

# MARSHALL UNIVERSITY RESEARCH CORPORATION

Financial Statements as of and for the  
Years Ended June 30, 2020 and 2019, and  
Supplemental Schedule for the Year Ended  
June 30, 2020, Independent Auditors' Report,  
and Reports Required by Uniform Guidance  
for the Year Ended June 30, 2020

# MARSHALL UNIVERSITY RESEARCH CORPORATION

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Marshall University Research Corporation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Marshall University Research Corporation (the Corporation), which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

### *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 an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 opinion.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2020 and 2019, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-8 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2020, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation'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 Corporation's internal control over financial reporting and compliance.

*Hayflick CPAs PLLC*

Huntington, West Virginia  
October 1, 2020

**MARSHALL UNIVERSITY RESEARCH CORPORATION**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FISCAL YEAR 2020**  
**[UNAUDITED]**

**Introduction**

The Marshall University Research Corporation (“MURC” or the “Corporation”) is a non-profit state entity created by the West Virginia Legislature to further research and economic development activities within the State of West Virginia. MURC is a component unit of Marshall University (“Marshall”) and is included as an integral part of Marshall’s annual combined financial statements.

**Overview**

The Management’s Discussion and Analysis is required supplementary information and has been prepared in accordance with the requirements of Governmental Accounting Standard Board (GASB). This section of MURC’s annual financial report provides an overview of MURC’s financial performance during the year ended June 30, 2020 as compared to the previous fiscal year. Comparative analysis is also presented for fiscal year 2019 compared to fiscal year 2018.

The Corporation’s financial report consists of three basic 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, the results of operations, and cash flows of the Corporation as a whole. Each of these statements is discussed below.

**Net position**

The statements of net position present the assets (current and noncurrent), liabilities (current and noncurrent), and net position (assets minus liabilities) of the Corporation as of the end of the fiscal year. Assets denote the resources available to continue the operations of the Corporation. Liabilities indicate how much the Corporation owes vendors, employees and lenders. Net position measures the equity or the availability of funds of the Corporation for future periods.

Net position is displayed in three major categories:

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

*Restricted Net 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 components of restricted net position include endowment and similar type funds for which donors or other outside sources have stipulated, as a condition of the gift or grant 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 components of restricted net position include resources for which the Corporation 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 facilities and administrative earnings and revenues from investments. Unrestricted components of net position are used for transactions related to the educational and general operations of the Corporation and may be designated for specific purposes by the Corporation’s Board of Directors. While the Corporation has not specifically designated Net Position balances at June 30, 2019, certain amounts are reserved for specific programs.

**Condensed Statements of Net Position (in thousands)**

	<b>As of June 30</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Assets:</b>			
Current assets	\$ 17,788	\$ 11,378	\$ 11,487
Other noncurrent assets	28,576	30,689	31,528
Capital assets, net	<u>10,037</u>	<u>9,907</u>	<u>10,947</u>
<b>Total Assets</b>	<b><u>\$ 56,401</u></b>	<b><u>\$ 51,974</u></b>	<b><u>\$ 53,962</u></b>
<b>Liabilities:</b>			
Current liabilities	\$ 16,571	\$ 8,634	\$ 7,937
Noncurrent liabilities	<u>1,525</u>	<u>1,735</u>	<u>1,946</u>
<b>Total Liabilities</b>	<b><u>\$ 18,096</u></b>	<b><u>\$ 10,369</u></b>	<b><u>\$ 9,883</u></b>
<b>Net Assets:</b>			
Net Investment in Capital Assets	\$ 8,740	\$ 8,448	\$ 9,327
Restricted:			
Non expendable	15,000	15,000	15,000
Expendable	7,033	11,566	12,938
Unrestricted	<u>7,532</u>	<u>6,591</u>	<u>6,814</u>
<b>Total Net Position</b>	<b><u>\$ 38,305</u></b>	<b><u>\$ 41,605</u></b>	<b><u>\$ 44,079</u></b>

*Changes to Net position*

The decrease in net position of \$3,299,498 in FY2020 was principally the use of expendable restricted funds previously held in reserve. The decrease in net position of \$2,474,825 in FY2019 was primarily the use of expendable restricted and unrestricted funds totaling \$1,595,120.

The first component is the Corporation’s equity in capital assets, which increased \$292,130 during FY2020 and decreased \$879,708 during FY2019.

Restricted nonexpendable net assets were earned in connection with the “Bucks for Brains” West Virginia Research Trust Fund. Private donations were received by the Marshall University Foundation (the “Foundation”) and were matched by a corresponding draw from the State on the project for each year. These funds are held in two nonexpendable funds – one at the Foundation and the other at MURC.

Restricted expendable assets decreased \$4,532,287 during FY2020 and decreased \$1,372,121 during FY2019. These monies have been restricted for use by entities outside the Corporation, mainly by granting agencies. Restricted expendable assets are generally produced through program income, which totaled \$634,625 for FY2020 and \$1,132,533 for FY2019. The FY2020 and FY2019 decreases in restricted expendable assets are the result of the use of these monies.

Finally, unrestricted net assets increased by \$940,659 for FY2019 and decreased by \$222,999 for FY2019 and over the prior year total. Activity in Cost Recovery and Operating Funds accounts for the monies attributable to this component. These monies can be expended for any legal purpose.

### Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position present the revenues and expenses, both operating and non-operating, as well as other gains and losses of the Corporation.

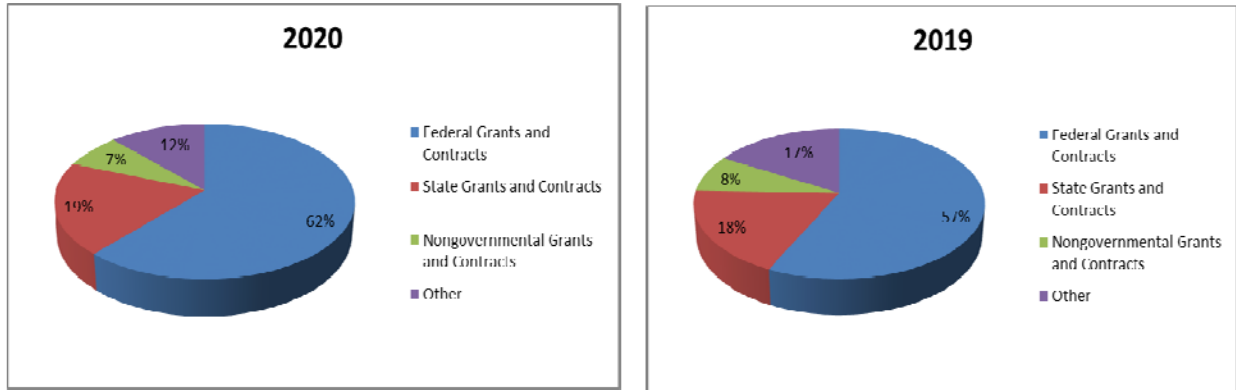
Operating revenues are received for providing goods and services to the various customers and constituencies of the Corporation. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the Corporation. Revenues received for which goods and services are not provided are reported as non-operating revenues. For example, gifts are non-operating because they are provided by the donor to the Corporation without the donor directly receiving commensurate goods and services for those revenues.

