796
2008	189,075
2009	94,955
	$ 1,119,738

Total rent expense for the years ended June 30, 2004 and 2003 was $575,114 and $603,420, respectively.

Capital—The University leases various equipment and buildings through capital leases. At June 30, 2004 and 2003, leased equipment with a net book value of $562,302 and $139,882, respectively, and leased buildings with a net book value of $12,466,647 and $13,347,132, respectively, are included in equipment and buildings.

The University has a capital lease agreement with the Marshall University Graduate College Foundation, Inc. (the "MUGC Foundation") for the Marshall University Graduate College's administration facility (the "Facility"). The fair value of the Facility was estimated by independent appraisal during the year ended June 30, 1995 at $5 million (building $4,300,000, land $700,000), and the 21-year lease term commenced with the Marshall University Graduate College'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 1996, the University entered into a lease agreement with the MUGC Foundation for an academic center to be used by the Marshall University Graduate College. 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.

Future annual minimum lease payments for years subsequent to June 30, 2004 are as follows:

Year Ending June 30	Principal	Interest	Total
2005	$ 802,085	$ 481,782	$ 1,283,867
2006	788,460	447,488	1,235,948
2007	649,870	415,516	1,065,386
2008	672,189	384,265	1,056,454
2009	608,214	352,461	960,675
2010-2014	3,284,447	1,286,760	4,571,207
2015-2019	2,266,688	505,912	2,772,600
2020-2024	967,271	146,720	1,113,991
2025	19,748	96	19,844
			14,079,972
Less interest			4,021,000
			$ 10,058,972

Direct Financing—The University has a direct financing lease arrangement for a portion of an educational facility being leased under a capital lease, with title delivered to the University at completion of lease. The facility sub-lease expires in 25 years. At the end of the sub-lease the sub-lessee shall have the option to purchase its leased premises for the sum of one dollar. The following lists the components of the net investment in direct financing lease as of June 30, 2004 and 2003.

	2004	2003
Total minimum lease payments to be received	$1,516,692	$1,646,657
Less: unearned income	590,052	640,374
Net investment in direct financing and sales-type leases	$ 926,640	$1,006,283

10. COMPENSATED ABSENCES

The composition of the compensated absence liability was as follows at June 30, 2004 and 2003:

	2004	2003
Health or life insurance benefits	$ 9,280,737	$ 9,309,652
Accrued vacation leave	5,595,164	5,422,249
	$ 14,875,901	$ 14,731,901

The cost of health and life insurance benefits paid by the University is based on a combination of years of service and age. For the years ended June 30, 2004 and 2003, the amount paid by the University for extended health or life insurance coverage retirement benefits totaled approximately $332,114 and $298,360, respectively. As of June 30, 2004 and 2003, there were 173 and 147 retirees, respectively, receiving these benefits.

11. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

The University is a State institution of higher education. It receives a State appropriation to finance 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 tuition and registration fees of the members of the former State University System 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 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.

Payments to the Commission for the 2004 and 2003 years were $4,984,958 and $5,169,401, respectively, which consisted of $2,698,525 and $2,277,350 in principal, and $2,286,433 and $2,892,051 in interest and other related charges, respectively. Certain bonds issued by the Commission were refinanced in August 2003 at a lower interest rate.

12. RETIREMENT PLANS

Substantially all eligible employees of the University participate in either the West Virginia State Teachers Retirement System (the "STRS") or the Teachers Insurance and Annuities Association—College Retirement Equities Fund (the "TIAA-CREF"). Previously, upon full-time employment, all employees were required to make an irrevocable election between the STRS and TIAA-CREF. Effective July 1, 1991, the STRS was closed to new participants. Current participants in the STRS are permitted to make a one-time 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.

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. New hires have the choice of either plan. As of June 30, 2004, one employee was enrolled in the Educators Money 401(a) basic retirement plan.

The STRS is a cost-sharing, defined benefit public employee retirement system. Employer and employee contribution rates are established annually by the State Legislature. The University's contributions to the STRS were at the rate of 15% of each enrolled employee's total annual salaries for the years ended June 30, 2004 and 2003, respectively. Required employee contributions were at the rate of 6% of total annual salaries for the years ended June 30, 2004 and 2003, respectively. Participants in the STRS may retire with full benefits upon reaching age 60 with five years of service, age 55 with 30 years of service or any age with 35 years of service. Lump sum withdrawal of employee contributions is available upon termination of employment. Pension benefits are based upon 2% of final average salary (the highest 5 years of salary out of the last 15 years) multiplied by the number of years of service.

Total contributions to the STRS for the years ended June 30, 2004, 2003, and 2002 were approximately $1,322,000, $1,431,000 and $1,418,000, respectively, which consisted of approximately $944,000, $1,022,000 and $1,013,000 from the University and approximately $378,000, $409,000 and $405,000 from covered employees, respectively.

The contribution rate is set by the State Legislature on an overall basis and the STRS does not perform a calculation of the contribution requirement for individual employers, such as the University. Historical trend and net pension obligation information is available from the annual financial report of the Consolidated Public Retirement Board. A copy of this report may be obtained by writing to the Consolidated Public Retirement Board, Building 5, Room 1000, Charleston, WV 25305.

