MARSHALL UNIVERSITY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2018 AND 2017

CliftonLarsonAllen LLP

MARSHALL UNIVERSITY
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2018 AND 2017

INDEPENDENT AUDITORS' REPORT	**1**
MANAGEMENT'S DISCUSSION AND ANALYSIS (RSI) (UNAUDITED)	**4**
FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION – PRIMARY INSTITUTION	**20**
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PRIMARY INSTITUTION	**22**
STATEMENTS OF CASH FLOWS – PRIMARY INSTITUTION	**23**
THE MARSHALL UNIVERSITY FOUNDATION, INC. – CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – COMPONENT UNIT	**25**
THE MARSHALL UNIVERSITY FOUNDATION, INC. – CONSOLIDATED STATEMENTS OF ACTIVITIES – COMPONENT UNIT	**26**
PROVIDENT GROUP – MARSHALL PROPERTIES L.L.C. – BALANCE SHEETS – COMPONENT UNIT	**28**
PROVIDENT GROUP – MARSHALL PROPERTIES L.L.C. – STATEMENTS OF OPERATIONS – COMPONENT UNIT	**29**
BIG GREEN SCHOLARSHIP FOUNDATION, INC. – STATEMENTS OF FINANCIAL POSITION – COMPONENT UNIT	**30**
BIG GREEN SCHOLARSHIP FOUNDATION, INC. – STATEMENTS OF ACTIVITIES – COMPONENT UNIT	**31**
NOTES TO FINANCIAL STATEMENTS	**33**
REQUIRED SUPPLEMENTARY INFORMATION (RSI)	
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS	**131**
SCHEDULES OF PROPORTIONATE SHARE OF NET OPEB LIABILITY AND CONTRIBUTIONS	**132**
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*	**133**
SCHEDULE OF FINDINGS AND MANAGEMENT RESPONSES	**135**

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INDEPENDENT AUDITORS' REPORT

Governing Board
Marshall University
Huntington, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Marshall University (the University) (a component unit of the West Virginia Higher Education Fund) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audits. We did not audit the financial statements of Marshall University Research Corporation, a blended component unit of the University (the Corporation), for the years ended June 30, 2018 and 2017, which represent 9%, 10%, and 12%, respectively, of total assets, total net position, and total revenues of the University in 2018; and 9%, 11%, and 13%, respectively, in 2017. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Corporation, is based solely on the reports of such other auditors. We also did not audit the financial statements of the Marshall University Foundation, Inc. (the Foundation); Provident Group – Marshall Properties L.L.C. (Provident – Marshall); or Big Green Scholarship Foundation, Inc. (Big Green) (collectively, discretely presented component units of the University). Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the discretely presented financial statements of the Foundation, Provident – Marshall, and Big Green, is based solely on the reports of such other auditors. We, and the auditors for the Corporation, conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Foundation, Provident – Marshall, and Big Green, which were audited by other auditors, were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the University as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the University implemented the provisions of Governmental Accounting Standards Board (GASB) Statements No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year ended June 30, 2018, which represents a change in accounting principle. As of July 1, 2017, the University's net position was restated to reflect the cumulative effect of the accounting change. A summary of the restatement is presented in Note 2. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Governing Board
Marshall University

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2018 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 15, 2018

About Marshall University

Marshall University (the University or the Institution) is a public, nonprofit institution of higher learning, which offers degrees in more than 100 academic fields of study at the baccalaureate and graduate degree level, including doctoral degrees (research/scholarly and professional practice doctorates) in various fields through its 14 colleges and schools. The University was founded in 1837 and achieved University status in 1961. Integral parts of the Institution included in the financial information presented are the Marshall University Research Corporation (MURC) and the Joan C. Edwards School of Medicine (SOM). MURC has a separately presented financial statement, which can be referenced for additional information about changes to that organization.

As West Virginia's second largest university, Marshall University, including the SOM, serves more than 13,000 students from all counties in West Virginia, 47 states, the District of Columbia, and Puerto Rico as well as over 500 students from more than 60 countries across the globe. The students are served by 816 full-time faculty and 868 staff members on its main campus located in Huntington, West Virginia, and its four regional centers (South Charleston Campus, Mid-Ohio Valley Center, Teays Valley Center, and Beckley Center).

Marshall University has been accredited continuously as an institution of higher learning by the Higher Learning Commission of the North Central Association of Colleges and Schools (Commission) since 1928. It also has earned and maintains specialized accreditation status with 35 agencies responsible for evaluating and conferring specialty accreditation for educational programs involving various professional fields of study (includes business, engineering and technology, medicine, psychology, speech-language pathology, teacher education, pharmacy, etc.); see http://www.marshall.edu/landing/about/accreditation.html for a complete list.

Marshall University is governed by a 16-member Board of Governors (the Board), 13 of which are lay members appointed by the Governor of the State of West Virginia (State) and 3 of which are constituency representatives elected by faculty, staff and students of the University. The Board determines, controls, supervises, and oversees the financial, business, and educational policies and affairs of the Institution. The Board also develops a master plan, approves the Institution's annual budget, reviews and controls all academic programs offered at the Institution, and approves tuition rates and applicable student fees.

Overview of the Financial Statements and Financial Analysis

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

The emphasis of discussions about these financial statements will concern FY 2018 data explaining, with the use of approximate dollar amounts, the significant changes from the financial statements presented for the years ended June 30, 2018, 2017, and 2016, for both the University and MURC. Three years of comparative information are provided for discussion and analysis purposes. Additionally, detailed financial information of the Marshall University Foundation, Inc.; the Big Green Scholarship Foundation, Inc.; and Provident – Marshall, L.L.C. are included; however, these discretely presented component units are controlled and managed by separate independent Boards of Directors. The University does not control these resources and, therefore, discussion and analyses of these organizations are not included.

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

Statement of Net Position

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

Net Position is displayed in three major categories:

Net investment in capital assets. This category represents the University's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. If debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted net position. This category includes net position, the use of which is restricted, either due to externally imposed constraints or because of restrictions imposed by law. They are further divided into two additional components — nonexpendable and expendable. **Nonexpendable restricted net position** includes endowment and similar type funds for which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal. **Expendable restricted net position** includes resources for which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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

Condensed Schedules of Net Position
(In thousands of dollars)

	FY 2018	FY 2017	FY 2016
Assets and Deferred Outflows:			
Current Assets	$ 102,141	$ 95,875	$ 101,402
Other Noncurrent Assets	119,852	115,911	93,726
Capital Assets, Net	409,639	417,808	426,848
Total Assets	631,632	629,594	621,976
Deferred Outflows of Resources	4,451	1,965	1,495
Total	$ 636,083	$ 631,559	$ 623,471
Liabilities and Deferred Inflows:			
Current Liabilities	$ 46,946	$ 42,796	$ 40,077
Noncurrent Liabilities	149,384	162,983	164,445
Total Liabilities	196,330	205,779	204,522
Deferred Inflows of Resources	8,693	882	1,408
Total	$ 205,023	$ 206,661	$ 205,930
Net Position			
Net Investment in Capital Assets	$ 315,301	$ 317,840	$ 323,000
Restricted, Nonexpendable	15,176	15,176	15,176
Restricted, Expendable	16,286	17,510	16,466
Unrestricted	84,297	74,372	62,899
Total	$ 431,060	$ 424,898	$ 417,541

Changes to Total Assets

Total assets of the Institution increased by $2.0 million in FY 2018. The major components of this increase are:

- The total current and noncurrent cash and cash equivalents balances increased $4.0 million, which is comprised of a $7.4 million increase for the University and a $3.4 million decrease in cash at MURC. For the University, cash on deposit with the state increased $7.1 million, and cash in outside bank accounts increased $0.8 million, offset by a $0.5 million decrease in cash in the BRIM escrow.
- Investments increased $4.6 million in total with the University's investments increasing $4.2 million and MURC's investments increasing $0.4 million.
- Total current and noncurrent accounts receivable increased $2.0 million. Student receivables increased $0.8 million, state appropriations receivable increased $0.3 million, grants receivable at MURC increased $0.6 million, and the receivable from Marshall Health related to the BRIM self-insurance increased $0.3 million.
- Loans receivable, inventories, and other current assets decreased a total of $0.4 million.
- Capital assets, net of depreciation, decreased $8.2 million as a result of asset additions of $8.3 million, offset by disposals and depreciation totaling $16.5 million. Asset additions are discussed further in the Capital Asset and Debt Administration section.

Total assets of the Institution increased by $7.6 million in FY 2017. The major components of this increase are:

- The total current and noncurrent cash and cash equivalents balances increased $5.2 million, which is comprised of a $5.1 million increase for the University and a $0.1 million increase in cash at MURC. Cash on deposit with the state increased $7.8 million, offset by a decrease in cash in outside bank accounts of $0.2 million and a decrease in cash equivalents of $2.5 million, related to changes in investments.
- Investments increased $22.3 million in total with the University's investments increasing $21 million and MURC's investments increasing $1.3 million. For the University this increase was due to market value increases net of earnings and fees of $7.4 million, cash equivalents moved to investments of $2.5 million and $11.1 million of investment settlements pending at June 30, 2016 that were received and reinvested.
- The Investment settlements pending at June 30, 2016 were all received during FY2017 resulting in a decrease of $12.5 million.
- Total current and noncurrent accounts receivable increased $1.5 million. Student receivables increased $0.1 million and state appropriations receivable increased $1.8 million due to the timing of when the appropriations were spent. Decreases in receivables include $0.1 million receivable from Marshall Health (formerly University Physicians & Surgeons) related to the BRIM self-insurance, and other receivables decreased $0.3 million.
- Loans receivable, inventories, and other current assets increased a total of $0.1 million.
- Capital assets, net of depreciation, decreased $9.0 million as a result of asset additions of $7.5 million, offset by disposals and depreciation totaling $16.5 million. Asset additions are discussed further in the Capital Asset and Debt Administration section.

Changes to Deferred Outflows of Resources

The deferred outflows of resources for the University increased $2.5 million in FY 18 and increased $0.5 million in FY 2017.

- There was a new deferred outflow in FY 2018 for Other Post Retirement Benefit contributions made after the measurement date as required by GASB 75 (Note 11). This deferred outflow was $3.1 million in FY 2018.
- The deferred loss on refunding, when the 2010 Bonds were issued to refinance a previous bond issue, decreased $0.1 million in both FY 2018 and FY 2017. This amount will continue to decrease over the life of the 2010 Bonds.
- Deferred outflows related to pension as required by GASB 68 (Note 14), decreased $0.5 million in FY 2018, and increased $0.6 million in FY 2017.

Changes to Total Liabilities

Total liabilities of the Institution decreased $9.4 million in FY 2018. The major components of the decrease are:

- Current and noncurrent debt on notes, bonds, capital leases, the debt obligation to the Commission and the amount due to Mountwest Community and Technical College (MCTC) decreased by a total of $6.1 million due to principal payments made during FY 2018. There was also an increase of $0.9 million for new capital lease debt, which was offset by a debt reduction of $0.9 million on the debt obligation to the Commission, as a result of refinancing certain of the system bonds.
- Other Postemployment Benefits (OPEB) liability decreased $5.8 million, due the change in the way this liability was determined when implementing GASB 75. See Notes 2 and 11 for more information on OPEB.
- Other noncurrent liabilities decreased $0.5 million due to a decrease in the BRIM escrow liability of $0.3 million, and a decrease in the liability for stadium renovation projects of $0.2 million.
- Unearned revenue increased $2.8 million, primarily due to a $2.2 million increase in student fees paid by June 30, for the fall semester. In FY2017 the State budget was not passed in time for fall fees to be set and assessed before June 30. There was also a $0.6 million increase in unearned revenue at MURC.
- Accrued liabilities increased $2.2 million. Liabilities for the University increased $2.3 million and liabilities for MURC decreased $0.1 million. The increase for the University was primarily related to changes in payroll processing. All State agencies changed to bi-weekly pay periods during FY 2018, and the University started processing its own payroll.
- The accrued service concession liability increased $0.2 million. This liability is for insurance and maintenance related to the service concession arrangements mentioned below in the Deferred Inflows section.
- Accounts payable decreased $0.7 million, including a $1.0 million decrease for the University and a $0.3 million increase at MURC
- The net pension liability decreased $1.6 million. This liability reflects the University's portion of the Teachers Retirement System liability as a result of implementing GASB 68 in FY 2015 (Notes 2 and 14).
- Increases in compensated absences and student deposits were offset by a decrease in accrued interest for a net increase of $0.1 million.

Total liabilities of the Institution increased $1.2 million in FY 2017. The major components of the decrease are:

- Current and noncurrent debt on notes, bonds, capital leases, the debt obligation to the Commission and the amount due to Mountwest Community and Technical College (MCTC) decreased by a total of $2.7 million due to an increase of $3.1 million for new debt, offset by a decrease of $5.8 million for principal payments made during FY 2017.
- Other Postemployment Benefits (OPEB) liability increased $1.5 million. This represents the unfunded liability the University is not currently required to pay. For the first half of FY 2017 the ARC was $117 per policy per month, in the second half of FY17 the ARC was $222 per policy per month, in FY 2016 the ARC was $266, and in FY 2015 the ARC was $255. See Notes 2 and 11 for more information on OPEB.

- Other noncurrent liabilities decreased $0.4 million due to a decrease in the BRIM escrow liability of $0.1 million, a decrease in the liability for stadium renovation projects of $0.2 million and a decrease at MURC of $0.1 million.
- Accounts payable increased $1.8 million primarily due to new renovation projects started in FY 2017.
- Unearned revenue and compensated absences, decreased a total of $0.9 million. The decrease for the University was $0.5 million with a $0.4 million decrease for MURC.
- Accrued liabilities increased $1.2 million. Liabilities for the University increased $0.7 million and liabilities for MURC increased $0.5 million. The increase for the University was primarily due to the new retirement incentive offered to employees 65 years of age or over. The liability at June 30, 2017 for employees that had accepted the retirement incentive but had not yet retired was approximately $720,000.
- The accrued service concession liability decreased $0.1 million. This liability is for insurance and maintenance related to the service concession arrangement mentioned below in the Deferred Inflows section.
- The net pension liability increased $0.8 million. This liability reflects the University's portion of the Teachers Retirement System liability as a result of implementing GASB 68 in FY 2015 (Notes 2 and 14).

Changes to Deferred Inflows of Resources

The deferred inflows of resources for the University increased $7.8 million in FY 2018 and decreased $0.5 million in FY 2017.

- There was a new deferred inflow in FY 2018 related to Other Post Retirement Benefits as required by GASB 75 (Note 11). This deferred inflow was $7.0 million in FY 2018.
- The deferred inflow of resources from the service concession arrangement with the food service provider (Sodexo) decreased $0.2 million in both FY 2018 and FY 2017. Capital improvements paid for by Sodexo are being amortized over the life of the contract. See Note 20 for more information on the University's service concession arrangements.
- There was a new deferred inflow of resources from the service concession arrangement with the bookstore provider (Follett). Capital improvements paid for by Follett are being amortized over the life of the contract. This deferred inflow was $0.3 million in FY 2018.
- The deferred inflow related to the Teachers Retirement System pension plan increased $0.7 million in FY 2018 and decreased $0.3 million in FY 2017.

Changes to Net Position

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

The net position category "Net investment in capital assets" reflects overall changes to the buildings, equipment, and other capital assets net of depreciation and net of the liabilities associated with those assets. Net investment in capital assets decreased $2.5 million in FY 2018 and decreased $5.2 million in FY 2017. The FY 2018 decrease for the University is $1.7 million, with a decrease of $0.8 million at MURC. The FY 2017 decrease for the University was $4.4 million, with a decrease of $0.8 million at MURC. These decreases are primarily due to depreciation of capital assets.

Endowments, which are recorded as restricted nonexpendable net position, did not change in FY 2018 or FY 2017. The endowments are primarily at MURC for amounts received in connection with the "Bucks for Brains" West Virginia Research Trust fund.

Total restricted expendable net position decreased $1.2 million in FY 2018 compared to an increase of $1.0 million in FY 2017, primarily due to grant activity at MURC.

The unrestricted net position balance of $84.3 million in FY 2018 represents a $9.9 million increase from FY 2017. Unrestricted resources decreased $1.7 million for MURC and increased $11.6 million for the University.

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

	FY 2018	FY 2017	FY 2016
Operating Revenues	$ 192,891	$ 192,463	$ 189,578
Operating Expenses	(280,847)	(280,657)	(274,102)
Operating Loss	(87,956)	(88,194)	(84,524)
Nonoperating Revenues	93,840	95,113	82,683
Nonoperating Expenses	(4,241)	(4,498)	(4,381)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	1,643	2,421	(6,222)
Other Revenues, Expenses, Gains, or Losses	3,488	4,936	4,077
Increase (Decrease) in Net Position	5,131	7,357	(2,145)
Net Position - Beginning of Year	424,898	417,541	419,686
Restatement for OPEB Liability	1,031	-	-
Net Position - Beginning of Year, Restated	425,929	417,541	419,686
Net position - End of Year	$ 431,060	$ 424,898	$ 417,541

Statement of Revenues, Expenses, and Changes in Net Position

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

Operating Revenues

Operating revenues are received for student tuition and fees, grants and contracts, auxiliary services, and miscellaneous revenue. Operating revenues of $192.9 million in FY 2018 represents a $0.4 million increase from FY 2017. This increase is primarily the result of:

- Tuition and fee revenue, net of scholarship allowances, increased $3.7 million. Tuition for full-time undergraduate students increased $322 per semester for resident students, $440 per semester for metro students and $737 per semester for nonresident students. Tuition for full-time graduate students increased $334 per semester for resident students, $469 per semester for metro students and $806 per semester for nonresident students.
- Grant and contract revenue decreased $0.8 million, including a $0.4 million increase for the University and a $1.2 million decrease for MURC. The MURC decrease was primarily in nongovernmental grants and contracts.
- Other operating revenue decreased $0.2 million primarily due to changes at MURC.
- Auxiliary enterprise revenue decreased $2.3 million, including a $0.7 million increase in Athletic revenues, a $1.3 million decrease in Housing revenues, and a $1.7 million decrease in revenues from auxiliary fees, Student Center, Parking, Bookstore and the scholarship allowance allocated to auxiliaries.

Operating revenues of $192.5 million in FY 2017 represents a $2.9 million increase from FY 2016. This increase is primarily the result of:

- Tuition and fee revenue, net of scholarship allowances, increased $1.7 million. Tuition for full-time undergraduate students increased $170 per semester for resident students, $299 per semester for metro students and $390 per semester for nonresident students. Tuition for full-time graduate students increased $176 per semester for resident students, $319 per semester for metro students and $426 per semester for nonresident students.
- Grant and contract revenue changed very little in total but there were some changes within the various sources. These changes include a $0.3 million increase in Federal, and a $0.9 million increase in State, offset by a $1.2 million decrease in local and private grants and contracts. The Federal changes are primarily related to grant and contract activity at MURC. State grant and contract revenue increased $0.8 million for the University and $0.1 million for MURC net of eliminations with the University. Local and private grants and contracts decreased $0.8 million for the University and decreased $0.4 million for MURC.
- Other operating revenue increased $1.1 million, with a $0.3 million increase for the University and a $0.8 million increase for MURC net of eliminations with the University.

Operating Expenses

Operating expenses are for goods and services acquired to carry out the mission of the Institution. Operating expenses of $280.9 million in FY 2018 represents a $0.2 million increase from FY 2017. This increase is primarily the result of:

- Salaries and wages decreased $0.5 million, including a decrease in University salaries of $0.8 million and a $0.3 million increase at MURC. For the University, faculty salaries increased $0.4 million due to filling vacancies, staff salaries decreased $0.3 million due to vacancy savings, and there was a $0.9 million decrease in severance pay.
- Benefits expense decreased $0.1 million with a $0.4 million increase for the University and a $0.5 million decrease for MURC. The University increase is due to increases in health insurance premiums of $0.6 million and a $0.5 million increase in employee tuition waivers, offset by a decrease in OPEB expense of $0.2 million and a decrease for pension expense of $0.4 million.
- Supplies and other services increased $0.2 million with a $0.3 million decrease for the University and a $0.5 million increase, net of eliminations, for MURC.
- Student financial aid expense increased $0.8 million primarily due to an increase in waivers.
- Decreases in utilities, depreciation, and other operating expenses, were offset by an increase in fees assessed by the Commission, for a net decrease of $0.2 million.

Operating expenses of $280.7 million in FY 2017 represents a $6.5 million increase from FY 2016. This increase is primarily the result of:

- Salaries and wages increased $1.9 million, including an increase in University salaries of $2.8 million and a $0.9 million decrease at MURC. The increase for the University includes $0.9 million to be paid as part of a retirement incentive plan, a $0.6 million increase in salaries for student assistants and overtime, and a $1.3 million increase in faculty salaries.
- Benefits expense increased $1.3 million with a $0.9 million increase for the University and a $0.3 million increase for MURC. The University increase is due to increases in health insurance premiums, and the employer matching on FICA and retirement totaling $1.9 million, a $0.2 million increase in employee tuition waivers, a $0.3 million decrease in compensated absence expense, a decrease in OPEB expense of $1.3 million and an increase for pension expense of $0.4 million for the University (Note 14).
- Supplies and other services increased $2.7 million with a $1.2 million increase for the University and a $1.5 million increase, net of eliminations, for MURC.
- Student financial aid expense increased $0.8 million primarily due to an increase in waivers.
- Decreases in utilities, depreciation and other operating expenses, were offset by an increase in fees assessed by the Commission, for a net decrease of $0.2 million

Nonoperating Revenues and Expenses

Revenues for which goods and services are not provided are reported as nonoperating revenues. Nonoperating revenues for FY 2018 were $93.9 million, which is a decrease of $1.3 million from FY 2017 as a result of:

- State appropriations decreased $3.0 million due to State budget cuts. Net decreases in the appropriations for SOM were $0.6 million and the University decreases totaled $2.4 million.

- Income from investments was $7.4 million in FY 2018 which is a decrease of $4.1 million from FY 2017, due to a decline in the performance of the investments.
- Payments on behalf of the University increased $2.5 million due to contributions made by the State to the Teachers Retirement System and PEIA. This amount is recognized as revenue to the University as required by GASB 68 (Note 14) and GASB 75 (Note 11).
- Other nonoperating revenues increased $0.9 million from a reduction in the debt for system bonds to HEPC as a result of refinancing.
- Other changes to nonoperating revenues include an increase of $1.5 million in federal Pell grants and an increase in gift revenue of $0.9 million.

