

MORGAN STATE UNIVERSITY
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2021 AND 2020



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**MORGAN STATE UNIVERSITY
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INDEPENDENT AUDITORS' REPORT

Board of Regents
Morgan State University
Baltimore, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Morgan State University (the University), a component unit of the State of Maryland, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the component unit financial statements of the Morgan State University Foundation, Inc. (the Foundation), which represent 100% percent of the assets, net position, and revenues of the aggregate discretely presented component unit information. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditor. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University, as of June 30, 2021 and 2020, and the respective changes in their financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During the fiscal year ended June 30, 2021, the University adopted GASB Statement No. 84, *Fiduciary Activities*. As a result of the implementation of GASB Statement No. 84, the University reported a restatement for the change in accounting principle (see Note 13). Our auditors' opinion is not modified with respect to this restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of net pension liability, schedule of contributions for the pension plan, and schedule of contributions for other post-employment benefits 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 basic financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



CliftonLarsonAllen LLP

Baltimore, Maryland
October 28, 2021

**MORGAN STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

OVERVIEW OF THE UNIVERSITY

Morgan State University, founded in 1867, is a Carnegie-classified high research (R2) institution providing instruction to a multiethnic, multiracial, multinational student body and offering more than 117 academic programs leading to degrees from the baccalaureate to the doctorate. As Maryland's Preeminent Public Urban Research University, Morgan fulfills its mission to address the needs and challenges of the modern urban environment through intense community-level study and pioneering solutions.

Anchored in a charming residential area of northeast Baltimore, the breadth of Morgan's expansive campus encompasses more than 185 acres extending beyond its sprawling campus proper which features state-of-the-art facilities geared toward innovative teaching and learning in the 21st century. The only university to have its entire campus, designated as a National Treasure by the National Trust for Historic Preservation, offers a safe and inviting learning environment with easy access to the best the city has to offer: culture, exhibits, dining, shopping, activities, sightseeing and employment. The off-campus opportunities also extend to community projects and civic engagement.

Morgan has graduated more than 55,000-degree candidates since its establishment more than 150 years ago, producing a passionately devoted corps of alumni who have found success in all areas of endeavor, in the U.S. and beyond. Among the nation's most diverse Historically Black Colleges and Universities, and the largest in Maryland, Morgan seeks to ensure that the doors of higher education are opened as wide as possible to as many as possible. <https://www.morgan.edu/about>.

Fiscal year 2021 continued to be challenging because of the world-wide pandemic that infected the world. This extraordinary event led Morgan to close the campus and to implement remote learning for the Fall 2020 and Spring 2021 semesters. In the Fall 2021, the campus fully reopened after significant investment from the Higher Education Emergency Relief Funds. These funds help to support major investments in information technology and facility infrastructure to ensure a safe environment for all students and employees. As a result of the investments and preparation for the fall, the University's enrolled the most students in its 154-year history.

OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

The following discussion presents an overview of the financial position and financial performance of the University during the fiscal years ended June 30, 2021 and 2020, with comparative information for 2019. This discussion and analysis has been prepared by management along with the financial statements and related footnote disclosures. This discussion should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes. The discussion and analysis is designed to focus on current activities, resulting change and currently known facts. The financial statements, footnotes and this discussion are the responsibility of management.

The annual financial report includes three financial statements: the Balance Sheet, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flow. These financial statements are prepared in accordance with applicable generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB), which establishes financial reporting standards for public colleges and universities. A summary of significant accounting policies followed by the University are included in Note 1 to the financial statements.

**MORGAN STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS (CONTINUED)

These financial statements focus on the financial position, results of operations, and cash flows of the University as a whole.

The basic financial statements consist of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement (GASB) No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*.

Additionally, the University has adopted Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Universities Are Component Units*, an amendment of GASB Statement No. 14, and included the discrete financial information of the Morgan State University Foundation, Inc. (the Foundation) in its basic financial statements. However, this management's discussion and analysis focuses on the financial information of the University. The Foundation is a private nonprofit whose purposes includes, but are not restricted to, receiving and administering funds to enhance, improve, develop, and promote the University and to benefit the University, its students, and faculty. Complete financial statements for the Foundation can be obtained from Morgan State University Foundation, Truth Hall, Room 201, 1700 East Cold Spring Lane, Baltimore, MD 21251.