#### Condensed Statements of Revenues, Expenses and Changes in Net Assets (in thousands)

	Years Ended June 30		
	2020	2019	2018
Operating revenues	\$ 39,880	\$ 33,699	\$ 31,705
Operating expenses	<u>(44,137)</u>	<u>(38,003)</u>	<u>(37,687)</u>
Operating income (loss)	(4,257)	(4,304)	(5,982)
Nonoperating revenues(expenses)	<u>957</u>	<u>1,829</u>	<u>2,135</u>
Income (loss) before capital gifts and grants	(3,300)	(2,475)	(3,847)
Capital grants and gifts	<u>0</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Assets	(3,300)	(2,475)	(3,847)
Net Position at Beginning of Year	<u>41,605</u>	<u>44,080</u>	<u>47,927</u>
Net Position at End of Year	<u>\$ 38,305</u>	<u>\$ 41,605</u>	<u>\$ 44,080</u>

Revenues:

The following charts illustrate the composition of revenues by source for 2020 and 2019:



*Changes to Operating Revenues and Expenses*

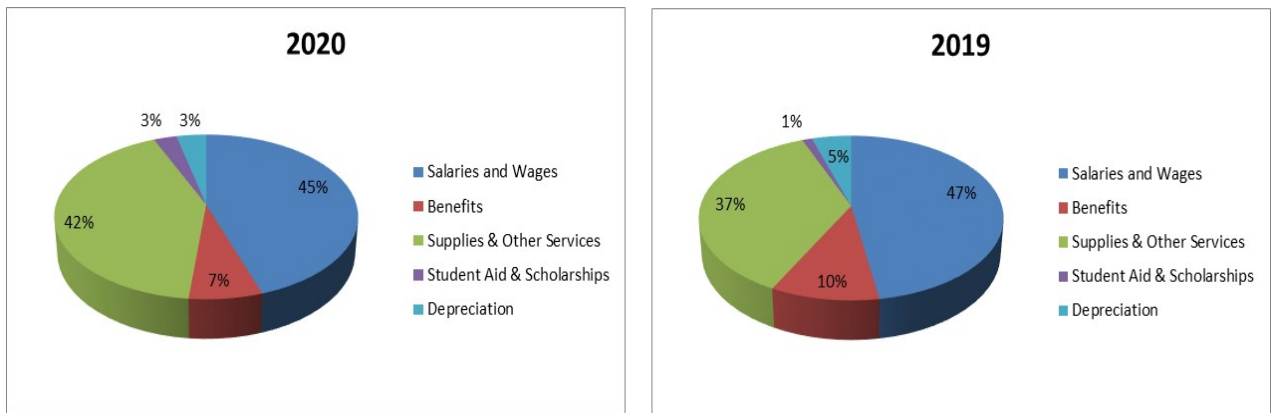
For FY2020, Operating Revenues were \$39,879,982, an increase of \$6,181,348 compared to FY2019. This is primarily the result of an increase in government grants and contracts totaling \$5,325,122.

For FY2019, Operating Revenues were \$33,698,634, an increase of \$1,993,534 compared to FY2018. This is primarily the result of an increase in government grants and contracts totaling \$2,314,226.

There was no construction related grant revenue in either year.

Expenses:

The following is a graphic comparison of total expenses by category between 2020 and 2019:



Operating Expenses were \$44,137,374 for FY2020 as compared to \$38,002,581 for FY2019, an increase of \$6,134,793.

Operating Expenses were \$38,002,581 for FY2019 as compared to \$37,687,380 for FY2018, an increase of \$315,201.



## Statement of Cash Flows

The statement of cash flows presents detailed information about the cash activity during the year. The statement helps users assess the Corporation's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing.

The statement of cash flows is divided into five sections:

Cash flows from operating activities show the net cash provided or used by the operating activities of the Corporation.

Cash flows from noncapital financing activities reflect the cash received and paid for non-operating, non-investing, and noncapital financing purposes.

Cash flows from capital and related 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 income (loss) to net cash provided by (used in) operating activities provides a schedule that reconciles the accrual-based operating income (loss) and net cash provided by (used in) operating activities.

### Condensed Statements of Cash Flows (in thousands)

	Years ended June 30		
	2020	2019	2018
Cash provided (used) by:			
Operating activities	\$ (1,300)	\$ (1,996)	\$ (4,011)
Noncapital financing activities	2,555	0	0
Capital and related financing activities	(2,108)	(764)	(1,211)
Investing activities	<u>2,875</u>	<u>2,500</u>	<u>1,816</u>
Net increase (decrease) in cash and cash equivalents	2,022	(260)	(3,406)
Cash and cash equivalents, beginning of year	<u>2,621</u>	<u>2,881</u>	<u>6,287</u>
Cash and cash equivalents, end of year	<u>\$ 4,643</u>	<u>\$ 2,621</u>	<u>\$ 2,881</u>

The increase in cash balance in 2020 is due to the increased cash receipts from grant and contract activity.

## Capital Asset and Debt Administration

The Corporation completed construction for an addition to the Forensic Science Center in September 2009. Funding for the Forensic Science Center addition resulted in the Corporation incurring a note payable in the amount of \$3,000,000, which had a principal balance of \$1,288,145 at June 30, 2020. Other capital assets owned by the Corporation are primarily comprised of equipment purchased with funds provided directly within grant agreements or using indirect costs recovery funds. During FY2020, \$1,906,538 in capital assets was purchased, which was research equipment. The Corporation has no other debt obligations.

## **Economic Outlook**

MURC has experienced tremendous growth during the last several years. Fiscal Year 2020 awards totaled nearly \$50,000,000, up from \$23,000,000 in 2015.

The “Bucks for Brains” initiative is thriving and supporting research across the University. This program is funded through proceeds from private, endowed gifts matched by endowment funds from the WV Research Trust Fund established in 2008. The mission of this initiative is to stimulate world-class research and development and to attract venture capital, which will eventually lead to jobs in emerging high-tech, high wage industries. Marshall matched \$15 million in private gifts with \$15 million in state funds. Those \$30 million in endowments funded over \$2,000,000 in qualified research expenditures in Fiscal Year 2020.

Researchers in the Marshall University Joan C. Edwards School of Medicine continued with their success in NIH funding, with a successful INBRE (IDeA Networks of Biomedical Research Excellence) award renewal and numerous individual investigator R01 and R15 awards.

Marshall Personnel have also developed a robust and successful Center for Opioid Recovery Excellence. The Center has end elements of Marshall University Research Corporation, Marshall University, and Marshall University School of Medicine to successfully obtain and deploy millions in funding for substance abuse prevention and recovery.

The College of Engineering and Computer Sciences and the College of Science have formed robust relationships with The Army Corps of Engineers and the Department of Homeland Security leading to multi-million dollar awards.

The Robert C Byrd Institute for Advanced and Flexible manufacturing continued to spearhead economic development in the region with awards from the US EDA and the ARC.

For the first time, U.S. News & World Report’s “Best Colleges” rankings have recognized Marshall University among the nation’s top higher education institutions. The magazine’s 2020 edition placed Marshall among the best 381 schools in the top tier “National Universities” category. This is the first time Marshall has been listed in the “National Universities” category—a direct result of the university’s recent elevation to the R2, or Doctoral University: High Research Activity, category by the Carnegie Classification of Institutions of Higher Education.

As evidenced by all of these achievements, Marshall University Research Corporation continues to enjoy a very robust and thriving research environment. We remain confident in our ability to seek and acquire funding opportunities as well as continue to provide our best service to both Marshall and our community.

# MARSHALL UNIVERSITY RESEARCH CORPORATION

## STATEMENTS OF NET POSITION AS OF JUNE 30, 2020 AND 2019

	2020	2019
<b>ASSETS AND DEFERRED OUTFLOWS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 4,642,551	\$ 2,620,890
Grants and contracts receivable — net of allowance of \$1,146,496 and \$568,457 in 2020 and 2019, respectively	11,102,151	8,350,964
Other accounts receivable	30,423	45,622
Prepaid expenses	<u>2,013,173</u>	<u>360,340</u>
Total current assets	<u>17,788,298</u>	<u>11,377,816</u>
<b>NONCURRENT ASSETS:</b>		
Loan receivable		410,404
Investments	28,575,868	30,278,873
Capital assets — net	<u>10,037,066</u>	<u>9,907,103</u>
Total noncurrent assets	<u>38,612,934</u>	<u>40,596,380</u>
Total Assets	<u>56,401,232</u>	<u>51,974,196</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 56,401,232</u>	<u>\$ 51,974,196</u>

(Continued)

# MARSHALL UNIVERSITY RESEARCH CORPORATION

## STATEMENTS OF NET POSITION AS OF JUNE 30, 2020 AND 2019

	2020	2019
<b>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 2,136,967	\$ 1,331,782
Accrued liabilities	1,121,946	1,033,465
Notes payable — current portion	2,716,018	161,018
Compensated absences	1,063,343	1,010,625
Unearned revenue	9,532,896	5,097,023
Total current liabilities	<u>16,571,170</u>	<u>8,633,913</u>
<b>NONCURRENT LIABILITIES:</b>		
Notes payable	1,127,127	1,288,145
Unearned rent revenue	397,640	447,345
Total noncurrent liabilities	<u>1,524,767</u>	<u>1,735,490</u>
Total liabilities	<u>18,095,937</u>	<u>10,369,403</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>
<b>TOTAL</b>	<u>18,095,937</u>	<u>10,369,403</u>
<b>NET POSITION:</b>		
Net investment in capital assets	8,739,729	8,447,597
Restricted for:		
Nonexpendable	15,000,000	15,000,000
Expendable — sponsored projects	7,033,507	11,565,794
Unrestricted	7,532,059	6,591,402
Total net position	<u>38,305,295</u>	<u>41,604,793</u>
<b>TOTAL</b>	<u>\$ 56,401,232</u>	<u>\$ 51,974,196</u>

See notes to financial statements.