Nonoperating revenues for FY 2017 were $95.1 million, which is an increase of $12.4 million from FY 2016 as a result of:

- State appropriations decreased $0.5 million due to State budget cuts. The beginning of year appropriations increased by $0.7 million offset by a mid-year budget cut of $1.2 million. Net decreases in the appropriations for SOM were $0.1 million and the University decreases totaled $0.4 million.
- Income from investments was $11.5 million in FY 2017 which is an increase of $13.3 million from FY 2016, due to a major increase in the performance of the investments.
- Other changes to nonoperating revenues include a decrease of $0.2 million in federal Pell grants and a decrease in gift revenue of $0.3 million.
- Payments on behalf of the University increased $0.1 million due to contributions made by the State to the Teachers Retirement System. This amount is recognized as revenue to the University as required by GASB 68 (Note 14).

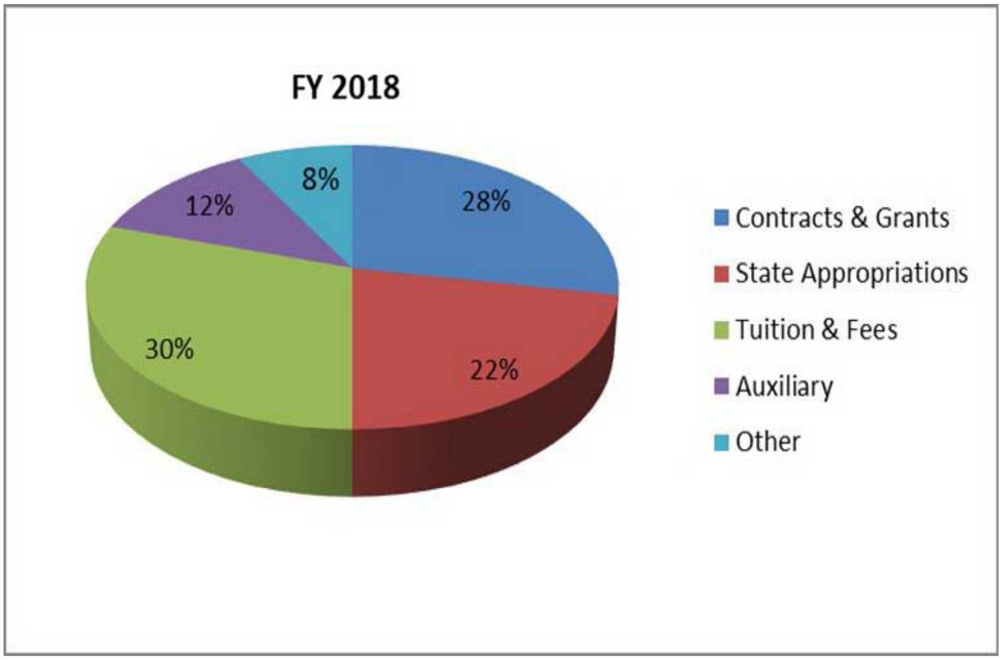
Nonoperating expenses for FY 2018 were $4.2 million, which is a decrease of $0.3 million from FY 2017 as a result of a decrease in interest on indebtedness of $0.1 million and a decrease of $0.1 million in fees assessed by the Commission for debt service.

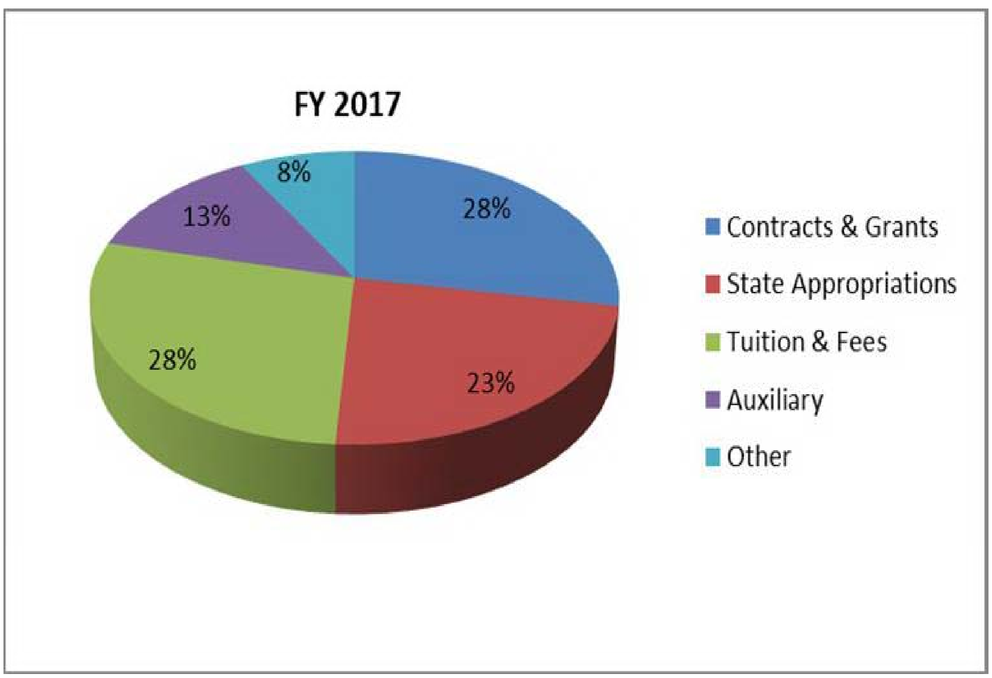
Nonoperating expenses for FY 2017 were $4.5 million, which is an increase of $0.1 million from FY 2016 primarily as a result of an increase in interest on indebtedness. The interest expense incurred is reduced by the amount of interest that is capitalized when new construction projects are in progress. The last two of these projects were completed early in FY 2016. In FY 2017 the capitalized interest amount was zero as compared to $0.2 million in FY 2016.

Total operating and nonoperating revenue for the Institution was $286.8 million in FY 2018 as compared to $287.6 million in FY 2017. Revenues as a percentage for FY 2018 and 2017 are shown on Graph A.

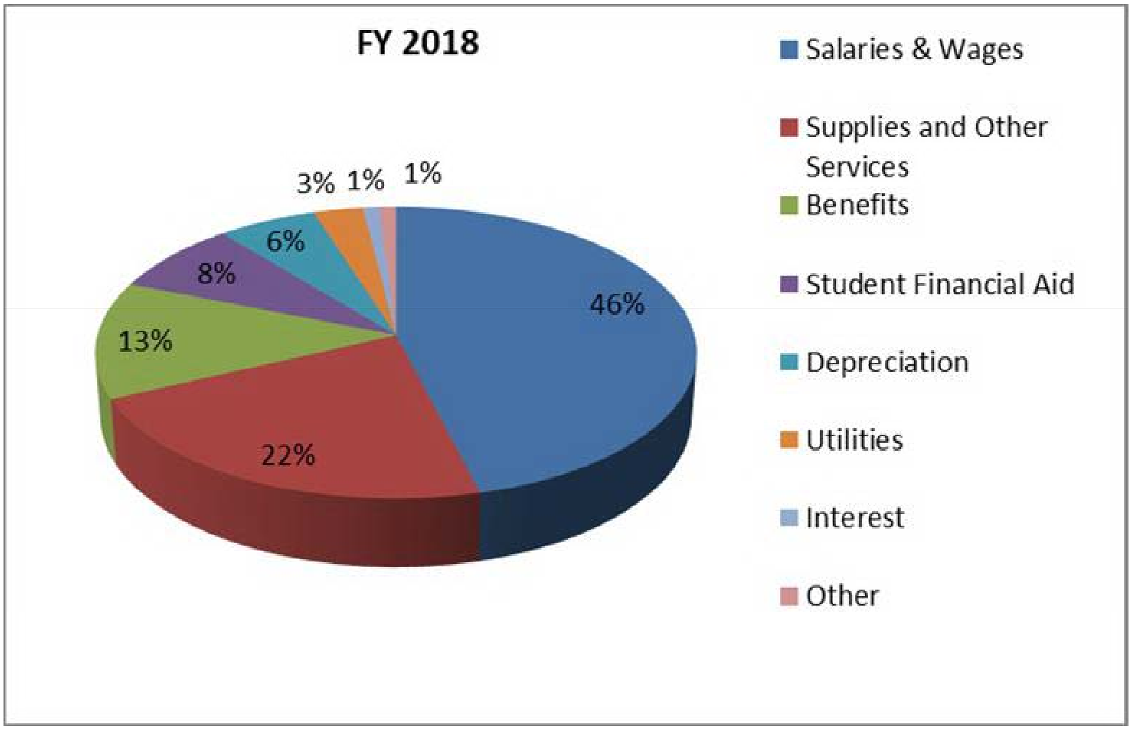
Total operating and nonoperating expense for the Institution was $285.1 million in FY 2018 as compared to $285.2 million in FY 2017. Expenses as a percentage for FY 2018 and 2017 are shown by object of expenditure in Graph B and by functional classification in Graph C.

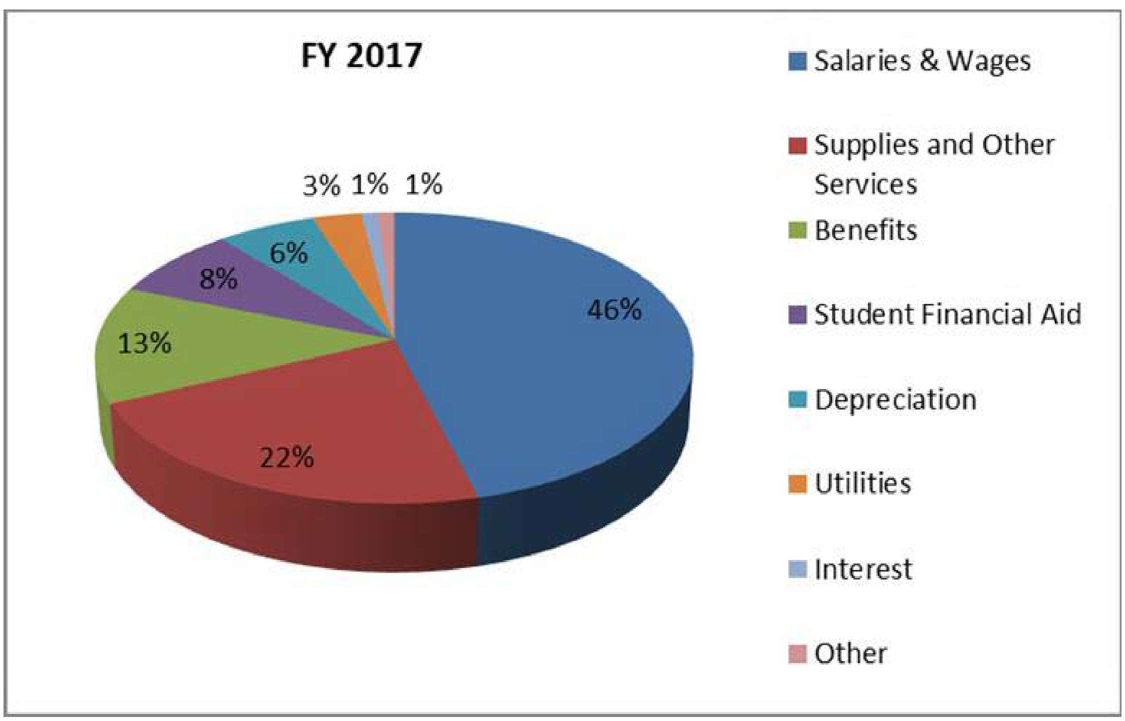
Total Operating and Nonoperating Revenues
(Graph A)



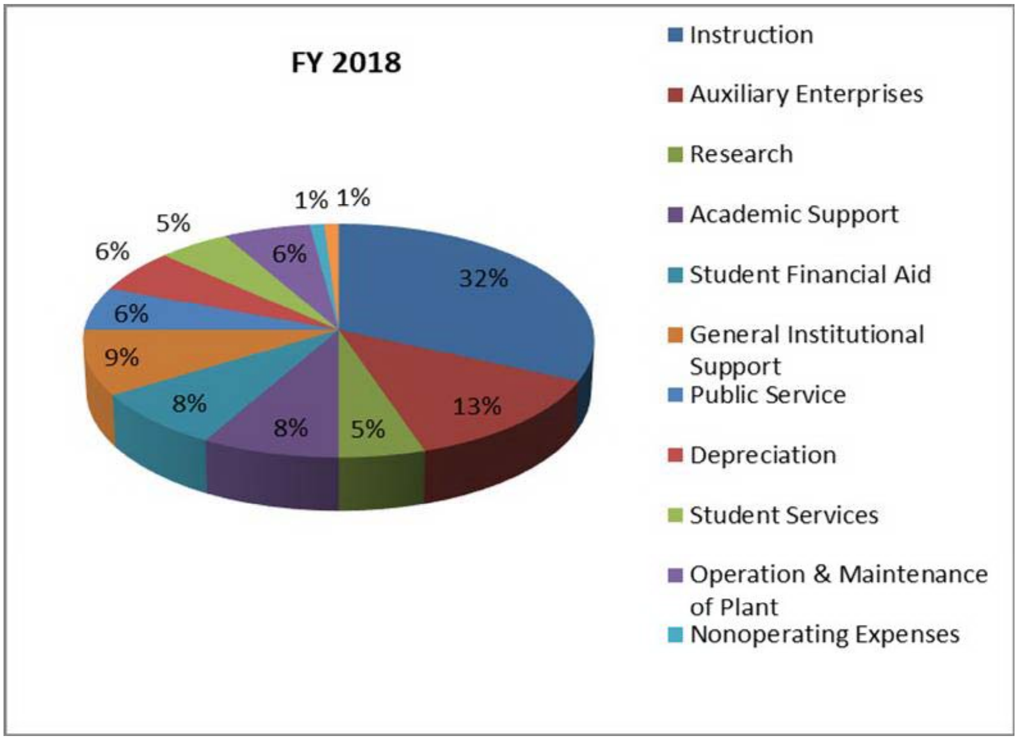


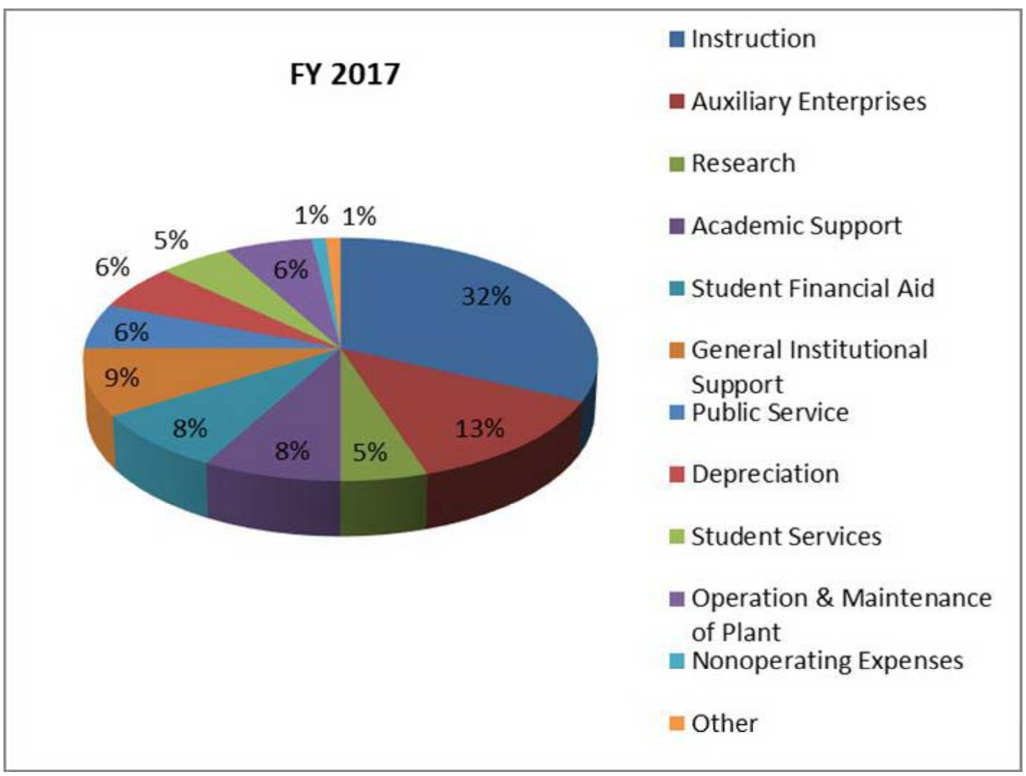
Total Operating and Nonoperating Expenses
(Graph B)





Total Operating and Nonoperating Expenses By Function (Graph C)





Income before other Revenues, Expenses, Gains, or Losses

The total of both operating and nonoperating revenues and expenses is reflected in the income before other revenues, expenses and other items. In FY 2018, there was a net increase of $1.6 million for the institution. Of this total, the University had a net increase of $5.4 million while MURC had a net decrease of $3.8 million.

Changes to Net Position

The increase in net position of $5.1 million, before the cumulative effect of a change in accounting, is $2.2 million less than the net increase in FY 2017. The net position increase for FY 2018 includes capital grants and gifts of $3.5 million. The net position increase for FY 2017 includes capital grants and gifts of $4.9 million.

Statement of Cash Flows

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

Condensed Schedules of Cash Flows
(In thousands of dollars)

	FY 2018	FY 2017	FY 2016
Cash Flows Provided (Used) by:			
Operating Activities	$ (67,585)	$ (66,187)	$ (74,483)
Noncapital Financing Activities	81,753	81,164	85,241
Capital and Related Financing Activities	(12,465)	(11,435)	(10,554)
Investing Activities	2,795	1,714	3,844
Net Change in Current Cash	4,498	5,256	4,048
Current Cash - Beginning of Year	77,879	72,623	68,575
Current Cash - End of Year	$ 82,377	$ 77,879	$ 72,623

The statement of cash flows is divided into five sections:

- Cash flows from operating activities show the net cash used by the operating activities of the University.
- Cash flows from noncapital financing activities reflect the cash received and paid for nonoperating, noninvesting, and noncapital financing purposes. State appropriations are the primary source of cash in this section.
- Cash flows from capital financing activities include cash used for the acquisition and construction of capital and related items.
- Cash flows from investing activities show the purchases, proceeds, and interest received from investing activities.
- Reconciliation of operating loss to net cash used in operating activities provides a schedule that reconciles the accrual-based operating loss and net cash used in operating activities.

Capital Asset and Debt Administration

The University did not have any construction projects of new facilities in FY2018, only renovation and maintenance projects. Projects that were completed in FY 2018 include various renovation and maintenance projects at the Drinko Library, Smith Music Hall, JC Edwards Stadium, and Twin Towers. New projects that were initiated in FY 2018 were at JC Edwards Stadium and Twin Towers.

The Commission assesses each public institution of higher education for funds to meet the payment of debt service on various revenue bonds that were issued for the financing of academic and other facilities of the State's universities and colleges, including certain facilities of the University. The bonds remain as a capital obligation of the Commission; however, $8.8 million is reported as debt service assessment payable to the Commission by the University.

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

Economic Outlook

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

Although FY2018 realized some recovery of State revenues, The University continues to be at risk for reductions in State appropriations if this revenue stabilization is not maintained. The University has withstood nearly 20% in cuts to state appropriations over the past several years.

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

Marshall University is now more focused than ever on cost controls, value creation, organizational structure-function efficiencies, judicious spending, utility conservation measures, targeted improvements to the physical plant, growth in extramural grant funding, strategic expansion of student enrollment and diversified revenue enhancements. Key components of Marshall 20/20 long-range plan include budget realignment, multi-year pro forma development, comprehensive academic and services portfolio reviews to identify and eliminate hidden unnecessary costs, and establish key performance indicators to allow greater performance accountability.

These measures have already shown success. More than $83 million in Marshall University revenue bonds this year had their "AA-" ratings affirmed September 2017 by FitchRatings with a stable outlook. The AA- rating reflects Marshall's important role as the second largest provider of public higher education in the state of West Virginia. In the credit opinion, FitchRatings specifically noted "the University has maintained generally positive operating results and balance sheet strength consistent with the rating category, despite declining appropriations from the state."

Enrollment Growth Plan: Beginning in summer 2006, Marshall University launched a series of initiatives to increase full-time undergraduate enrollment. The primary objective is to maximize and manage enrollment growth by taking full advantage of existing institutional capacities in terms of instructional space, faculty, and support staff. The targeted enrollment growth will be achieved through a combination of annual increases in the size of the freshmen class with greater nonresident and international student enrollment, greater leveraging of institutional financial aid, increasing the number of transfer, on-line, distance and adult students, and improved retention rates across all levels to achieve six-year graduation rates for undergraduates that exceed 60%.

Marshall has realized a retention rate increase of 3.9% from the Fall 2012 cohort at 68.6% to the Fall 2017 cohort at 72.5%. Final enrollment for Fall 2016 and Fall 2017 was 13,654 and 13,259 students respectively. Current same-day enrollment for Fall 2018 shows an increase of 154 students; this is due to an increase of 653 enrolled high school students. President Jerome A. Gilbert has established enrollment goals of 15,000 students by 2023.

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

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

President Gilbert plans to increase overall research productivity from Marshall University. Increasing research funding from the current level of $28 million to $50 million within the next 5-7 years and expanding PhD program offerings are additional goals under his administration. Along with faculty and senior staff, President Gilbert is currently developing a strategic plan to advance these priorities and brand Marshall as a nationally prominent institution regarded as an engaged university and emerging leader in the nation.