INSTITUTION FINANCIAL HIGHLIGHTS

There are three financial statements presented for each fiscal year: the Balance Sheet; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These statements include all assets, deferred outflows, deferred inflows, and liabilities using the accrual basis of accounting, which is similar to the accounting used by most institutions. Starting in 2015, these statements included the implementation of GASB No. 68, Accounting and Financial Reporting for Pensions. This accounting standard modified existing financial reporting requirements as well as established new ones for governmental entities-including public colleges and universities- that participate in defined benefit pension plans. GASB 68 dramatically changed the way that public colleges and universities account for their defined benefit plans. The primary consequence is that most institutions are reporting a much larger pension liability on their financial statements than in the past. The net pension liability as of June 30, 2021, was \$85.9 million.

As of June 30, 2021, the University had \$672.0 million in assets plus \$31.4 million in deferred financing outflows that totals \$703.4 million. This compares to the June 30, 2020 and 2019 totals of \$660.2 and \$646.3 million, respectively. The increase in total assets were driven by an increase in cash and accounts receivable due to the Higher Education Emergency Funding (HEERF) grants for the COVID-19 pandemic.

As of June 30, 2021, the University had \$147.1 million in liabilities plus \$6.2 million in deferred financing inflows that totals \$152.6 million. This compares to the June 30, 2020 and 2019 totals of \$178.7 and \$183.7 million, respectively. The changes in liabilities are primarily due to the defeasance of the revenue bonds and the forgiveness of the HBCU Capital Project loan (HBCU loan) through the American Rescue Plan (ARP).

The University generated \$335.3 million in total revenue for the year ended June 30, 2021. This was a 19.9% increase over the prior year and is a result of the HEERF grant revenue and the forgiveness of the HBCU loan. Total operating expenses were \$263.2 million in 2021, an increase of 1.6%, compared to prior operating expenses of \$259.0 million and \$245.5 in 2020 and 2019, respectively. For June 30, 2021, the University's net asset position was \$550.1 million, an increase of 14.3% over prior year.

**MORGAN STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATION

The Balance Sheet presents the University's assets, deferred outflows, liabilities, deferred inflows, and net position as of the end of the fiscal year. The purpose of this statement is to present to the financial statement readers a snapshot of the University's financial position at year-end. From the data presented, readers of the Balance Sheet are able to determine the assets available to continue the University's operations. It also allows readers to determine how much the University owes vendors and creditors.

Net position is divided into three major categories. The first category, net investment in capital assets, depicts the University's equity in property, plant, and equipment owned by the University. The next category is restricted, which is divided into two categories in the financial statements, nonexpendable and expendable. Restricted nonexpendable net position consists solely of the University's permanent endowment funds and is only available for investment purposes. Expendable restricted net position is available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on them. The final category is unrestricted net position which is available to the institution for any lawful purpose of the institution.

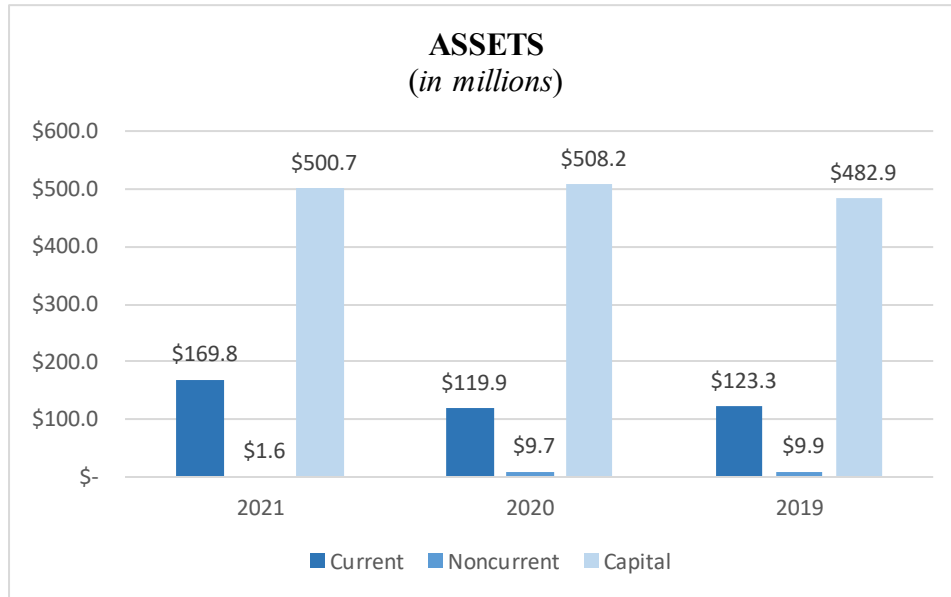
BALANCE SHEET SUMMARY (IN MILLIONS)

