

**THE MARSHALL UNIVERSITY
FOUNDATION, INC.**

(A NONPROFIT ORGANIZATION)

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

**THE MARSHALL UNIVERSITY FOUNDATION, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Marshall University Foundation, Inc.
Huntington, West Virginia

Opinion

We have audited the accompanying financial statements of The Marshall University Foundation, Inc. (a nonprofit organization) and its affiliates, which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Marshall University Foundation, Inc. and its affiliates as of June 30, 2025 and 2024, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of The Marshall University Foundation, Inc. and its affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Marshall University Foundation, Inc. and its affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

A handwritten signature in black ink that reads "Hess, Stewart & Campbell, PLLC". The signature is fluid and cursive, with "Hess" on the left, "Stewart & Campbell" in the middle, and "PLLC" on the right.

Huntington, West Virginia
October 1, 2025

THE MARSHALL UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025 AND 2024

| | <u>2025</u> | <u>2024</u> |
|---|---------------------------|---------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 66,021,272 | \$ 35,945,204 |
| Unconditional promises to give, less allowance for uncollectible promises of \$57,777 and \$ 83,531 in 2025 and 2024, respectively | 58,720,812 | 18,661,733 |
| Other receivables | 626,059 | 1,129,578 |
| Prepays | 64,073 | 59,290 |
| Investments | 294,993,248 | 268,223,605 |
| Cash surrender value-life insurance, net of policy loans | 746,992 | 708,393 |
| Property and equipment - net | 8,380,501 | 8,617,144 |
| Net investment in lease receivable | 11,007,327 | 11,574,003 |
| Other assets | 16,525 | 16,525 |
| Contributions receivable from remainder trusts | 83,397 | 94,912 |
| Beneficial interest in perpetual trust | 11,840,269 | 11,079,836 |
| Collections | <u>1,724,723</u> | <u>1,494,273</u> |
| TOTAL ASSETS | \$ 454,225,198 | \$ 357,604,496 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable | \$ 65,069 | \$ 1,205,554 |
| Accrued vacation, wages and deferred compensation | 709,819 | 648,499 |
| Accrued interest payable | 281,563 | 258,315 |
| Refundable Advances | 6,775 | 11,234 |
| Annuity payment liability | 362,258 | 387,911 |
| Notes Payable | 11,986,262 | 12,478,134 |
| Funds held in custody for others | <u>69,333,484</u> | <u>48,401,515</u> |
| TOTAL LIABILITIES | <u>82,745,230</u> | <u>63,391,162</u> |
| NET ASSETS | | |
| Without donor restrictions | 25,956,470 | 22,728,898 |
| With donor restrictions | <u>345,523,498</u> | <u>271,484,436</u> |
| TOTAL NET ASSETS | <u>371,479,968</u> | <u>294,213,334</u> |
| TOTAL LIABILITIES AND NET ASSETS | \$ 454,225,198 | \$ 357,604,496 |

THE MARSHALL UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2025 AND 2024

| | 2025 | | |
|---|---------------------------------------|------------------------------------|-----------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS | | | |
| Gifts and contributions of cash and other financial assets | \$ 1,263,604 | \$ 71,460,770 | \$ 72,724,374 |
| Gifts and contributions of nonfinancial assets | -0- | 233,832 | 233,832 |
| Investment income | 1,612,535 | 8,148,699 | 9,761,234 |
| Other | 540,830 | 815,057 | 1,355,887 |
| Net assets released from restrictions | | | |
| Satisfaction of program restrictions | <u>13,673,529</u> | <u>(13,673,529)</u> | <u>-0-</u> |
| TOTAL PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS | <u>17,090,498</u> | <u>66,984,829</u> | <u>84,075,327</u> |
| EXPENSES | | | |
| PROGRAM SERVICES | | | |
| Academic assistance | 8,563,090 | -0- | 8,563,090 |
| Student assistance | <u>5,713,211</u> | <u>-0-</u> | <u>5,713,211</u> |
| TOTAL PROGRAM SERVICES | <u>14,276,301</u> | <u>-0-</u> | <u>14,276,301</u> |
| SUPPORTING SERVICES | | | |
| Management and general | 2,484,774 | -0- | 2,484,774 |
| Fundraising | <u>2,054,670</u> | <u>-0-</u> | <u>2,054,670</u> |
| TOTAL SUPPORTING SERVICES | <u>4,539,444</u> | <u>-0-</u> | <u>4,539,444</u> |
| TOTAL EXPENSES | <u>18,815,745</u> | <u>-0-</u> | <u>18,815,745</u> |
| CHANGE IN NET ASSETS BEFORE OTHER INCOME (LOSS) | (1,725,247) | 66,984,829 | 65,259,582 |
| OTHER INCOME (LOSS) | | | |
| Unrealized gains (losses) on investments | <u>1,080,424</u> | <u>10,926,628</u> | <u>12,007,052</u> |
| CHANGE IN NET ASSETS | (644,823) | 77,911,457 | 77,266,634 |
| NET ASSETS AS OF BEGINNING OF YEAR | 22,728,898 | 271,484,436 | 294,213,334 |
| TRANSFERS | <u>3,872,395</u> | <u>(3,872,395)</u> | <u>-0-</u> |
| NET ASSETS AS OF END OF YEAR | <u>\$ 25,956,470</u> | <u>\$ 345,523,498</u> | <u>\$ 371,479,968</u> |

2024

| <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---------------------------------------|------------------------------------|-----------------------|
| \$ 305,046 | \$ 16,585,754 | \$ 16,890,800 |
| -0- | 14,993 | 14,993 |
| 869,911 | 2,924,244 | 3,794,155 |
| 610,534 | 533,407 | 1,143,941 |
| <u>45,116,395</u> | <u>(45,116,395)</u> | <u>-0-</u> |
| <u>46,901,886</u> | <u>(25,057,997)</u> | <u>21,843,889</u> |
| 38,846,893 | -0- | 38,846,893 |
| <u>6,648,643</u> | <u>-0-</u> | <u>6,648,643</u> |
| <u>45,495,536</u> | <u>-0-</u> | <u>45,495,536</u> |
| 2,182,950 | -0- | 2,182,950 |
| <u>2,035,028</u> | <u>-0-</u> | <u>2,035,028</u> |
| <u>4,217,978</u> | <u>-0-</u> | <u>4,217,978</u> |
| <u>49,713,514</u> | <u>-0-</u> | <u>49,713,514</u> |
| (2,811,628) | (25,057,997) | (27,869,625) |
| <u>1,164,123</u> | <u>13,559,758</u> | <u>14,723,881</u> |
| (1,647,505) | (11,498,239) | (13,145,744) |
| 21,184,912 | 286,174,166 | 307,359,078 |
| <u>3,191,491</u> | <u>(3,191,491)</u> | <u>-0-</u> |
| <u>\$ 22,728,898</u> | <u>\$ 271,484,436</u> | <u>\$ 294,213,334</u> |