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

MARSHALL UNIVERSITY
STATEMENTS OF NET POSITION – PRIMARY INSTITUTION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 82,376,725	$ 77,878,801
Accounts Receivable, Net	17,735,885	15,904,966
Loans Receivable	882,985	881,898
Inventories	688,723	698,072
Other Current Assets	457,077	511,449
Total Current Assets	102,141,395	95,875,186
NONCURRENT ASSETS		
Cash and Cash Equivalents	1,167,246	1,692,729
Investments	102,149,185	97,565,284
Accounts Receivable	9,500,459	9,329,631
Loans Receivable, Net of Allowance of $2,625,789 in 2018 and $2,634,965 in 2017	7,035,121	7,322,904
Capital Assets, Net	409,639,198	417,807,760
Total Noncurrent Assets	529,491,209	533,718,308
Total Assets	631,632,604	629,593,494
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding	799,405	920,804
Deferred Outflows Related to Pensions	536,417	1,044,226
Deferred Outflows Related to OPEB	3,114,765	-
Total Deferred Outflows of Resources	4,450,587	1,965,030
Total Assets and Deferred Outflows	$ 636,083,191	$ 631,558,524

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
STATEMENTS OF NET POSITION – PRIMARY INSTITUTION (CONTINUED)
JUNE 30, 2018 AND 2017

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	2018	2017
CURRENT LIABILITIES		
Accounts Payable	$ 5,139,225	$ 5,831,347
Due to MCTC, Current Portion	42,834	350,000
Accrued Liabilities	15,718,733	13,548,937
Accrued Interest	642,062	669,858
Unearned Revenue	9,241,459	6,414,129
Deposits	680,383	679,948
Notes, Capital Lease, and Bonds Payable, Current Portion	4,432,210	4,262,193
Compensated Absences	9,986,013	9,895,458
Debt Obligations to the Commission, Current Portion	1,063,107	1,144,018
Total Current Liabilities	46,946,026	42,795,888
NONCURRENT LIABILITIES		
Notes, Capital Lease, and Bonds Payable	80,783,468	84,562,571
Advances from Federal Sponsors	6,345,285	6,345,285
Other Noncurrent Liabilities	9,967,526	10,496,388
Accrued Service Concession Liability	336,182	117,027
Other Post Employment Benefits Liability	41,264,755	47,111,980
Net Pension Liability	2,963,813	4,564,096
Due to MCTC	-	42,834
Debt Obligations to the Commission	7,722,746	9,743,333
Total Noncurrent Liabilities	149,383,775	162,983,514
Total Liabilities	196,329,801	205,779,402
DEFERRED INFLOWS OF RESOURCES		
Service Concession Arrangement	593,675	531,592
Deferred Inflows Related to Pensions	1,114,802	350,018
Deferred Inflows Related to OPEB	6,985,211	-
Total Deferred Inflows of Resources	8,693,688	881,610
Total Liabilities and Deferred Inflows	205,023,489	206,661,012
NET POSITION		
Net Investment in Capital Assets	315,300,658	317,840,351
Restricted for:		
Nonexpendable	15,176,000	15,176,000
Expendable:		
Scholarships	200,100	124,396
Sponsored Projects	14,179,598	15,613,561
Loans	1,902,752	1,770,521
Debt Service	3,521	1,041
Total Restricted Expendable	16,285,971	17,509,519
Unrestricted	84,297,073	74,371,642
Total Net Position	431,059,702	424,897,512
Total Liabilities, Deferred Inflows, and Net Position	$ 636,083,191	$ 631,558,524

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION – PRIMARY INSTITUTION
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
OPERATING REVENUES		
Student Tuition and Fees, Net of Scholarship Allowance of $41,981,110 in 2018 and $39,723,246 in 2017	$ 85,798,399	$ 82,096,646
Contracts and Grants:		
Federal	18,596,000	18,313,589
State	21,242,492	21,810,385
Local	1,541,412	1,554,822
Private	21,441,785	21,964,427
Interest on Loans Receivable	184,188	156,244
Sales and Services of Educational Activities	193,295	223,859
Auxiliary Enterprise Revenue, Net of Scholarship Allowance of $6,747,583 in 2018 and $6,386,152 in 2017	34,009,508	36,252,822
Other Operating Revenues	9,883,857	10,089,953
Total Operating Revenues	192,890,936	192,462,747
OPERATING EXPENSES		
Salaries and Wages	130,646,877	131,138,485
Benefits	38,322,714	38,386,185
Supplies and Other Services	62,309,392	62,146,012
Utilities	9,331,897	9,352,656
Student Financial Aid, Scholarships, and Fellowships	23,000,737	22,210,214
Depreciation	16,406,128	16,497,553
Other Operating Expenses	68,390	171,442
Fees Assessed by the Commission for Operations	760,382	754,734
Total Operating Expenses	280,846,517	280,657,281
OPERATING LOSS	(87,955,581)	(88,194,534)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	61,839,957	64,794,381
State Lottery Appropriations	560,107	585,886
Payments on Behalf of the University	3,269,484	811,113
Federal Pell Grants	18,098,843	16,609,083
Gifts	1,730,374	785,790
Investment Income	7,440,480	11,527,027
Interest on Indebtedness	(3,822,139)	(3,924,188)
Fees Assessed by the Commission for Debt Service	(418,613)	(542,981)
Other Nonoperating Revenues (Expenses), Net	900,553	(30,849)
Net Nonoperating Revenues	89,599,046	90,615,262
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	1,643,465	2,420,728
CAPITAL GRANTS AND GIFTS	3,487,726	4,935,648
INCREASE IN NET POSITION	5,131,191	7,356,376
Net Position - Beginning of Year	424,897,512	417,541,136
Restatement for Other Post Employment Benefits Liability	1,030,999	-
Net Position - Beginning of Year, Restated	425,928,511	417,541,136
NET POSITION - END OF YEAR	$ 431,059,702	$ 424,897,512

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
STATEMENTS OF CASH FLOWS – PRIMARY INSTITUTION
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Student Tuition and Fees	$ 86,836,763	$ 82,022,678
Contracts and Grants	64,280,714	65,576,157
Payments to and on Behalf of Employees	(164,402,915)	(166,374,609)
Payments to Suppliers	(66,019,576)	(61,125,899)
Payments to Utilities	(9,331,897)	(9,352,656)
Payments for Scholarships and Fellowships	(23,000,737)	(22,210,214)
Loans Issued	(889,177)	(1,306,233)
Collection of Loans	1,126,095	1,011,983
Sales and Service of Educational Activities	193,295	223,859
Auxiliary Enterprise Charges	34,071,507	35,869,748
Fees Assessed by the Commission	(760,382)	(754,734)
Program Income	1,452,874	1,216,770
Other Receipts - Net	8,858,227	9,016,752
Net Cash Used by Operating Activities	(67,585,209)	(66,186,398)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	62,106,962	63,511,480
Federal Pell Grants	18,098,843	16,609,083
Gift Receipts	1,730,374	785,790
Other nonoperating receipts	14,673	5,609
Agency Fund Receipts	14,124,373	24,313,741
Agency Fund Payments	(14,321,767)	(24,062,063)
William D. Ford Direct Lending Receipts	87,485,212	84,449,280
William D. Ford Direct Lending Payments	(87,485,217)	(84,449,279)
Net Cash Provided by Noncapital Financing Activities	81,753,453	81,163,641
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital Grants and Gifts Received	2,531,226	4,491,098
Purchases of Capital Assets	(5,027,168)	(6,176,425)
Interest Paid on Notes Payable	(39,678)	(31,621)
Payments on Note Payable	(161,018)	(162,142)
Payments on Debt to MCTC	(350,000)	(350,000)
Principal Paid on Bonds and Leases	(4,494,022)	(4,409,834)
Interest Paid on Bonds and Leases	(3,861,588)	(4,152,149)
Proceeds from Sale of Capital Assets	10,681	12,072
Principal Payment on Debt Obligation Due to the Commission	(980,711)	(911,151)
Fees Assessed by the Commission	(418,613)	(542,981)
Proceeds from Loan From Commission	-	785,000
Principal Payment on Loan from the Commission	(200,000)	-
Deposits to Noncurrent Cash and Cash Equivalents	(1,220,939)	(1,336,927)
Withdrawals from Noncurrent Cash and Cash Equivalents	1,746,421	1,349,733
Net Cash Used by Capital Financing Activities	(12,465,409)	(11,435,327)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(1,894,019)	(13,488,328)
Sales/Maturities of Investments	2,007,316	13,571,138
Investment Income	2,681,792	1,630,946
Net Cash Provided by Investing Activities	2,795,089	1,713,756
INCREASE IN CURRENT CASH AND CASH EQUIVALENTS	4,497,924	5,255,672
Current Cash and Cash Equivalents - Beginning of Year	77,878,801	72,623,129
CURRENT CASH AND CASH EQUIVALENTS - END OF YEAR	$ 82,376,725	$ 77,878,801

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
STATEMENTS OF CASH FLOWS – PRIMARY INSTITUTION (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$ (87,955,581)	$ (88,194,534)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	16,406,128	16,497,553
Expenses Paid on Behalf of the University	3,269,484	811,113
Changes in Assets and Liabilities:		
Accounts Receivable - Net	3,275,109	(598,220)
Loans Receivable - Net	305,308	(122,808)
Prepaid Expenses	54,372	(58,538)
Inventories	9,349	25,848
Accounts Payable	(1,740,550)	3,321,014
Accrued Liabilities	2,339,066	827,753
Other Post Employment Benefits Liability	(4,816,226)	1,507,914
Defined Benefit Pension Plan	(1,600,283)	785,340
Compensated Absences	90,555	(142,594)
Unearned Revenue	2,777,625	(846,569)
Deposits Held for Others	435	330
Net Cash Used by Operating Activities	$ (67,585,209)	$ (66,186,398)
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS		
Loss on Disposal of Assets	$ 34,906	$ 36,458
Property Additions in Accounts Payable	$ 596,581	$ 1,569,719
Expenses Paid on Behalf of the University	$ 3,269,484	$ 811,113
Acquisition of Fixed Assets Under Capital Lease Arrangements	$ 998,941	$ 2,359,038
Donated Capital Assets	$ 1,283,908	$ 90,365

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
THE MARSHALL UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – COMPONENT UNIT
JUNE 30, 2018 AND 2017

		2018		2017
ASSETS				
Cash and cash equivalents	$	15,151,619	$	15,491,176
Unconditional promises to give, less allowance for uncollectible promises of $3,584,378 and $3,150,745 in 2018 and 2017, respectively		11,453,350		14,997,621
Contributions receivable from remainder trusts		809,518		1,045,005
Other receivables		662,356		261,251
Beneficial interest in perpetual trust		9,577,362		9,486,260
Investments		208,815,449		202,130,933
Net investment in direct financing leases		-0-		158,376
Property and equipment - net		12,399,504		12,771,262
Cash surrender value-life insurance, net of policy loans		571,094		531,852
Prepaids		29,102		26,397
Other assets		16,525		16,525
Collections		1,351,095		1,351,095
TOTAL ASSETS	$	260,836,974	$	258,267,753
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	$	138,777	$	41,301
Accrued vacation, wages and deferred compensation		288,114		243,437
Accrued interest payable		90,861		79,896
Bonds payable		-0-		6,938,376
Notes payable		300,000		300,000
Annuity payment liability		421,044		361,074
Deferred revenue		378,408		268,080
Fair value of interest rate swap		-0-		2,815
Funds held in custody for others		71,011,547		66,802,481
TOTAL LIABILITIES		72,628,751		75,037,460
NET ASSETS				
Unrestricted		8,682,549		11,339,231
Temporarily restricted		65,323,115		61,192,115
Permanently restricted		114,202,559		110,698,947
TOTAL NET ASSETS		188,208,223		183,230,293
TOTAL LIABILITIES AND NET ASSETS	$	260,836,974	$	258,267,753

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
THE MARSHALL UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES – COMPONENT UNIT
YEARS ENDED JUNE 30, 2018 AND 2017

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS				
Gifts, contributions and other	$ 853,939	$ 7,914,276	$ 2,647,812	$ 11,416,027
Investment income	1,140,288	7,703,752	1,130,767	9,974,807
Net assets released from restrictions				
Satisfaction of program restrictions	12,998,094	(12,998,094)	-0-	-0-
TOTAL PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS	14,992,321	2,619,934	3,778,579	21,390,834
EXPENSES				
PROGRAM SERVICES				
Academic assistance	8,757,892	-0-	-0-	8,757,892
Student assistance	4,548,465	-0-	-0-	4,548,465
TOTAL PROGRAM SERVICES	13,306,357	-0-	-0-	13,306,357
SUPPORTING SERVICES				
Management and general	1,708,043	-0-	-0-	1,708,043
Fundraising	1,398,504	-0-	-0-	1,398,504
TOTAL SUPPORTING SERVICES	3,106,547	-0-	-0-	3,106,547
TOTAL EXPENSES	16,412,904	-0-	-0-	16,412,904
CHANGE IN NET ASSETS	(1,420,583)	2,619,934	3,778,579	4,977,930
NET ASSETS AS OF BEGINNING OF YEAR	11,339,231	61,192,115	110,698,947	183,230,293
TRANSFERS	(1,236,099)	1,511,066	(274,967)	-0-
NET ASSETS AS OF END OF YEAR	$ 8,682,549	$ 65,323,115	$ 114,202,559	$ 188,208,223

See accompanying Notes to Financial Statements.

2017			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 447,608	$ 7,954,133	$ 6,951,351	$ 15,353,092
1,470,404	13,142,088	1,059,438	15,671,930
13,154,032	(13,154,032)	-0-	-0-
15,072,044	7,942,189	8,010,789	31,025,022
9,450,885	-0-	-0-	9,450,885
4,024,247	-0-	-0-	4,024,247
13,475,132	-0-	-0-	13,475,132
1,665,145	-0-	-0-	1,665,145
1,380,890	-0-	-0-	1,380,890
3,046,035	-0-	-0-	3,046,035
16,521,167	-0-	-0-	16,521,167
(1,449,123)	7,942,189	8,010,789	14,503,855
10,555,898	55,469,110	102,701,430	168,726,438
2,232,456	(2,219,184)	(13,272)	-0-
$ 11,339,231	$ 61,192,115	$ 110,698,947	$ 183,230,293

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
PROVIDENT GROUP – MARSHALL PROPERTIES L.L.C.
BALANCE SHEETS – COMPONENT UNIT
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,705,963	$ 1,183,864
Assets held by trustee, current portion	1,663,624	1,852,729
Accounts receivable, net of allowance; 2018 - $564,000 and 2017 - $512,000	447,970	590,942
Prepaid insurance and other current assets	57,208	49,319
Total current assets	3,874,765	3,676,854
Assets held by trustee, net of current portion	3,536,493	3,517,014
Property and equipment		
Buildings and improvements	77,435,382	77,404,121
Equipment and furniture	7,711,565	7,617,631
Construction in progress	99,899	66,688
	85,246,846	85,088,440
Less accumulated depreciation	26,471,870	23,478,910
Total property and equipment	58,774,976	61,609,530
Total assets	$ 66,186,234	$ 68,803,398
LIABILITIES AND MEMBER'S DEFICIT		
Current liabilities		
Revenue bonds payable, current portion	$ 794,000	$ 624,000
Accounts payable	202,402	140,889
Accrued interest	85,142	53,371
Interest rate swap agreement, current portion	1,603,265	2,176,885
Accrued expenses and other current liabilities	1,027,323	1,099,140
Total current liabilities	3,712,132	4,094,285
Long-term liabilities		
Revenue bonds payable, net of current portion	85,975,496	86,601,398
Deferred interest - subordinate bonds payable	656,279	662,725
Interest rate swap agreement, net of current portion	9,529,936	13,648,050
Total long-term liabilities	96,161,711	100,912,173
Total liabilities	99,873,843	105,006,458
Member's deficit	(33,687,609)	(36,203,060)
Total liabilities and member's deficit	$ 66,186,234	$ 68,803,398

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
PROVIDENT GROUP – MARSHALL PROPERTIES L.L.C.
STATEMENTS OF OPERATONS – COMPONENT UNIT
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Operating revenue		
Rental revenue	$ 4,586,630	$ 4,677,460
Membership fees	5,766,842	5,947,838
Other revenue	52,356	65,098
Total operating revenue	10,405,828	10,690,396
Operating expenses		
Administration and general	3,648,805	3,558,602
Plant operations and maintenance	1,224,025	1,420,059
Marketing	51,422	58,869
Management fee	638,505	631,573
Bad debts	66,078	59,695
Total operating expenses	5,628,835	5,728,798
Operating income	4,776,993	4,961,598
Other income (expense)		
Interest income	24,927	3,323
Interest expense - senior bonds payable	(3,043,819)	(3,135,496)
Interest expense - subordinate bonds payable	(656,513)	(662,727)
Depreciation	(3,158,430)	(3,124,709)
Interest expense - amortization of debt related items	(66,098)	(62,447)
Loss on disposal of fixed assets	(53,343)	(29,476)
Unrealized gain on interest rate swap agreement	4,691,734	7,175,891
Total other income (expense)	(2,261,542)	164,359
Net income	$ 2,515,451	$ 5,125,957

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
BIG GREEN SCHOLARSHIP FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION – COMPONENT UNIT
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 1,594,800	$ 1,597,686
Accounts Receivable	690,963	733,357
Unconditional Pledges (Net of Allowance for Uncollectible Pledges)	635,933	599,203
Prepaid Expenses	35,503	2,639
Total Current Assets	2,957,199	2,932,885
FIXED ASSETS		
Vehicles	82,351	142,481
Less: Accumulated Depreciation	(82,351)	(127,714)
Net Fixed Assets	-	14,767
OTHER ASSETS		
Security Deposit	2,039	2,039
Other Receivable	940,738	1,479,423
Beneficial Interest in Charitable Remainder Trust, Temporarily Restricted	735,989	731,556
Endowment Investments:		
Unrestricted	98,974	91,468
Permanently restricted	8,366,990	7,606,015
Cash Value Life Insurance	95,640	124,802
Total Other Assets	10,240,370	10,035,303
Total Assets	$ 13,197,569	$ 12,982,955
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 57,554	$ 46,784
Current Portion of Long-Term Debt	561,153	539,637
Deferred Revenue	4,032	350
Total Current Liabilities	622,739	586,771
OTHER LIABILITIES		
Long-Term Debt	996,185	1,556,386
Total Liabilities	1,618,924	2,143,157
NET ASSETS		
Unrestricted	2,247,810	2,273,106
Temporarily Restricted	735,989	731,556
Permanently Restricted	8,594,846	7,835,136
Total Net Assets	11,578,645	10,839,798
Total Liabilities and Net Assets	$ 13,197,569	$ 12,982,955

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
BIG GREEN SCHOLARSHIP FOUNDATION, INC.
STATEMENTS OF ACTIVITIES – COMPONENT UNIT
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
UNRESTRICTED NET ASSETS		
Support:		
Contributions	$ 2,668,330	$ 2,620,913
Special Events	560,248	515,490
Other Income	95,176	99,766
In-Kind Contributions	356,844	364,976
Total Unrestricted Support	3,680,598	3,601,145
OTHER REVENUE, GAINS, EXPENSES, AND LOSSES		
Revenue and Gains:		
Interest and Dividend Income	313,716	171,841
Other Interest Income	72,738	95,636
Unrealized Gain on Investment	4,286	6,589
Total Revenue and Gains	390,740	274,066
Expenses and Losses:		
Investment Fees	31,770	57,828
Total Expenses and Losses	31,770	57,828
Total Other Revenue, Gains, Expenses, and Losses	358,970	216,238
Total Support and Other Income	4,039,568	3,817,383
BIG GREEN EXPENSES		
Salaries and Benefits	192,340	156,998
Special Events	439,221	359,555
Travel and Entertainment	114,342	84,975
Promotions	213,500	238,476
Public Relations	5,270	4,561
Printing and Graphics	26,839	55,223
Office Expenses	42,558	81,508
Insurance	5,512	5,240
Repair, Maintenance, and Rental	85,199	101,965
Accounting and Professional Services	11,491	11,490
Interest	72,738	95,636
Other Expenses	2,702	4,439
Bank Charges and Credit Card Fees	31,998	28,517
Bad Debt Expense	103,563	176,767
Total Big Green Expenses	$ 1,347,273	$ 1,405,350

See accompanying Notes to Financial Statements.

MARSHALL UNIVERSITY
BIG GREEN SCHOLARSHIP FOUNDATION, INC.
STATEMENTS OF ACTIVITIES – COMPONENT UNIT (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
MARSHALL UNIVERSITY DEPARTMENT OF ATHLETICS		
EXPENSES:		
Contributions to Marshall University Department of Athletics	$ 1,900,000	$ 1,850,000
Capital Purchases to Marshall University	20,175	23,495
Salaries and Benefits	196,498	197,191
Financial Aid	10,500	2,500
Athletic Equipment and Awards	15,963	6,055
Courtesy Cars	218,407	208,826
Travel, Staff	-	4,000
Travel, Team	81,943	63,352
Recruiting	156,964	135,755
Medical	108,401	145,201
Housing	52,200	56,831
Facility Maintenance	5,591	260,539
Office Expenses	11,955	12,359
Other Expenses	3,308	358
Depreciation	14,767	33,755
Video	-	3,161
Total Athletics Expenses	2,796,672	3,003,378
Total Expenses	4,143,945	4,408,728
DECREASE IN UNRESTRICTED NET ASSETS	(104,377)	(591,345)
TEMPORARILY RESTRICTED ASSETS		
Unrealized Gain on Investments	4,433	46,535
PERMANENTLY RESTRICTED ASSETS		
Contributions	473,340	423,513
Unrealized Gain on Investments	365,451	544,434
Increase in Permanently Restricted Net Assets	838,791	967,947
INCREASE IN NET ASSETS	738,847	423,137
Net Assets - Beginning of Year	10,839,798	10,416,661
NET ASSETS - END OF YEAR	$ 11,578,645	$ 10,839,798

See accompanying Notes to Financial Statements.

NOTE 1 ORGANIZATION

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

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

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

As a requirement of Governmental Accounting Standards Board (GASB), the University has included information from the Marshall University Foundation, Inc. (the Foundation), Provident Group — Marshall Properties, L.L.C. (Provident — Marshall) and Big Green Scholarship Foundation, Inc. (Big Green) for the years ended June 30, 2018 and 2017.

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

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

NOTE 1 ORGANIZATION (CONTINUED)

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

On May 25, 2006, the Center was incorporated to foster and promote the redevelopment of Brownfield sites, including providing assistance to eligible entities on state and federal Brownfield programs, securing state and federal funding for Brownfield redevelopment, and acquiring property eligible for state and federal Brownfield assistance as set forth in West Virginia State Code 18B-11-7. As of June 30, 2018 and 2017, the Center had limited financial activity, all of which is included in the accompanying financial statements.