	As of June 30,		
	2021	2020	2019
ASSETS			
Current Assets	\$ 169.8	\$ 119.9	\$ 123.3
Noncurrent Assets:			
Capital Assets, Net	500.7	508.2	482.9
Other Noncurrent Assets	1.6	9.7	9.9
Total Noncurrent Assets	<u>502.3</u>	<u>517.9</u>	<u>492.8</u>
Total Assets	672.1	637.8	616.1
Deferred Financing Outflows	31.4	22.4	30.2
Total Assets and Deferred Outflows	<u>\$ 703.4</u>	<u>\$ 660.2</u>	<u>\$ 646.3</u>
LIABILITIES			
Current Liabilities	\$ 41.7	\$ 43.7	\$ 41.7
Noncurrent Liabilities	105.5	126.2	133.4
Total Liabilities	<u>147.2</u>	<u>169.9</u>	<u>175.1</u>
Deferred Financing Inflows	6.2	8.8	8.6
Total Liabilities and Deferred Inflows	<u>153.3</u>	<u>178.7</u>	<u>183.7</u>
NET POSITION			
Net Investment in Capital Assets	490.0	459.9	434.5
Restricted	2.3	11.8	11.9
Unrestricted	57.8	9.8	16.2
Total Net Position	<u>550.1</u>	<u>481.5</u>	<u>462.6</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 703.4</u>	<u>\$ 660.2</u>	<u>\$ 646.3</u>

**MORGAN STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATION (continued)

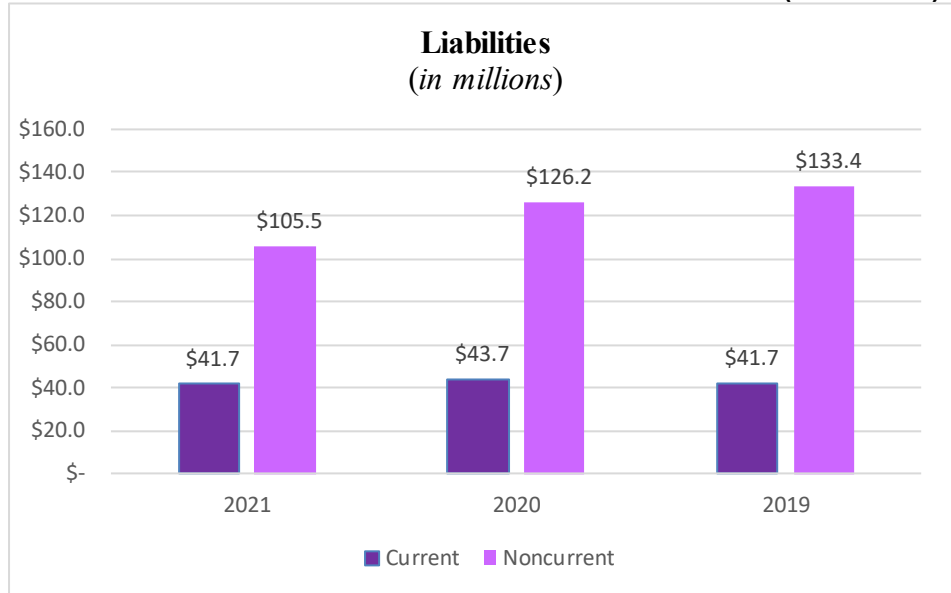
Assets included in the balance sheet are classified as current and noncurrent. Current assets consist, primarily, of cash and cash equivalents, investments, and accounts receivable. Noncurrent assets consist primarily of plant and equipment known as capital assets. Current assets of \$169.8 million represented an increase of \$49.9 million, or 41.6% compared to a decrease of \$3.4 million, or 3.0% from 2019 to 2020, primarily due to an increase in accounts receivable from the HEERF grants. Noncurrent and capital assets of \$502.3 million decreased \$15.6 million and increased \$25.1 million, or (3.0)% and 5.1% from 2021 and 2020, respectively, primarily due to an increase in depreciation from the completion of the Tyler Hall student services building late in fiscal year 2020.



Noncurrent liabilities of \$105.5 million (2021), \$126.2 million (2020), and \$133.4 million (2019) include the net pension liability and other long-term debt. The University defeased the revenue bonds in 2021 and was forgiven the HBCU loan through the ARP legislation which resulted in a decrease of \$20.7 million in long-term obligations.