(Concluded)

# MARSHALL UNIVERSITY RESEARCH CORPORATION

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
OPERATING REVENUES:		
Contracts and grants:		
Federal	\$ 24,537,080	\$ 19,211,958
State	7,723,817	6,244,942
Private and local	2,882,455	2,658,195
Program income	634,625	1,132,533
Miscellaneous — net	4,102,005	4,451,006
	<u>39,879,982</u>	<u>33,698,634</u>
Total operating revenues		
OPERATING EXPENSES:		
Salaries and wages	19,771,248	18,022,299
Benefits	3,003,397	3,831,554
Supplies and other services	18,306,538	13,602,233
Utilities	203,448	262,773
Student financial aid — scholarships and fellowships	1,249,816	452,546
Depreciation	1,602,927	1,831,176
	<u>44,137,374</u>	<u>38,002,581</u>
Total operating expenses		
OPERATING LOSS	<u>(4,257,392)</u>	<u>(4,303,947)</u>
NONOPERATING REVENUES (EXPENSES):		
Investment income — including unrealized loss of \$200,937 and \$852,830 in 2020 and 2019, respectively	1,171,756	1,641,289
Interest on indebtedness	(40,213)	(44,762)
Gain (Loss) on disposal of equipment	(173,649)	232,595
	<u>957,894</u>	<u>1,829,122</u>
Net nonoperating revenues (expenses)		
LOSS BEFORE CAPITAL GIFTS AND GRANTS	(3,299,498)	(2,474,825)
CAPITAL GRANTS AND GIFTS	-	-
DECREASE IN NET POSITION	(3,299,498)	(2,474,825)
NET POSITION — Beginning of year	<u>41,604,793</u>	<u>44,079,618</u>
NET POSITION — End of year	<u>\$ 38,305,295</u>	<u>\$ 41,604,793</u>

See notes to financial statements.

# MARSHALL UNIVERSITY RESEARCH CORPORATION

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Contracts and grants	\$ 36,249,999	\$ 29,776,977
Payments to and on behalf of employees	(24,024,390)	(22,220,965)
Payments to suppliers	(17,170,001)	(14,350,972)
Payments for utilities	(203,448)	(262,773)
Payments for scholarships and fellowships	(1,249,816)	(452,546)
Program income	634,625	1,132,533
Other receipts — net	4,462,701	4,381,755
	<u>(1,300,330)</u>	<u>(1,995,991)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from notes payable	3,115,000	-
Payments on notes payable	(560,000)	-
	<u>2,555,000</u>	<u>-</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Payments on notes payable	(161,018)	(161,018)
Purchases of capital assets	(1,906,539)	(843,375)
Proceeds from sale of capital assets	-	285,100
Interest paid on notes payable	(40,213)	(44,762)
	<u>(2,107,770)</u>	<u>(764,055)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Fees	(97,071)	(100,457)
Maturity of investments	1,599,139	414,358
Investment income	1,372,693	2,186,153
	<u>2,874,761</u>	<u>2,500,054</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,021,661	(259,992)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>2,620,890</u>	<u>2,880,882</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 4,642,551</u>	<u>\$ 2,620,890</u>

(Continued)

# MARSHALL UNIVERSITY RESEARCH CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (4,257,392)	\$ (4,303,947)
Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities:		
Depreciation expense	1,602,927	1,831,176
Imputed interest	110,404	(19,543)
Changes in assets and liabilities:		
Accounts receivable — net	(2,435,988)	(198,923)
Prepaid expenses	(1,652,833)	47,968
Accounts payable	805,185	(175,039)
Accrued liabilities	88,481	(460,514)
Unearned revenue	4,435,873	1,252,649
Unearned rent revenue	(49,705)	(49,705)
Compensated absences	<u>52,718</u>	<u>79,887</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (1,300,330)</u>	<u>\$ (1,995,991)</u>
NONCASH TRANSACTIONS:		
Loss on disposal of equipment	<u>\$ 173,649</u>	<u>\$ 52,505</u>
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest	<u>\$ 41,362</u>	<u>\$ 44,762</u>

See notes to financial statements.

(Concluded)

# MARSHALL UNIVERSITY RESEARCH CORPORATION

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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### 1. ORGANIZATION

Marshall University Research Corporation (the “Corporation”) is a not-for-profit corporation incorporated in 1987, pursuant to the laws of the State of West Virginia (the “State”). The purpose of the Corporation is to foster, support, and assist in any research and economic development activities consistent with the educational objectives and mission of Marshall University (the “University”). The Corporation, designated by the University, fulfills the role of public institutions to work in partnership with business, industry, or government. The Corporation encourages the acceptance of gifts, grants, contracts, and equipment, and the sharing of facilities, equipment, and skilled personnel to promote and develop joint, applied research and development, technical assistance, and instructional programs in the State. The Corporation is a component unit of the University.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board standards (GASB). The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the Corporation’s assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows, and replaces the fund-group perspective previously required.

**Reporting Entity** — The Corporation is included with the University (its parent), as the University is the sole member of the nonstock, not-for-profit corporation. The University is an operating 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, which, along with all State institutions of higher education, the West Virginia Higher Education Policy Commission (which includes West Virginia Network for Educational Tele-Computing) (the “Commission”), and the West Virginia Council for Community and Technical College Education, form the Higher Education Fund of the State. The Higher Education Fund is 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 Corporation, including Marshall Institute for Interdisciplinary Research, Inc. (MIIR). The basic criteria for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the Corporation’s ability to significantly influence operations and accountability for fiscal matters of related entities.

**Financial Statement Presentation** — GASB establishes standards for external financial reporting for public colleges and universities and requires that financial statements to be presented on a combined basis to focus on the Corporation as a whole. The components of net position are classified into four categories according to external donor restrictions or availability of assets for satisfaction of Corporation obligations. The Corporation’s components of net position are classified as follows:

*Net Investment in Capital Assets* — This represents the Corporation’s total investment in capital assets, net of depreciation and outstanding debt used to fund those capital assets.



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

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

*Unrestricted* — This 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 Corporation, and may be used at the discretion of the Board of Directors to meet current expenses for any purpose.

**Basis of Accounting** — For financial reporting purposes, the Corporation is considered a special-purpose government engaged only in business-type activities. Accordingly, the Corporation's financial statements have been prepared on the accrual basis of accounting with a flow of economic resources measurement focus. Revenues are reported when earned and expenses 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 Corporation considers all liquid investments with an original maturity of three months or less to be cash equivalents.

**Cash Flows** — Any cash and cash equivalents escrowed, restricted for noncurrent assets, or in funded reserves have not been included as cash and cash equivalents for the purpose of the statements of cash flows.

**Investments** — Investments in corporate bonds, mutual funds, and government securities are presented at fair value based on quoted market prices. These valuations include assumptions and methods that were reviewed by Corporation management and are primarily based on quoted market prices for the underlying investments or other observable market data. The Corporation has other investments recorded at cost.