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

Financial Statement Presentation

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

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

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

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

Basis of Accounting

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

Cash and Cash Equivalents

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The University's investments are entirely managed and held by the Foundation at June 30, 2018 and 2017. MURC held U.S. government agency securities, corporate/foreign bonds, equity mutual funds and fixed income investments at June 30, 2018 and 2017.

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

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

Investments are made in accordance with and subject to the provisions of the Uniform Prudent Investor Act codified as article six-c, chapter forty-four of the West Virginia Code.

Allowance for Doubtful Accounts

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

Inventories

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

Noncurrent Cash, Cash Equivalents, and Investments

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

Unearned Revenue

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

Compensated Absences and Other Post Employment Benefits (OPEB)

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Net Pension Liability

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

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

Deferred Outflows of Resources

Consumption of net position by the University that is applicable to a future fiscal year is reported as a deferred outflow of resources on the statement of net position. As of June 30, 2018 and 2017, the University had a deferred loss on refunding of $799,405 and $920,804, respectively, and deferred outflows of resources related to pensions of $536,417 and $1,044,226 as of June 30, 2018 and 2017, respectively (Note 14). As of June 30, 2018, the University had deferred outflows of resources related to OPEB of $3,114,765, as required by GASB 75 (Note 11).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

Acquisition of net position by the University that is applicable to a future fiscal year is reported as a deferred inflow of resources on the statement of net position. As of June 30, 2018 and 2017, the University had deferred inflows from service concession arrangements of $593,675 and $531,592, respectively (Note 20), and deferred inflows related to pensions of $1,114,802 and $350,018 as of June 30, 2018 and 2017, respectively (Note 14). As of June 30, 2018, the University had deferred inflows of resources related to OPEB of $6,985,211, as required by GASB 75 (Note 11).

Risk Management

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

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

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

Starting July 1, 2005, the SOM assumed the risk and responsibility for any and all indemnity amounts up to $250,000 per occurrence and all loss expenses associated with medical malpractice claims and/or suits in exchange for a reduction in its premium for medical malpractice insurance. Under the program, SOM entered into an agreement with BRIM whereby SOM initially deposited $500,000 in an escrow account with the State Treasury from which BRIM could withdraw amounts to pay indemnity costs and allocated expenses in connection with medical malpractice claims against the SOM. At June 30, 2018 and 2017, the balance in the escrow account was $991,246 and $1,516,729, respectively. Based on an actuarial valuation of this self-insurance program, the University has recorded a liability of $9,092,000 and $9,346,000 at June 30, 2018 and 2017, respectively, to reflect projected claim payments at 80% confidence level and a discount rate of 3% at June 30, 2018 and 2017. The receivable from University Physicians & Surgeons, Inc., for the funding it has agreed to provide for this liability was $8,100,754 and $7,829,271 at June 30, 2018 and 2017, respectively, and is included in noncurrent other accounts receivable (see Note 4).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management (Continued)

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

Classification of Revenues

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

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

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

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

Use of Restricted Net Position

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

Federal Financial Assistance Programs

The University makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students through institutions, such as the University. Direct student loan receivables are not included in the University's accompanying statements of net position since the loans are repayable directly to the U.S. Department of Education. In 2018 and 2017, the University received and disbursed approximately $87,000,000 and $84,000,000, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the accompanying statements of revenues, expenses, and changes in net position.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Financial Assistance Programs (Continued)

The University also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Pell Grant, Supplemental Educational Opportunity Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2018 and 2017, the University received and disbursed approximately $18,993,000 and $17,508,000, respectively, under these federal student aid programs.

Scholarship Allowances

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

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

Government Grants and Contracts

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

Service Concession Arrangements (SCA)

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

Income Taxes

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Flows

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

Use of Estimates

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

Risk and Uncertainties

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

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

The University has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 requires the University to report its share of the defined benefit other than postemployment benefits (OPEB) and expense, as well as the related deferred outflows of resources and deferred inflows of resources, allocated to it by RHBT. The July 1, 2017 balance of the OPEB liability and related deferred outflows of resources is reported in the statement of revenues, expenses, and changes in net position as a restatement to the 2017 net position – beginning of the year. The RHBT was not able to provide sufficient information to restate the June 30, 2017 financial statements.

	2017
Net Position - Beginning of Year, as Previously Stated	$ 424,897,512
Balance of the Net OPEB Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	1,030,999
Net Position - Beginning of Year, as Restated	$ 425,928,511

The University has adopted Statement No. 85, *Omnibus 2017*. Statement No. 85 addresses the practice issues that have been identified during implementation of certain GASB statements. The adoption of this standard has no effect on the University's financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, which is effective for fiscal years beginning after June 15, 2018. Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for legally enforceable liabilities associated with the retirement of tangible capital assets. Examples of asset retirements covered under this standard are the decommissioning of a nuclear reactor or the dismantling and removal of sewage treatment plants as required by law. The University has not yet determined the effect that the adoption of GASB Statement No. 83 may have on its financial statements.

The GASB has also issued Statement No. 84, *Fiduciary Activities*, which is effective for fiscal years beginning after December 15, 2018. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments to determine whether an activity should be reported in a fiduciary fund in the financial statements. The University has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

The GASB has also issued Statement No. 87, *Leases*, which is effective for fiscal years beginning after December 15, 2019. Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In other words, most leases currently classified as operating leases will be accounted for and reported in the same manner as capital leases. The University has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

The GASB has also issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, which is effective for fiscal years beginning after June 15, 2018. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement defines debt for purposes of disclosure in the notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed as the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in the notes to the financial statements. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The University has not yet determined the effect that the adoption of GASB Statement No. 88 may have on its financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The GASB has also issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is effective for fiscal years beginning after December 15, 2019. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify the accounting for certain interest costs. This Statement also establishes accounting requirements for interest cost incurred before the end of a construction period. The University has not yet determined the effect that the adoption of GASB No. 89 may have on its financial statements.

The GASB has also issued Statement No. 90, *Major Equity Interests*, which is effective for fiscal years beginning after December 15, 2018. This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. This Statement also provides guidance for reporting component unit if a government acquires a 100% equity interest in that component unit. An equity interest is a financial interest in a legally separate organization evidenced by the ownership of shares of the organization's stock or by otherwise having an explicit, measureable right to the net resources of the organization that is usually based on an investment of financial or capital resources by a government. An equity interest is explicit and measureable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. The University has not yet determined the effect that the adoption of GASB No. 90 may have on its financial statements.

NOTE 3 CASH AND CASH EQUIVALENTS

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

	June 30, 2018		
	Current	Noncurrent	Total
State Treasurer	$ 77,414,077	$ 176,000	$ 77,590,077
Trustee	3,521	-	3,521
State Treasurer - Escrow	-	991,246	991,246
Cash Equivalents	2,863,682	-	2,863,682
In Bank	2,085,339	-	2,085,339
On Hand	10,106	-	10,106
Total	$ 82,376,725	$ 1,167,246	$ 83,543,971

	June 30, 2017		
	Current	Noncurrent	Total
State Treasurer	$ 70,343,709	$ 176,000	$ 70,519,709
Trustee	1,041	-	1,041
State Treasurer - Escrow	-	1,516,729	1,516,729
Cash Equivalents	6,268,399	-	6,268,399
In Bank	1,255,546	-	1,255,546
On Hand	10,106	-	10,106
Total	$ 77,878,801	$ 1,692,729	$ 79,571,530

Cash held by the State Treasurer includes $1,650,786 and $1,585,590 at June 30, 2018 and 2017, respectively, of restricted cash for sponsored projects, loans, and other purposes.

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

State Treasurer escrow represents an escrow agreement the University entered into with BRIM for malpractice insurance deductibles with a balance of $991,246 and $1,516,729 at June 30, 2018 and 2017, respectively.

MURC cash equivalents totaling $2,018,457 and $5,550,479 at June 30, 2018 and 2017, respectively, are held in repurchase agreements and a business savings account, both collateralized at 160% and 117%, respectively. The collateral was held in the name of MURC.

The carrying amount of cash in bank at June 30, 2018 and 2017, was $2,085,339 and $1,255,546 as compared with the bank balance of $4,520,032 and $1,297,817, respectively. The difference is primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by the State's agent. Regarding federal depository insurance, interest-bearing accounts are insured by the Federal Deposit Insurance Corporation up to $250,000. Noninterest-bearing accounts are 100% insured through June 30, 2018.

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Amounts with the State Treasurer as of June 30, 2018 and 2017, are comprised of approximately $8,712,000 and $7,406,000, respectively, held by the State Treasury Fund not invested, and two investment pools, the WV Money Market Pool and the WV Short Term Bond Pool.

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

	2018		2017	
External Pool	Carrying Value (in Thousands)	S & P Rating	Carrying Value (in Thousands)	S & P Rating
WV Money Market Pool	$ 67,316	AAAm	$ 61,694	AAAm
WV Short Term Bond Pool	1,562	Not Rated	1,420	Not Rated

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

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

	2018		2017	
External Pool	Carrying Value (in Thousands)	WAM (Days)	Carrying Value (in Thousands)	WAM (Days)
WV Money Market Pool	$ 67,316	34	$ 61,694	36

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

	2018		2017	
External Pool	Carrying Value (in Thousands)	Effective Duration (Days)	Carrying Value (in Thousands)	Effective Duration (Days)
WV Short Term Bond Pool	$ 1,562	372	$ 1,420	426

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

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Cash in Bank with Trustee

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

	Carrying Value	
	2018	2017
Investment Type		
Money Market Fund	$ 3,521	$ 1,041

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

Custodial Credit Risk

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

Interest Rate Risk

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

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2018 and 2017, are as follows:

	2018		
	Current	Noncurrent	Total
Student Tuition and Fees, Net of Allowance for Doubtful Accounts of $953,476	$ 2,663,192	$ -	$ 2,663,192
Grants and Contracts Receivable, Net of Doubtful Accounts of $1,192,787	7,201,534	-	7,201,534
Due from the Commission	455,039	-	455,039
Due from Other State Agencies	104,261	-	104,261
Primary Government	3,711,150	-	3,711,150
Other Accounts Receivable	3,600,709	9,500,459	13,101,168
Total	$ 17,735,885	$ 9,500,459	$ 27,236,344

NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)

	2017		
	Current	Noncurrent	Total
Student Tuition and Fees, Net of Allowance for Doubtful Accounts of $583,871	$ 1,830,788	$ -	$ 1,830,788
Grants and Contracts Receivable, Net of Doubtful Accounts of $702,057	6,681,171	-	6,681,171
Due from the Commission	270,284	-	270,284
Due from Other State Agencies	180,334	-	180,334
Primary Government	3,418,049	-	3,418,049
Other Accounts Receivable	3,524,340	9,329,631	12,853,971
Total	$ 15,904,966	$ 9,329,631	$ 25,234,597

NOTE 5 INVESTMENTS

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The University had the following recurring fair value measurements comprised of investments as of June 30, 2018 and 2017:

	2018			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by Fair Value Level				
University				
Investments Held by Marshall University Foundation	$ 71,011,547	$ -	$ 71,011,547	$ -
MURC				
U.S. Government Agency Obligations	519,017	519,017	-	-
U.S. Treasury Obligations	2,576,317	2,576,317	-	-
Corporate/Foreign Bonds	2,618,676	2,618,676	-	-
Equity Mutual Funds	19,874,356	19,874,356	-	-
Fixed Income	5,449,272	5,449,272	-	-
Total	102,049,185	$ 31,037,638	$ 71,011,547	$ -
Investments Measured at Cost				
MURC				
Progenesis Technologies	100,000			
Total Investments	$ 102,149,185			

NOTE 5 INVESTMENTS (CONTINUED)

	2017			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by Fair Value Level				
University				
Investments Held by Marshall University Foundation	$ 66,802,481	$ -	$ 66,802,481	$ -
MURC				
U.S. Government Agency Obligations	765,107	765,107	-	-
U.S. Treasury Obligations	3,032,037	3,032,037	-	-
Corporate Bonds	2,196,227	2,196,227	-	-
Equity Mutual Funds	20,083,455	20,083,455	-	-
Fixed Income	4,585,977	4,585,977	-	-
Total	97,465,284	$ 30,662,803	$ 66,802,481	$ -
Investments Measured at Cost				
MURC				
Progenesis Technologies	100,000			
Total Investments	$ 97,565,284			

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

NOTE 5 INVESTMENTS (CONTINUED)

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

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

Credit Risk

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

The U.S. Government National Mortgage Association Securities held by MURC have an average maturity of 4.08 years. At both June 30, 2018 and 2017, the MURC investment in U.S. Government Agency Obligations and U.S. Treasury Obligations, were AA+ rated government-backed securities. The Corporate Bonds acquired in 2017 by MURC have Moody ratings ranging from AAA to Baa3. The alternative investment in Progenesis Technologies, LLC does not have assigned rates.

Concentration of Credit Risk

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

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

Interest Rate Risk

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

NOTE 6 CAPITAL ASSETS

Capital asset transactions for the years ended June 30, 2018 and 2017 are as follows:

	2018				
	Beginning Balance	Additions	Reductions	Other	Ending Balance
Capital Assets not being Depreciated:					
Land	$ 33,499,301	$ 517,117	$ -	$ -	$ 34,016,418
Antiques and Artwork (Inexhaustible)	132,107	-	(10,500)	-	121,607
Construction in Progress	3,133,422	5,125,138	-	(4,111,281)	4,147,279
Total Capital Assets not being Depreciated	$ 36,764,830	$ 5,642,255	$ (10,500)	$ (4,111,281)	$ 38,285,304
Other Capital Assets:					
Land Improvements	$ 8,115,601	$ -	$ -	$ -	$ 8,115,601
Infrastructure	28,781,117	80,141	(4,476)	57,700	28,914,482
Buildings	518,669,679	-	-	4,053,581	522,723,260
Equipment	60,158,405	2,506,233	(1,067,328)	-	61,597,310
Library Books	9,567,927	54,525	(28,690)	-	9,593,762
Total Other Capital Assets	625,292,729	2,640,899	(1,100,494)	4,111,281	630,944,415
Less: Accumulated Depreciation for:					
Land Improvements	4,724,941	487,018	-	-	5,211,959
Infrastructure	22,701,086	1,122,280	(4,476)	-	23,818,890
Buildings	161,219,888	11,307,606	-	-	172,527,494
Equipment	46,635,497	3,302,842	(1,032,240)	-	48,906,099
Library Books	8,968,387	186,382	(28,690)	-	9,126,079
Total Accumulated Depreciation	244,249,799	16,406,128	(1,065,406)	-	259,590,521
Other Capital Assets - Net	$ 381,042,930	$ (13,765,229)	$ (35,088)	$ 4,111,281	$ 371,353,894
Capital Asset Summary:					
Capital Assets not being Depreciated	$ 36,764,830	$ 5,642,255	$ (10,500)	$ (4,111,281)	$ 38,285,304
Capital Assets	625,292,729	2,640,899	(1,100,494)	4,111,281	630,944,415
Total Cost of Capital Assets	662,057,559	8,283,154	(1,110,994)	-	669,229,719
Less: Accumulated Depreciation	(244,249,799)	(16,406,128)	1,065,406	-	(259,590,521)
Capital Assets - Net	$ 417,807,760	$ (8,122,974)	$ (45,588)	$ -	$ 409,639,198

NOTE 6 CAPITAL ASSETS (CONTINUED)

	2017				
	Beginning Balance	Additions	Reductions	Other	Ending Balance
Capital Assets not being Depreciated:					
Land	$ 33,499,301	$ -	$ -	$ -	$ 33,499,301
Antiques and Artwork (Inexhaustible)	132,107	-	-	-	132,107
Construction in Progress	2,280,065	3,695,472	-	(2,842,115)	3,133,422
Total Capital Assets not being Depreciated	$ 35,911,473	$ 3,695,472	$ -	$ (2,842,115)	$ 36,764,830
Other Capital Assets:					
Land Improvements	$ 8,115,601	$ -	$ -	$ -	$ 8,115,601
Infrastructure	28,514,265	225,116	(21,230)	62,966	28,781,117
Buildings	515,890,530	-	-	2,779,149	518,669,679
Equipment	57,860,720	3,472,980	(1,175,295)	-	60,158,405
Library Books	9,477,612	111,890	(21,575)	-	9,567,927
Total Other Capital Assets	619,858,728	3,809,986	(1,218,100)	2,842,115	625,292,729
Less: Accumulated Depreciation for:					
Land Improvements	4,237,923	487,018	-	-	4,724,941
Infrastructure	21,595,485	1,126,831	(21,230)	-	22,701,086
Buildings	149,962,610	11,257,278	-	-	161,219,888
Equipment	44,332,048	3,430,211	(1,126,762)	-	46,635,497
Library Books	8,793,749	196,215	(21,577)	-	8,968,387
Total Accumulated Depreciation	228,921,815	16,497,553	(1,169,569)	-	244,249,799
Other Capital Assets - Net	$ 390,936,913	$ (12,687,567)	$ (48,531)	$ 2,842,115	$ 381,042,930
Capital Asset Summary:					
Capital Assets not being Depreciated	$ 35,911,473	$ 3,695,472	$ -	$ (2,842,115)	$ 36,764,830
Capital Assets	619,858,728	3,809,986	(1,218,100)	2,842,115	625,292,729
Total Cost of Capital Assets	655,770,201	7,505,458	(1,218,100)	-	662,057,559
Less: Accumulated Depreciation	(228,921,815)	(16,497,553)	1,169,569	-	(244,249,799)
Capital Assets - Net	$ 426,848,386	$ (8,992,095)	$ (48,531)	$ -	$ 417,807,760

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

At June 30, 2018, the University had outstanding contractual commitments of approximately $2,921,416 for property, plant, and equipment expenditures. These commitments will be funded through a combination of donations and University resources.

NOTE 7 LONG-TERM LIABILITIES

Long-term obligation transactions for the years ended June 30, 2018 and 2017 are as follows:

	2018				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes, Bonds, and Capital Leases:					
Notes Payable	$ 1,771,199	$ -	$ (161,018)	$ 1,610,181	$ 161,018
Revenue Bonds Payable	81,255,486	-	(3,032,730)	78,222,756	2,990,000
Capital Leases Payable	5,798,078	998,941	(1,414,278)	5,382,741	1,281,192
Total Notes, Bonds, and Capital Leases	88,824,763	998,941	(4,608,026)	85,215,678	4,432,210
Other Long-Term Liabilities:					
Debt Obligation to the Commission	10,087,351	-	(1,901,498)	8,185,853	863,107
Loan Payable to the Commission	800,000	-	(200,000)	600,000	200,000
Due to MCTC	392,834	-	(350,000)	42,834	42,834
OPEB Liability	47,111,980	-	(5,847,225)	41,264,755	-
Net Pension Liability	4,564,096	-	(1,600,283)	2,963,813	-
Other Noncurrent Liabilities	10,496,359	1,492,421	(2,021,254)	9,967,526	-
Accrued Service Concession Liability	221,052	415,516	(150,193)	486,375	150,193
Advances from Federal Sponsors	6,345,285	-	-	6,345,285	-
Total Other Long-Term Liabilities	80,018,957	1,907,937	(12,070,453)	69,856,441	
Total Long-Term Liabilities	$ 168,843,720	$ 2,906,878	$(16,678,479)	$ 155,072,119	

	2017				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes, Bonds, and Capital Leases:					
Notes Payable	$ 1,932,217	$ -	$ (161,018)	$ 1,771,199	$ 161,018
Revenue Bonds Payable	84,209,163	-	(2,953,676)	81,255,487	2,860,000
Capital Leases Payable	4,860,637	2,359,037	(1,421,596)	5,798,078	1,241,175
Total Notes, Bonds, and Capital Leases	91,002,017	2,359,037	(4,536,290)	88,824,764	4,262,193
Other Long-Term Liabilities:					
Debt Obligation to the Commission	10,998,502	-	(911,151)	10,087,351	944,018
Loan Payable to the Commission	15,000	800,000	(15,000)	800,000	200,000
Due to MCTC	742,834	-	(350,000)	392,834	350,000
OPEB Liability	45,604,066	1,890,741	(382,827)	47,111,980	-
Net Pension Liability	3,778,756	785,340	-	4,564,096	-
Other Noncurrent Liabilities	10,885,807	1,229,731	(1,619,150)	10,496,388	-
Accrued Service Concession Liability	325,076	-	(104,024)	221,052	104,025
Advances from Federal Sponsors	6,345,285	-	-	6,345,285	-
Total Other Long-Term Liabilities	78,695,326	4,705,812	(3,382,152)	80,018,986	
Total Long-Term Liabilities	$ 169,697,343	$ 7,064,849	$ (7,918,442)	$ 168,843,750	

NOTE 8 NOTES PAYABLE

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

However, any unspent mortgage proceeds would go to pay the first amounts due for interest and principal. The rate for the period of April 10, 2018, through April 1, 2022, is 2.854%. The interest rate is subject to change each subsequent five-year period to the rate per annum equal to 67% of the five-year Treasury Constant Maturity in effect on that date, plus 1.67% per annum.

Scheduled maturities on notes payable as of June 30, 2018, are as follows:

Years Ending June 30,	Principal	Interest
2019	$ 161,018	$ 45,958
2020	161,018	41,362
2021	161,018	36,766
2022	161,018	32,170
2023	161,018	27,575
2024-2027	644,072	64,341
2028	161,019	4,596
Total	$ 1,610,181	$ 252,768

NOTE 9 BONDS

Bonds payable as of June 30, 2018 and 2017 consist of the following:

	Original Interest Rate	Annual Principal Installment Due	Principal Amount Outstanding 2018	Principal Amount Outstanding 2017
University Revenue Bonds	2.0% - 5.0%	$1,190,000 - $3,375,000	$ 49,505,000	$ 50,720,000
University Refunding Revenue Bonds	2.0% - 5.0%	$915,000 - $2,885,000	27,180,000	28,825,000
			76,685,000	79,545,000
Add Bond Premium			1,537,756	1,710,487
Total			$ 78,222,756	$ 81,255,487

NOTE 9 BONDS (CONTINUED)

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

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

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

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

The Bonds covenants require that the schedules of rent, charges, and fees shall at all times be adequate to produce revenues from the auxiliary facilities sufficient to pay operating expenses and when with E&G Capital Fees, Medical Center Rental Income, and Athletic Facility Enhancement Fee Revenues (as defined in the indenture) to make the prescribed payments into the funds and accounts created hereunder, and that such schedule or schedules of rents, charges, and fees that shall be revised from time to time to provide for all reasonable operating expenses and leave net revenues, when with other monies legally available to be used for such purposes, each year equal at least 110% the maximum annual debt service of the Bonds. During the years ended June 30, 2018 and 2017, net revenues, when combined with other monies legally available for payment of debt service, was 3.91 times and 3.45 times the maximum annual debt service, respectively.