THE MARSHALL UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2025 AND 2024

2025

| | <u>Program Services</u> | | <u>Supporting Services</u> | | <u>Total</u> |
|---------------------------------------|----------------------------|---------------------------|-------------------------------|---------------------|----------------------|
| | <u>Academic Assistance</u> | <u>Student Assistance</u> | <u>Management and General</u> | <u>Fundraising</u> | |
| Salaries and benefits | \$ 1,740,606 | \$ 5,006 | \$ 1,622,377 | \$ 1,588,690 | \$ 4,956,679 |
| Professional services & fees | 1,450,067 | 10,316 | 274,797 | 140,174 | 1,875,354 |
| Computer expenses | 63,901 | 13,951 | 150,483 | 43,199 | 271,534 |
| Professional development | 33,783 | 4,361 | 1,874 | 17,693 | 57,711 |
| Travel | 212,447 | 33,403 | 18,438 | 100,420 | 364,708 |
| Office supplies & expenses | 91,142 | -0- | 18,150 | 36,681 | 145,973 |
| Scholarships and awards | 601,585 | 5,414,435 | -0- | -0- | 6,016,020 |
| Hospitality | 476,380 | 16,422 | 62,159 | 50,492 | 605,453 |
| Property & equipment related expenses | 258,796 | 37,343 | 87,883 | 2,013 | 386,035 |
| Insurance | 4,208 | -0- | 59,290 | 5,574 | 69,072 |
| Utilities | 412 | 93 | 113,780 | 833 | 115,118 |
| Interest | 531,376 | -0- | -0- | -0- | 531,376 |
| Charitable gift annuities | 22,367 | 1,482 | -0- | -0- | 23,849 |
| Contribution of leased asset | -0- | -0- | -0- | -0- | -0- |
| Loss on disposal of assets | -0- | -0- | -0- | -0- | -0- |
| Program Support | 2,221,244 | 134,920 | 7,495 | 25,687 | 2,389,346 |
| Depreciation | 281,756 | -0- | 22,454 | -0- | 304,210 |
| Bad debt expense | 398,741 | 41,479 | 550 | -0- | 440,770 |
| Other | 174,279 | -0- | 45,044 | 43,214 | 262,537 |
| Total | \$ 8,563,090 | \$ 5,713,211 | \$ 2,484,774 | \$ 2,054,670 | \$ 18,815,745 |

2024

| | <u>Program Services</u> | | <u>Supporting Services</u> | | | |
|----|----------------------------|---------------------------|-------------------------------|--------------------|-------------------|--------------|
| | <u>Academic Assistance</u> | <u>Student Assistance</u> | <u>Management and General</u> | <u>Fundraising</u> | | <u>Total</u> |
| \$ | 929,486 | \$ -0- | \$ 1,348,205 | \$ 1,613,201 | \$ 3,890,892 | |
| | 560,768 | 85,364 | 280,036 | 103,364 | 1,029,532 | |
| | 61,899 | 2,700 | 161,814 | 36,205 | 262,618 | |
| | 72,686 | 627 | 620 | 12,996 | 86,929 | |
| | 413,738 | 16,738 | 25,255 | 96,660 | 552,391 | |
| | 84,912 | -0- | 14,106 | 69,156 | 168,174 | |
| | 936,794 | 6,097,025 | -0- | -0- | 7,033,819 | |
| | 554,011 | 29,924 | 38,564 | 52,168 | 674,667 | |
| | 310,637 | 54,157 | 84,470 | (265) | 448,999 | |
| | 3,240 | 120,414 | 62,805 | 11,199 | 197,658 | |
| | 2,460 | 693 | 99,752 | 2,195 | 105,100 | |
| | 302,497 | -0- | -0- | -0- | 302,497 | |
| | 17,730 | 1,479 | -0- | -0- | 19,209 | |
| | 29,899,754 | -0- | -0- | -0- | 29,899,754 | |
| | 79 | -0- | -0- | -0- | 79 | |
| | 4,258,439 | 162,208 | 2,075 | 868 | 4,423,590 | |
| | 276,576 | -0- | 26,712 | -0- | 303,288 | |
| | (12,063) | 70,018 | 7,500 | -0- | 65,455 | |
| | <u>173,250</u> | <u>7,296</u> | <u>31,036</u> | <u>37,281</u> | <u>248,863</u> | |
| \$ | <u>38,846,893</u> | <u>6,648,643</u> | <u>2,182,950</u> | <u>2,035,028</u> | <u>49,713,514</u> | |

THE MARSHALL UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2025 AND 2024

| | <u>2025</u> | <u>2024</u> |
|---|-------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 77,266,634 | \$ (13,145,744) |
| Adjustments to reconcile change in net assets | | |
| to net cash provided by (used in) operating activities: | | |
| Depreciation | 304,210 | 303,288 |
| Loss on disposal of assets | -0- | 79 |
| Contribution of leased asset | -0- | 29,899,754 |
| Provision for losses on unconditional promises to give | 440,770 | 65,455 |
| Unrealized (gain) on investments and perpetual trusts | (12,007,052) | (14,723,881) |
| Investments acquired by gift | (1,131,118) | (930,081) |
| Investments acquired by gift for unconditional promises to give | 35,018 | 42,912 |
| Other assets acquired by gift | (230,450) | -0- |
| Realized (gain) on sale of investments and perpetual trusts | (6,830,172) | (1,823,725) |
| (Increase) decrease in operating assets: | | |
| Unconditional promises to give | (40,534,867) | 2,518,481 |
| Contributions receivable from Remainder Trusts | 11,515 | 335,913 |
| Other receivables | 503,519 | (385,347) |
| Beneficial Interest in Perpetual Trusts | 173,447 | 167,428 |
| Cash surrender value - life insurance, net of policy loans | (38,599) | (20,272) |
| Net investment in lease receivable | 566,676 | (214,030) |
| Prepays | (4,783) | (28,841) |
| Investments held in custody | (20,931,969) | 30,188,086 |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | (1,140,485) | (524,754) |
| Accrued vacation, wages, and deferred compensation | 61,320 | (5,736) |
| Accrued interest payable | 23,248 | 258,315 |
| Annuity payment liability | (25,653) | (36,132) |
| Refundable advances | (4,459) | 8,092 |
| Funds held in custody for others | <u>20,931,969</u> | <u>(30,188,086)</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>17,438,719</u> | <u>1,761,174</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | | |
|--|-------------------|---------------------|
| Purchase of property and equipment | (67,567) | (20,612,904) |
| Purchase of investments | (58,515,003) | (62,024,946) |
| Sales and maturities of investments | <u>71,711,791</u> | <u>62,817,428</u> |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | <u>13,129,221</u> | <u>(19,820,422)</u> |

THE MARSHALL UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2025 AND 2024

| | <u>2025</u> | <u>2024</u> |
|---|----------------------|----------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from notes payable | \$ -0- | \$ 12,478,134 |
| Principal payment on notes | <u>(491,872)</u> | <u>-0-</u> |
| NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES | <u>(491,872)</u> | <u>12,478,134</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 30,076,068 | (5,581,114) |
| CASH AND CASH EQUIVALENTS AS OF BEGINNING OF YEAR | <u>35,945,204</u> | <u>41,526,318</u> |
| CASH AND CASH EQUIVALENTS AS OF END OF YEAR | <u>\$ 66,021,272</u> | <u>\$ 35,945,204</u> |

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW
INFORMATION**

| | | |
|--------------------------------|------------|------------|
| Cash paid during the year for: | | |
| Interest | \$ 508,128 | \$ 44,182 |
| Income taxes | <u>-0-</u> | <u>-0-</u> |

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

During 2024, the Organization received construction supplies totaling \$223,702 to satisfy an unconditional promise to give recorded as revenue in the previous year. These supplies were used in the construction of the Brad D. Smith Center for Business and Innovation which is being leased by Marshall University. Upon completion of the construction and occupancy by the University during that year, the Organization derecognized their investment in the building in exchange for a net investment in lease receivables totaling \$11,359,973.