The TIAA-CREF 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. In addition, 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, 2004, 2003, and 2002 were approximately $9,095,000, $8,638,000 and $8,109,000, respectively, which consisted of approximately $4,473,000, $4,265,0000 and $4,014,000 from the University and approximately $4,622,000, $4,373,000 and $4,095,000 from covered employees, respectively.

The University's total payroll for the years ended June 30, 2004 and 2003 was approximately $89,632,000 and $88,380,000, respectively; total covered employees salaries in the STRS and TIAA-CREF were approximately $6,295,000 and $75,159,000, respectively, in 2004 and $6,815,000 and $72,464,000, respectively, in 2003.

13. MARSHALL UNIVERSITY FOUNDATION, INCORPORATED

The Marshall University Foundation, Incorporated (the “Foundation”) is a separate nonprofit organization incorporated in the State having as its purpose to benefit the work and services of the University and its affiliated nonprofit organizations. An independently elected Board of Directors, not otherwise affiliated with the University, is responsible for oversight of the Foundation. 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 Foundation’s financial statements are included in the University’s financial statements, in accordance with GASB 39. The Foundation has a Board of Directors consisting of 24 Members selected by its Board members. The President of the University with one vote is the only university administrator on the Foundation’s Board. The administration does not control the resources of the Foundation. Selected information from the Foundation’s financial statements are assets of $81,067,191 and $73,223,628; revenues of $14,849,014 and $10,501,765; an excess of revenues over expenditures of $8,064,126 and $3,622,218; and net assets of $79,527,481 and $71,463,355, for the years ended June 30, 2004 and 2003, respectively.

The restricted net asset balance includes amounts which are restricted by donors to use for specific projects or departments of the University and its affiliated organizations. During the years ended June 30, 2004 and 2003, the Foundation contributed approximately $6 million each year, respectively, to the University for scholarships, academic assistance and fundraising.

14. AFFILIATED ORGANIZATIONS

The University has separately incorporated affiliated organizations, including the MUGC Foundation, the University Physicians & Surgeons, Inc., the Big Green Scholarship Foundation, Inc. and others. Oversight responsibility for these entities rests with independent Boards and management not otherwise affiliated with the University. Accordingly, the financial statements of such organizations are not included in the accompanying combined financial statements under GASB Statement No. 14. They are not included in the University’s accompanying combined financial statements under GASB 39 as they are 1) not material or 2) have dual purpose (i.e. not entirely or almost entirely for the benefit of the University).

15. 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, breach 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 impact 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 University owns various buildings, which 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 condition. 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 condition becomes 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 condition.

16. 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.

State of West Virginia, West Virginia Board of Education, University Center Revenue Bonds of 1969

In January 1969, the Board of Education sold $3,600,000 of Revenue Bonds, University Center Revenue Bonds of 1969 (the “1969 Bonds”). The 1969 Bonds were issued under the authority contained in Chapters 18 and 25 of the West Virginia State Code, as amended. The proceeds of the 1969 Bonds were used for construction of a University Center (the “Center”) on the Huntington campus of the University. The 1969 Bonds are secured by and payable from the revenues of the Center.

State of West Virginia, Higher Education Interim Governing Board, University Facilities Revenue Bonds, 2001 Series A

In June 2001, the Board sold $46,610,000 of Revenue Bonds, University Facilities 2001 Series A (the “2001 Bonds”). The 2001 Bonds were issued under the authority contained in Chapter 18, Article 23 of the Code of West Virginia, 1931, as amended, and the 2001 Bonds will be secured pursuant to a Trust Indenture (the “Indenture”) dated as of June 1, 2001, by and between the Interim Governing Board and Bank One, West Virginia, National Association, Charleston, West Virginia (the “Trustee”). The 2001 Bonds are secured by and payable from the revenues of the dormitories and parking facilities and certain funds held under the Indenture. The proceeds of the 2001 Bonds are being used (1) to finance a portion of the costs of acquisition, construction and equipping of a new student housing complex and parking facilities at the University and renovations and improvements to existing dormitories at the University, (2) to fund capitalized interest on the 2001 Bonds, (3) to fund debt service reserves for the 2001 Bonds, and (4) to pay a portion of the costs of issuance of the 2001 Bonds. During the 2004 fiscal year Bank One became JP Morgan.

Condensed financial information for each of the University's segments is as follows:

	State of West Virginia, West Virginia Board of Education, University Center Revenue Bonds 1969		State of West Virginia, Higher Education Interim Governing Board, University Facilities Revenue Bonds, 2001 Series A	
Condensed Statement of Net Assets as of June 30,	**2004**	**2003**	**2004**	**2003**
ASSETS:				
Current assets	$ 2,128,718	$ 2,029,423	$ 12,197,818	$ 17,738,688
Noncurrent assets	3,864,440	3,792,343	45,938,714	47,728,884
Total assets	$5,993,158	$ 5,821,766	$58,136,532	$ 65,467,572
LIABILITIES:				
Current liabilities	$ 289,451	$ 263,420	$ 3,674,373	$ 2,574,727
Noncurrent liabilities	868,778	1,064,608	46,684,839	47,158,550
Total liabilities	1,158,229	1,328,028	50,359,212	49,733,277
NET ASSETS:				
Invested in capital assets—net of related debt	2,889,440	2,652,343	2,496,508	11,175,842
Restricted:				
Specific purposes by State Code		1,120,714		4,910,658
Debt service	423,934	415,812	(331,125)	(352,205)
Capital projects	207,267	304,869		
Unrestricted	1,314,288		5,611,937	
Total net assets and liabilities	$5,993,158	$ 5,821,766	$58,136,532	$ 65,467,572