NOTE 9 BONDS (CONTINUED)

A summary of the annual aggregate principal and interest payments for years subsequent to June 30, 2018, is as follows:

Year Ending June 30,	2010 Bonds University Refunding Revenue Principal	2010 Bonds University Refunding Revenue Interest	2011 Bonds University Revenue Principal	2011 Bonds University Revenue Interest	Combined Principal	Combined Interest
2019	$ 1,725,000	$ 1,292,000	$ 1,265,000	$ 2,261,525	$ 2,990,000	$ 3,553,525
2020	1,815,000	1,205,750	1,315,000	2,210,925	3,130,000	3,416,675
2021	1,905,000	1,115,000	1,355,000	2,171,475	3,260,000	3,286,475
2022	2,000,000	1,019,750	1,420,000	2,103,725	3,420,000	3,123,475
2023	2,080,000	939,750	1,495,000	2,032,725	3,575,000	2,972,475
2024-2028	12,015,000	3,076,725	8,535,000	9,095,800	20,550,000	12,172,525
2029-2033	5,640,000	400,450	10,775,000	6,852,500	16,415,000	7,252,950
2034-2038	-	-	13,635,000	3,991,106	13,635,000	3,991,106
2039-2041	-	-	9,710,000	867,625	9,710,000	867,625
Total	$ 27,180,000	$ 9,049,425	$ 49,505,000	$ 31,587,406	$ 76,685,000	$ 40,636,831

NOTE 10 LEASES

Operating

Future annual minimum lease payments on operating leases for years subsequent to June 30, 2018, are as follows:

Years Ending June 30,	Amount
2019	$ 716,727
2020	716,727
2021	625,160
2022	478,070
2023	461,271
2024-2027	1,768,204
Total	$ 4,766,159

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

Total rent expense for the years ended June 30, 2018 and 2017, was $753,683 and $829,488, respectively. The University does not have any noncancelable leases.

NOTE 10 LEASES (CONTINUED)

Capital

The University leases various equipment and buildings through capital leases. At June 30, 2018 and 2017, leased equipment with a net book value of $1,689,044 and $2,130,384 and leased buildings with a net book value of $4,550,605 and $6,841,194, respectively, are included in equipment and buildings.

In December 1996, the University entered into a lease agreement with the Marshall University Graduate College (MUGC) Foundation for an academic center to be used by the MUGC. The construction of the academic center was financed by the MUGC Foundation through the issuance of governmental revenue bonds. Effective September 1, 1997, the MUGC Foundation leased the academic center to the University for 20 years. During the year ended June 30, 2008, all assets and liabilities of the MUGC Foundation became part of the Foundation. Ownership of the Facility transferred to the University at the end of the lease term in 2018.

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

The University entered into one new lease in 2018 for the financing of turf for the softball field, and one new lease in 2017 for the financing of IT equipment.

Future annual minimum lease payments for years subsequent to June 30, 2018, are as follows:

Years Ending June 30,	Principal	Interest	Total
2019	$ 1,281,192	$ 148,632	$ 1,429,824
2020	1,314,970	114,854	1,429,824
2021	1,253,815	80,376	1,334,191
2022	554,600	48,128	602,728
2023	443,459	28,642	472,101
2024-2025	534,705	12,459	547,164
Total			5,815,832
Less: Interest			433,091
Total			$ 5,382,741

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

NOTE 11 OTHER POST EMPLOYMENT BENEFITS

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

Following is the University's other postemployment benefits liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, revenues, and other postemployment benefits expense and expenditures for the fiscal year ended June 30, 2018:

Net OPEB Liability	$ 41,264,755
Deferred Outflows of Resources	3,114,765
Deferred Inflows of Resources	6,985,211
Revenues	2,601,876
OPEB Expense	4,770,861
Contributions Made by the University	3,114,765

Plan Description

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

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

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Plan Description (Continued)

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

Benefits Provided

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

Contributions

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

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

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

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

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

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

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Contributions (Continued)

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

Assumptions

The net OPEB liability for financial reporting purposes was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost method.
- Amortization method and period: Level percentage of payroll over 21 years; closed as of June 30, 2016.
- Investment rate of return: 7.15%, net of OPEB Plan investment expense, including inflation.
- Projected salary increases: dependent on pension system ranging from 3.00% to 6.50%, including inflation.
- Healthcare cost trend rates: Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.50% and 9.75% for pre- and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.14% and 0.29% for pre- and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.
- Inflation rate: 2.75%.
- Discount rate: 7.15%
- Mortality rates: based on RP-2000 Mortality Tables.

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

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

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Assumptions (Continued)

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015.

Asset Class	Long-term Expected Real Rate of Return
Large Cap Domestic	17.0%
Non-Large Cap Domestic	22.0%
International Qualified	24.6%
International Non-Qualified	24.3%
International Equity	26.2%
Short-Term Fixed	0.5%
Total Return Fixed Income	6.7%
Core Fixed Income	0.1%
Hedge Fund	5.7%
Private Equity	19.6%
Real Estate	8.3%
Opportunistic Income	4.8%
Cash	0.0%

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

Sensitivity of the net pension liability to changes in the discount rate. The following presents the University's proportionate share of the net OPEB liability as of June 30, 2016 calculated using the discount rate of 7.15%, as well as what the University's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate (in thousands):

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net OPEB Liability	$ 48,048	$ 41,265	$ 35,626

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Assumptions (Continued)

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates. The following presents the University's proportionate share of the net OPEB liability as of June 30, 2016 calculated using the current healthcare cost trend rates, as well as what the University's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates (in thousands):

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	$ 34,663	$ 41,265	$ 49,339

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. The net OPEB liability at June 30, 2018 was measured as of June 30, 2016 rolled forward to June 30, 2017, which is the measurement date. The total OPEB liability at June 30, 2018 was determined by an actuarial valuation as of June 30, 2016 and rolled forward to the measurement date.

At June 30, 2018, the amount recognized as the University's proportionate share of the net OPEB liability was approximately $41,265,000. At June 30, 2018, the nonemployer contributing entity's (State of West Virginia) portion of the collective net OPEB liability is $8,475,000 and the total net OPEB liability attributable to the University is $49,740,000.

The allocation percentage assigned to each contributing employer is based on the employer's proportionate share of employer contributions to the RHBT for the fiscal years ended June 30, 2017. Employer contributions are recognized when due. At June 30, 2017, the University's proportion was 1.678118661%, a decrease of 0.316296231% from its proportion of 1.994414892% calculated as of June 30, 2016.

For the year ended June 30, 2018, the University recognized OPEB expense of $4,770,861. Of this amount, $2,168,985 was recognized as the University's proportionate share of the OPEB expense, and $2,601,876 as the amount of OPEB expense attributed to special funding. The University also recognized revenue of $2,601,876 for support provided by the State.

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Assumptions (Continued)

At June 30, 2018, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and difference between employer contributions and proportionate share of contributions	$ -	$ (6,188,422)
Net difference between projected and actual investment earnings		(658,613)
Differences between expected and actual experience		(138,176)
Contributions after the measurement date	3,114,765	
Total	$ 3,114,765	$ (6,985,211)

The University will recognize the $3,114,765 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended	Amortization
June 30, 2019	$ (1,868,099)
June 30, 2020	(1,868,099)
June 30, 2021	(1,868,099)
June 30, 2022	(1,380,914)
	$ (6,985,211)

NOTE 12 STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

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

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

NOTE 12 STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS (CONTINUED)

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

Debt service assessed for the years ended June 30, 2018 and 2017 is as follows:

	2018	2017
Principal	$ 980,711	$ 911,151
Interest	352,278	475,903
Other	66,335	67,078
Total	$ 1,399,324	$ 1,454,132

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

During September 2016, the Commission loaned the University $800,000 from the Energy and Water Savings Revolving Loan Fund to upgrade existing systems in order to reduce future utility costs. The loan is to be repaid in 4 annual installments of $200,000 each, over four years and is interest free.

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

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

NOTE 12 STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS (CONTINUED)

During December 2010, the HEPC issued $76,865,000 of the State of West Virginia Higher Education Policy Commission Revenue 2010 Series Bonds to fund HEPC Bond projects approved by the Commission. The University has been authorized to receive $25,000,000 of these proceeds to be specifically used for the construction of the new Biotechnology Development Center and Applied Engineering Complex. The University began drawing the bond proceeds for this project in FY 2012; 85% of these bond proceeds must be spent by December 2013. The University has no responsibility for repayment of this debt. As of June 30, 2018, the University has recognized $25 million of these funds as revenue.

During June 2012, the HEPC refunded a portion of the outstanding principal amount of the State of West Virginia Higher Education Policy Commission Revenue Refunding Bonds 2004 Series B Lottery Revenue Bonds and received approximately $8 million in bond proceeds from the refunding. The Commission approved a list of high-priority capital projects to be funded from the bond proceeds. The University had two projects approved for this funding and entered into an agreement with the Commission to receive $462,500 of these proceeds with a 100% matching requirement. Subsequent changes to budgeted costs reduced the approved amount to $427,330. As of June 30, 2018, the University has recognized $426,725 of these funds as revenue.

NOTE 13 UNRESTRICTED NET POSITION

The University's unrestricted net position as of June 30, 2018 and 2017 include certain designated net position as follows:

	2018	2017
Designated for Auxiliaries	$ 3,653,229	$ 4,621,762
Designated for Auxiliaries Repairs and Maintenance Debt Payments, Capital Projects, and Equipment Purchases	9,375,799	9,589,649
Designated for Other Repairs and Maintenance, Debt Payments, Capital Projects, and Equipment Purchases	8,513,947	8,688,932
Undesignated	104,018,853	98,583,279
Total Unrestricted Net Position Before OPEB Liability	125,561,828	121,483,622
Less: OPEB Liability	41,264,755	47,111,980
Total Unrestricted Net Position	$ 84,297,073	$ 74,371,642

NOTE 14 RETIREMENT PLANS

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

Defined Contribution Benefit Plans

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

Total contributions to TIAA-CREF for the years ended June 30, 2018, 2017, and 2016, were approximately $13,990,000, $13,836,000, and $13,630,000, respectively, which consisted of approximately $6,937,000, $6,867,000, $6,772,000, from the University in 2018, 2017, and 2016, respectively, and approximately $7,053,000, $6,969,000, and $6,858,000, from covered employees in 2018, 2017, and 2016, respectively.

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

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

Total contributions to the Educators Money for the years ended June 30, 2018, 2017, and 2016 were approximately $312,000 $304,000, $322,000, respectively, which consisted of approximately $156,000, $152,000, and $161,000, each from the University and the covered employees in 2018, 2017, and 2016, respectively.

The University's total payroll for the years ended June 30, 2018, 2017, and 2016 was approximately $130,647,000, $130,476,000, and $129,192,000, respectively; total covered employees' salaries in the TIAA-CREF and Educators Money were approximately $115,611,000 and $2,595,000, respectively in 2018, $114,445,000 and $2,542,000, respectively in 2017; and $112,858,000 and $2,686,000, respectively, in 2016.

NOTE 14 RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan

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

Following is the University's pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, revenues, and the pension expense and expenditures for the fiscal years ended June 30, 2018 and 2017:

	2018	2017
Net Pension Liability	$ 2,963,813	$ 4,564,096
Deferred Outflows of Resources	536,417	1,044,226
Deferred Inflows of Resources	1,114,802	350,018
Revenues	667,608	811,113
Pension Expense	678,661	1,092,779
Contributions Made by University	338,743	369,474

TRS

Plan Description

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

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

NOTE 14 RETIREMENT PLANS (CONTINUED)

TRS (Continued)

Benefits Provided

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

Contributions

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

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

Employer Contributions: Employers make the following contributions:

The State (including institutions of higher education) contributes:

1. 15% of gross salary of their State-employed members hired prior to July 1, 1991;
2. 15% of School Aid Formula (SAF) covered payroll of county-employed members;
3. 7.5% of SAF-covered payroll od members of the TDCRS;
4. a certain percentage of fire insurance premiums paid by State residents; and
5. under WV State code section 18-9-A-6a, beginning in fiscal year 1996, an amount determined by the State Actuary as being needed to eliminate the TRS unfunded liability within 40 years of June 30, 1994. As of June 30, 2017 and 2016, respectively, the University's proportionate share attributable to this special funding subsidy was $635,464 and $771,678.

The University's contributions to TRS for the years ended June 30, 2018, 2017, and 2016, were approximately $338,000, $369,000, and $427,000, respectively.

NOTE 14 RETIREMENT PLANS (CONTINUED)

TRS (Continued)

Assumptions

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2016 and 2015, respectively, and rolled forward to June 30, 2017 and 2016, respectively. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost with level percentage of payroll.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method and period: Level dollar, fixed period over 40 years, from July 1, 1994 through fiscal year 2034.
- Investment rate of return of 7.50%, net of pension plan administrative and investment expenses.
- Projected salary increases: Teachers 3.00–6.00% and non-teachers 3.00–6.50%, based on age.
- Inflation rate of 3.0%.
- Discount rate of 7.50%.
- Mortality rates based on RP-2000 Mortality Tables.
- Withdrawal rates: Teachers 0.8-35.00% and non-teachers 1.316-24.75%.
- Disability rates: 0-0.7%.
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Retirement rates: 15-100%.
- *Ad hoc* cost-of-living increases in pensions are periodically granted by the State Legislature. However, the retirement system makes no automatic provision for such increases.

Experience studies are performed at least once in every five-year period. The most recent experience study covered the period from July 1, 2010 to June 30, 2015. These assumptions will remain in effect for valuation purposes until such time as the CPRB adopts revised assumptions.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the long-term geometric rates of return for each major asset class included in TRS' target asset allocation as of June 30, 2017 and 2016, are summarized below.

NOTE 14 RETIREMENT PLANS (CONTINUED)

TRS (Continued)

Assumptions (Continued)

2018

Asset Class	Long-Term Expected Rate of Return	Target Allocation
Domestic Equity	7.0%	27.5%
International Equity	7.7%	27.5%
Core Fixed Income	2.7%	7.5%
High-Yield Fixed Income	5.5%	7.5%
TIPS	2.7%	0.0%
Real Estate	7.0%	10.0%
Private Equity	9.4%	10.0%
Hedge Funds	4.7%	10.0%

2017

Asset Class	Long-Term Expected Rate of Return	Target Allocation
Domestic Equity	7.0%	27.5%
International Equity	7.7%	27.5%
Core Fixed Income	2.7%	7.5%
High-Yield Fixed Income	5.5%	7.5%
TIPS	2.7%	0.0%
Real Estate	7.0%	10.0%
Private Equity	9.4%	10.0%
Hedge Funds	4.7%	10.0%

Discount rate. The discount rate used to measure the total TRS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that State contributions will continue to follow the current funding policy. Based on those assumptions, TRS' fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on TRS' investments was applied to all periods of projected benefit payments to determine the total pension liability. In the event of benefit payments that are not covered by the pension plan's fiduciary net position, a municipal bond rate of 3.13% is to be used to discount the benefit payments not covered by the Plan's fiduciary net position. The rate equals the S&P Municipal Bond 20 Year High Grade Rate Index at June 30, 2017.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the University's proportionate share of the TRS net pension liability as of June 30, 2018 and 2017 calculated using the discount rate of 7.50%, as well as what the University's TRS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate.

NOTE 14 RETIREMENT PLANS (CONTINUED)

TRS (Continued)

Assumptions (Continued)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability 2018	$ 3,901,989	$ 2,963,813	$ 2,162,205
Net Pension Liability 2017	$ 5,674,624	$ 4,564,096	$ 3,529,947

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

At June 30, 2018, the TRS net pension liability was measured as of June 30, 2017. The total pension liability was determined by an actuarial valuation as of July 1, 2016 and rolled forward to the measurement date. At June 30, 2017, the TRS net pension liability was measured as of June 30, 2016. The total pension liability was determined by an actuarial valuation as of July 1, 2015 and rolled forward to the measurement date.

At June 30, 2018 and 2017, the University's proportionate share of the TRS net pension liability was approximately $9,517,000 and $13,257,000, respectively. Of this amount, the University recognized approximately $2,963,000 and $4,564,000, respectively, as its proportionate share on the statement of net position. The remainder of $6,554,000 and $8,693,000, respectively, denotes the University's proportionate share of net pension liability attributable to the special funding.

The allocation percentage assigned to each participating employer and nonemployer contributing entity is based on their proportionate share of employer and nonemployer contributions to TRS for each of the fiscal years ended June 30, 2017 and 2016. Employer contributions are recognized when due. At June 30, 2017, the University's proportion was 0.085784%, an increase of 0.025269% from its proportion of 0.111053%, calculated as of June 30, 2016. At June 30, 2016, the University's proportion was 0.111053%, an increase of 0.002006% from its proportion of 0.109047% calculated as of June 30, 2015.

For the years ended June 30, 2018 and 2017, the University recognized TRS pension expense of $678,661 and $1,092,779, respectively. Of this amount, $11,053 and $281,666, respectively, was recognized as the University's proportionate share of the TRS expense; $635,464 and $$771,678, respectively, as the amount of pension expense attributable to special funding from a nonemployer contributing entity; and $32,144 and $39,435, respectively, as the amount of pension expense from a nonemployer contributing entity not attributable to a special funding situation. The University also recognized revenue of $667,608 and $811,113, respectively, for support provided by the State.

NOTE 14 RETIREMENT PLANS (CONTINUED)

TRS (Continued)

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

At June 30, 2018, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	$ 60,565	$ 968,844
Net Difference Between Projected and Actual Investment Earnings	-	93,161
Difference between Expected and Actual Experience	25,768	52,797
Changes in Assumptions	111,341	-
Contributions After the Measurement Date	338,743	-
Total	$ 536,417	$ 1,114,802

At June 30, 2017, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	$ 76,832	$ 323,362
Net Difference Between Projected and Actual Investment Earnings	375,601	-
Difference Between Expected and Actual Experience	41,783	26,656
Changes in Assumptions	180,536	
Contributions After the Measurement Date	369,474	-
Total	$ 1,044,226	$ 350,018

The University will recognize the $338,743 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the TRS net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in TRS pension expense as follows:

Fiscal Year Ended	Amortization
June 30, 2019	$ (283,722)
June 30, 2020	(150,100)
June 30, 2021	(102,350)
June 30, 2022	(217,663)
June 30, 2023	(163,294)
Total	$ (917,129)

NOTE 14 RETIREMENT PLANS (CONTINUED)

TRS (Continued)

Payables to the Pension Plan

The University did not report any amounts payable for normal contributions to the TRS as of June 30, 2018 and 2017.

NOTE 15 MARSHALL UNIVERSITY FOUNDATION, INC.

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

Total funds expended by the Foundation in support of University activities totaled $13,306,357 and $13,099,869 during the years 2018 and 2017, respectively. This support and related expenditures are recorded in the University's financial statements.

NOTE 16 BIG GREEN SCHOLARSHIP FOUNDATION, INC.

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

Total funds expended by the Foundation in support of University activities totaled $2,796,672 and $3,003,378 during the years 2018 and 2017, respectively. This support and related expenditures are recorded in the University's financial statements.

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

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

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

NOTE 18 AFFILIATED ORGANIZATION

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

NOTE 19 CONTINGENCIES AND COMMITMENTS

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

NOTE 19 CONTINGENCIES AND COMMITMENTS (CONTINUED)

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

The Code establishes rules and regulations for arbitrage rebates. No arbitrage rebate liabilities have been recorded in the accompanying financial statements as of June 30, 2018 and 2017.

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

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

NOTE 20 SERVICE CONCESSION ARRANGEMENTS

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

NOTE 20 SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

The University has a contract with Sodexo to provide food services within University facilities on the Huntington campus. These services provide the University with the best, most accurate and appropriate campus dining program that enhances the student's quality of life and is supportive of the education experience. The current contract began on August 16, 2009, and allows for nine annual renewals. Sodexo provides meal plans to students through the University as well as offering cash sales to the University community. The University receives annual commission payments from Sodexo calculated as a contractually agreed percentage of cash sales and the University pays Sodexo for the meal plans from fees collected by the University from students. In 2018 and 2017, the University received $661,278 and $663,005, respectively, in commissions from Sodexo. No renovations to University facilities were made by Sodexo in 2018 or 2017. Sodexo made renovations that were capitalized by the University totaling $3,075,159 in prior years of the contract. These renovations are accreted over the remaining life of the contract and if the contract is not renewed the University will be required to pay Sodexo for the unaccreted portion of these renovations. At June 30, 2018 and 2017, the University has a deferred inflow of $281,431 and $531,592, respectively, for the unaccreted inflow for renovations, and an accrued service concession liability of $117,027 and $221,051, respectively, for estimated insurance and maintenance costs that the University will be required to pay through the end of the contract.

The University contracts with Follett to operate bookstores located within University facilities on the Huntington, South Charleston, and Mid-Ohio Valley campuses. These services provide the University community with a professional bookstore that will provide the highest caliber of services to Marshall University's campuses. The current contract began on July 1, 2016 and allows for nine annual renewals. The University receives annual commission payments calculated as a contractually agreed percentage of bookstore revenue. In 2018 and 2017, the University received $508,685 and $600,000, respectively, in commissions from Follett. Follet made renovations that were capitalized by the University totaling $766,791 during 2018. These renovations are accreted over the remaining life of the contract and if the contract is not renewed the University will be required to pay Follet for the unaccreted portion of these renovations. At June 30, 2018, the University has a deferred inflow of $312,244 for the unaccreted inflow for renovations, and an accrued service concession liability of $369,348, for estimated insurance and maintenance costs that the University will be required to pay through the end of the contract. No significant renovations to University facilities were made by Follett in 2017.