**Allowance for Doubtful Accounts** — It is the Corporation'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 Corporation on such balances and such other factors which, in the Corporation's judgment, require consideration in estimating doubtful accounts.

**Capital Assets** — Capital assets include equipment, buildings, and construction in progress. Capital assets are stated at cost at the date of acquisition or construction, or acquisition value at the date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 5 to 12 years for furniture and equipment and 50 years for buildings.

**Unearned Revenue** — Revenues for programs or activities to be conducted in the next fiscal year are classified as unearned revenue.

**Unearned Rent Revenue** — Unearned rent revenue represents the monies received from Huntington Area Development Council (HADCO). Recognition of this revenue was deferred during the construction of a business start-up incubator. The beginning total \$994,101 of unearned rent received from HADCO is being recognized evenly over a 20-year period commencing July 2010.

**Compensated Absences** — The Corporation accounts for compensated absences in accordance with the provisions of GASB. GASB requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation, as these benefits are earned and payment becomes probable.

**Risk Management** — The State's Board of Risk and Insurance Management (BRIM) provides general liability coverage to the Corporation and its employees. Such coverage may be provided to the Corporation 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 to minimize the likelihood of premium adjustments to the Corporation or other participants in BRIM's insurance programs. As a result, management does not expect significant differences between the premiums the Corporation is currently charged by BRIM and the ultimate cost of that insurance based on the Corporation's actual loss experience. In the event such differences arise between estimated premiums currently charged by BRIM to the Corporation and the Corporation's ultimate actual loss experience, the difference will be recorded as the change in estimate becomes known.

**Classification of Revenues** — The Corporation 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) most federal, state, local, and nongovernmental grants and contracts, (2) federal appropriations, and (3) 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 investment income.

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

**Use of Restricted Components of Net Position** — The Corporation 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 resources are available. Generally, the Corporation attempts to utilize restricted funds first when practicable.

**Government Grants and Contracts** — Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. The Corporation 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. As of June 30, 2020, the Corporation recorded accounts receivable of \$6,415,942 associated with the State and other affiliates.

**Tax Status** — The Corporation has applied for and received from the Internal Revenue Service an exemption from taxation under Section 501(c)(3) of the Internal Revenue Code as an entity organized for educational, research, and economic development purposes.

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

**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 could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

### 3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents as of June 30, 2020 and 2019 is as follows:

	<b>2020</b>	<b>2019</b>
Money market and cash equivalents	\$ 4,621,551	\$ 2,600,890
In bank	<u>21,000</u>	<u>20,000</u>
	<u>\$ 4,642,551</u>	<u>\$ 2,620,890</u>

The carrying amount of cash in bank at June 30, 2020 and 2019 was \$21,000 and \$20,000 respectively, as compared with a bank balance of \$21,000 and \$20,000, respectively. The bank balances were secured by federal depository insurance, as noted below, or collateralized by securities held by the State's agent. The Federal Deposit Insurance Corporation (FDIC) insures interest-bearing accounts for \$250,000.

At June 30, 2020 and 2019, \$703,337 and \$627,407, respectively was held in a cash account insured by the Security Investor Protection Corporation (SIPC). These funds are held in nineteen distinct accounts, each having \$250,000 of SIPC coverage. In addition, TIAA-CREF Trust Company, FSB (TIAA Trust) sets aside collateral as security for any amount that exceeds \$250,000 in cash. The market value of the collateral must at all times equal or exceed the amount of the uninsured fiduciary funds as mandated by regulation 12 CFR 150.310.

Cash equivalents totaling \$5,074,858 and \$2,605,165 at June 30, 2020 and 2019, respectively, are held in a business checking account collateralized at 116% and 145%, respectively. The collateral was held in the name of the Corporation.

#### 4. INVESTMENTS

Investments at June 30, 2020 and 2019, consist of the following:

	<u>2020</u>	<u>2019</u>
Corporate Bonds	\$ 3,992,977	\$ 2,445,908
Supranational Bonds	-	535,524
Equity Mutual Funds	18,051,695	18,939,242
Fixed Income Mutual Funds	2,412,694	5,285,324
Progenesis Technologies, LLC - at cost	100,000	100,000
US Government Agency Obligations	795,200	113,214
US Treasury Obligations	<u>3,223,302</u>	<u>2,859,661</u>
Total Investments	<u>\$28,575,868</u>	<u>\$30,278,873</u>

Credit Risk – The U.S. Government Agency Obligations, U.S. Treasury Obligations, and Supranational Bonds held by the Corporation have an average maturity of 4.14 years. At both June 30, 2020 and 2019, the Corporation’s investment in U.S. Government Agency Obligations and U.S. Treasury Obligations were AA+ by S&P and Aaa by Moody’s. The Corporate Bonds held at June 30, 2020 have S&P ratings ranging from AA+ to BBB and Moody’s ratings ranging from Aaa to Baa2. The alternate investment in Progenesis Technologies, LLC does not have assigned rates.

**Concentration of Credit Risk** – The Corporation’s investment policy (not approved by the Board of Directors as of June 30, 2020 and 2019) will be to invest according to an asset allocation strategy designed to meet the goals of the Investment Objective. As a result, the following asset allocation targets and ranges have been presented for the Investment Pool:

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

**Interest Rate Risk** – This is the risk of potential variability in the fair value of debt and fixed income securities resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The Corporation does not have an investment policy limiting the duration of investments.

## 5. FAIR VALUE MEASUREMENTS

Investments have been reported at fair value and categorized as Level 1, 2, or 3. Level 1 represents investments that have a quoted price in the active market. Level 2 represents investments with direct or indirect market inputs. Level 3 represents investments with no observable market.

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.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Assets classified as Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor.

Investments by Fair Value Level	2020			
	Fair Value	Level 1	Level 2	Level 3
Corporate Bonds	\$ 3,992,977	\$ 3,992,977	\$ -	\$ -
Equity Mutual Funds	18,051,695	18,051,695		
Fixed Income Mutual Funds	2,412,694	2,412,694		
US Government Agency Obligations	795,200	795,200		
US Treasury Obligations	3,223,302	3,223,302		
Total Investments by Fair Value Level	<u>\$28,475,868</u>	<u>\$28,475,868</u>	<u>\$ -</u>	<u>\$ -</u>
Investments by Fair Value Level	2019			
	Fair Value	Level 1	Level 2	Level 3
Corporate Bonds	\$ 2,445,908	\$ 2,445,908	\$ -	\$ -
Supranational Bonds	535,524	535,524		
Equity Mutual Funds	18,939,242	18,939,242		
Fixed Income Mutual Funds	5,285,324	5,285,324		
US Government Agency Obligations	113,214	113,214		
US Treasury Obligations	2,859,661	2,859,661		
Total Investments by Fair Value Level	<u>\$30,178,873</u>	<u>\$30,178,873</u>	<u>\$ -</u>	<u>\$ -</u>

## 6. CAPITAL ASSETS

The summary of capital asset transactions for the Corporation for the years ended June 30, 2020 and 2019 is as follows:

	<b>2020</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Capital assets:				
Building	\$ 4,932,619			\$ 4,932,619
Equipment	28,459,243	\$ 1,906,539	\$ (2,494,265)	27,871,517
Total capital assets	<u>33,391,862</u>	<u>1,906,539</u>	<u>(2,494,265)</u>	<u>32,804,136</u>
Less accumulated depreciation - building	(961,860)	(98,653)		(1,060,513)
Less accumulated depreciation - equipment	<u>(22,522,899)</u>	<u>(1,504,274)</u>	2,320,616	<u>(21,706,557)</u>
Total accumulated depreciation	<u>(23,484,759)</u>	<u>(1,602,927)</u>	2,320,616	<u>(22,767,070)</u>
Capital assets - net	<u>\$ 9,907,103</u>	<u>\$ 303,612</u>	<u>\$ (173,649)</u>	<u>\$ 10,037,066</u>
	<b>2019</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Capital assets:				
Building	\$ 4,932,619			\$ 4,932,619
Equipment	28,314,138	\$ 843,375	\$ (698,270)	28,459,243
Total capital assets	<u>33,246,757</u>	<u>843,375</u>	<u>(698,270)</u>	<u>33,391,862</u>
Less accumulated depreciation - building	(863,208)	(98,652)		(961,860)
Less accumulated depreciation - equipment	<u>(21,436,140)</u>	<u>(1,732,524)</u>	645,765	<u>(22,522,899)</u>
Total accumulated depreciation	<u>(22,299,348)</u>	<u>(1,831,176)</u>	645,765	<u>(23,484,759)</u>
Capital assets - net	<u>\$ 10,947,409</u>	<u>\$ (987,801)</u>	<u>\$ (52,505)</u>	<u>\$ 9,907,103</u>

The Corporation's capitalization threshold was \$5,000 for the years ended June 30, 2020 and 2019.