Condensed Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended June 30,	Board of Education, University Center Revenue Bonds 1969		Interim Governing Board, University Facilities Revenue Bonds, 2001 Series A	
	2004	**2003**	**2004**	**2003**
OPERATING:				
Operating revenues	$ 1,422,135	$ 1,337,389	$ 12,707,726	$ 10,213,792
Operating expenses	(996,540)	(1,097,516)	(10,259,101)	(8,714,558)
Operating income	425,595	239,873	2,448,625	1,499,234
NONOPERATING:				
Nonoperating revenues	6,667	11,164	264,981	1,060,263
Nonoperating expenses	(59,150)	(68,750)	(2,431,712)	(2,368,270)
TRANSFERS (TO) FROM THE UNIVERSITY	(31,921)	(104,359)	(8,238,869)	831,182
CHANGES IN NET ASSETS	341,191	77,928	(7,956,975)	1,022,409
NET ASSETS—Beginning of year	4,493,738	4,415,810	15,734,295	14,711,886
NET ASSETS—End of year	$ 4,834,929	$ 4,493,738	$ 7,777,320	$ 15,734,295

Condensed Statement of Cash Flows

NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 537,345	$ 305,481	$ 3,258,823	$ 1,481,985
NET CASH USED IN CAPITAL AND RELATED FINANCING	(425,888)	(274,671)	(8,670,866)	(26,076,316)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	111,457	30,810	(5,412,043)	(24,594,331)
CASH AND CASH EQUIVLENTS—Beginning of year	1,996,881	1,966,071	17,473,724	42,068,055
CASH AND CASH EQUIVALENTS—End of year	$ 2,108,338	$ 1,996,881	$ 12,061,681	$ 17,473,724

NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the years ended June 30, 2004 and 2003, the following table represents operating expenses within both natural and functional classifications:

2004

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Other Operating Expense	Fees Assessed by Commission	Total
Instruction	$ 43,678,070	$ 11,968,224	$ 5,218,873	$ 647	$ 4,100	$ -	$ -	$ -	$ 60,869,914
Research	5,794,044	1,894,449	6,572,287	279,431	26,191		5,700		14,572,102
Public service	7,976,894	1,943,144	3,323,343	231,327	37,756		(17,294)		13,495,170
Academic support	8,490,993	2,357,325	3,697,796	5,899			(114,992)		14,437,021
Student services	5,398,227	1,704,829	2,808,986	139			10,528		9,922,709
General institutional support	8,485,070	2,352,750	2,752,953	3,247	2,710		(38,962)		13,557,768
Operations and maintenance of plant	3,422,596	1,278,440	1,483,553	3,284,732			28,725		9,498,046
Student financial aid	840	70	1,647		14,019,113		23,499		14,045,169
Auxiliary enterprises	6,385,180	1,950,401	8,577,594	1,552,834	(932,268)				17,533,741
Depreciation						11,587,535			11,587,535
Other							148,410	660,600	809,010
Total	$ 89,631,914	$ 25,449,632	$ 34,437,032	$ 5,358,256	$ 13,157,602	$ 11,587,535	$ 45,614	$ 660,600	$ 180,328,185

2003

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Other Operating Expense	Fees Assessed by Commission	Total
Instruction	$ 43,681,265	$ 11,590,761	$ 4,331,024	$ 495	$ 47,029	$ -	$ -	$ -	$ 59,650,574
Research	5,464,094	1,735,646	3,746,379	226,579	7,297		(25,564)		11,154,431
Public service	7,314,795	1,879,530	4,133,817	279,987	89,785		14,167		13,712,081
Academic support	8,585,134	2,380,486	3,307,758	5,858					14,279,236
Student services	5,594,254	1,679,185	2,959,054	125					10,232,618
General institutional support	8,221,795	2,375,883	2,971,100	1,833					13,570,611
Operations and maintenance of plant	3,534,179	1,295,495	2,333,853	3,031,575					10,195,102
Student financial aid	4,747	201	305		11,464,468				11,469,721
Auxiliary enterprises	5,979,828	1,906,503	8,726,466	1,256,475	(1,446)				17,867,826
Depreciation						10,481,983			10,481,983
Other							445,937	660,600	1,106,537
Total	$ 88,380,091	$ 24,843,690	$ 32,509,756	$ 4,802,927	$ 11,607,133	$ 10,481,983	$ 434,540	$ 660,600	$ 173,720,720

18. SUBSEQUENT EVENT

On August 18, 2004, the West Virginia Higher Education Policy Commission issued $167,260,000 of revenue bonds. The University will receive approximately $30,500,000 of the bond proceeds for biotechnology science and development center, student health and wellness center, community college facilities, other facilities and major improvements. One of the bond issuances related to the higher education indebtedness mentioned in footnote 11 was also refinanced.