NOTE 21 CONDENSED COMPONENT UNIT INFORMATION - MURC

Condensed component unit information for MURC, the University's blended component unit, for the years ended June 30, 2018 and 2017, is as follows:

Condensed Statements of Net Position

	2018	2017
Assets		
Current Assets	$ 11,111,487	$ 13,549,200
Receivable from University	375,366	676,501
Capital Assets, Net	10,947,409	11,863,374
Other Assets	31,528,499	31,135,052
Total Assets	53,962,761	57,224,127
Liabilities		
Current Liabilities	7,936,930	7,140,367
Long-Term Liabilities	1,946,213	2,156,936
Total Liabilities	9,883,143	9,297,303
Net Position		
Net Investment in Capital Assets	9,327,302	10,084,903
Restricted		
Nonexpendable	15,000,000	15,000,000
Sponsored Projects	12,937,915	14,399,906
Unrestricted	6,814,401	8,442,015
Total Net Position	$ 44,079,618	$ 47,926,824

NOTE 21 CONDENSED COMPONENT UNIT INFORMATION - MURC (CONTINUED)

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2018	2017
Operating Revenues		
Federal, State, Local Grants	$ 26,063,848	$ 27,008,335
Other Operating Revenues	5,641,252	5,789,105
Total Operating Revenues	31,705,100	32,797,440
Operating Expenses		
Operations	35,777,296	35,174,899
Depreciation	1,910,084	2,011,605
Total Operating Expenses	37,687,380	37,186,504
Operating Loss	(5,982,280)	(4,389,064)
Nonoperating Revenues (Expenses)		
Investment Income	2,190,676	3,641,148
Other Nonoperating Expenses	(55,602)	(54,296)
Total Nonoperating Revenues	2,135,074	3,586,852
Decrease in Net Position	(3,847,206)	(802,212)
Net Position - Beginning of Year	47,926,824	48,729,036
Net Position - End of Year	$ 44,079,618	$ 47,926,824

Condensed Statements of Cash Flows

	2018	2017
Net Cash (Used) By:		
Operating Activities	$ (4,010,846)	$ (2,377,357)
Noncapital Financing Activities	-	-
Capital Financing Activities	(1,210,739)	(1,293,498)
Investing Activities	1,815,841	3,761,662
(Decrease) Increase in Current Cash and Cash Equivalents	(3,405,744)	90,807
Current Cash and Cash Equivalents - Beginning of Year	6,286,626	6,195,819
Current Cash and Cash Equivalents - End of Year	$ 2,880,882	$ 6,286,626

NOTE 22 SEGMENT INFORMATION

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

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

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

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

In November 2010, the Board sold $37,140,000 of 2010 Bonds. The 2010 bonds are secured by and payable from auxiliary fees as defined in the indenture.

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

NOTE 22 SEGMENT INFORMATION (CONTINUED)

Board of Governors of Marshall University, University Refunding Revenue Bonds, Series 2010 (Continued)

Condensed accrual basis financial information for the University's segment as of June 30, 2018 and 2017 is as follows:

Condensed Schedules of Position

	2018	2017
Assets:		
Current Assets	$ 16,369,363	$ 15,368,146
Noncurrent Assets	141,951,768	144,883,954
Total Assets	158,321,131	160,252,100
Deferred Outflows of Resources	799,405	920,803
Total	$ 159,120,536	$ 161,172,903
Liabilities and Deferred Inflows:		
Current Liabilities	$ 5,342,870	$ 4,613,465
Noncurrent Liabilities	77,487,641	80,768,105
Total Liabilities	82,830,511	85,381,570
Deferred Inflows of Resources	172,646	422,807
Total	83,003,157	85,804,377
Net Position:		
Net Investment in Capital Assets	64,215,606	63,880,268
Restricted for Debt Service	3,521	1,041
Unrestricted	11,898,252	11,487,217
Total Net Position	76,117,379	75,368,526
Total	$ 159,120,536	$ 161,172,903

NOTE 22 SEGMENT INFORMATION (CONTINUED)

Board of Governors of Marshall University, University Refunding Revenue Bonds, Series 2010 (Continued)

Condensed Schedules of Revenues, Expenses, and Changes in Net Position

	2018	2017
Operating:		
Operating Revenues	$ 23,408,414	$ 28,432,243
Operating Expenses	(18,968,664)	(20,351,001)
Net Operating Income	4,439,750	8,081,242
Nonoperating:		
Nonoperating Revenues	454,909	426,845
Nonoperating Expenses	(3,457,999)	(5,071,351)
Total Nonoperating	(3,003,090)	(4,644,506)
Net Revenues	1,436,660	3,436,736
Transfers from (to) from the University	(687,807)	1,606,564
Changes in Net Position	748,853	5,043,300
Net Position - Beginning of Year	75,368,526	70,325,226
Net Position - End of Year	$ 76,117,379	$ 75,368,526

Condensed Schedules of Cash Flows

	2018	2017
Net Cash Provided by Operating Activities	$ 10,730,232	$ 7,302,913
Net Cash Used by Capital and Related Financing	(7,990,458)	(5,152,698)
Net Increase (Decrease) in Cash and Cash Equivalents	2,739,774	2,150,215
Cash and Cash Equivalents - Beginning of Year	13,315,438	11,165,223
Cash and Cash Equivalents - End of Year	$ 16,055,212	$ 13,315,438

NOTE 23 SIGNET MARSHALL

On May 2, 2018 Marshall University entered into a development agreement with Signet Marshall Development, LLC, an Ohio limited liability company, to develop, design, and construct a new graduate/medical student housing facility and school of pharmacy. Signet's affiliate, Signet Marshall I, LLC has entered into a ground lease with Marshall for the University owned property that will be the site of this development. The target substantial completion date for the project is July 31, 2019. Signet did not have any significant financial activity as of June 30, 2018.

NOTE 24 NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The operating expenses within both natural and functional classifications for the years ended June 30, 2018 and 2017 are as follows:

2018	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Other Operating Expense	Fees Assessed by the Commission	Total
Instruction	$ 67,908,080	$ 18,055,609	$ 5,652,964	$ -	$ -	$ -	$ -	$ -	$ 91,616,653
Research	5,636,429	2,471,349	7,381,089	6,677	-	-	-	-	15,495,544
Public Service	9,920,905	2,615,084	4,477,350	120,933	-	-	-	-	17,134,272
Academic Support	13,127,376	2,053,890	6,762,030	1,086	-	-	-	-	21,944,382
Student Services	6,852,948	1,838,793	4,727,614	4,090	-	-	-	-	13,423,445
General Institutional Support	12,283,797	5,462,182	8,447,320	215,723	-	-	-	-	26,409,022
Operations and Maintenance of Plant	4,455,083	1,095,697	4,644,881	6,607,292	-	-	-	-	16,802,953
Student Financial Aid	-	-	-	-	23,000,737	-	-	-	23,000,737
Auxiliary Enterprises	10,462,259	4,730,110	20,216,144	2,376,096	-	-	-	-	37,784,609
Depreciation	-	-	-	-	-	16,406,128	-	-	16,406,128
Other	-	-	-	-	-	-	68,390	760,382	828,772
Total	$ 130,646,877	$ 38,322,714	$ 62,309,392	$ 9,331,897	$ 23,000,737	$ 16,406,128	$ 68,390	$ 760,382	$ 280,846,517

2017	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Other Operating Expense	Fees Assessed by the Commission	Total
Instruction	$ 66,959,444	$ 19,711,422	$ 5,757,443	$ -	$ -	$ -	$ -	$ -	$ 92,428,309
Research	4,852,059	2,093,207	6,411,814	13,575	-	-	-	-	13,370,655
Public Service	10,650,391	3,028,289	4,577,707	124,534	-	-	-	-	18,380,921
Academic Support	13,761,922	3,991,588	6,813,962	4,976	-	-	-	-	24,572,448
Student Services	6,308,389	1,796,747	5,240,760	3,984	-	-	-	-	13,349,880
General Institutional Support	13,588,946	2,762,881	7,943,064	216,628	-	-	-	-	24,511,519
Operations and Maintenance of Plant	4,880,081	1,318,746	5,464,818	6,797,949	-	-	-	-	18,461,594
Student Financial Aid	-	-	-	-	22,210,214	-	-	-	22,210,214
Auxiliary Enterprises	10,137,253	3,683,305	19,936,444	2,191,010	-	-	-	-	35,948,012
Depreciation	-	-	-	-	-	16,497,553	-	-	16,497,553
Other	-	-	-	-	-	-	171,442	754,734	926,176
Total	$ 131,138,485	$ 38,386,185	$ 62,146,012	$ 9,352,656	$ 22,210,214	$ 16,497,553	$ 171,442	$ 754,734	$ 280,657,281

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

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

NATURE OF ACTIVITIES

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

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

Marshall Services Corporation was established in October, 2012 to enter into a joint venture called INTO Marshall, LLC to operate an international student center and provide marketing and student recruitment for the benefit of Marshall University.

PUBLIC SUPPORT AND REVENUE

Contributions are generally available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end.

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

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

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

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ESTIMATES

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

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

Investments are reported in the consolidated financial statements at fair value. The current year increase or decrease in fair value over book value is recognized currently in the consolidated statement of activities. The Foundation uses a number of valuation techniques to value its investments which are described in Note 19. The majority of the investment funds are pooled into three categories - Operating Pool, Project Pool and Endowment Pool. The total investment return consists of interest and dividend income, realized gains and losses and capital appreciation (depreciation), net of related investment expenses.

PROPERTY AND EQUIPMENT

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

OTHER ASSETS

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

COLLECTIONS

The Foundation capitalizes collections. The Foundation received The Touma Museum of Medicine on November 18, 2016 on behalf of the Joan C. Edwards School of Medicine ("JCESOM"). The collection is held for public exhibition, education and research in furtherance of public service rather than for financial gain; will be protected, kept unencumbered, cared for and preserved, and will be maintained intact. The Touma Museum will be managed by the JCESOM and is carried at the fair value at the date of contribution.

BASIS OF ACCOUNTING

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

ADVERTISING COSTS

Advertising costs totaling $ 29,554 and $14,525 for 2018 and 2017, respectively are charged to operations when incurred.

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTS RECEIVABLE

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

FUNDS HELD IN CUSTODY FOR OTHERS

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

RECLASSIFICATIONS

Certain revenue and expenses reported in the accompanying 2017 financial statements have been reclassified for comparative purposes. The changes had no overall effect on net assets.

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2018 and 2017 are comprised of the following:

		2018		2017
Cash and overnight repurchase agreements	$	7,914,423	$	7,440,291
Short-term investments		7,237,196		8,050,885
TOTAL	$	15,151,619	$	15,491,176

NOTE 3 – INVESTMENTS

Investments as of June 30, 2018 and 2017 are summarized as follows:

		2018 Fair Value		2017 Fair Value
Fixed income	$	36,080,301	$	39,078,277
Equities		89,565,667		88,437,230
Other		83,169,481		74,615,426
TOTAL	$	208,815,449	$	202,130,933

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

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 3 – INVESTMENTS (CONTINUED)

The following summarizes the investment income for the years ended June 30, 2018 and 2017 inclusive of income on cash equivalents, perpetual trusts, the investments described above, and interest rate swap:

	2018	2017
Interest and dividends	$ 384,939	$ 358,900
Realized gain	1,595,388	741,233
Unrealized gains (loss)	8,160,198	14,729,577
Investment fees	(165,718)	(157,780)
Net investment return	$ 9,974,807	$ 15,671,930

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

NOTE 4 - DIRECT FINANCING LEASES AND BONDS PAYABLE

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

The MUGCFI had borrowed funds in the form of two separate bond issues and utilized the funds to construct buildings on properties that had been donated to MUGCFI in previous years. The facilities and land were leased to the State of West Virginia, and the bonds were to be liquidated by pass-through lease payments from the State of West Virginia in amounts exactly equal to the debt requirements. The lease agreements provide that, upon retirement of the bonds, title to the leased property passes to the State of West Virginia. Although the State of West Virginia could cancel the lease, the intent was that all other requirements of payment would be honored. Therefore, the leases were capitalized and the transactions recorded as though the properties had been sold and transferred. As of June 30, 2018, both of the lease agreements had been fulfilled and the related bonds were paid off.

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

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

Bonds payable

Bonds payable are as follows at June 30, 2018 and 2017:

	2018	2017
City of South Charleston, West Virginia Commercial Development Refunding Revenue Bonds, Series 2005, original principal amount $3,177,495, interest at 3.99%, payable in semi-annual installments of principal and interest of $161,535 through September 1, 2017, secured by real property leased to the State of West Virginia under direct finance lease.	$ -0-	$ 158,376
The County Commission of Cabell County, West Virginia Commercial Development Revenue Bond, Series 2010, (The Marshall University Foundation, Inc. Projects) original principal amount $9,200,000, interest at LIBOR + 2% X 67%, interest is payable monthly, semi-annual installments of principal are due each August and February with the final installment due February 21, 2031, secured by real property. This bond was actually paid off in June 2018.	-0-	6,780,000
Total bonds payable	$ -0-	$ 6,938,376

Interest expense charged to operations was $215,799 and $220,338 for the years ended June 30, 2018 and 2017, respectively. Interest expense includes interest on bonds payable as well as interest paid pursuant to the interest rate swap agreement described in Note 23 – Derivative Financial Instruments.

NOTE 5 - NOTES PAYABLE

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

Payments on the loan including interest on the outstanding balance at a rate of 5% per annum, compounded annually, are to be paid from any profits, distributions, dividends, or payments that Marshall Services Corporation receives from INTO MARSHALL, LLC after the payment of any taxes and reasonable and customary operating and administrative expenses of Marshall Services Corporation. No interest or principal payments were made on the loan during the years ended June 30, 2018 and 2017. The outstanding loan balance totaled $300,000 at June 30, 2018 and 2017.

Interest expense on notes payable charged to operation was $18,613 and $17,726 for the years ended June 30, 2018 and 2017, respectively.

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 6 - PROMISES TO GIVE

Unconditional promises to give at June 30, 2018 and 2017 are as follows:

	2018	2017
Receivable in less than one year	$ 7,660,139	$ 7,634,604
Receivable in one to five years	6,966,160	10,206,238
Receivable in more than five years	557,500	491,375
Total unconditional promises to give	15,183,799	18,332,217
Less discounts to net present value	(146,071)	(183,851)
Less allowance for uncollectible promises	(3,584,378)	(3,150,745)
Net unconditional promises to give	$ 11,453,350	$ 14,997,621

Discount rates used on long-term promises to give ranged from 0.50% to 4.75% for fiscal years ended June 30, 2018 and 2017.

NOTE 7 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at June 30, 2018 and 2017:

	2018	2017
Land	$ 2,442,000	$ 2,442,000
Buildings	12,323,230	12,323,230
Office equipment	1,112,362	1,086,151
	15,877,592	15,851,381
Less: Accumulated depreciation	(3,478,088)	(3,080,119)
Property and equipment, net	$ 12,399,504	$ 12,771,262

Depreciation expense charged to operations was $416,939 and $415,123 for the years ended June 30, 2018 and 2017, respectively.

NOTE 8 - CONTINGENT ASSETS

The Foundation is the beneficiary of various whole life insurance policies. Proceeds payable to the Foundation upon the demise of the insured parties totaled approximately $1,912,203 and $2,136,694 at June 30, 2018 and June 30, 2017.

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

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, 2018 and 2017 totaled $-0-. Management believes the Organization is no longer subject to income tax examinations for years prior to 2015.

The Foundation's subsidiary, Marshall Services Corporation, is a for-profit entity and, therefore, is subject to federal and state income taxation. The company files its own federal and state income tax returns. Marshall Services Corporation incurred a net loss in its operations for 2018 and 2017 and, therefore, no income tax expense (benefit) is recognized in the accompanying consolidated financial statements.

The supporting organization of the Foundation, the Marshall University Real Estate Foundation, Inc, is a tax-exempt organization under Internal Revenue Code Section 501(c)(3). The MUREF has not engaged in activities that are considered by the Internal Revenue Service to be unrelated business activities, and consequently has no activity subject to unrelated business tax at prevailing corporate rates. MUREF's income tax for the fiscal years ended June 30, 2018 and 2017 totaled $0.

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

NOTE 10 - CHARITABLE GIFT ANNUITIES

As of June 30, 2018 and 2017, the Foundation had liabilities under irrevocable charitable gift annuities. The Foundation agrees to pay to the donors' quarterly annuity payments until the donors' deaths. Based on the donors' life expectancy and the IRS discount rate (3.4% at June 30, 2018), the present value of future liabilities expected to be paid by the Foundation to the beneficiaries totaled $421,044 and $361,074 as of June 30, 2018 and 2017, respectively.

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

Contribution revenue net of change in valuation of charitable gift annuities totaled $55,030 and $(16,723) for the years ended June 30, 2018 and 2017, respectively.

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 11 - CHARITABLE REMAINDER TRUSTS

The Foundation is named as the residual beneficiary of charitable remainder unitrusts. Under the terms of the unitrusts, a primary beneficiary receives annual distributions of a certain percentage of the net fair market value of the trust as of the first day of the taxable year. At the death of the primary beneficiary the Foundation receives all of the principal and income of the trust. Because these unitrusts are administered by third-party trustees, the Foundation records this as a contribution receivable and contribution revenue for the present value of the future benefits expected to be received from the trusts. The present value is calculated based on IRS actuarial formulas based on the primary beneficiary's life expectancy utilizing a rate of 3.4% at June 30, 2018. At June 30, 2018 and 2017, the contribution receivable from the remainder trusts totaled $809,518 and $1,045,005 respectively.

Contribution revenue net of change in valuation of charitable remainder trusts totaled $(235,487) and $670,048 for the years ended June 30, 2018 and 2017, respectively.

NOTE 12 - PERPETUAL TRUSTS HELD BY THIRD PARTIES

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

The Foundation records its beneficial interest in the perpetual trust assets at fair market value with a corresponding entry to permanently restricted contribution revenue. At June 30, 2018 and 2017, the beneficial interest in perpetual trusts totaled $9,577,362 and $9,486,260, respectively.

The change in the beneficial interest in perpetual trust assets is recorded in permanently restricted other income and investment income in the accompanying consolidated financial statements and totaled $89,934 and $416,412 for the years ended June 30, 2018 and 2017, respectively.

NOTE 13 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2018 and 2017 are available for the following purposes or periods:

Periods after June 30,	2018	2017
Program activities		
Academic assistance	$ 51,564,355	$ 48,903,035
Student assistance	13,758,760	12,289,080
Total temporarily restricted net assets	$ 65,323,115	$ 61,192,115

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 13 - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Net assets were released from donor restrictions during the years ended June 30, 2018 and 2017 by incurring expenses satisfying the purpose specified by donors as follows:

Purpose restrictions accomplished:

	2018	2017
Academic assistance	$ 8,434,300	$ 9,043,653
Student assistance	4,526,446	4,003,854
Fundraising	24,067	104,500
Management & general	13,281	2,025
Total	$ 12,998,094	$ 13,154,032

NOTE 14 - PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes at June 30, 2018 and 2017:

	2018	2017
Academic assistance	$ 40,288,947	$ 39,866,717
Student assistance	73,913,612	70,832,230
Total permanently restricted net assets	$ 114,202,559	$ 110,698,947

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 $3,584,378 and $3,150,745 at June 30, 2018 and 2017, respectively.

The Foundation maintains substantially all of its cash balances with six financial institutions. At June 30, 2018 and 2017, balances at these financial institutions exceeded the amounts insured by the Federal Deposit Insurance Corporation and collateralized by securities pledged by the respective financial institutions by $5,822,741 and $6,095,612, respectively.

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 16 - RETIREMENT PLAN AND DEFERRED COMPENSATION PLAN

Retirement Plan

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

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

Employer	6%
Employee	6%

Pension expense for the fiscal years ended June 30, 2018 and 2017 was $98,480 and $91,847, respectively.

Deferred Compensation

The Foundation has a deferred compensation agreement with a key employee under Section 457(b) of the Internal Revenue Code. During the years ended June 30, 2018 and 2017, the Foundation's contribution under the deferred compensation plan totaled $7,500 and $0, respectively. The deferred compensation liability is included in accrued vacation, wages and deferred compensation and totaled $100,508 and $75,713 for the fiscal years ended June 30, 2018 and 2017, respectively.