## 7. LONG-TERM LIABILITIES

The summary of long-term obligation transactions for the Corporation for the years ended June 30, 2020 and 2019 is as follows:

	<b>2020</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Notes payable	\$ 1,449,163		\$(161,018)	\$ 1,288,145	\$ 161,018
Unearned rent	497,050		(49,705)	447,345	49,705
Total long-term liabilities	<u>\$ 1,946,213</u>	<u>\$ -</u>	<u>\$(210,723)</u>	<u>\$ 1,735,490</u>	

	<b>2019</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Notes payable	\$ 1,610,181	\$ -	\$(161,018)	\$ 1,449,163	\$ 161,018
Unearned rent	546,755	-	(49,705)	497,050	49,705
Total long-term liabilities	<u>\$ 2,156,936</u>	<u>\$ -</u>	<u>\$(210,723)</u>	<u>\$ 1,946,213</u>	

## 8. NOTES PAYABLE

In 2008, the Corporation 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. The Corporation's repayment terms are the same as the bond repayment term. The Corporation made the first interest payments on October 10, 2008, for the interest due on the loans semi-annually and first annual principal payment 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 1, 2014 – April 1, 2018 is 1.6415%. The rate for the period April 1, 2018 – April 1, 2022 is 2.854%. The 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.

At June 30, 2020, the scheduled maturities on notes payable are as follows:

Years Ending June 30	Principal	Interest
2021	\$ 161,018	\$ 36,766
2022	161,018	32,170
2023	161,018	27,575
2024	161,018	22,979
2025	161,018	18,383
2026-2028	483,055	27,575
	<u>\$ 1,288,145</u>	<u>\$ 165,448</u>

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

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

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



## 9. LEASES

Future annual minimum lease payments on operating leases for years subsequent to June 30, 2020, are as follows:

<b>Years Ending June 30</b>	
2021	\$ 125,630
2022	16,800
Total	<u>\$ 142,430</u>

Total rent expense for the years ended June 30, 2020 and 2019, was \$180,997 and \$192,657, respectively. The Corporation does not have any non-cancelable leases.

## 10. RELATED-PARTY TRANSACTIONS

A summary of balances and transactions with the University as of and for the years ended June 30, 2020 and 2019 is as follows:

	<b>2020</b>	<b>2019</b>
<b>Statement of Net Position Balances</b>		
Advances receivable	\$ 250,000	\$ 250,000
Due from the University	747,048	374,833
Due to the University	503,210	314,008
<b>Statement of Revenues, Expenses, and Changes in Net Position Transactions</b>		
Grants and contracts revenue	\$ 8,298,353	\$ 1,370,266
Other sources of revenue	765,709	540,873
Payroll and benefits expense	6,200,425	5,159,582
Other expenses	908,563	1,144,217

The Corporation leases approximately 12,900 square feet of office space located in the Weisberg Family Applied Engineering Complex from the University. The lease requires the Corporation to pay a minimum rental of \$90,276 per year and expires on April 30, 2021. The rental includes \$15,000 per year for furniture located in the premises. Rent expense for the years ended June 30, 2020 and 2019 was \$90,276 and \$90,276.

## 11. UNRESTRICTED COMPONENTS OF NET POSITION

At June 30, 2020 and 2019, the Corporation has no designated components of net position.

## **12. RETIREMENT PLAN**

All eligible employees of the Corporation participate in the Teachers Insurance and Annuities Association — College Retirement Equities Fund (TIAA-CREF). The TIAA-CREF is a defined contribution plan in which benefits are based solely upon amounts contributed, plus investment earnings. Each employee participating in this plan is required to contribute 6% of total annual compensation. The Corporation matches the employees' 6% contributions. Contributions are immediately and fully vested. In addition, employees may elect to make additional contributions to TIAA-CREF not matched by the Corporation.

Total contributions to the TIAA-CREF for the years ended June 30, 2020, 2019 and 2018, were \$2,008,035, \$1,822,736, and \$1,664,627 respectively, which consisted of \$941,424, \$847,520, and \$774,542, respectively, from the Corporation and \$1,066,611, \$975,217, and \$890,085, respectively, from employees.

The Corporation's total payroll for the years ended June 30, 2020, 2019 and 2018 was \$17,832,871, \$16,836,732, and \$15,266,687 respectively. Total covered employees' salaries in TIAA-CREF were \$15,690,726, \$14,125,281, and \$12,896,667 for the years ended June 30, 2020, 2019 and 2018, respectively.

## **13. CONTINGENCIES**

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

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

During the fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year-end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the Corporation, COVID-19 may impact various parts of its 2021 operations and financial results, including, but not limited to, loss of revenues, additional bad debts, costs for increased use of technology, or potential shortages of personnel. Management believes the Corporation is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

## **14. DONOR-RESTRICTED ENDOWMENTS**

The Corporation's permanent funds include donor-restricted endowments. The Net Position-Nonexpendable amounts of \$15,000,000 represent the principal portions of the endowments. The amount of interest earnings on donor-restricted investments is available for expenditure by the governing board, for purposes consistent with endowment's intent.

## 15. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the years ended June 30, 2020 and 2019, the following table represents operating expenses within both natural and functional classifications:

	2020						
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 1,787,417	\$ 273,767	\$ 1,451,729	\$ 2,698	\$ 551,916	\$ -	\$ 4,067,527
Research	5,013,385	758,568	6,806,278	6,249	167,779	-	12,752,259
Public service	9,287,437	1,372,868	6,806,445	77,816	341,589	-	17,886,155
Academic support	50,341	5,919	58,566	440	52,250	-	167,516
Student services	450,036	66,375	247,522	4,545	69,146	-	837,624
General institutional support	3,182,632	525,900	2,935,998	111,700	67,136	-	6,823,366
Depreciation	-	-	-	-	-	1,602,927	1,602,927
<b>Total</b>	<b>\$ 19,771,248</b>	<b>\$ 3,003,397</b>	<b>\$ 18,306,538</b>	<b>\$ 203,448</b>	<b>\$ 1,249,816</b>	<b>\$ 1,602,927</b>	<b>\$ 44,137,374</b>

	2019						
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 1,494,547	\$ 285,307	\$ 1,705,949	\$ 1,150	\$ 55,681	\$ -	\$ 3,542,634
Research	5,038,337	985,824	5,261,996	8,258	140,500	-	11,434,915
Public service	8,223,688	1,829,613	3,955,559	87,600	60,208	-	14,156,668
Academic support	60,753	12,639	67,735	558	61,150	-	202,835
Student services	411,668	83,559	266,592	4,169	79,310	-	845,298
General institutional support	2,793,306	634,612	2,344,402	161,038	55,697	-	5,989,055
Depreciation	-	-	-	-	-	1,831,176	1,831,176
<b>Total</b>	<b>\$ 18,022,299</b>	<b>\$ 3,831,554</b>	<b>\$ 13,602,233</b>	<b>\$ 262,773</b>	<b>\$ 452,546</b>	<b>\$ 1,831,176</b>	<b>\$ 38,002,581</b>

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## **SUPPLEMENTAL SCHEDULE**