19. COMPONENT UNIT'S DISCLOSURES (AS RESTATED)

The following are the notes taken directly from the audited financial statements of the Foundation:

Note 1 - Summary of Significant Accounting Policies:

- *Organization and 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 membership is made up of 48 individuals selected from alumni, community and business leaders. Twenty-one of the members serve on the Board of Directors, elected by the total membership for a term of three years. Officers are elected annually by the Board of Directors and make up the Executive Committee.

- *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 Statement of Activities as net assets released from restrictions.

- 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 endowments that require investment earnings to be added to the endowment principal.

- *Estimates*—The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

- *Cash and Cash Equivalents*—The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

- *Investments*—Investments are reported in the financial statements at market value using quoted market prices. The current year increase or decrease in market value over book value is recognized currently in the statement of activities. 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, net of related investment expenses.

- *Interest*—Interest receivable-unallocated of $3,583 and $124,510 at June 30, 2004 and 2003, respectively, represents interest accrued on the investments and recognized in current year revenue which is not allocated to the various funds until received.

- *Property and Equipment*—Property and equipment purchased for use by the Foundation has been capitalized at cost and is depreciated over the estimated useful life of the property and equipment which ranges from five 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.

- *Basis of Accounting*—The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Note 2 - Cash and Cash Equivalents—Cash and cash equivalents at June 30, 2004 and 2003 are comprised of the following:

	2004	2003
Cash	$1,886,259	$2,350,274
Short-term investments	2,686,078	7,138,279
Total	$4,572,337	$9,488,553

Note 3 - Notes Receivable—Notes receivable at June 30, 2004 and 2003 consist of the following:

	2004	2003
$600,000—original face, receivable at borrower's discretion, interest at 6.5%, unsecured, due June, 2008.	$ 363,820	$ 462,985
$500,000—original face, receivable in 40 quarterly installments of $15,355 inclusive of interest at 5% due September 30, 2012, unsecured.	452,230	
$614,915—original face, receivable in 17 monthly installments of $6,000 inclusive of interest at 9.0% with one final payment due February, 2004, secured by a deed of trust on real estate (see Note 20—Subsequent Events).	588,517	614,471
	$1,404,567	$1,077,456

Note 4 - Investments—Investments as of June 30, 2004 and 2003 are summarized as follows:

	2004		
	Book Value	Fair Value	Unrealized Gain (Loss)
Bonds	$22,962,539	$23,105,261	$ 142,722
Stocks	33,001,129	35,673,715	2,672,586
Other	6,403,844	6,267,717	(136,127)
Total	$62,367,517	$65,046,693	$2,679,181

	2003		
	Book Value	Fair Value	Unrealized Gain (Loss)
Bonds	$28,264,017	$28,529,099	$ 265,082
Stocks	21,660,806	21,289,429	(371,377)
Other	2,219,104	2,427,442	208,338
Total	$52,143,922	$52,245,970	$ 102,043

The following summarizes the investment return for the years ended June 30, 2004 and 2003:

	2004	2003
Interest and dividends	$1,763,230	$ 2,300,682
Realized gain (loss)	2,456,157	(1,339,517)
Unrealized gain (loss)	2,577,138	(328,399)
Investment fees	(97,716)	(130,591)
Net investment return	$6,698,809	$ 502,175

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

Note 5 - Net Investment in Direct Financing Leases—On December 3, 1996, the Foundation entered into a direct financing lease with the State of West Virginia (the lessee) and Marshall University (the tenant) for the Faith United Methodist Church. Under the lease agreement, the Foundation was to receive annual lease payments from the tenant in the amount of $50,000 beginning December 1, 1997 through December 1, 2003 and a final payment of $43,387 due on December 1, 2003. Upon receipt of all lease payments, the Foundation transferred ownership of the building and land to the tenant.

On June 25, 1997, the Foundation entered into a second direct financing lease with the State of West Virginia (the lessee) and Marshall University (the tenant) for the Athletics Facilities Building. In July, 2003, the Foundation renegotiated this lease. Under the new lease terms, the Foundation is to receive semi-annual lease payments in the amount of $34,368 beginning July 1, 2003 with final payment due January 1, 2019. Upon receipt of all lease payments, the Foundation will transfer ownership of the building to the tenant.

Following is a summary of the components of the Foundation's net investment in the direct financing leases at June 30, 2004 and 2003:

	2004	2003
Total minimum lease payments to be received	$ 590,038	$ 844,896
Unearned income	(134,148)	(117,960)
Net investment	$ 455,890	$ 726,936

Minimum lease payments to be received as of June 30, 2004 for each of the next five years and in the aggregate are:

June 30,	
2005	$ 68,736
2006	68,736
2007	68,736
2008	68,736
2009	68,736
Thereafter	246,358
Total	$590,038

Note 6 - Promises to Give—Unconditional promises to give at June 30, 2004 and 2003 are as follows:

	2004	2003
Receivable in less than one year	$2,422,910	$2,215,624
Receivable in one to five years	4,633,592	4,385,116
Receivable in more than five years	175,249	223,019
Total unconditional promises to give	7,231,751	6,823,759
Less discounts to net present value	(392,411)	(505,655)
Less allowance for uncollectible promises	(257,847)	(189,978)
Net unconditional promises to give	$6,581,493	$6,128,126

Discount rates used on long-term promises to give ranged from 4.25% to 9.5% for fiscal years ended June 30, 2004 and 2003.