NOTE 17 - FUNCTIONAL ALLOCATION OF EXPENSES

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

NOTE 18 - DONATED SERVICES

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

NOTE 19 - FAIR VALUE MEASUREMENTS

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

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 19 - FAIR VALUE MEASUREMENTS (CONTINUED)

the Foundation's market assumptions. The three levels of the fair value hierarchy based on these two types of inputs are as follows:

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

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

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

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

Fair values of assets measured on a recurring basis at June 30, 2018 are as follows:

	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
Contributions Receivable				
From Remainder Trusts	$ 809,518	$ 809,518	$ -0-	$ -0-
Beneficial Interest In				
Perpetual Trusts	9,577,362	9,577,362	-0-	-0-

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 19 - FAIR VALUE MEASUREMENTS (CONTINUED)

	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Fixed Income				
Commingled Global Fixed*	$ 33,416,414	$ -0-	$ -0-	$ -0-
U.S. Government Bonds	55,500	55,500	-0-	-0-
Domestic Mutual Funds	217,261	217,261	-0-	-0-
International Mutual Funds	2,391,126	2,391,126	-0-	-0-
Total Fixed Income	36,080,301	2,663,887	-0-	-0-
Equities				
Publicly Traded Equity	31,993	31,993	-0-	-0-
Domestic Mutual Funds	499,311	499,311	-0-	-0-
International Mutual Funds	106,454	106,454	-0-	-0-
Commingled Global Equity*	88,919,659	-0-	-0-	-0-
Other	8,250	8,250	-0-	-0-
Total Equities	89,565,667	646,008	-0-	-0-
Other				
Commingled Hedge Funds*	40,813,361	-0-	-0-	-0-
Commingled Real Asset Fund*	23,542,104	-0-	-0-	-0-
Public Real Assets	30,728	30,728	-0-	-0-
Private Capital				
Commingled Private Capital Fund*	13,326,063	-0-	-0-	-0-
Private Equity*	2,088,222	-0-	-0-	-0-
Natural Resources*	624,035	-0-	-0-	-0-
Venture*	2,282,690	-0-	-0-	-0-
Distressed Debt*	462,278	-0-	-0-	-0-
Total Other	83,169,481	30,728	-0-	-0-
Total Assets	$ 219,202,329	$ 13,727,503	$ -0-	$ -0-

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

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 19 - FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of assets measured on a recurring basis at June 30, 2017 are as follows:

	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
Contributions Receivable				
From Remainder Trusts	$ 1,045,005	$1,045,005	$ -0-	$ -0-
Beneficial Interest In				
Perpetual Trusts	9,486,260	9,486,260	-0-	-0-
Investments				
Fixed Income				
Commingled Global Fixed*	34,375,348	-0-	-0-	-0-
U.S. Government Bonds	55,500	55,500	-0-	-0-
Domestic Mutual Funds	234,301	234,301	-0-	-0-
International Mutual Funds	4,413,128	4,413,128	-0-	-0-
Total Fixed Income	39,078,277	4,702,929	-0-	-0-
Equities				
Publicly Traded Equity	18,082	18,082	-0-	-0-
Domestic Mutual Funds	363,381	363,381	-0-	-0-
International Mutual Funds	77,636	77,636	-0-	-0-
Commingled Global Equity*	87,969,881	-0-	-0-	-0-
Other	8,250	8,250	-0-	-0-
Total Equities	88,437,230	467,349	-0-	-0-
Other				
Commingled Hedge Funds*	36,439,912	-0-	-0-	-0-
Commingled Real				
Asset Fund*	22,188,465	-0-	-0-	-0-
Public Real Assets	38,535	38,535	-0-	-0-
Private Capital				
Commingled Private				
Capital Fund*	10,312,273	-0-	-0-	-0-
Private Equity*	2,067,685	-0-	-0-	-0-
Natural Resources*	667,309	-0-	-0-	-0-
Venture*	2,310,374	-0-	-0-	-0-
Distressed Debt*	590,873	-0-	-0-	-0-
Total Other	74,615,426	38,535	-0-	-0-
Total Assets	$ 212,662,198	$ 15,740,078	$ -0-	$ -0-

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 19 - FAIR VALUE MEASUREMENTS (CONTINUED)

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

Fair values of liabilities measured on a recurring basis at June 30, 2018 are as follows:

	Fair Value	Quoted Prices In Active Markets For Identical Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
LIABILITIES				
Annuity payment liability	$ 421,044	$ 421,044	$ -0-	$ -0-
Total Liabilities	$ 421,044	$ 421,044	$ -0-	$ -0-

Fair values of liabilities measured on a recurring basis at June 30, 2017 are as follows:

	Fair Value	Quoted Prices In Active Markets For Identical Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
LIABILITIES				
Annuity payment liability	$ 361,074	$ 361,074	$ -0-	$ -0-
Interest rate swap	2,815	2,815	-0-	-0-
Total Liabilities	$ 363,889	$ 363,889	$ -0-	$ -0-

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

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

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

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 19 - FAIR VALUE MEASUREMENTS (CONTINUED)

Investments
The Foundation uses quoted market prices in an active market when available. These investments consist principally of equities and fixed income securities and are included in Level 1. The quoted market prices are provided by independent third-party banks and brokers. The Foundation had no Level 2 or Level 3 investments at June 30, 2018 and 2017.

Additional disclosures for the Foundation's investments for which fair value is measured using the net asset value per share practical expedient, as required by ASC 820 including the liquidity terms and conditions of the External Funds, are included in Note 20 of the consolidated financial statements. The total fair value of the External Funds valued using the practical expedient that are not included in the fair value hierarchy table is $205,474,826 and $196,922,120 at June 30, 2018 and June 30, 2017, respectively.

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

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

Fair values of assets measured on a nonrecurring basis at June 30, 2018 are as follows:

	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
Other assets	$ 16,525	$ -0-	$ 16,525	$ -0-
Collections	1,351,095	-0-	1,351,095	-0-
Total assets	$ 1,367,620	$ -0-	$ 1,367,620	$ -0-

Fair values of assets measured on a nonrecurring basis at June 30, 2017 are as follows:

	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
Other assets	$ 16,525	$ -0-	$ 16,525	$ -0-
Collections	1,351,095	-0-	1,351,095	-0-
Total assets	$ 1,367,620	$ -0-	$ 1,367,620	$ -0-

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 19 - FAIR VALUE MEASUREMENTS (CONTINUED)

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

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

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

NOTE 20 – ASSETS MEASURED AT NET ASSET VALUE PER SHARE

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

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

Asset Class	Withdrawal Frequency	Notice Period
Commingled Global Fixed Income	Monthly, Quarterly	5 Day, 90 Day
Commingled Global Equity	Monthly, Quarterly	5 Day, 90 Day
Commingled Hedge Funds	Monthly, Quarterly	5 Day, 90 Day
Commingled Real Assets	Monthly, Quarterly	5 Day, 90 Day

Commingled Global Fixed Income: This class includes investments in commingled funds that invest in foreign and domestic debt, including exposure to global sovereign bonds, opportunistic and high-yield instruments and attempt to meet or exceed the Barclays Global Aggregate Bond Index. External Funds that are not private equity in nature provide for monthly liquidity in the form of an automatic withdrawal of up to 10% of the balance at the end of the preceding fiscal year with five-day notice. The balance of the External Funds that are not private equity are available quarterly with a 90-day notice limited to 25% of the balance of the fund each quarter.

Commingled Global Equity: This class includes investments in commingled funds that invest primarily in U.S. or foreign equities, and which attempt to meet or exceed the return of specific equity indices, including the MSCI All Country World Total Return Net Index (ACWI) in the aggregate. External Funds that are not private equity in nature provide for monthly liquidity in the form of an automatic withdrawal of up to 10% of the balance at the end of the preceding fiscal year with five-day notice. The balance of the External Funds that are not private equity are available quarterly with a 90-day notice limited to 25% of the balance of the fund each quarter.

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 20 – ASSETS MEASURED AT NET ASSET VALUE PER SHARE (CONTINUED)

Commingled Hedge Funds: This class includes investments in hedge funds that expand the universe of potential investment approaches available by employing a variety of strategies and techniques within and across various asset classes. The primary objective for these funds is to produce attractive returns with moderate to low correlations to equity and credit markets, to generate fixed income like volatility, and to be opportunistic during periods of market duress. The objective is pursued by allocating to external portfolio managers selected for expertise in one or more investment strategies which may include, but are not limited to, equity long/short, event driven, relative value, and directional. External Funds that are not private equity in nature provide for monthly liquidity in the form of an automatic withdrawal of up to 10% of the balance at the end of the preceding fiscal year with five-day notice. The balance of the External Funds that are not private equity are available quarterly with a 90-day notice limited to 25% of the balance of the fund each quarter.

Commingled Real Assets: This class includes investments in commingled funds that invest primarily in liquid real assets with the objective of providing an inflation hedge, diversification in assets with low or negative correlation to other assets, and attractive risk adjusted returns. This class achieves its objective by allocating to external portfolio managers selected for expertise in one or more investment strategies which may include, but are not limited to real estate, commodities, infrastructure, energy, credit strategies, and asset backed securities. External Funds that are not private equity in nature provide for monthly liquidity in the form of an automatic withdrawal of up to 10% of the balance at the end of the preceding fiscal year with five-day notice.

The balance of the External Funds that are not private equity are available quarterly with a 90-day notice limited to 25% of the balance of the fund each quarter.

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

Asset Class	Inception	Commitment	Uncalled Commitment	Redemption
Commingled Real Assets	2014, 2016	$ 11,000,000	$ 7,226,532	Illiquid
Commingled Private Capital	2013, 2015, 2016	20,000,000	9,084,033	Illiquid
Private Equity	2007, 2010, 2011	3,300,000	420,700	Illiquid
Natural Resources	2008	1,000,000	52,500	Illiquid
Venture	2007, 2010	1,800,000	92,500	Illiquid
Distressed Debt	2006, 2008	2,500,000	376,700	Illiquid

Commingled Real Assets: This class includes investments in commingled funds that invest primarily in illiquid real assets with the objective of providing an inflation hedge, diversification in assets with low or negative correlation to other assets, and attractive risk adjusted returns. This class achieves its objective by allocating to external portfolio managers selected for expertise in one or more investment strategies which may include, but are not limited to real estate, energy, infrastructure, credit strategies, and asset backed securities. There is no provision for redemption during the life of these funds. Distributions from each fund will be received as the underlying investments of the fund are liquidated, estimated at June 30, 2018 to be over the next 2 to 11 years.

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 20 – ASSETS MEASURED AT NET ASSET VALUE PER SHARE (CONTINUED)

Commingled Private Capital: This class includes investments in commingled funds that invest primarily in illiquid private capital with the objective of providing enhanced returns, diversification through investments with low correlations to other assets, and access to private companies. This class achieves its objective by allocating to external portfolio managers selected for expertise in one or more investment strategies which may include, but are not limited to buyouts, growth equity, venture capital, and opportunistic credit. There is no provision for redemption during the life of these funds. Distributions from each fund will be received as the underlying investments of the fund are liquidated, estimated at June 30, 2018 to be over the next 1 to 10 years.

Private Equity: This class includes investments in funds that invest primarily in a diversified group of both U.S. and foreign private equity investments with the objective of providing enhanced returns, diversification through investments with low correlations to other assets, and access to private companies. This class achieves its objective by allocating to external portfolio managers selected for expertise in one or more investment strategies which may include, but are not limited to equity securities, warrants, and other options that are not generally actively traded. There is no provision for redemption during the life of these funds. Distributions from each fund will be received as the underlying investments of the fund are liquidated, estimated at June 30, 2018 to be over the next 1 to 5 years.

Natural Resources: This class includes investments in funds that invest primarily in natural gas and oil, power, and other natural resource opportunities with the objective of providing long-term capital appreciation and superior risk-adjusted returns. This class achieves its objective by allocating to external portfolio managers selected for expertise in one or more investment strategies which may include, but are not limited to equity securities, and property acquisition that are not generally actively traded. There is no provision for redemption during the life of these funds. Distributions from each fund will be received as the underlying investments of the fund are liquidated, estimated at June 30, 2018 to be over the next 2 years.

Venture Capital: This class includes investments in funds that invest primarily in emerging growth companies with the objective of obtaining long-term growth capital and superior risk-adjusted returns. This class achieves its objective by allocating to external portfolio managers selected for expertise in one or more investment strategies which may include, but are not limited to early stage information technology, and late stage healthcare technology that are not generally actively traded. There is no provision for redemption during the life of these funds. Distributions from each fund will be received as the underlying investments of the fund are liquidated, estimated at June 30, 2018 to be over the next 1 to 3 years.

Distressed Debt: This class includes investments in funds that invest primarily in a diverse set of debt investments across the U.S. and globally with the objective of providing enhanced returns in a variety of credit environments. This class achieves its objective by allocating to external portfolio managers selected for expertise in one or more investment strategies which may include, but are not limited to restructured debt, stressed debt, distressed debt, "special situation" and mezzanine debt. There is no provision for redemption during the life of these funds. Distributions from each fund will be received as the underlying investments of the fund are liquidated, estimated at June 30, 2018 to be over the next 1 to 9 years.

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 21 - ENDOWMENTS

The Marshall University Foundation, Inc.'s endowment consists of approximately 943 funds established for the benefit of the students of Marshall University through both scholarship assistance and supplemental support of various university departments and endeavors. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by Generally Accepted Accounting Principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment Net Asset Composition by Type of Fund as of June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 333,329	$ 7,024,354	$ 112,842,002	$ 120,199,685
Board-designated endowment funds	7,691,205	-0-	-0-	7,691,205
Total funds	$ 8,024,534	$ 7,024,354	$ 112,842,002	$ 127,890,890

Endowment Net Asset Composition by Type of Fund as of June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -0-	$ 6,375,230	$ 105,745,546	$ 112,120,776
Board-designated endowment funds	11,084,962	-0-	-0-	11,084,962
Total funds	$ 11,084,962	$ 6,375,230	$ 105,745,546	$ 123,205,738

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 21 - ENDOWMENTS (CONTINUED)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 11,084,962	$ 6,375,230	$ 105,745,546	$ 123,205,738
Investment return:				
Investment income	(1,007)	(531)	(9,412)	(10,950)
Fees	(2,428)	(1,501)	(25,090)	(29,019)
Realized & unrealized gain (loss)	851,241	468,329	7,830,896	9,150,466
Total investment return	847,806	466,297	7,796,394	9,110,497
Contributions	388,976	670,450	4,846,208	5,905,634
Appropriation of endowment assets for expenditure	(4,297,210)	(487,623)	(5,546,146)	(10,330,979)
Other changes:				
Appreciation transfer in from other institution	-0-	-0-	-0-	-0-
Transfers in endowment classification	-0-	-0-	-0-	-0-
Endowment net assets, end of year	$ 8,024,534	$ 7,024,354	$ 112,842,002	$ 127,890,890

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 21 - ENDOWMENTS (CONTINUED)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 10,849,241	$ 5,844,815	$ 93,731,376	$ 110,425,432
Investment return:				
Investment income	(3,377)	(1,675)	(28,516)	(33,568)
Fees	(2,716)	(1,339)	(23,265)	(27,320)
Realized & unrealized gain (loss)	1,418,066	700,133	12,125,971	14,244,170
Total investment return	1,411,973	697,119	12,074,190	14,183,282
Contributions	40,890	209,703	4,876,925	5,127,518
Appropriation of endowment assets for expenditure	(1,217,466)	(376,407)	(4,936,621)	(6,530,494)
Other changes:				
Appreciation transfer in from other institution	-0-	-0-	-0-	-0-
Transfers in endowment classification	324	-0-	(324)	-0-
Endowment net assets, end of year	$ 11,084,962	$ 6,375,230	$ 105,745,546	$ 123,205,738

Permanently and Temporarily Restricted Net Assets (Endowment Only)

	2018	2017
Permanently Restricted Net Assets		
Portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation	$ 112,842,002	$ 105,745,546
Total endowment funds classified as permanently restricted net assets	$ 112,842,002	$ 105,745,546
Temporarily Restricted Net Assets		
Term endowment funds	$ 7,024,354	$ 6,375,230
Total endowment funds classified as temporarily restricted net assets	$ 7,024,354	$ 6,375,230

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 21 - ENDOWMENTS (CONTINUED)

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the Organization to retain as a fund of perpetual duration. In accordance with Generally Accepted Accounting Principles, deficiencies of this nature that are reported as unrestricted net assets were $13,978 and $0 as of June 30, 2018 and 2017, respectively. These deficiencies resulted from unfavorable market fluctuations.

Interpretation of Relevant Law
The state in which the Foundation operates, the State of West Virginia, has enacted the Uniform Prudent Management of Institutional Funds Act. The Board of Directors have interpreted this law as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation. In accordance with the law, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

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

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

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

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 21 - ENDOWMENTS (CONTINUED)

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

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

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

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

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

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

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

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

Asset Class	Minimum Weight	Target Weight	Maximum Weight
Global Equity	30%	45%	60%
Global Fixed Income	0%	7.5%	17.5%
Absolute Return	7.5%	17.5%	27.5%
Real Assets	5%	15%	25%
Private Capital	0%	15%	25%

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 21 - ENDOWMENTS (CONTINUED)

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

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

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

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

Spending Policy

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

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

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

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

NOTE 22 - FAIR VALUE OF FINANCIAL INSTRUMENTS

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

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 22 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

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

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

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

Investments - Fair value for investments is based on quoted market prices in active markets for identical investments, where available. If quoted market prices for identical investments in active markets are not available, fair value is based on observable inputs including quoted prices in active markets for similar investments, quoted prices for identical or similar investments in less active markets, model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market, or model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market. Certain investments were measured at Net Asset Value per Share (or Its Equivalent) as a practical expedient as permitted by ASC 820.

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

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

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

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

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

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

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 22 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

Funds held in custody for others – The carry amount reported in the consolidated statements of financial position for funds held in custody for others approximates those liabilities' fair values.

The estimated fair values of the Organization's financial instruments at June 30, 2018 and 2017 are as follows:

	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and cash Equivalents	$ 15,151,619	$ 15,151,619	$ 15,491,176	$ 15,491,176
Unconditional promises to give, net	11,453,350	Not Practicable	14,997,621	Not Practicable
Contribution receivable from Remainder Trusts	809,518	809,518	1,045,005	1,045,005
Other receivables	662,356	662,356	261,251	261,251
Beneficial interest in Perpetual Trusts	9,577,362	9,577,362	9,486,260	9,486,260
Investments	208,815,449	208,815,449	202,130,933	202,130,933
Cash surrender value - life insurance, net	571,094	571,094	531,852	531,852
Financial Liabilities:				
Accounts payable	138,777	138,777	41,301	41,301
Accrued vacation, wages and deferred compensation	288,114	288,114	243,437	243,437
Accrued interest payable	90,861	90,861	79,896	79,896
Bonds payable	-0-	Not Practicable	6,938,376	Not Practicable
Notes Payable	300,000	Not Practicable	300,000	Not Practicable

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 22 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Annuity payment liability	$ 421,044	$ 421,044	$ 361,074	$ 361,074
Deferred revenue	378,408	378,408	268,080	268,080
Interest rate swap	-0-	-0-	2,815	2,815
Funds held in custody for others	71,011,547	71,011,547	66,802,481	66,802,481

NOTE 23 - DERIVATIVE FINANCIAL INSTRUMENTS

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

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Foundation entered into an interest rate swap agreement for a portion of its floating rate debt in December, 2010. The agreement provides for the Foundation to receive interest from the counterparty at LIBOR times 67% and to pay interest to the counterparty at a fixed interest rate of 2.64% on the notional amount of $3,680,000 at June 30, 2017. Under the agreement, the Foundation pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The agreement has optional termination dates beginning February 21, 2016, and each day thereafter, with a final termination date of February 21, 2026. This option to terminate was exercised in May 2018.

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

	2018	2017
Fair value of interest rate swap agreement	$ -0-	$ 2,815
Consolidated statement of financial position location of fair value amount	Liability	Liability
Gain recognized in change in net assets	$ (2,815)	$ (791)
Location of gain recognized in change in net assets	Gifts, contributions and other	Gifts, contributions and other

NOTE 24 - EQUITY INVESTMENT IN JOINT VENTURE

Marshall Services Corporation owns a 50% interest in INTO MARSHALL, LLC. The investment is accounted for under the equity method of accounting, whereby the initial investment of $250,000 is adjusted for profit or loss and distributions. The equity investment is carried at $0 at June 30, 2018 and 2017 as the joint venture's accumulated losses are in excess of the initial capital contribution. When profits accumulate to return the capital account to a positive amount, the value of the equity investment in joint venture will appear on the consolidated statement of financial position.

NOTE 25 COMPONENT UNIT DISCLOSURES – FOUNDATION (CONTINUED)

NOTE 25 – FUNDS HELD IN CUSTODY FOR OTHERS

The Foundation invests funds for Marshall University. These investments are held in an agency relationship, therefore, assets and liabilities are always equal and no net assets are reported. The liability for agency investments was $71,011,547 and $66,802,481 at June 30, 2018 and June 30, 2017, respectively.

NOTE 26 – LEASES

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

Following is a summary of property on or held for lease at June 30, 2018:

Land	$	800,000
Building		1,500,000
Total		2,300,000
Less: Accumulated Depreciation		(253,125)
Net	$	2,046,875

Future annual minimum lease payments receivable from this operating lease for years subsequent to June 30, 2018 are as follows:

Year Ending June 30,		Amount
2019	$	114,780
2020		114,780
2021		38,260
TOTAL	$	267,820

Rental revenue for years ended June 30, 2018 and 2017 total $114,780 each year.

NOTE 27 – INTERRELATED PARTY ACTIVITY

The Foundation has a relationship with the Marshall University Alumni Association ("MUAA"). The Foundation provides economic and operational support, but does not maintain a majority voting interest on the MUAA board. The interrelated party activity is not material to the Foundation's financial statements taken as a whole.

NOTE 28 - SUBSEQUENT EVENTS

Management has reviewed events occurring subsequent to June 30, 2018 through September 27, 2018 (the date the financial statements were available to be issued) for possible adjustment to, or disclosure in, the accompanying financial statements as required by the Subsequent Events Topic of the FASB Accounting Standards Codification.

NOTE 26 COMPONENT UNIT DISCLOSURES – PROVIDENT MARSHALL

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

In accordance with the loan agreement and trust indenture, the Company is required to fund monthly amounts into reserve accounts for debt service, and repair and replacements, which are held by the trustee. As of June 30, 2018 and 2017, such balances consisted of cash and cash equivalents. Such funds may be released, as approved by the trustee, as needed, by the Company for construction, major repairs and betterments. Assets required to fund the current portion of such payments are included in current assets.

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

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

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

NOTE 26 COMPONENT UNIT DISCLOSURES – PROVIDENT MARSHALL (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Long-lived assets, such as buildings, improvements, and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheets. At June 30, 2018 and 2017, management has concluded that they are unaware of any impairments to be recorded.

Ground Lease: On July 30, 2010, the Company assumed a 40-year ground lease dated October 1, 2007 with the Board of Governors of Marshall University, on behalf of Marshall University (MU). The ground lease agreement requires the Company to pay rent of $1 annually along with additional rent, as outlined in the ground lease. At June 30, 2018 and 2017, no additional rent payment was due.

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

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

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

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

NOTE 26 COMPONENT UNIT DISCLOSURES – PROVIDENT MARSHALL (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

U.S. GAAP prescribes recognition thresholds and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Tax benefits will be recognized only if the tax position is more likely than not sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. Management has concluded that they are unaware of any tax benefits or liabilities to be recognized at June 30, 2018 and 2017.

The Company is not subject to examination by U.S. federal taxing authorities for years before 2015 and for all state income taxes before 2015. The Company does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

The Company would recognize interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. The Company has no amounts accrued for interest or penalties as of June 30, 2018 and 2017.

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

New Accounting Standards: In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows* (*Topic 230*): *Restricted Cash*. The standard requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Entities are also required to reconcile the total to amounts on the balance sheet and disclose the nature of the restrictions. The Company implemented this ASU for the year ended June 30, 2018. This ASU has been applied retrospectively to all periods presented.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*: *Topic 606*. This ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). This ASU will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company will apply the amendments in this ASU for the fiscal year ending June 30, 2019. The Company is in the process of assessing the effect on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This ASU affects any entity that enters into a lease, with some specified scope exemptions. The main difference between previous GAAP and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The Company will apply the amendments in this ASU for the fiscal year ending June 30, 2020. The Company is in the process of assessing the effect on its financial statements.