# MARSHALL UNIVERSITY RESEARCH CORPORATION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

Federal Agency	Source	CFDA/ Contract Number	Indirect Agency	Indirect Agency Award Number	Federal Expenditures	Passed through to Subrecipients
RESEARCH AND DEVELOPMENT:						
Economic Development Administration	D	11.307			\$ 65,629	
Total Department of Commerce					<u>65,629</u>	
Office of the Secretary	D	12.630			324,381	66,681
Office of the Secretary	I	12.630	Academy of Applied Science	2018-MARSHALL-2 (UNITE)	2,076	
Office of the Secretary	I	12.630	Academy of Applied Science	601608	<u>2,297</u>	<u>-</u>
Subtotal 12.630					<u>328,754</u>	<u>66,681</u>
Total Department of Defense					<u>328,754</u>	<u>66,681</u>
Community Planning and Development	I	14.228	WV Adjutant Generals Department	NGWV-JHQ-RISE	<u>184,205</u>	
Total Department of Housing and Urban Development					<u>184,205</u>	
Fish and Wildlife Service	I	15.634	WV Division of Natural Resources	F19AF00127	11,011	
National Park Service	I	15.945	Army Corps of Engineers	W912HZ19C0023	<u>11,593</u>	
Total Department of the Interior					<u>22,604</u>	
Office of Justice Programs	I	16.754	Southwestern Regional Day Report Ctr	NA	8,038	
Bureau of Justice Assistance	D	16.833			12,174	
Bureau of Justice Assistance	I	16.838	City of Huntington	BJA MURC 1	<u>3,482</u>	
Total Department of Justice					<u>23,694</u>	
Appalachian Regional Commission	D	23.001			70,975	
Appalachian Regional Commission	D	23.003			64,096	
Appalachian Regional Commission	D	23.011			<u>33,791</u>	
Total Appalachian Regional Commission					<u>168,862</u>	
National Aeronautics and Space Administration	I	43.008	West Virginia University	15-683-MURC	26,907	
National Aeronautics and Space Administration	I	43.008	West Virginia University	91-175C-MURC	<u>66,908</u>	
Subtotal 43.008					<u>93,815</u>	
Total National Aeronautics and Space Administration					<u>93,815</u>	

(Continued)

# MARSHALL UNIVERSITY RESEARCH CORPORATION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

Federal Agency	Source	CFDA/ Contract Number	Indirect Agency	Indirect Agency Award Number	Federal Expenditures	Passed through to Subrecipients
RESEARCH AND DEVELOPMENT (Continued):						
National Science Foundation	D	47.041				142,752
National Science Foundation	I	47.049	Murray State University	OIA-1632888		361,738
National Science Foundation	D	47.050			13,812	
National Science Foundation	I	47.050	Purdue University	1835822-OAC	<u>17,415</u>	
		Subtotal 47.050				31,227
National Science Foundation	I	47.079	WV Higher Education Policy Commission	HEPC.DSR 16.2		<u>822,981</u>
Total National Science Foundation						<u>1,358,698</u>
VA Health Administration Center	D	64.054				<u>21,113</u>
Total Department of Veterans Affairs						<u>21,113</u>
Department of Energy	D	81.049				<u>48,506</u>
Total Department of Energy						<u>48,506</u>
National Institutes of Health	D	93.077				175,574
Office of Minority Health	I	93.137	City of Huntington	CPIMP171160-01-00		38,973
Centers for Disease Control and Preventio	I	93.240	National Assoc of County and City Health	6NU38OT000306-02-01		661,324
Substance Abuse and Mental Health Servi	I	93.243	WV Department of Health and Human Re	G190364		77,975
National Institutes of Health	D	93.273				5,693
National Institutes of Health	D	93.279				138,202
National Institutes of Health	I	93.350	University of Kentucky	PO 7800005090	73,261	
National Institutes of Health	I	93.350	University of Kentucky	PO 7800004565	<u>2,562</u>	
		Subtotal 93.350				75,823
National Institutes of Health	D	93.393				16,292
Centers for Disease Control and Preventio	D	93.507				163,490
National Institutes of Health	D	93.837			240,616	
National Institutes of Health	I	93.837	Cleveland Clinic Lerner College of Medici	1202-SUB	67,370	
National Institutes of Health	I	93.837	New York Medical College	122782	<u>11,618</u>	
		Subtotal 93.837				319,604

(Continued)

# MARSHALL UNIVERSITY RESEARCH CORPORATION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

Federal Agency	Source	CFDA/ Contract Number	Indirect Agency	Indirect Agency Award Number	Federal Expenditures	Passed through to Subrecipients
RESEARCH AND DEVELOPMENT (Continued):						
National Institutes of Health	I	93.839	Case Western Reserve University	RES512069	131,400	
National Institutes of Health	D	93.846			148	
National Institutes of Health	D	93.847			680,616	
National Institutes of Health	I	93.853	Case Western Reserve University	RES513538	12,560	
National Institutes of Health	D	93.855			49,098	
National Institutes of Health	D	93.859			5,412,643	1,952,421
National Institutes of Health	I	93.859	West Virginia University	12-303-MURC	<u>700,337</u>	-
		Subtotal 93.859			6,112,980	1,952,421
National Institutes of Health	D	93.866			162,788	
National Institutes of Health	I	93.867	Jaeb Center for Health Research Inc	U10EY11751	<u>74</u>	-
Total Department of Health and Human Services					<u>8,822,614</u>	<u>1,952,421</u>
Subtotal Research and Development					<u>11,138,494</u>	<u>2,019,102</u>

(Continued)

# MARSHALL UNIVERSITY RESEARCH CORPORATION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

Federal Agency	Source	CFDA/ Contract Number	Indirect Agency	Indirect Agency Award Number	Federal Expenditures	Passed through to Subrecipients
OTHER PROGRAMS:						
Rural Business-Cooperative Service	D	10.351			6,656	
Food & Nutrition Service	I	10.561	West Virginia University	14-895-MURC-4	159,400	
Food & Nutrition Service	I	10.561	West Virginia University	14-895-MURC-5	<u>430,365</u>	
		Subtotal 10.561			<u>589,765</u>	
Total Department of Agriculture					<u>596,421</u>	
Economic Development Administration	D	11.020			79,360	
Economic Development Administration	D	11.303			90,742	10,794
Economic Development Administration	D	11.307			<u>617,925</u>	<u>183,318</u>
Total Department of Commerce					<u>788,027</u>	<u>194,112</u>
Office of the Secretary	I	12.630	Technology Student Association	2020-2021 UNITE	<u>28,242</u>	
Total Department of Defense					<u>28,242</u>	
National Park Service	D	15.904			<u>641</u>	
Total Department of Interior					<u>641</u>	
Office of Justice Programs	D	16.582			193,895	11,525
Office of Justice Programs	I	16.838	Institute for Intergovernmental Research	2019-RURAL-0044 MU	6,246	
Office of Justice Programs	I	16.838	Homeland Security Investigations	192119VHQ4CCC0006.	<u>920,967</u>	
		Subtotal 16.838			927,213	
Office of Justice Programs	I	16.839	WV Department of Education	GRTAWD04021900005949	<u>138,910</u>	-
Total Department of Justice					<u>1,260,018</u>	<u>11,525</u>
Employment and Training Administration	D	17.268			455,273	42,220
Mine Safety and Health Administration	D	17.604			<u>13,650</u>	-
Total Department of Labor					<u>468,923</u>	<u>42,220</u>

(Continued)