Note 7 - Property and Equipment—The following is a summary of property and equipment at June 30, 2004 and 2003:

	2004	2003
Land	$ 442,149	$ 442,149
Buildings	1,034,275	1,034,275
Office equipment	264,072	313,414
	1,740,496	1,789,838
Less: accumulated depreciation	(384,392)	(393,433)
	$1,356,104	$1,396,405

Depreciation expense charged to operations was $45,070 and $50,349 for the years ended June 30, 2004 and 2003, respectively.

Note 8 - Contingent Assets—The Foundation is the beneficiary of various whole life and term insurance policies. Proceeds payable to the Foundation upon the demise of the insured parties totaled approximately $5,297,968 and $5,443,234 at June 30, 2004 and 2003, respectively.

Note 9 - Income Taxes—The Foundation is a tax exempt organization under Internal Revenue Code Section 501 (c)(3). The Foundation does, however, engage in some activities that are considered by the Internal Revenue Service to be unrelated business activities and therefore subject to unrelated business tax at the prevailing corporate rates. The Foundation's income tax expense for the fiscal years ended June 30, 2004 and 2003 totaled $-0-.

Note 10 - Notes Payable—Notes payable at June 30, 2004 and 2003 consist of the following:

	2004	2003
$450,000—original face, 7% note payable, payable in 180 monthly installments of $4,045 including interest, due September 2012, secured by real estate with a book value of $447,042 at June 30, 2004.	$303,533	$329,815
$750,000—original face, 5.25% note payable, payable in one lump sum due June 1, 2007 with regular monthly payments of accrued interest beginning June 30, 2002, secured by investment accounts.	546,550	649,750
Total	$850,083	$979,565

Following are maturities of notes payable for each of the next five years and in aggregate:

June 30,	
2005	$ 28,182
2006	30,220
2007	578,954
2008	34,747
2009	37,258
Thereafter	140,722
Total	$850,083

Interest expense for the years ended June 30, 2004 and 2003 totaled $54,659 and $65,628, respectively.

Note 11 - Charitable Gift Annuities—As of June 30, 2004 and 2003, the Foundation had liabilities under irrevocable charitable gift annuities. The Foundation agrees to pay to the donors, quarterly annuity payments until the donor's death. Based on the donor's life expectancy and the IRS discount rate at date of gift (which ranged from 5.0% to 12.0%), the present value of future liabilities expected to be paid by the Foundation to the beneficiaries totaled $381,477 and $412,225, 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 and are not maintained separately. 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.

Note 12 - Charitable Remainder Trusts—The Foundation is named as the residual beneficiary of three 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 which ranged from 4.889% to 9.731%. At June 30, 2004 and 2003, the contribution receivable from the remainder trusts totaled $954,307 and $884,676, respectively.

The Foundation was also named as the trustee and residual beneficiary for one charitable remainder annuity trust. The Foundation agreed to pay to the primary beneficiary 50% of the annual income from the trust in an amount no less than $1,200 per month and no more than $2,000 per month. Because the Foundation was the trustee, this trust was recorded as assets held in charitable remainder trust at fair market value, a liability based on the present value of future payments to be made to the primary beneficiary and, contribution revenue for the difference between the fair value of the asset and the liability, which represented the present value of the expected benefits to be received by the Foundation.

The obligation under this agreement expired in 2004 at the death of the beneficiary. At June 30, 2003, the fair market value of assets held in the charitable remainder trust was $355,579. The present value of future liabilities expected to be paid by the Foundation to the beneficiaries at June 30, 2003 totaled $115,333.

Note 13 - Temporarily Restricted Net Assets—Temporarily restricted net assets at June 30, 2004 and 2003 are available for the following purposes or periods:

Periods After June 30,	2004	2003
Program activities:		
Academic assistance	$15,093,050	$13,934,081
Student assistance	4,144,222	4,154,521
Unrealized gain on investments—unallocated	2,453,490	155,986
Unconditional promises to give, net—unallocated	(148,051)	(605,889)
Total temporarily restricted net assets	$21,542,711	$17,638,699

Net assets were released from donor restrictions during the years ended June 30, 2004 and 2003 by incurring expenses satisfying the purpose specified by donors as follows:

	2004	2003
Purpose restrictions accomplished:		
Academic assistance	$3,841,423	$2,951,928
Student assistance	1,094,794	1,300,503
Fundraising	111,268	122,781
Total restrictions released	$5,047,485	$4,375,212

Note 14 - Permanently Restricted Net Assets—Net assets were permanently restricted for the following purposes at June 30, 2004 and 2003:

	2004	2003
Academic assistance	$13,281,198	$12,746,038
Student assistance	28,846,203	27,868,596
Unrealized gain on investments—unallocated	440,628	72,665
Unconditional promises to give, net—unallocated	(22,524)	(318,908)
Total permanently restricted net assets	$42,545,505	$40,368,391

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 $257,847 and $189,978 at June 30, 2004 and 2003, respectively.

The Foundation maintains substantially all of its cash balances with two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $100,000. The Foundation had gross bank balances of $512,709 and $359,663 at these two financial institutions at June 30, 2004 and 2003, respectively.