THE MARSHALL UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

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

NATURE OF ACTIVITIES

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

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

Marshall Services Corporation was established in October, 2012 to enter into a joint venture called INTO Marshall, LLC to operate an international student center and provide marketing and student recruitment for the benefit of Marshall University. The Marshall Service Corporation has not received any income due to losses sustained by INTO Marshall, LLC. The Marshall Service Corporation entered into a Wind-Down Agreement in February, 2020 to affect an orderly wind-down of the INTO Marshall, LLC joint venture.

Marshall University Alumni Association is a public charity under Section 501(c)(3) of the Internal Revenue Code dedicated to advancing the goals and objectives of the Marshall University Foundation, Inc. and Marshall University by coordinating and conducting activities among the alumni. The Alumni Association receives the majority of its support and revenue from gifts, contributions, and royalties.

PUBLIC SUPPORT AND REVENUE

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end.

Contributions that are not restricted by the donor are reported as increases in net assets without donor restrictions. Contributions that are received with donor stipulations that limit the use of the donated assets are reported as increases in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of use restriction is accomplished, net assets are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

THE MARSHALL UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GRANT REVENUE

Grant revenue is recognized when the resource provider makes a promise to give to the Foundation that is, in substance, unconditional. Conditional grant awards are recognized as revenue as the conditions of the resource provider are met. Conditional grant revenue received in advance of satisfying the resource providers' conditions is recorded as refundable advances. Grant revenue that is not restricted by the resource provider is recorded as increases in net assets without donor restrictions. Grant revenue that is restricted by the resource provider is reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

CONTRACT SERVICES REVENUE

Contract services revenue represents the amounts realized for goods and services rendered. Contract services revenue is recognized on the statement of activities as the performance obligation of delivering the goods or services are satisfied. Amounts are collected as the various activities associated with the revenue generation take place and the rate of payment is based on an agreed upon price.

ESTIMATES

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

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

Investments are reported in the consolidated financial statements at fair value. The current year increase or decrease in fair value over book value is recognized currently in the consolidated statement of activities. The Foundation uses several valuation techniques to value its investments which are described in Note 18. The majority of the investment funds are pooled into three categories - Operating Pool, Project Pool and Endowment Pool. The total investment return consists of interest and dividend income, realized gains and losses net of related investment expenses. Unrealized gains and losses are reported in the other income (loss) section of the consolidated statements of activities.

PROPERTY AND EQUIPMENT

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

THE MARSHALL UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OTHER ASSETS

Other assets consist of donated works of art and musical instruments which do not meet the definition of a collection.

COLLECTIONS

The Foundation capitalizes collections. The Foundation received The Touma Museum of Medicine on behalf of the Joan C. Edwards School of Medicine (“JCESOM”). The collection is held for public exhibition, education, and research in furtherance of public service rather than for financial gain; will be protected, kept unencumbered, cared for and preserved, and will be maintained intact. Even though items from the collection cannot be sold, any proceeds from unforeseen deaccession will be used for furtherance of the collection. The Touma Museum is managed by the JCESOM and is carried at the fair value at the date of contribution. New additions to the collection may be received by the Foundation if items are accepted by the JCESOM.

BASIS OF ACCOUNTING

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

ADVERTISING COSTS

Advertising costs totaling \$52,243 and \$49,879 for 2025 and 2024, respectively are charged to operations when incurred.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function.

ACCOUNTS RECEIVABLE

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

FUNDS HELD IN CUSTODY FOR OTHERS

The Foundation holds and invests funds for Marshall University, the Joan C. Edward School of Medicine and the Marshall University Research Corporation under agency agreements. The investments and other funds are reported as assets, while the corresponding liability is reported as funds held in custody for others.

THE MARSHALL UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 2 – FINANCIAL ASSETS AND LIQUIDITY

As of June 30, 2025 and 2024, financial assets and liquid resources available within one year for general expenditures were as follows:

| | <u>2025</u> | <u>2024</u> |
|---|---------------------|---------------------|
| Financial assets available | | |
| Cash and cash equivalents | \$ 6,464,938 | \$ 4,101,291 |
| Unconditional promises to give, net | 1,393 | 294 |
| Other receivables | <u>625,782</u> | <u>1,027,982</u> |
| Total financial assets available within one year | <u>\$ 7,092,113</u> | <u>\$ 5,129,567</u> |

In addition, as of June 30, 2025 and 2024, the Foundation had \$11,535,462 and \$10,011,715 respectively, of board-designated endowments that, with the board's approval, could be made available for operations.

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents on June 30, 2025 and 2024 are comprised of the following:

| | <u>2025</u> | <u>2024</u> |
|--|-----------------------------|-----------------------------|
| Cash and overnight repurchase agreements | \$ 36,300,042 | \$ 25,003,045 |
| Short-term investments | <u>29,721,230</u> | <u>10,942,159</u> |
| TOTAL | <u>\$ 66,021,272</u> | <u>\$ 35,945,204</u> |

NOTE 4 – INVESTMENTS

Investments as of June 30, 2025 and 2024 are summarized as follows:

| | <u>2025</u> | <u>2024</u> |
|--------------|------------------------------|------------------------------|
| | <u>Fair</u> | <u>Fair</u> |
| | <u>Value</u> | <u>Value</u> |
| Fixed income | \$ 46,099,221 | \$ 39,150,751 |
| Equities | 148,639,679 | 135,279,539 |
| Other | <u>100,254,348</u> | <u>93,793,315</u> |
| TOTAL | <u>\$ 294,993,248</u> | <u>\$ 268,223,605</u> |

See Note 18 for further breakdown by each individual investment or group of investments that represent a significant concentration of market risk.