# MARSHALL UNIVERSITY RESEARCH CORPORATION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

Federal Agency	Source	CFDA/ Contract Number	Indirect Agency	Indirect Agency Award Number	Federal Expenditures	Passed through to Subrecipients
OTHER PROGRAMS (Continued):						
Federal Motor Carrier Safety Administration	D	20.232			41,852	
Office of the Secretary	I	20.701	University of Virginia	GG11746	<u>(5,203)</u>	
Total Department of Transportation					<u>36,649</u>	
Appalachian Regional Commission	D	23.001			264,089	185,074
Appalachian Regional Commission	D	23.002			333,527	58,863
Appalachian Regional Commission	I	23.002	The EdVenture Group Inc	ARC-SWEEP-1901	3,875	
Appalachian Regional Commission	I	23.002	WV Division of Energy	WV-16454-C1-13	(145)	
Appalachian Regional Commission	I	23.002	Shawnee State University	SSU006	<u>320</u>	
		Subtotal 23.002			337,577	
Appalachian Regional Commission	D	23.011			<u>347,288</u>	<u>17,550</u>
Total Appalachian Regional Commission					<u>948,954</u>	<u>261,487</u>
National Endowment for the Humanities	I	45.129	WV Humanities Council	Various	32,154	
National Endowment for the Humanities	D	45.130			54,115	
National Endowment for the Humanities	D	45.164			72,464	
National Endowment for the Humanities	D	45.169			<u>12,327</u>	
Total National Endowment for the Humanities					<u>171,060</u>	
National Science Foundation	I	47.076	University of Kentucky	SUB-3200002015-19-046	39,873	
National Science Foundation	I	47.076	University of Alaska Fairbanks	PO539381	921	
National Science Foundation	I	47.076	University of Alaska Fairbanks	S00023866	<u>(1,483)</u>	
		Subtotal 47.076			<u>39,311</u>	
Total National Science Foundation					<u>39,311</u>	
Department of Veterans Affairs	D	64.XXX			<u>161</u>	
Total Department of Veterans Affairs					<u>161</u>	

(Continued)

# MARSHALL UNIVERSITY RESEARCH CORPORATION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

Federal Agency	Source	CFDA/ Contract Number	Indirect Agency	Indirect Agency Award Number	Federal Expenditures	Passed through to Subrecipients
OTHER PROGRAMS (Continued):						
Office of Special Education and Rehabilitation	I	84.027	WV Department of Education	Various	475,892	
Office of Postsecondary Education	D	84.042A			320,072	
Office of Postsecondary Education	D	84.044A			580,495	
Office of Postsecondary Education	D	84.047A			354,302	
Office of Postsecondary Education	D	84.066A			<u>236,227</u>	
		TRIO Cluster Subtotal			1,491,096	
Office of Special Education and Rehabilitative Servic	I	84.173	WV Department of Education	Various	217,114	
Office of Special Education and Rehabilitative Servic	D	84.325			95,977	
Office of Postsecondary Education	I	84.344S	WV Higher Education Policy Commission	2019-NEWGU	<u>76,822</u>	<u>-</u>
Total Department of Education					<u>2,356,901</u>	<u>-</u>

(Continued)

# MARSHALL UNIVERSITY RESEARCH CORPORATION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

Federal Agency	Source	CFDA/ Contract Number	Indirect Agency	Indirect Agency Award Number		Federal Expenditures	Passed through to Subrecipients
OTHER PROGRAMS (Continued):							
Administration for Children and Families	I	93.087	Pretera Center for Mental Health Services	90CU0092-01		126,831	
Centers for Disease Control and Prevention	I	93.136	WV Dept of Health and Human Resources	ACT 0506 2956 MCH1900000003	127,500		120,000
Centers for Disease Control and Prevention	I	93.136	WV Dept of Health and Human Resources	ACT 0506 2988 MCH1900000003	<u>34,378</u>		-
		Subtotal 93.136				161,878	120,000
Health Resources and Services Administration	D	93.191				342,325	
Health Resources and Services Administration	D	93.211				74,357	
Substance Abuse and Mental Health Services Administration	D	93.243			581,712		
Substance Abuse and Mental Health Services Administration	I	93.243	WV Dept of Health and Human Resources	Various	195,450		
Substance Abuse and Mental Health Services Administration	I	93.243	WV Department of Education	Various	<u>419,384</u>		<u>66,907</u>
		Subtotal 93.243				1,196,546	66,907
Administration for Children and Families	I	93.658	WV Dept of Health and Human Resources	Various		320,211	
Centers for Medicare and Medicaid Services	I	93.687	WV Dept of Health and Human Resources	ACT 0511 3965 BMS000000012		1,320	
Health Resources and Services Administration	D	93.732				211,598	
Centers for Medicare and Medicaid Services	I	93.779	WV Dept of Health and Human Resources	Various		1,342,209	
Substance Abuse and Mental Health Services Administration	I	93.788	WV Dept of Health and Human Resources	Various		2,497,205	303,454
Health Resources and Services Administration	D	93.884				236,802	
Health Resources and Services Administration	D	93.912			24,243		
Health Resources and Services Administration	I	93.912	Pretera Center for Mental Health Services	G25RH32992-01-01	<u>3,891</u>		
		Subtotal 93.912				28,134	
Substance Abuse and Mental Health Services Administration	I	93.958	WV Department of Health and Human Resc	Various		70,309	
Centers for Disease Control and Prevention	I	93.991	WV Dept of Health and Human Resources	G190693		2,004	
Health Resources and Services Administration	I	93.994	WV Dept of Health and Human Resources	G200263		<u>39,191</u>	-
Total Department of Health and Human Services						<u>6,650,920</u>	<u>490,361</u>
Corporation of National and Community Service	D	94.013				<u>761</u>	
Total Corporation for National and Community Service						<u>761</u>	-
Subtotal Other Programs						<u>13,346,989</u>	<u>999,705</u>
Total Federal Expenditures						<u>\$ 24,485,483</u>	<u>\$ 3,018,807</u>
See notes to schedule of expenditures of federal awards.							(Concluded)

# MARSHALL UNIVERSITY RESEARCH CORPORATION

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

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1. The purpose of the Schedule of Expenditures of Federal Awards (the “Schedule”) is to present a summary of the expenditures of Marshall University Research Corporation (the “Corporation”) for the year ended June 30, 2020, which have been financed by the federal government. For purposes of the Schedule, federal awards have been classified into two types: direct federal funds (D) and indirect federal funds (I) received from nonfederal organizations made under federally sponsored programs conducted by those organizations.
2. The Schedule is prepared on the accrual basis of accounting.
3. Catalog of Federal Domestic Assistance (CFDA) numbers are presented for those programs for which such numbers are available. When CFDA numbers are not available, contract numbers are presented. If a contract number is not available, it is presented as .XXX. Indirect agency award numbers are presented for those programs for which such numbers are available. If an indirect agency award number is not available, it is presented as N/A.
4. Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), requires submission of a Certificate of Facilities and Administrative (F&A) Costs (the “Certificate”) to an institution’s cognizant agency. The Certificate is prepared by the Corporation and is used in negotiations with its cognizant agency, the Department of Health and Human Services (DHHS), in determining a rate at which the Corporation will be reimbursed for the F&A costs associated with the completion of sponsored research.

The Corporation receives reimbursement of F&A costs as part of the granting agreement at the rate negotiated either with DHHS or at special rates negotiated with the granting agency. The Corporation has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

In February 2018, DHHS approved F&A cost recovery rates effective from July 1, 2017 through June 30, 2019 of 47% for on-campus and 26% for off-campus research, and cost recovery effective July 1, 2019 through June 30, 2021 of 48% for on-campus and 26% for off-campus research.

The F&A cost rate structure is as follows:

Rate Type	Effective Period		Negotiated Rate
	From	To	
Organized Research - On-Campus	07/01/2017	06/30/2019	47.00%
Organized Research - On-Campus	07/01/2019	06/30/2021	48.00%
Organized Research - Off-Campus	07/01/2017	06/30/2021	26.00%
Instruction - On-Campus	07/01/2017	06/30/2021	48.80%
Instruction - Off-Campus	07/01/2017	06/30/2021	26.00%
Other Sponsored Activities - On-Campus	07/01/2017	06/30/2021	30.00%
Other Sponsored Activities - Off-Campus	07/01/2017	06/30/2021	22.90%