Note - 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 the month following 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, 2004 and 2003 was $14,489 and $17,144, 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 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 Statement of Activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

Note 19 - Commitments—In June, 2002, the Foundation entered into an operating lease with the State of West Virginia (the lessee) and Marshall University (the tenant) for land. Under the lease agreement, the Foundation is to receive $3,468 per month beginning June 1, 2002 and ending May 31, 2007 unless otherwise cancelled. Under the terms of the agreement, the Foundation has committed to sell the property to the tenant at the termination of the lease at a purchase price of $748,800. The tenant has the option of paying the purchase price or a portion thereof prior to the termination of the lease. If the tenant exercises its option to pay a portion of the purchase price prior to termination of the lease, that portion of the property will be deeded to the tenant. The tenant opted to exercise this right in January, 2004 and May, 2003 and made a partial payment of $103,200 and $100,250, respectively. Once the tenant pays the remainder of the purchase price, the lease shall terminate and the Foundation shall deed the remaining land to the tenant.

Following is a summary of property on or held for lease at June 30, 2004 and 2003:

	2004	2003
Land	$545,350	$648,550

The Foundation has entered into two employment contracts expiring in 2007 and 2011 for fund-raising services. At June 30, 2004, the total commitment was $268,930. The Foundation has also guaranteed contractual obligations for these personal services. At June 30, 2004, the maximum amount of these outstanding guarantees totaled $1,315,988.

Note 20 - Subsequent Event—In August, 2004, the balance of the $614,915 original face note receivable ($588,517) which was due in February, 2004 was received in full.

In July, 2004, the Foundation renegotiated one of the employment agreements for personal services mentioned in Note 19.

* * * * * *

ADDITIONAL INFORMATION

MARSHALL UNIVERSITY

ADDITIONAL INFORMATION—COMPONENT FINANCIAL DATA
SCHEDULE OF CASH, RECEIVABLES, AND PAYABLES INFORMATION
JUNE 30, 2004

	Community and Technical College	Four-Year and Other Components	Combined Institution
SELECTED ASSET CATEGORIES:			
Cash and cash equivalents—current	$ 4,975,805	$57,856,133	$62,831,938
Cash and cash equivalents—non-current		4,164,259	4,164,259
Accounts receivable—current	282,514	9,544,083	9,826,597
Accounts receivable—non-current		876,591	876,591
TOTAL	$ 5,258,319	$72,441,066	$77,699,385
SELECTED LIABILITY CATEGORIES:			
Accounts payable—current	$ 188,641	$ 6,989,843	$ 7,178,484
Accrued liabilities—current	180,941	3,920,439	4,101,380
TOTAL	$ 369,582	$10,910,282	$11,279,864

See note to additional information—component financial data.

ADDITIONAL INFORMATION—COMPONENT FINANCIAL DATA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS INFORMATION
YEAR ENDED JUNE 30, 2004

	Community and Technical College	Four-Year and Other Components	Combined Institution
OPERATING REVENUES:			
Student tuition and fees (net of scholarship allowance of $2,311,971, $13,439,698, and $15,751,669)	$ 2,324,154	$ 41,099,359	$ 43,423,513
Contracts and grants:			
Federal	2,170,580	34,591,955	36,762,535
State	1,176,119	10,440,904	11,617,023
Local		809,973	809,973
Private	256,602	6,064,575	6,321,177
Interest on student loans receivable	10,948	129,321	140,269
Sales and services of educational activities		264,917	264,917
Auxiliary enterprise revenue (net of scholarship allowance of $-0-, $2,247,827, and $2,247,827)	260,676	20,024,420	20,285,096
Other operating revenues	1,675,473	6,749,837	8,425,310
Total operating revenues	7,874,552	120,175,261	128,049,813
OPERATING EXPENSES:			
Salaries and wages	5,352,468	84,279,446	89,631,914
Benefits	1,150,812	24,298,820	25,449,632
Supplies and other services	2,678,964	31,758,068	34,437,032
Utilities	204,705	5,153,551	5,358,256
Student financial aid—scholarships and fellowships	1,495,505	11,662,097	13,157,602
Depreciation	154,375	11,433,160	11,587,535
Other operating expenses	18,537	27,077	45,614
Fees assessed by the Commission for operations	66,789	593,811	660,600
Total operating expenses	11,122,155	169,206,030	180,328,185
OPERATING LOSS	(3,247,603)	(49,030,769)	(52,278,372)

(Continued)

MARSHALL UNIVERSITY

ADDITIONAL INFORMATION—COMPONENT FINANCIAL DATA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS INFORMATION
YEAR ENDED JUNE 30, 2004