THE MARSHALL UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 4 – INVESTMENTS (CONTINUED)

The following summarizes the investment return for the years ended June 30, 2025 and 2024 inclusive of income on cash equivalents, perpetual trusts, and the investments described above:

| | <u>2025</u> | <u>2024</u> |
|---------------------------|----------------------|----------------------|
| Investment Income: | | |
| Interest and dividends | \$ 3,620,514 | \$ 2,640,988 |
| Realized gain | 6,830,172 | 1,823,725 |
| Investment fees | <u>(689,452)</u> | <u>(670,558)</u> |
| Net investment return | <u>\$ 9,761,234</u> | <u>\$ 3,794,155</u> |
| Other Income (Loss): | | |
| Unrealized (losses) gains | <u>\$ 12,007,052</u> | <u>\$ 14,723,881</u> |

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

NOTE 5 – NOTES PAYABLE

In April 2022, the Marshall Real Estate Foundation, Inc. entered into a promissory note with United Bank to provide a \$12,500,000 line of credit to finance the remaining costs of the construction of the College of Business building once all additional funding had been exhausted. The terms of the note required interest only payments for two years beginning December 15, 2022. Annual payments of principal and interest in the amount of \$1,000,000 are due beginning on December 15, 2024, and continuing each year thereafter. The initial variable interest rate on the debt is 4.29% per annum. This interest rate may change on April 15, 2037, and every day thereafter. The new interest rate may be calculated based on the Wall Street Journal U.S. Prime Rate, but the rate will never be less than 3.0%. All unpaid principal and interest are due and payable on April 15, 2041. The debt may be prepaid, in full or in part, at any time, without penalty.

The Note is secured by the Foundation's personal property, interest in all annual annuity payments distributed to the Foundation from the 2018 Smith Charitable Lead Annuity Trust Agreement, and assignment of the Ground Lease between the Marshall University Real Estate Foundation and Marshall University Board of Governors.

The balance of notes payable at June 30, 2025 and 2024 totaled \$11,986,262 and \$12,478,134, respectively.

Scheduled principal and interest payments on the note are as follows at June 30, 2025:

| <u>Year ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|----------------------|---------------------|----------------------|
| 2026 | \$ 478,648 | \$ 521,352 | \$ 1,000,000 |
| 2027 | 499,467 | 500,533 | 1,000,000 |
| 2028 | 521,192 | 478,808 | 1,000,000 |
| 2029 | 542,611 | 457,389 | 1,000,000 |
| 2030 | 567,462 | 432,538 | 1,000,000 |
| Thereafter | <u>9,376,882</u> | <u>2,706,163</u> | <u>12,083,045</u> |
| Total | <u>\$ 11,986,262</u> | <u>\$ 5,096,783</u> | <u>\$ 17,083,045</u> |

Interest expense on notes payable charged to operations was \$531,376 and \$302,497 for the years ended June 30, 2025 and 2024.

THE MARSHALL UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 6 - PROMISES TO GIVE

Unconditional promises to give on June 30, 2025 and 2024 are as follows:

| | <u>2025</u> | <u>2024</u> |
|---|----------------------|----------------------|
| Receivable in less than one year | \$ 4,982,413 | \$ 2,550,256 |
| Receivable in one to five years | 26,689,672 | 7,502,391 |
| Receivable in more than five years | <u>36,126,900</u> | <u>10,521,805</u> |
| Total unconditional promises to give | 67,798,985 | 20,574,452 |
| Less discounts to net present value | (9,020,396) | (1,829,188) |
| Less allowance for uncollectible promises | <u>(57,777)</u> | <u>(83,531)</u> |
| Net unconditional promises to give | \$ <u>58,720,812</u> | \$ <u>18,661,733</u> |

Discount rates used on long-term promises to give ranged from 0.25% to 5.50% for fiscal years ending June 30, 2025 and 2024.

NOTE 7 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment on June 30, 2025 and 2024:

| | <u>2025</u> | <u>2024</u> |
|--------------------------------|---------------------|---------------------|
| Land | \$ 1,642,000 | \$ 1,642,000 |
| Buildings | 10,901,884 | 10,867,584 |
| Equipment | <u>1,220,527</u> | <u>1,199,589</u> |
| | 13,764,411 | 13,709,173 |
| Less: Accumulated depreciation | (5,383,910) | (5,092,029) |
| Property and equipment, net | \$ <u>8,380,501</u> | \$ <u>8,617,144</u> |

Depreciation expenses charged to operations was \$304,210 and \$303,288 for the years ended June 30, 2025 and 2024, 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 \$1,777,972 and \$1,860,882 on June 30, 2025 and 2024.

THE MARSHALL UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

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, 2025 and 2024 totaled \$-0-.

The Foundation's subsidiary, Marshall Services Corporation, is a for-profit entity and, therefore, is subject to federal and state income taxation. The company files its own federal and state income tax returns. Marshall Services Corporation had no activity in 2025 or 2024 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, 2025 and 2024 totaled \$-0-.

The supporting organization of the Foundation, the Marshall University Alumni Association, is a tax-exempt organization under Internal Revenue Code Section 501(c)(3). The MUAA has not engaged in activities that are considered by the Internal Revenue Service to be unrelated business activities and consequently has no activity subject to unrelated business tax at prevailing corporate rates. MUAA's income tax for the fiscal years ended June 30, 2025 and 2024 totaled \$-0-.

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

Management believes the Foundation, its subsidiary, and supporting organizations are no longer subject to income tax examinations for years prior to 2022.

THE MARSHALL UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 10 - CHARITABLE GIFT ANNUITIES

As of June 30, 2025 and 2024, the Foundation had liabilities under irrevocable charitable gift annuities. The Foundation agrees to pay the donors' quarterly annuity payments until the donors' deaths. Based on the donors' life expectancy and the IRS discount rate (5% on June 30, 2025), the present value of future liabilities expected to be paid by the Foundation to the beneficiaries totaled \$362,258 and \$387,911 as of June 30, 2025 and 2024, 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 \$35,654 and \$36,131 for the years ended June 30, 2025 and 2024, respectively.

NOTE 11 - CHARITABLE REMAINDER TRUSTS

The Foundation is named as the residual beneficiary of charitable remainder unitrusts. Under the terms of the unitrusts, a primary beneficiary receives annual distributions of a certain percentage of the net fair market value of the trust as of the first day of the taxable year. At the death of the primary beneficiary the Foundation receives all the principal and income of the trust. Because these unitrusts are administered by third-party trustees, the Foundation records this as a contribution receivable and contributed revenue for the present value of the future benefits expected to be received from the trusts. The present value is calculated based on IRS actuarial formulas based on the primary beneficiary's life expectancy utilizing a rate of 5% on June 30, 2025. On June 30, 2025 and 2024, the contribution receivable from the remainder trusts totaled \$83,397 and \$94,912 respectively.

Revenue net of change in valuation of charitable remainder trusts totaled \$(11,515) and \$234,028 for the years ended June 30, 2025 and 2024, 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 contribution revenue with donor restrictions. On June 30, 2025 and 2024, the beneficial interest in perpetual trusts totaled \$11,840,269 and \$11,079,836, respectively.

The change in the beneficial interest in perpetual trust assets is recorded in investment income with donor restrictions in the accompanying consolidated financial statements and totaled \$760,433 and \$911,443 for the years ended June 30, 2025 and 2024, respectively.