5. Sub recipient expenditures in the Schedule of Expenditures of Federal Awards at June 30, 2020, include:

<b>Federal Agency</b>	<b>Subrecipient</b>	<b>CFDA</b>	<b>Subrecipient Expenditures</b>
Research and development:			
Department of Defense	FDH Infrastructure Services	12.630	\$ 66,681
Department of Health and Human Services	Alderson Broaddus University	93.859	23,976
Department of Health and Human Services	Applied Research Foundation	93.859	76,194
Department of Health and Human Services	Bluefield State College Res	93.859	45,924
Department of Health and Human Services	Fairmont State University	93.859	50,000
Department of Health and Human Services	Glenville State College	93.859	45,760
Department of Health and Human Services	Shepherd University	93.859	63,339
Department of Health and Human Services	Texas A and M AgriLife Rese	93.859	100,622
Department of Health and Human Services	The University of Texas at	93.859	36,777
Department of Health and Human Services	Univ of Charleston	93.859	25,610
Department of Health and Human Services	Univ of Kentucky Research F	93.859	67,767
Department of Health and Human Services	West Liberty State Universi	93.859	237,820
Department of Health and Human Services	WV School of Osteopathic Me	93.859	50,000
Department of Health and Human Services	WV State Univ Research & De	93.859	46,118
Department of Health and Human Services	WVU Research Corp	93.859	1,082,514
	Subtotal Research and Development		2,019,102
Other Programs:			
Department of Commerce	Concord Univ Research & Dev	11.303	10,794
Department of Commerce	Advantage Valley	11.307	27,261
Department of Commerce	CADCO Foundation Inc	11.307	60,609
Department of Commerce	Huntington Area Development	11.307	59,621
Department of Commerce	Putnam County Development A	11.307	35,827
Department of Justice	Peacetreer Center for Wellne	16.582	11,525
Department of Labor	National Center for Defense	17.268	42,220
Appalachian Regional Commission	Big Sandy Health Care Inc	23.001	85,000
Appalachian Regional Commission	Meigs County General Health	23.001	19,632
Appalachian Regional Commission	Tri-County Health Clinic In	23.001	51,000
Appalachian Regional Commission	Washington County Health De	23.001	29,442
Appalachian Regional Commission	Unlimited Future Inc	23.002	18,925
Appalachian Regional Commission	West Virginia Community Voi	23.002	13,333
Appalachian Regional Commission	WV Perinatal Partnerships I	23.002	26,605
Appalachian Regional Commission	Greenbrier Valley Economic	23.011	17,550
Department of Health and Human Services	The Mosaic Group Inc	93.136	120,000
Department of Health and Human Services	McDowell Co Board of Educat	93.243	2,925
Department of Health and Human Services	WVU Research Corp	93.243	63,982
Department of Health and Human Services	Boone Memorial Hospital	93.788	163,988
Department of Health and Human Services	BridgeValley Community and	93.788	21,127
Department of Health and Human Services	Prestera Center for Mental	93.788	48,680
Department of Health and Human Services	Quality Insights Inc	93.788	25,994
Department of Health and Human Services	Seneca Health Services Inc	93.788	6,141
Department of Health and Human Services	Southern Highlands Communit	93.788	28,524
Department of Health and Human Services	WV State Univ Research & De	93.788	9,000
	Subtotal Other Programs		999,705
	Total all Subrecipient		\$ 3,018,807

6. The following table details all Indirect Award numbers denoted as “Various” in the Schedule:

CFDA/ Contract Number	Indirect Agency	Indirect Agency Award Number	Federal Expenditures
45.129	WV Humanities Council	18.1.7575	\$ 945
45.129	WV Humanities Council	18.5.7634	3,936
45.129	WV Humanities Council	20.8.7947	5,000
45.129	WV Humanities Council	19.5.7774	9,850
45.129	WV Humanities Council	19.2.7749	1,200
45.129	WV Humanities Council	19.2.7800	1,440
45.129	WV Humanities Council	19.1.7697	<u>9,783</u>
	Subtotal		32,154
84.027	WV Department of Education	GRTAWD0402000002486	26,668
84.027	WV Department of Education	GRTAWD04021600005420	(569)
84.027	WV Department of Education	GRTAWD04021800004931	11,073
84.027	WV Department of Education	GRTAWD04021900002216	25,690
84.027	WV Department of Education	GRTAWD04021900002654	9,576
84.027	WV Department of Education	GRTAWD04021900005358	161,927
84.027	WV Department of Education	GRTAWD04022000001787	165,066
84.027	WV Department of Education	GRTAWD04022000001788	69,766
84.027	WV Department of Education	GRTAWD04022000003395	<u>6,695</u>
	Subtotal		475,892
84.173	WV Department of Education	GRTAWD04021900002129	29,073
84.173	WV Department of Education	GRTAWD04021900003035	114,650
84.173	WV Department of Education	GRTAWD04021900005631	<u>73,391</u>
	Subtotal		217,114
93.243	WV Department of Health and Human Resources	G190605	33,098
93.243	WV Department of Health and Human Resources	G190725	5,430
93.243	WV Department of Health and Human Resources	G200557	57,729
93.243	WV Department of Health and Human Resources	G200582	<u>99,193</u>
	Subtotal		195,450
93.243	WV Department of Education	GRTAWD04021800004086	134,099
93.243	WV Department of Education	GRTAWD04021900002217	70,650
93.243	WV Department of Education	GRTAWD04021900002890	11,100
93.243	WV Department of Education	GRTAWD04021900002891	<u>203,535</u>
	Subtotal		419,384
93.658	WV Department of Health and Human Resources	G190308	123,310
93.658	WV Department of Health and Human Resources	G200369	<u>196,901</u>
	Subtotal		320,211
93.779	WV Department of Health and Human Resources	ACT 0511 2680 BMS1900000C	1,202,516
93.779	WV Department of Health and Human Resources	CCT 0511 2672 BMS1900000C	<u>139,693</u>
	Subtotal		<u>1,342,209</u>

(Continued)

<b>CFDA/ Contract Number</b>	<b>Indirect Agency</b>	<b>Indirect Agency Award Number</b>	<b>Federal Expenditures</b>
(Continued)			
93.788	WV Department of Health and Human Resources	ACT 0506 2888 BHS2000000C	\$ 658,969
93.788	WV Department of Health and Human Resources	ACT 0506 3832 BHS1900000C	1,305,477
93.788	WV Department of Health and Human Resources	G200505	20,329
93.788	WV Department of Health and Human Resources	G200507	17,007
93.788	WV Department of Health and Human Resources	G200509	1,921
93.788	WV Department of Health and Human Resources	G200680	179,220
93.788	WV Department of Health and Human Resources	G200682	190,953
93.788	WV Department of Health and Human Resources	G200684	<u>123,329</u>
	Subtotal		2,497,205
93.958	WV Department of Health and Human Resources	G190503	14,815
93.958	WV Department of Health and Human Resources	G200775	<u>55,494</u>
	Subtotal		<u>70,309</u>
	TOTAL		<u><u>\$ 5,569,928</u></u>

**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***

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Marshall University Research Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Marshall University Research Corporation (the Corporation), which comprise the statement of net position as of June 30, 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 1, 2020.

**Internal Control over Financial Reporting**

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

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

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



## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Hayflick CPAs PLLC*

Huntington, West Virginia  
October 1, 2020

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Marshall University Research Corporation

**Report on Compliance for Each Major Federal Program**

We have audited Marshall University Research Corporation's (the Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended June 30, 2020. The Corporation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

### **Report on Internal Control Over Compliance**

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Hayflick CPAs PLLC*

Huntington, West Virginia

October 1, 2020

# MARSHALL UNIVERSITY RESEARCH CORPORATION

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

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### PART I. — SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified opinion

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes        X   No

Significant deficiency(ies) identified not considered to be material weakness(es)?

\_\_\_\_\_ Yes        X   None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes        X   No

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes        X   No

Significant deficiency(ies) identified not considered to be material weakness(es)?

\_\_\_\_\_ Yes        X   None reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_ Yes        X   No

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
16.838	Comprehensive Opioid Abuse Site-Based Program
16.839	STOP School Violence
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations
93.788	Opioid STR

Dollar threshold used to distinguish between Type A and Type B Programs

    \$    750,000    

Auditee qualified as low-risk auditee?

  X   Yes      \_\_\_\_\_ No

**PART II. — FINANCIAL STATEMENT FINDINGS SECTION**

No matters are reportable.

**PART III. — FEDERAL AWARD FINDING AND QUESTIONED COSTS SECTION**

No matters are reportable.