	Community and Technical College	Four-Year and Other Components	Combined Institution
NONOPERATING REVENUES (EXPENSES):			
State appropriations	$ 5,405,720	$ 57,021,483	$ 62,427,203
Gifts		1,483,503	1,483,503
Investment income	35,627	642,010	677,637
Interest on indebtedness		(2,836,042)	(2,836,042)
Fees assessed by the Commission for debt service		(2,286,434)	(2,286,434)
Other nonoperating revenues—net		178,494	178,494
Net nonoperating revenues	5,441,347	54,203,014	59,644,361
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	2,193,744	5,172,245	7,365,989
CAPITAL GRANTS AND GIFTS		4,564,313	4,564,313
CAPITAL PROJECTS PROCEEDS FROM THE COMMISSION			
INCREASE IN NET ASSETS BEFORE TRANSFERS	2,193,744	9,736,558	11,930,302
TRANSFER OF ASSET FROM THE COMMISSION		142,100	142,100
TRANSFERS—INCLUDING DEBT, AUXILIARY AND STUDENT ACTIVITY	(1,575,842)	1,575,842	-
INCREASE IN NET ASSETS	617,902	11,454,500	12,072,402
NET ASSETS—Beginning of year	3,998,990	170,222,653	174,221,643
NET ASSETS—End of year	$ 4,616,892	$ 181,677,153	$ 186,294,045

See note to additional information—component financial data. (Concluded)

MARSHALL UNIVERSITY

ADDITIONAL INFORMATION—COMPONENT FINANCIAL DATA
SCHEDULE OF NATURAL CLASSIFICATIONS WITHIN FUNCTIONAL CLASSIFICATIONS INFORMATION
YEAR ENDED JUNE 30, 2004

Community & Technical College

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Other Operating Expenses	Fees Assessed by Commission	Total
Instruction	$ 2,547,597	$ 634,756	$ 1,628,061	$ -	$ -	$ -	$ -	$ -	$ 4,810,414
Research									
Public service	322,128	(2,083)	115,433	3,837			13,288		452,603
Academic support	835,424	198,466	354,415						1,388,305
Student services	403,489	117,462	34,499						555,450
General institutional support	659,340	217,271	58,421				395		935,427
Operations and maintenance of plant	584,490	(15,060)	488,135	200,868					1,258,433
Student financial aid					1,495,505				1,495,505
Auxiliary enterprises									
Depreciation						154,375			154,375
Other							4,854	66,789	71,643
Total	$ 5,352,468	$ 1,150,812	$ 2,678,964	$ 204,705	$ 1,495,505	$ 154,375	$ 18,537	$ 66,789	$ 11,122,155

Four Year and Other Components

	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Other Operating Expenses	Fees Assessed by Commission	Total
Instruction	$ 41,130,473	$ 11,333,468	$ 3,590,812	$ 647	$ 4,100	$ -	$ -	$ -	$ 56,059,500
Research	5,794,044	1,894,449	6,572,287	279,431	26,191		5,700		14,572,102
Public service	7,654,766	1,945,227	3,207,910	227,490	37,756		(30,582)		13,042,567
Academic support	7,655,569	2,158,859	3,343,381	5,899			(114,992)		13,048,716
Student services	4,994,738	1,587,367	2,774,487	139			10,528		9,367,259
General institutional support	7,825,730	2,135,479	2,694,532	3,247	2,710		(39,357)		12,622,341
Operations and maintenance of plant	2,838,106	1,293,500	995,418	3,083,864			28,725		8,239,613
Student financial aid	840	70	1,647		12,523,608		23,499		12,549,664
Auxiliary enterprises	6,385,180	1,950,401	8,577,594	1,552,834	(932,268)				17,533,741
Depreciation						11,433,160			11,433,160
Other							143,556	593,811	737,367
Total	$ 84,279,446	$ 24,298,820	$ 31,758,068	$ 5,153,551	$ 11,662,097	$ 11,433,160	$ 27,077	$ 593,811	$ 169,206,030

NOTE TO ADDITIONAL INFORMATION—COMPONENT FINANCIAL DATA
YEAR ENDED JUNE 30, 2004

1. COMMUNITY AND TECHNICAL COLLEGE

The University operates a Community and Technical College ("CTC") for which certain separate revenues and expenditures are identified.

Tuition fees, registration fees, student activity fees, student center operations fees and similar fees are recorded as CTC revenue based on the student's classification. These fees are used for general institutional activities (including debt service on bonds, major capital projects and student center operations) that are utilized by the entire institution and for which operational expenditures are not attributed to the CTC. All revenue from these sources is transferred to other areas of the University and recorded as part of the non-mandatory transfers to the University from CTC.

Higher education resource fees (H.E.R.F), library computing fees, institutional operation fees, specific course fees and similar fees are collected on the basis of student classification, specific course or specific activity directly associated with the CTC and are maintained by the CTC to meet operational and instructional costs. State appropriations are also maintained by the CTC to meet both direct and indirect operational and instructional costs.

Instructional, public service, academic support, utility and similar expenditures exclusively related to CTC students and operations are recorded in both functional and natural classifications of the CTC component.

A percentage of the total institutional operating costs related to overall operations including building and ground maintenance, purchasing, registration, accounts payable, computing services and similar activities are recorded as a cost recovery from the CTC based on estimates and recorded in both functional and natural classifications. The CTC share of the general University operating expenses are calculated through the use of cost pools following generally accepted cost allocation methods based on FTE enrollment of the CTC.

Deloitte.