THE MARSHALL UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 13 - NET ASSETS

Net assets with donor restrictions on June 30, 2025 and 2024 were comprised as follows:

| Periods after June 30, | <u>2025</u> | <u>2024</u> |
|--|-----------------------|-----------------------|
| Purpose restrictions | | |
| Academic assistance | \$ 58,091,599 | \$ 53,401,358 |
| Student assistance | 25,471,683 | 18,456,235 |
| Fundraising | -0- | 37,283 |
| Management and General | 488,434 | 473,323 |
| Held in perpetuity | | |
| Collection, Touma Museum | 1,724,723 | 1,494,273 |
| Perpetual and remainder trusts | 11,923,666 | 11,174,748 |
| Endowments | <u>247,823,393</u> | <u>186,447,216</u> |
| Total net assets with donor restrictions | <u>\$ 345,523,498</u> | <u>\$ 271,484,436</u> |

Net assets were released from donor restrictions during the years ended June 30, 2025 and 2024 by incurring expenses satisfying the purpose specified by donors as follows:

| Purpose restrictions accomplished: | <u>2025</u> | <u>2024</u> |
|------------------------------------|----------------------|----------------------|
| Academic assistance | \$ 7,941,807 | \$ 38,443,132 |
| Student assistance | 5,713,211 | 6,648,642 |
| Fundraising | 5,574 | 11,239 |
| Management and general | <u>12,937</u> | <u>13,382</u> |
| Total | <u>\$ 13,673,529</u> | <u>\$ 45,116,395</u> |

Net assets without donor restrictions on June 30, 2025 and 2024 were comprised as follows:

| | <u>2025</u> | <u>2024</u> |
|---|----------------------|----------------------|
| Board-designated endowments | \$ 11,592,389 | \$ 10,085,673 |
| Investment in property and equipment | 8,374,537 | 8,615,887 |
| Undesignated | 5,989,544 | 4,027,338 |
| Total net assets without donor restrictions | <u>\$ 25,956,470</u> | <u>\$ 22,728,898</u> |

NOTE 14 - CONCENTRATIONS OF CREDIT RISK

The Foundation receives pledges from alumni as well as other individuals and companies. The pledges are unsecured. Unconditional promises to give are recorded net of an allowance for bad debts of \$57,777 and \$83,531 on June 30, 2025 and 2024, respectively.

The Foundation maintains substantially all its cash balances with six financial institutions. On June 30, 2025 and 2024, 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 \$30,202,958 and \$19,170,361, respectively.

**THE MARSHALL UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 15 - RETIREMENT PLAN AND DEFERRED COMPENSATION PLAN

Retirement Plan

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

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

| | |
|----------|-----------|
| Employer | <u>6%</u> |
| Employee | <u>6%</u> |

Pension expenses for the fiscal years ended June 30, 2025 and 2024 were \$147,127 and \$133,838, 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, 2025 and 2024, the Foundation's contribution under the deferred compensation plan was \$7,500 for each year. The deferred compensation liability is included in accrued vacation, wages, and deferred compensation and totaled \$337,689 and \$293,548 for the fiscal years ended June 30, 2025 and 2024, respectively.

NOTE 16 – FUNCTIONAL CLASSIFICATION OF EXPENSES

The costs of providing various programs and activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. The expenses are directly charged to the programs and supporting services benefited as follows: salaries and wages as well as the related employee benefits based on job descriptions of the employees; professional fees based on the types of services provided; computer expenses based on the department benefiting from the charge; travel based on the purpose of the travel expense; hospitality based on the nature of the activity; property and equipment related expenses based on the location and usage of the related asset; and program support based on the nature of the activity being funded.

NOTE 17 - DONATED SERVICES

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

THE MARSHALL UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 18 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

Fair values of assets measured on a recurring basis on June 30, 2025 are as follows:

| | <u>Fair Value</u> | <u>Quoted Prices in Active Markets For Identical Assets</u> | <u>Significant Other Inputs</u> | <u>Significant Observable Inputs</u> | <u>Significant Unobservable Inputs</u> |
|----------------------------|-------------------------|---|---------------------------------|--------------------------------------|--|
| | <u>Assets (Level 1)</u> | <u>Inputs (Level 2)</u> | <u>Inputs (Level 3)</u> | | |
| ASSETS | | | | | |
| Contributions Receivable | | | | | |
| From Remainder Trusts | \$ 83,397 | \$ 83,397 | \$ -0- | \$ -0- | \$ -0- |
| Beneficial Interest In | | | | | |
| Perpetual Trusts | 11,840,269 | 11,840,269 | -0- | -0- | -0- |
| Investments | | | | | |
| Fixed Income | | | | | |
| Commingled Domestic | | | | | |
| Fixed* | 15,594,997 | -0- | -0- | -0- | -0- |
| Commingled Global Fixed* | 6,988,211 | -0- | -0- | -0- | -0- |
| Domestic Mutual Funds | 7,847,304 | 7,847,304 | -0- | -0- | -0- |
| International Mutual Funds | <u>15,668,709</u> | <u>15,668,709</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| Total Fixed Income | <u>46,099,221</u> | <u>23,516,013</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |

THE MARSHALL UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 18 - FAIR VALUE MEASUREMENTS (CONTINUED)

| | <u>Fair Value</u> | Quoted Prices In Active Markets | Significant Other For Identical Observable | Significant Unobservable Assets (Level 1)Inputs (Level 2)Inputs (Level 3) |
|--|------------------------------|------------------------------------|---|---|
| Equities | | | | |
| Publicly Traded Equity | \$ 55,315 | \$ 55,315 | \$ -0- | \$ -0- |
| Domestic Mutual Funds | 611,232 | 611,232 | -0- | -0- |
| International Mutual Funds | 4,016,220 | 4,016,220 | -0- | -0- |
| Commingled Global Equity* | 143,948,662 | -0- | -0- | -0- |
| Other | <u>8,250</u> | <u>8,250</u> | <u>-0-</u> | <u>-0-</u> |
| Total Equities | <u><u>148,639,679</u></u> | <u><u>4,691,017</u></u> | <u><u>-0-</u></u> | <u><u>-0-</u></u> |
| Other | | | | |
| Commingled Hedge Funds* | 20,324,697 | -0- | -0- | -0- |
| Commingled Real Asset Fund* | 7,408,345 | -0- | -0- | -0- |
| Commodities* | 8,347,554 | -0- | -0- | -0- |
| Public Real Assets | 25,044 | 25,044 | -0- | -0- |
| Private Capital Commingled Private Capital Fund* | 15,288,622 | -0- | -0- | -0- |
| Private Equity* | 11,708,347 | -0- | -0- | -0- |
| Private Infrastructure* | 6,644,913 | -0- | -0- | -0- |
| Private Real Estate* | 12,388,865 | -0- | -0- | -0- |
| Natural Resources* | 16,870,736 | -0- | -0- | -0- |
| Venture* | 1,235,844 | -0- | -0- | -0- |
| Distressed Debt* | <u>11,381</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| Total Other | <u><u>100,254,348</u></u> | <u><u>25,044</u></u> | <u><u>-0-</u></u> | <u><u>-0-</u></u> |
| Total Assets | <u><u>\$ 306,916,914</u></u> | <u><u>\$ 40,155,740</u></u> | <u><u>\$ -0-</u></u> | <u><u>\$ -0-</u></u> |