NOTE 26 COMPONENT UNIT DISCLOSURES – PROVIDENT MARSHALL (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2018, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2018. Management has performed their analysis of subsequent events through September 28, 2018, the date the financial statements were issued.

NOTE 2 - REVENUE BONDS PAYABLE

	Fixed/ Variable Rate	Fiscal Year Maturity	Interest Rate	2018	2017
Cabell County Series 2010A senior tax-exempt revenue bonds payable secured by a $80,711,596 letter of credit set to expire on January 30, 2020	Variable (LIBOR x 70%)	July 1, 2039	1.56% and 0.96% respectively	$ 78,935,000	$ 79,415,000
Cabell County Series 2010B subordinate tax-exempt revenue bonds payable	Fixed	July 1, 2039	7.50%	8,736,000	8,778,000
				87,671,000	88,193,000
Unamortized discount on Series 2010A bonds underlying the bonds payable				(264,203)	(283,563)
Unamortized deferred financing costs				(637,301)	(684,039)
				86,769,496	87,225,398
Less current maturities				794,000	624,000
				$ 85,975,496	$ 86,601,398

The bonds are collateralized by all the assets of the Company.

Aggregate annual maturities of the revenue bonds payable at June 30, 2018, are as follows:

2019	$ 794,000
2020	78,462,000
2021	179,000
2022	193,000
2023	207,000
Thereafter	7,836,000
	$ 87,671,000

Principal and interest on the Series 2010B bonds are payable solely out of available surplus cash in accordance with the trust indenture. The Series 2010A and Series 2010B bonds are subject to certain mandatory and optional redemption and tender provisions as stated in the trust indenture. As of June 30, 2018 and 2017, Series 2010A bonds are still outstanding, therefore such provisions are not applicable to the Series 2010B bonds. Since the bonds are subject to optional tender by the owners in accordance with the trust indenture, any tendered bonds are remarketed by the Remarketing Agent pursuant to the trust indenture and the Remarketing Agreement. In the event the Remarketing Agent is unable to remarket the bonds, they become demand obligations and require immediate repayment.

NOTE 26 COMPONENT UNIT DISCLOSURES – PROVIDENT MARSHALL (CONTINUED)

NOTE 2 - REVENUE BONDS PAYABLE (Continued)

Pursuant to the loan agreement, reimbursement agreement, trust indenture and ground lease, the Company is subject to certain financial covenants, reporting covenants, and other requirements. At June 30, 2018 and 2017, management believes the Company was in compliance with all covenants.

NOTE 3 - DERIVATIVES

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

Interest Rate Swap Not Designated as a Hedge: Summary information about the interest rate swap not designated as a hedge as of June 30, 2018 and 2017, is as follows:

	2018	2017
Notional amounts	$ 78,935,000	$ 79,415,000
Weighted average pay rates (fixed)	3.728%	3.728%
Weighted average receive rates (LIBOR x 70%)	1.077%	0.518%
Weighted average maturity	10 years	11 years

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

	Amounts Recognized	
	2018	2017
Unrealized gain on interest rate swap agreement	$ 4,691,734	$ 7,175,891
Interest expense - senior bonds payable	2,081,454	2,544,344

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

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

	2018	2017
Current liabilities		
Interest rate swap agreement, current portion	$ 1,603,265	$ 2,176,885
Long-term liabilities		
Interest rate swap agreement, net of current portion	9,529,936	13,648,050

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

NOTE 26 COMPONENT UNIT DISCLOSURES – PROVIDENT MARSHALL (CONTINUED)

NOTE 6 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The fair value provided may differ from actual trade prices as a result of various factors, including (but not limited to) market liquidity, interest rates, credit spreads, position size, transaction and financing costs, hedging costs and risks and uses of capital, as well as certain assumptions regarding past, present and future market conditions. As a result, it is possible that a different valuation model could produce a materially different estimate of fair value. No other assets or liabilities as of June 30, 2018 or 2017, were valued using Level 2.

The total amount of gains for the years ended June 30, 2018 and 2017, included in expenses attributable to the change in unrealized gains relating to liabilities still held at June 30, 2018 and 2017, was $4,691,734 and $7,175,891, respectively.

NOTE 26 COMPONENT UNIT DISCLOSURES – PROVIDENT MARSHALL (CONTINUED)

NOTE 4 - RELATED PARTY TRANSACTIONS

Provident receives a fee from the Company to cover corporate administrative overhead costs. For the years ended June 30, 2018 and 2017, corporate administrative overhead costs, which are included in management fees in the statements of income, were $207,215 and $206,925, respectively. Per the trust indenture, the Company has deferred a portion of the corporate administrative overhead costs as of June 30, 2018 and 2017. As of June 30, 2018 and 2017, $40,421 and $40,809, respectively, remained outstanding.

NOTE 5 - MANAGEMENT AGREEMENT

The Company's housing facility is managed by Capstone On Campus Management, LLC, an unaffiliated management agent. The management fee was $181,568 and $178,499 for the years ended June 30, 2018 and 2017, respectively. The management agreement is for a period of fifteen years beginning on July 30, 2010. The management agreement may be terminated for cause in accordance with the provisions of the management agreement. Per the trust indenture, the Company has deferred a portion of the management fee as of June 30, 2018 and 2017. As of June 30, 2018 and 2017, $56,740 and $55,781, respectively, remains outstanding.

The Company's wellness center is managed by Centers, LLC, an unaffiliated management agent. The management fee was $249,722 and $246,149 for the years ended June 30, 2018 and 2017, respectively. The management agreement is for a period of fifteen years beginning on July 30, 2010. The management agreement may be terminated for cause in accordance with the provisions of the management agreement. Per the trust indenture, the Company has deferred a portion of the management fee as of June 30, 2018 and 2017. As of June 30, 2018 and 2017, $62,520 and $76,899, respectively, remains outstanding.

NOTE 6 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Basis of Fair Value Measurement

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

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

NOTE 27 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC.

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

Note 1 – Summary of Significant Accounting Policies:

A. Business Operations and Basis of Presentation

Big Green Scholarship Foundation, Inc. (the Foundation), provides scholarship aid to student athletes and program support for Marshall University's (Marshall) intercollegiate athletic program. In 2017-2018, Marshall sponsored sixteen varsity sports (six men and ten women), and provided for approximately 395 athletes, equivalent to approximately 218 full scholarships. The Foundation's main sources of revenue are contributions, endowments, and special fundraising events.

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

B. Cash Equivalents

The Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash on hand and deposits with banking institutions either in checking or other accounts are presented as cash in the accompanying financial statements. Such deposits at June 30, 2018, have been fully secured by federal depository insurance or adequate collateral.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. Under ASC 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. At June 30, 2018, the Foundation had unrestricted, temporarily restricted, and permanently restricted net assets.

D. Fund Accounting

The accounts of the Foundation are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Fund balances are classified on the Statement of Financial Position as unrestricted, temporarily restricted, or permanently restricted net assets based on the absence or existence and type of donor-imposed restrictions.

NOTE 27 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC. (CONTINUED)

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

E. Combined Financial Statements

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

F. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

G. Investments

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

H. Investment Pools

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

NOTE 27 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC. (CONTINUED)

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

I. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction(s) expire in the fiscal year in which the contributions are recognized. Depending on the restriction, other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Foundation uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made, currently by pool of pledges, which range from 5 to 100%.

J. Deferred Revenue

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

K. Donated Assets

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

L. Income Tax Status

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

The Foundation's Form 990, *Return of Foundation Exempt from Income Tax*, for the fiscal years 2017, 2016, and 2015 are subject to examination by the IRS, generally three years after they were filed.

M. Property and Equipment

Property and equipment is recorded at estimated fair market value at date of donation or cost if purchased. Depreciation is computed on the straight-line method and is based on useful lives ranging from 3 to 5 years.

NOTE 27 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC. (CONTINUED)

Note 2 – Investments:

Investments, valued at fair market value as of June 30, 2018 and 2017, are summarized as follows:

		2018		2017
Cash and Cash Equivalents	$	-	$	4,664
Mutual Funds:				
Cash and Cash Equivalents		38,401		144,890
Bond Funds		5,296,312		2,293,958
Equity Funds		3,867,240		5,970,990
Other		-		14,537
Total Mutual Funds		9,201,953		8,424,375
Total Investments	$	9,201,953	$	8,429,039

The following schedule summarizes investment return and its classification in the statement of activities for the fiscal years ended June 30, 2018 and 2017:

		2018		2017
Interest and dividends	$	313,716	$	171,841
Unrealized gain / (loss)		374,170		597,558
Total Investment Return	$	687,886	$	769,399

NOTE 27 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC. (CONTINUED)

Note 3 – Fair Value Measurements:

Fair value of assets measured on a recurring basis at June 30, 2018 and 2017, are as follows:

Fair Value Measures at Reporting Date Using:

June 30, 2018	Fair Value	Level 1	Level 2	Level 3
Mutual Funds	$ 9,201,953	$ 9,201,953	$ -	$ -
Total	$ 9,201,953	$ 9,201,953	$ -	$ -

June 30, 2017	Fair Value	Level 1	Level 2	Level 3
Cash and Cash Equivalents	$ 4,664	$ 4,664	$ -	$ -
Mutual Funds	8,424,375	8,424,375	-	-
Total	$ 8,429,039	$ 8,429,039	$ -	$ -

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using Level 3 inputs are based on unobservable inputs. There were no Level 2 or Level 3 inputs for the fiscal years ended June 30, 2018 and 2017.

Note 4 – Promises to Give:

Promises to give at June 30, 2018, were as follows:

Description	Amount
Pledges due in less than one year	$ 647,993
Pledges due in one to five years	64,250
Total pledges receivable	712,243
Less: Discounts to present value, discounted at 2% annually	(13,094)
Less: Allowance for uncollectible pledges	(63,216)
Total promises to give	$ 635,933

As of June 30, 2018, $132,216 (net of allowances and present value discounts) represented promises to the Foundation's endowment fund. This income is used for scholarships and other support of the Marshall University Athletic Department.

NOTE 27 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC. (CONTINUED)

Note 5 – Donor-designated Endowments:

The Foundation's endowment consists of approximately 141 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

A. Investment Return Objectives, Risk Parameters and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities. The Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

NOTE 27 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC. (CONTINUED)

Note 5 – Donor-designated Endowments (Continued):

B. Spending Policy

The Foundation has a policy of appropriating for distribution each year only the net appreciation and income from the corpus of the endowment fund, based on a need to fund operations, if deemed necessary by the Board of Directors. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, and the possible effects of inflation. The Foundation's current spending policy is based off of the prior year's investment results and current spending policy to allow its endowment funds to grow at the same rate as annual contributions. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of June 30, 2018, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor-restricted endowment funds	$ -	$ -	$ 8,366,990	$ 8,366,990
Board-designated endowment funds	98,974	-	-	98,974
Total funds	$ 98,974	$ -	$ 8,366,990	$ 8,465,964

Changes in endowment net assets as of June 30, 2018, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, beginning of year	$ 91,468	$ -	$ 7,606,015	$ 7,697,482
Contributions	2,500	-	470,689	473,189
Investment income	3,588	-	305,927	309,516
Net appreciation (depreciation)	3,918	-	334,144	338,062
Amounts appropriated for expenditure	(2,500)	-	(349,785)	(352,285)
Endowment net assets, end of year	$ 98,974	$ -	$ 8,366,990	$ 8,465,964

NOTE 27 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC. (CONTINUED)

Note 6 – Donated Services:

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

The value of donated services included in the financial statements and the corresponding expenses for the fiscal year ended June 30, 2018, are as follows:

Services	Value
Courtesy cars	$ 155,000
Housing	39,352
Meals	10,951
Medical	108,401
Facility Equipment	10,740
Travel	32,400
Total Services	$ 356,844

Note 7 – Property and Equipment:

Property and equipment at June 30, 2018 and 2017, are present at their net book value. The property and equipment consists of vehicles. Property and equipment balances, by fund, for the fiscal year ended June 30, 2018, are as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Operating Fund				
Vehicles	$ 88,600	$ -	$ (60,130)	$ 28,470
Less: Accumulated Depreciation	(73,833)	-	45,363	(28,470)
Total Operating Fund	14,767	-	(14,767)	-
Booster Clubs				
Vehicles	53,881	-	-	$ 53,881
Less: Accumulated Depreciation	(53,881)	-	-	(53,881)
Total Booster Clubs	-	-	-	-
Total Property and Equipment	$ 14,767	$ -	$ (14,767)	$ -

NOTE 27 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC. (CONTINUED)

Note 7 – Property and Equipment (Continued):

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

Fund	Amount
Operating Fund	$ 14,767
Booster Clubs	-
Total Depreciation	$ 14,767

Note 8 – Endowment Investment Fees:

Total endowment investment fees paid for the fiscal year ended June 30, 2018, were as follows:

	Amount
Unrestricted investment and administrative fees	$ 31,770
Temporarily restricted investment and administrative fees	-
Permanently restricted investment and administrative fees	-
Total investment and administrative fees	$ 31,770

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

Note 9 – Debt:

The Foundation has a 4.95% interest-bearing, eleven-year note that is payable in quarterly installments of $94,150 that is secured by an agreement between Marshall and Marshall's athletics marketing firm, IMG. The note has an outstanding balance of $953,734 at June 30, 2018, $336,024 of which is classified as short-term debt. The note was obtained in order to finance facility improvements for the Marshall University Athletic Department. In the agreement with IMG, the firm will make payments to Marshall for the improvements and Marshall has agreed to the assignment of payments from IMG to the Foundation for this note. This note will reach full maturity in fiscal year 2021.

The Foundation has an interest-bearing, eight-year note, which allowed the Foundation to access $1,700,000 of principal to assist with the financing of facility improvements for the Marshall University Athletic Department football stadium. The interest rate on the note will be fixed at 2.43% through July 15, 2018, at which time the rate will be adjusted to the current market rate, not to exceed 5.00% for the remaining two years. The note is secured by an agreement between Marshall and individual donors for long-term leases for sky deck level suites at the Marshall University Athletic Department football stadium. The note has an outstanding balance of $603,604 at June 30, 2018, $225,129 of which is classified as short-term debt. This note will reach full maturity in fiscal year 2021.

NOTE 27 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC. (CONTINUED)

Note 9 – Debt (Continued):

The future scheduled maturities of notes payable are:

Fiscal Years Ending June 30:	Amount
2019	$ 561,153
2020	583,272
2021	412,913
2022	-
2023	-
Thereafter	-
Total	$ 1,557,338

Note 10 – Financial Instruments:

A. Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of the aforementioned temporary cash investments and pledges receivable. Concentrations of credit risk with respect to pledges receivable are due to the large number of contributors and their dispersion across an economically depressed geographic area. A change in the economic climate could alter the collections of the current receivables and could affect the ability to raise funds for future campaigns.

B. Fair Value of Financial Instruments

The Foundation has a number of financial instruments consisting of cash, pledges receivable and contributions receivable, money market funds, and marketable securities. The Foundation estimates that the fair value of these financial instruments at June 30, 2018, does not materially differ from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

Note 11 – Risk Management:

The Foundation is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors, and omissions; injuries to employees; employees' health and life; and natural disasters. The Foundation manages these risks of loss through the purchase of various insurance policies.

Note 12 – Revenue Concentrations:

During the fiscal year ended June 30, 2018, a large portion of the Foundation's revenue consisted of monies given by individual donors. The amounts of contributions from these donors are dependent upon the populous, alumni, and friends of Marshall. Future levels of contributions are dependent upon these individuals.

NOTE 27 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC. (CONTINUED)

Note 13 – Leases:

In October, 2016 (during the fiscal year ended June 30, 2017), the Foundation entered into a noncancelable five-year operating lease for office space. The lease contains a renewal option for five additional years at the completion of the first term. The lessor is required to pay all maintenance, utility, and property tax costs. Rental expense for this lease consisted of $24,465 for the year ended June 30, 2018.

Future minimum lease payments under this operating lease is:

Fiscal Years Ending June 30:	Amount
2019	$ 24,465
2020	24,465
2021	6,116
2022	-
2023	-
Thereafter	-
Total	$ 55,046

Note 14 – Beneficial Interest in a Charitable Remainder Trust:

In September 2004, a donor designated the Foundation as the sole beneficiary of their charitable remainder trust. The trust agreement calls for the balance of the trust to be distributed to the beneficiary upon the recipient's death. The trust had a fair value at the date of designation of $798,778 which was recorded as a temporarily restricted contribution based on ASC 958. For the fiscal year ended June 30, 2018, the trust incurred a gain of $4,433 and the fair value of the Foundation's beneficial interest in the trust was $735,989.

Note 15 – Other Receivables:

As discussed in Note 9, the Foundation has two interest-bearing notes that were obtained to finance improvements to facilities of the Marshall University Athletic Department.

A. **General Facility Improvements**

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

NOTE 27 COMPONENT UNIT DISCLOSURES – BIG GREEN SCHOLARSHIP FOUNDATION, INC. (CONTINUED)

Note 15 – Other Receivables (Continued):

B. Football Stadium Sky Suite Additions

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

Note 16 – Subsequent Events:

The Foundation has evaluated all subsequent events through September 12, 2018, the date the financial statements were available to be issued.

MARSHALL UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SCHEDULES OF PROPORTIONATE SHARE OF
NET PENSION LIABILITY AND CONTRIBUTIONS
JUNE 30, 2018 AND 2017
(UNAUDITED)

Schedule of Proportionate Share of TRS Net Pension Liability
(In Thousands)

Measurement Date	University's Proportionate Share as a Percentage of Net Pension Liability	University's Proportionate Share	State's Proportionate Share	Total Proportionate Share	University's Covered Employee Payroll	University's Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2014	0.114986%	$ 3,967	$ 8,963	$ 12,930	$ 3,562	111%	65.95%
June 30, 2015	0.109047%	$ 3,779	$ 8,622	$ 12,401	$ 2,844	133%	66.25%
June 30, 2016	0.111053%	$ 4,564	$ 8,693	$ 13,257	$ 2,545	179%	61.42%
June 30, 2017	0.085784%	$ 2,963	$ 6,554	$ 9,517	$ 2,254	131%	67.85%

Schedule of Employer Contributions
(In Thousands)

Measurement Date	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actuarial Contribution as a Percentage of Covered Payroll
June 30, 2014	$ 149	$ 151	$ (2)	$ 3,562	4.18%
June 30, 2015	$ 280	$ 303	$ (23)	$ 2,844	9.85%
June 30, 2016	$ 334	$ 368	$ (34)	$ 2,545	13.12%
June 30, 2017	$ 430	$ 339	$ 91	$ 2,254	20.81%

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

Notes to Required Supplementary Information
For the Years Ended June 30, 2018 and 2017

There are no factors that affect trends in the amounts reported, such as change in benefit terms or assumptions. With only four years reported in the required supplementary information, there is no additional information to include in notes. Information, if necessary, can be obtained from the CPRB Comprehensive Annual Financial Report.

MARSHALL UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SCHEDULES OF PROPORTIONATE SHARE OF
NET OPEB LIABILITY AND CONTRIBUTIONS
JUNE 30, 2018 AND 2017
(UNAUDITED)

Schedule of Proportionate Share of Net OPEB Liability
(In Thousands)

Measurement Date	University's Proportionate Share as a Percentage of Net OPEB Liability	University's Proportionate Share	State's Proportionate Share	Total Proportionate Share	University's Covered Employee Payroll	University's Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2017	1.678119%	$ 41,265	$ 8,475	$ 49,740	$ 37,137	111%	25.10%

Schedule of Employer Contributions
(In Thousands)

Measurement Date	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actuarial Contribution as a Percentage of Covered Payroll
June 30, 2017	$ 3,447	$ 3,447	$ -	$ 37,137	9.28%

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

Notes to Required Supplementary Information
For the Years Ended June 30, 2018 and 2017

There are no factors that affect trends in the amounts reported, such as change in benefit terms or assumptions. With only one year reported in the required supplementary information, there is no additional information to include in notes. Information, if necessary, can be obtained from the RHBT financial statements.

CliftonLarsonAllen LLP
CLAconnect.com

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

Governing Board
Marshall University
Huntington, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component units of Marshall University (the University) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 15, 2018. Our report includes a reference to other auditors who audited the financial statements of the Marshall University Research Corporation (MURC), the Marshall University Foundation, Inc. (the Foundation), Provident Group – Marshall Properties L.L.C. (Provident – Marshall), and the Big Green Scholarship Foundation, Inc. (Big Green), as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by the auditors of the MURC. The financial statements of the Foundation, Provident – Marshall, and Big Green were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

University's Response to Finding

The University's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
October 15, 2018

2018-001: Compensated Absence Accrual

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: During the performance of the audit it was noted that the compensated absence accrued liability was understated.

Criteria: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, changes in net position and cash flows, including the notes to the financial statements. This responsibility includes ensuring the accuracy of all the financial records and information.

Cause: The data base used to track employee time was not reconciled to the spreadsheet used to calculate the fiscal year-end accrual.

Effect: An audit adjustment for approximately $1,682,000 was made to increase accrued compensated absences.

Recommendation: We recommend the University review and modify its internal control system to assure the calculation of the year-end compensated absences accrual is complete and accurate.

Management's Response:

In September 2017 Marshall University implemented a new "time and attendance" system called Time Clock Plus (TCP). All prior leave balances/accruals (Annual & Sick Leave) was loaded in TCP. We ran parallel processes between TCP and our legacy Access Database to ensure everything was working properly. After a few months and several test, we moved forward with making TCP our new system of record.

During the 2018 audit we were asked to produce the same historic yearly report for compensated absence accruals. Unfortunately, during our TCP implementation we didn't have a reason to load fund/org fields, nor salary fields and therefore we couldn't extract a comprehensive report from TCP.

In an effort to get the auditors the required information, we attempted to extract the balances from TCP and upload them into our Banner HR/Payroll system where we could then generate the additional fields required for the audit. During this process, we didn't capture everything correct on our "first" attempt. After identifying our error, we made adjustments and captured nearly everything on the "second" attempt.

We are exploring a couple of options to address this issue moving forward:

1. Reconciling both systems quarterly. (TCP and Banner HR/Payroll)
2. Adding more usable fields to our TCP System so we can eliminate the need to upload data into our Banner HR system just to run a report.