Deloitte & Touche LLP
2500 One PPG Place
Pittsburgh, PA 15222-5401
USA

Tel: +1 412 338 7200
www.deloitte.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Marshall University Governing Board

We have audited the combined financial statements of Marshall University (the "University") as of and for the year ended June 30, 2004, and have issued our report thereon dated October 3, 2004. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the University's internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

This report is intended solely for the information and use of the Marshall University Governing Board, managements of the University and the West Virginia Higher Education Policy Commission, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

October 3, 2004

STUDENT PROFILE

For the five year period, the headcount (FTE) has increased significantly going from 16,009 (11,807 FTE) in the Fall of 1998 to 16,360 (12,664 FTE) in the Fall of 2003. This is a five year increase of 351 (2%) in headcount and 857 (7%) FTEs.

TOTAL HEADCOUNT

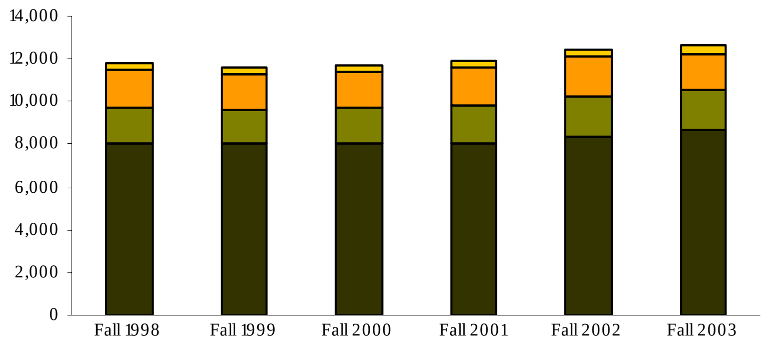
Undergraduate	12,356
Graduate	3,805
1st Professional	199
Full-time	11,178
Part-time	5,182

Age Distribution		
Less than 24	9,327	57%
24 to 29	2,877	18%
30 to 39	2,135	13%
40 to 49	1,341	8%
50 and older	680	4%

Residence Status		
In-State	13,592	83%
Out-of-State	2,768	17%

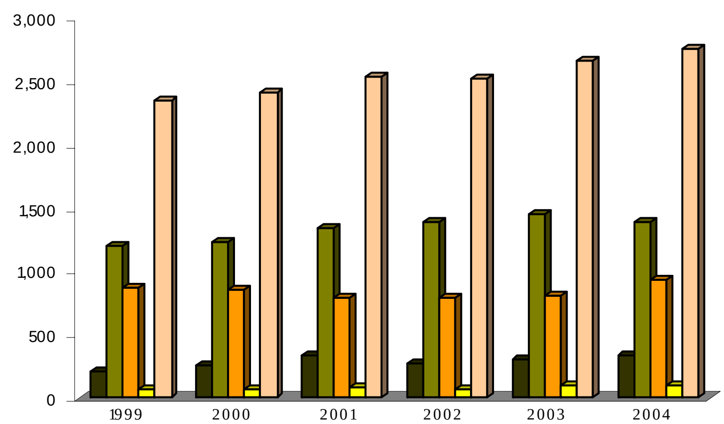
Living Arrangements		
Residence Halls	1,966	12%
Commuters	14,394	88%

MARSHALL UNIVERSITY FTE ENROLLMENT 1998-2003



	Fall 1998	Fall 1999	Fall 2000	Fall 2001	Fall 2002	Fall 2003
TOTAL	11,807	11,623	11,749	11,899	12,465	12,664
Graduate and First Professional Non-Resident	312	316	317	335	387	402
Graduate and First Professional Resident	1,797	1,674	1,688	1,732	1,813	1,687
Undergraduate Non-Resident	1,687	1,626	1,716	1,774	1,905	1,936
Undergraduate Resident	8,011	8,007	8,028	8,058	8,360	8,639

DEGREES GRANTED BY MARSHALL UNIVERSITY 1999-2004



	1999	2000	2001	2002	2003	2004
Associate Degree	206	264	333	271	306	337
Bachelor's Degree	1,205	1,226	1,336	1,384	1,447	1,395
Master's Degree	870	861	793	788	810	937
1st Professional, Graduate Certificate and Doctoral	70	64	82	74	99	95
TOTAL	2,351	2,415	2,544	2,517	2,662	2,764

Higher Education Policy Commission
2003-2004

J. Thomas Jones, chairman
Mary Clare Eros, Esq., vice chairman
Elliot G. Hicks, secretary
R. Ken Hall
Kay Huffman Goodwin
John R. Hoblitzell, Esq.
Terry R. Sammons, Esq.
Dr. David L. Stewart
J. Michael Mullen, Chancellor

Marshall University Board of Governors
2003-2004

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Menis Ketchum, Esq., vice chairman
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Robert Shell, Jr.
Gary G. White
Thomas D. Wilkerson

Sherri Noble, Classified Staff Representative
Dr. James M. Sottile, Jr., Faculty Representative
Michael Safcsak, Student Representative

ACKNOWLEDGEMENTS

The 2004 Financial Report
and the included financial
statements are prepared by the
staff in Marshall University's
Accounting Office:

Carol S. Stinson,
Senior Accountant
stinson@marshall.edu

Florence M. Watts,
Accountant
wattsfm@marshall.edu

Larry E. Barnhill,
Director of Accounting
barnhill@marshall.edu

Ted W. Massey,
Associate Vice President
for Finance
massey@marshall.edu

Herbert J. Karlet,
Senior Vice President
for Finance & Administration
karlet@marshall.edu
304/696-2385