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

Fair values of assets measured on a recurring basis on June 30, 2024 are as follows:

| | <u>Fair Value</u> | Quoted Prices In Active Markets | Significant Other For Identical Observable | Significant Unobservable Assets (Level 1)Inputs (Level 2)Inputs (Level 3) |
|--|-------------------|------------------------------------|---|---|
| ASSETS | | | | |
| Contributions Receivable | | | | |
| From Remainder Trusts | \$ 94,912 | \$ 94,912 | \$ -0- | \$ -0- |
| Beneficial Interest In Perpetual Trusts | 11,079,836 | 11,079,836 | -0- | -0- |

**THE MARSHALL UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 18 - FAIR VALUE MEASUREMENTS (CONTINUED)

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

THE MARSHALL UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 18 - FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of liabilities measured on a recurring basis at June 30, 2025 are as follows:

| | <u>Fair Value</u> | Quoted Prices In | | <u>Significant Other Observable</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
|---------------------------|-------------------|-----------------------|--------------------------------------|---|--|
| | | <u>Active Markets</u> | <u>For Identical Liabilities</u> | | |
| LIABILITIES | | | | | |
| Annuity payment liability | \$ 362,258 | \$ 362,258 | | \$ -0- | \$ -0- |
| Total Liabilities | \$ <u>362,258</u> | \$ <u>362,258</u> | | \$ <u>-0-</u> | \$ <u>-0-</u> |

Fair values of liabilities measured on a recurring basis at June 30, 2024 are as follows:

| | <u>Fair Value</u> | Quoted Prices In | | <u>Significant Other Observable</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
|---------------------------|-------------------|-----------------------|--------------------------------------|---|--|
| | | <u>Active Markets</u> | <u>For Identical Liabilities</u> | | |
| LIABILITIES | | | | | |
| Annuity payment liability | \$ 387,911 | \$ 387,911 | | \$ -0- | \$ -0- |
| Total Liabilities | \$ <u>387,911</u> | \$ <u>387,911</u> | | \$ <u>-0-</u> | \$ <u>-0-</u> |

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

Contributions Receivable from Remainder Trusts

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

Beneficial Interest in Perpetual Trusts

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

THE MARSHALL UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 18 - 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 on June 30, 2025 and 2024.

Additional disclosures for the Foundation's investments for which fair value is measured using the net asset value per share practical expedient, as required by ASC 820 including the liquidity terms and conditions of the External Funds, are included in Note 19 of the consolidated financial statements. The total fair value of the External Funds valued using the practical expedient that are not included in the fair value hierarchy table is \$266,761,174 and \$240,359,919 on June 30, 2025 and June 30, 2024, respectively.

Annuity Payment Liability

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

Fair values of assets measured on a nonrecurring basis on June 30, 2025 are as follows:

| | Quoted Prices In Active Markets For Identical Fair Value | Significant Other Inputs (Level 2) | Significant Observable Inputs (Level 3) |
|--------------|---|--|---|
| ASSETS | <u>Assets (Level 1)</u> | <u>Inputs (Level 2)</u> | <u>Inputs (Level 3)</u> |
| Other assets | \$ 16,525 | \$ -0- | \$ 16,525 |
| Collections | <u>1,724,723</u> | <u>-0-</u> | <u>1,724,723</u> |
| Total assets | <u>\$ 1,741,248</u> | <u>\$ -0-</u> | <u>\$ 1,741,248</u> |

Fair values of assets measured on a nonrecurring basis on June 30, 2024 are as follows:

| | Quoted Prices In Active Markets For Identical Fair Value | Significant Other Inputs (Level 2) | Significant Observable Inputs (Level 3) |
|--------------|---|--|---|
| ASSETS | <u>Assets (Level 1)</u> | <u>Inputs (Level 2)</u> | <u>Inputs (Level 3)</u> |
| Other assets | \$ 16,525 | \$ -0- | \$ 16,525 |
| Collections | <u>1,494,273</u> | <u>-0-</u> | <u>1,494,273</u> |
| Total assets | <u>\$ 1,510,798</u> | <u>\$ -0-</u> | <u>\$ 1,510,798</u> |

THE MARSHALL UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 18 - 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 consist 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 19 – ASSETS MEASURED AT NET ASSET VALUE PER SHARE

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

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

| <u>Asset Class</u> | <u>Withdrawal Frequency</u> | <u>Notice Period</u> |
|----------------------------------|-----------------------------|----------------------|
| Commingled Domestic Fixed Income | Daily | 1 Day |
| Commingled Global Fixed Income | Daily, Quarterly | Daily, 90 Day |
| Commingled Global Equity | Daily, Monthly | 1 Day, 5 Day |
| Commingled Hedge Funds | Daily, Monthly | 1 Day, 5 Day, 30 Day |
| Commodities | Twice a month | 5 Day |

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

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

Commingled Global Equity: This class includes investments in commingled funds that invest primarily in U.S. or foreign equities, and which attempt to meet or exceed the return of specific equity indices, including the MSCI All Country World Total Return Net Index (ACWI) in the aggregate. External Funds that are not private equity in nature provide liquidity on varying schedules. Certain funds provide liquidity on a monthly basis with a 5-day notice. The balance of the External Funds that are not private equity are available daily with a one-day notice.

THE MARSHALL UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 19 – 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, directional, macro, and quantitative methods. External Funds that are not private equity in nature provide liquidity on varying schedules. Certain funds provide monthly liquidity with a one-day notice, some with a 5-day notice, some with a 30-day notice. The balance of the External Funds that are not private equity are available daily with a one-day notice.

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

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

| Asset Class | Inception | Commitment | Uncalled | Redemption |
|----------------------------|--|---------------|--------------|------------|
| | | | Commitment | |
| Commingled Real Assets | 2014, 2016 | \$ 11,000,000 | \$ 1,917,803 | Illiquid |
| Commingled Private Capital | 2013, 2015, 2016, 2018 | 22,500,000 | 2,560,227 | Illiquid |
| Private Equity | 2007, 2010, 2011, 2020, 2021, 2022, 2023, 2024, 2025 | 28,685,000 | 17,253,984 | Illiquid |
| Private Infrastructure | 2020 | 5,600,000 | -0- | Illiquid |
| Private Real Estate | 2016, 2022, 2025 | 20,000,000 | 6,609,800 | Illiquid |
| Natural Resources | 2008, 2021, 2022, 2023 | 4,000,000 | 1,920,012 | Illiquid |
| Venture | 2007, 2010 | 1,800,000 | 38,500 | Illiquid |
| Distressed Debt | 2008 | 1,000,000 | -0- | 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, 2025 to be over the next 0 to 5 years.

THE MARSHALL UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 19 – 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, 2025 to be over the next 0 to 8 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, 2025 to be over the next 0 to 13 years.

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

Private Real Estate: This class includes investments in funds that invest primarily in a diversified group of core U.S. real estate investments with the objective of achieving current income, capital appreciation, or both. Redemptions may be requested quarterly but are subject to cash available in the investment fund, and in a manner consistent with REIT rules and principles of prudent management. There is no provision for redemption during the life of some of these funds. Distributions from each fund will be received as the underlying investments of the fund are liquidated, estimated at June 30, 2025 to be over the next 0 to 11 years.

Natural Resources: This class includes investments in funds that invest in natural gas and oil, power, industrial and manufacturing, chemicals and energy, energy efficiency and green fuels and food and agriculture, and other natural resource opportunities with the objective of providing long-term capital appreciation and superior risk-adjusted returns. This class achieves its objective by allocating to external portfolio managers selected for expertise in one or more investment strategies which may include, but are not limited to equity securities, and property acquisition that are not generally actively traded. There is no provision for redemption during the life of these funds. Distributions from each fund will be received as the underlying investments of the fund are liquidated. Funds have remaining partnership terms ranging from 0 to 9 years.

THE MARSHALL UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

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

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, 2025 to be over the next 0 to 1 year.

Distressed Debt: This class includes investments in funds that invest primarily in a diverse set of debt investments across the U.S. and globally with the objective of providing enhanced returns in a variety of credit environments. This class achieves its objective by allocating to external portfolio managers selected for expertise in one or more investment strategies which may include, but are not limited to restructured debt, stressed debt, distressed debt, “special situation” and mezzanine debt. There is no provision for redemption during the life of these funds. Distributions from each fund will be received as the underlying investments of the fund are liquidated, estimated at June 30, 2025 to be over the next year.

NOTE 20 - ENDOWMENTS

The Marshall University Foundation, Inc.’s endowment consists of approximately 1,258 funds established for the benefit of the students at Marshall University through both scholarship assistance and supplemental support of various university departments and endeavors. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by Generally Accepted Accounting Principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment Net Asset Composition by Type of Fund as of June 30, 2025

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|-------------------------------------|---------------------------------------|------------------------------------|------------------------------|
| Donor-restricted endowment funds | \$ -0- | \$ 222,070,096 | \$ 222,070,096 |
| Board-designated endowment funds | <u>11,535,462</u> | -0- | <u>11,535,462</u> |
| Total funds | <u>\$ 11,535,462</u> | <u>\$ 222,070,096</u> | <u>\$ 233,605,558</u> |

Endowment Net Asset Composition by Type of Fund as of June 30, 2024

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|-------------------------------------|---------------------------------------|------------------------------------|------------------------------|
| Donor-restricted endowment funds | \$ -0- | \$ 200,850,404 | \$ 200,850,404 |
| Board-designated endowment funds | <u>10,011,715</u> | -0- | <u>10,011,715</u> |
| Total funds | <u>\$ 10,011,715</u> | <u>\$ 200,850,404</u> | <u>\$ 210,862,119</u> |

THE MARSHALL UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 20 - ENDOWMENTS (CONTINUED)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2025

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|-----------------------|
| Endowment net assets, beginning of year | \$ 10,011,715 | \$ 200,850,404 | \$ 210,862,119 |
| Investment return: | | | |
| Investment income | 101,758 | 1,945,289 | 2,047,047 |
| Fees | (25,426) | (487,940) | (513,366) |
| Realized & unrealized gain (loss) | <u>835,037</u> | <u>16,196,802</u> | <u>17,031,839</u> |
| Total investment return | <u>911,369</u> | <u>17,654,151</u> | <u>18,565,520</u> |
| Contributions | 1,166,722 | 14,783,864 | 15,950,586 |
| Appropriation of endowment assets for expenditure | (554,344) | (11,218,323) | (11,772,667) |
| Other changes: | | | |
| Transfers in endowment classification | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| Endowment net assets, end of year | <u>\$ 11,535,462</u> | <u>\$ 222,070,096</u> | <u>\$ 233,605,558</u> |

THE MARSHALL UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 20 - ENDOWMENTS (CONTINUED)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2024

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|-----------------------|
| Endowment net assets, beginning of year | \$ 9,384,673 | \$ 189,112,432 | \$ 198,497,105 |
| Investment return: | | | |
| Investment income | 65,762 | 1,302,215 | 1,367,977 |
| Fees | (23,907) | (473,156) | (497,063) |
| Realized & unrealized gain (loss) | <u>701,340</u> | <u>14,103,847</u> | <u>14,805,187</u> |
| Total investment return | <u>743,195</u> | <u>14,932,906</u> | <u>15,676,101</u> |
| Contributions | 397,253 | 6,710,459 | 7,107,712 |
| Appropriation of endowment assets for expenditure | (513,406) | (9,905,393) | (10,418,799) |
| Other changes: | | | |
| Transfers in endowment classification | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| Endowment net assets, end of year | <u>\$ 10,011,715</u> | <u>\$ 200,850,404</u> | <u>\$ 210,862,119</u> |

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the Organization to retain as a fund of perpetual duration (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. On June 30, 2025, there were no funds with deficiencies reported in net assets with donor restrictions. On June 30, 2024, twenty-four funds with original gift values of \$5,508,422, fair values of \$5,499,330 and deficiencies of \$9,092 were reported in net assets with donor restrictions.

THE MARSHALL UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 20 - ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law

The state in which the Foundation operates, the State of West Virginia, has enacted the Uniform Prudent Management of Institutional Funds Act. The Board of Directors have interpreted this law as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classified as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable gift instrument at the time the accumulation is added to the fund. Also included in net assets with donor restrictions are deficiencies associated with funds where the value of the fund has fallen below the original value of the gift. In accordance with the law, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Objective of the Endowment

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

Performance Goals

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

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

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

THE MARSHALL UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 20 - ENDOWMENTS (CONTINUED)

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 several factors, including:

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

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

Investment Program Strategy

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

| <u>Asset Class</u> | <u>Minimum Weight</u> | <u>Target Weight</u> | <u>Maximum Weight</u> |
|----------------------------|-----------------------|----------------------|-----------------------|
| Growth Assets | 45% | 65% | 85% |
| Credit Assets | 0% | 0% | 6% |
| Inflation Sensitive Assets | 10% | 20% | 30% |
| Risk Mitigation Assets | 5% | 15% | 25% |

THE MARSHALL UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 20 - 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 Bloomberg Global Aggregate Index (the “Bloomberg Global Agg”).

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

Spending Policy

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

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

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

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

NOTE 21 - EQUITY INVESTMENT IN JOINT VENTURE

Marshall Services Corporation owns a 50% interest in INTO MARSHALL, LLC. The investment is accounted for under the equity method of accounting, whereby the initial investment of \$250,000 is adjusted for profit or loss and distributions. The equity investment is carried at \$-0- on June 30, 2025 and 2024 as the joint venture’s accumulated losses are more than the initial capital contribution. Marshall Services Corporation does not anticipate any income or distributions from the wind-down of the joint venture and anticipates completing the wind-down during the 2026 fiscal year.

NOTE 22 – FUNDS HELD IN CUSTODY FOR OTHERS

The Foundation invests funds for Marshall University, the Joan C. Edward School of Medicine and the Marshall University Research Corporation. These investments are held in a agency relationships; therefore, assets and liabilities are always equal, and no net assets are reported. The liability for agency investments was \$69,333,484 and \$ 48,401,515 on June 30, 2025 and June 30, 2024, respectively.

THE MARSHALL UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 23 – LEASES

In December 2021, the MUREF entered into a ground lease with Marshall University for one dollar for the purpose of developing, financing, constructing, furnishing, and equipping a three-story educational facility to serve as the Brad D. Smith Center for Business and Innovation (“BDSCBI”) and to house the Marshall University College of Business.

The MUREF also entered into a master lease agreement with Marshall University in December 2021 for the use of the facility once completed. The base monthly rental payments of \$3,350 began to accrue February 1, 2022. The University provided first-tier funding to cover some of the development and construction costs. Additional funding for construction was provided by private donations through the Foundation. Once other funding was exhausted, the MUREF began drawing on a line of credit to cover the remaining costs of the project. See Note 5 – Notes payable for additional details. Beginning December 15, 2024, the University began paying annual loan base rental installments of \$1,000,000 to cover the repayment of the debt. The term of this lease is 30 years from the date of completion but is subject to early termination.

While the Facility was under construction, the new lease standards promulgated by FASB ASU No. 2016-02, *Leases* (Topic 842) did not apply. With an occupancy date and an effective commencement date of January 8, 2024, the lease standards became effective for the year ended June 30, 2024.

Under ASC Topic 842, a lease that transfers ownership of the underlying asset to the lessee by the end of the lease term is classified as a sales-type lease. Upon classification as a sales-type lease, the Organization derecognized the investment in the BDSCBI and recognized the net investment in the lease and the selling loss arising from the transaction.

The investment in the lease was calculated through December 2038, when the loan base rental payments are completed. At that time, it is expected that the early termination of the lease will occur and ownership of the BDSCBI will transfer. Interest on the investment in the lease was imputed at 4.29%. The net investment in the lease receivable was recognized at commencement in the amount of \$11,359,973.

Net investment in leases totaled \$11,007,327 and \$11,574,003 as of June 30, 2025 and 2024, respectively.

The base rental income of \$23,450 has been recognized as other revenue in the financials as of June 30, 2024. At June 30, 2024, the amount of interest income on the lease recorded in other revenue was \$230,780 while a loss on the lease transaction of \$(29,899,754) was reported as a contribution of leased asset as a component of academic assistance on the financials. The amount of interest income on the lease reported in other revenue at June 30, 2025 was \$473,523.

Minimum future payments expected to be received on the lease are as follows at June 30, 2025:

| <u>Year ending June 30,</u> | | <u>Total</u> |
|------------------------------------|--------------|-------------------|
| 2026 | \$ 1,040,200 | |
| 2027 | 1,040,200 | |
| 2028 | 1,040,200 | |
| 2029 | 1,040,200 | |
| 2030 | 1,040,200 | |
| Thereafter | | <u>9,328,001</u> |
| Total | | 14,529,001 |
| Less unearned income | | (3,521,674) |
| Net investment in lease receivable | \$ | <u>11,007,327</u> |

THE MARSHALL UNIVERSITY FOUNDATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 24 - REVENUE FROM CONTRACTS WITH CUSTOMERS

The composition of the Organization's revenue from contracts with customers based on lines of business for the year ended June 30, 2025 and 2024 are as follows:

| Line of Business | <u>2025</u> | <u>2024</u> |
|------------------------------------|-------------------|-------------------|
| Department Promotion & Fundraising | \$ 82,514 | \$ 87,745 |
| Educational Assistance | 9,450 | -0- |
| Registration | 91,107 | 139,678 |
| Development Services | 411,750 | 515,378 |
| Rental of Facilities | 54,764 | 63,853 |
| Sponsorship | -0- | 5,800 |
| Royalties | 37,572 | 36,267 |
| Miscellaneous | <u>53,783</u> | <u>43,340</u> |
| Total | <u>\$ 740,940</u> | <u>\$ 892,061</u> |

Revenue from contracts with customers is reported at the amount that reflects the consideration to which the Organization is entitled in exchange for goods and services provided, in large part, by the departments and activities of Marshall University. These goods and services include tickets and merchandise purchased by patrons at events held to promote and fundraise for specific University departments. Individuals and organizations pay registration fees to participate in study abroad opportunities and tournaments sponsored by University departments. Service revenue also includes consideration from Marshall University to cover a portion of the costs for development services provided by the Organization. Sponsorship opportunities are made available to outside constituents, such as local boards of education, for activities, such as educational training, provided by University departments. Royalties are received from the sale of books and manuals associated with University staff as well as partnerships of the Alumni Association with corporations who wish to use their name and member base in the furtherance of their business practices.

Performance obligations are determined based on the nature of the service or goods provided. Revenues are recognized at a point in time when the service is provided or the good is delivered. Consideration to which the Organization is entitled is generally collected concurrently with the revenue recognition except for amounts collected from the University for development services.

The Organization has determined that the nature, timing, and uncertainty of revenue and cash flows are affected by the varying nature, timing and frequency of activities and services offered.

Accounts receivable from contracts with customers are presented in the Organization's consolidated statements of financial position as other receivables. No receivable amounts are considered to be uncollectible.

NOTE 25 – CONTRIBUTION OF NONFINANCIAL ASSETS

The Foundation receives donations of items to be utilized, as required by the donors, by various departments at Marshall University. These assets are transferred to the University as soon as received. The contributions are recorded at fair market value of the non-financial assets. Items with a value greater than \$5,000 require a certified appraisal. Contributions of nonfinancial assets that were transferred to the University totaled \$3,382 and \$14,993 during the years ended June 30, 2025 and 2024.

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NOTE 26 – EMPLOYEE RETENTION CREDIT

The CARES Act provides an employee retention credit which is a refundable tax credit against certain employment taxes per employee for eligible employers. The Foundation qualified for the tax credit under the CARES Act. During the fiscal year ended June 30, 2023, the Foundation recorded revenue of \$547,737 related to the CARES Act employee retention credit in gifts and contributions of cash and other financial assets on the Foundation's consolidated statement of activities. As of June 30, 2025 and 2024, the Foundation had a receivable balance of \$212,980 and \$547,737, respectively from the United States government related to the CARES Act, which is recorded in other receivables on the Foundation's consolidated statement of financial position.

NOTE 27 - SUBSEQUENT EVENTS

Management has reviewed events occurring subsequent to June 30, 2025 through October 1, 2025 (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.