**MORGAN STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATION (continued)

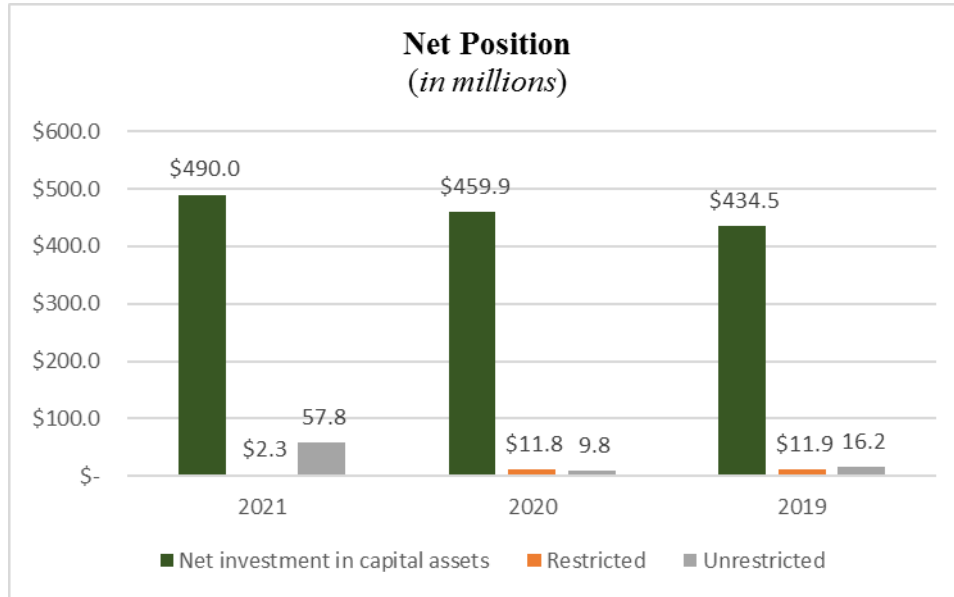


As of June 30, 2021, the University's net position was \$550.1 million, compared to \$481.5 million and \$462.6 million as of June 30, 2020 and 2019, respectively. This represents an \$66.7 million increase or 13.8% in net position from the June 30, 2020 net position primarily as the result of the HEERF grants funding, the defeasance of the bond obligations, and the forgiveness of the HBCU loan.

Net Investment in capital assets represents the University's capital assets ownership less any related obligations, while the \$2.3 million in restricted net position consists of investments given to the University for scholarships and a lecture series, the Federal Perkins loan program, and funds invested for capital debt service and disbursements. The University's unrestricted net position is \$57.8 million representing a \$48.0 million increase from 2020.

**MORGAN STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATION (CONTINUED)



Over the last three years the University's net position has been favorable increasing \$66.7 million or 13.8% over the prior fiscal year 2020 level of \$481.5million. This combined growth demonstrates the University's continued strengthening of its financial position.

**MORGAN STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

SUMMARY OF REVENUES AND OPERATING AND NONOPERATING EXPENSES

Changes in total net position, as presented on the Balance Sheet, are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the University, both operating and nonoperating, and the expenses paid by the University, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the University.

Generally, operating revenues are received for providing educational learning services to students and other constituencies of the institution. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to carry out the University's mission. Payments to employees including salaries, fringe benefits, and pension for faculty and staff are the largest type of operating expense totaling \$153.5 million or 58.3% of \$263.2 million.

Nonoperating revenues are revenues received for which goods and services are not provided. For example, the University's state appropriations are nonoperating because they are provided by the state legislature without the legislature directly receiving commensurate goods and services for those revenues. All of the current year's revenues and expenses are recorded on the accrual basis of accounting.

SUMMARY OF REVENUES (IN MILLIONS)

	As of June 30,		
	2021	2020	2019
OPERATING REVENUES			
Tuition and Fees, Net	\$ 46.4	\$ 50.1	\$ 49.4
Other	49.7	58.0	63.0
Total Operating Revenues	<u>96.0</u>	<u>108.1</u>	<u>112.4</u>
NONOPERATING REVENUES			
State Appropriations	114.3	104.9	97.4
Pell Grants and Cares Award	72.8	29.5	17.1
Other Nonoperating Revenues	0.6	1.9	2.7
Total Nonoperating Revenues	<u>187.7</u>	<u>136.3</u>	<u>117.2</u>
OTHER REVENUES			
Debt Forgiveness	32.8	-	-
Other Gains	1.7	-	-
Capital Appropriations	16.9	35.0	45.6
Total Other Revenues	<u>51.5</u>	<u>35.0</u>	<u>45.6</u>
Total Revenues	<u>\$ 335.3</u>	<u>\$ 279.4</u>	<u>\$ 275.2</u>

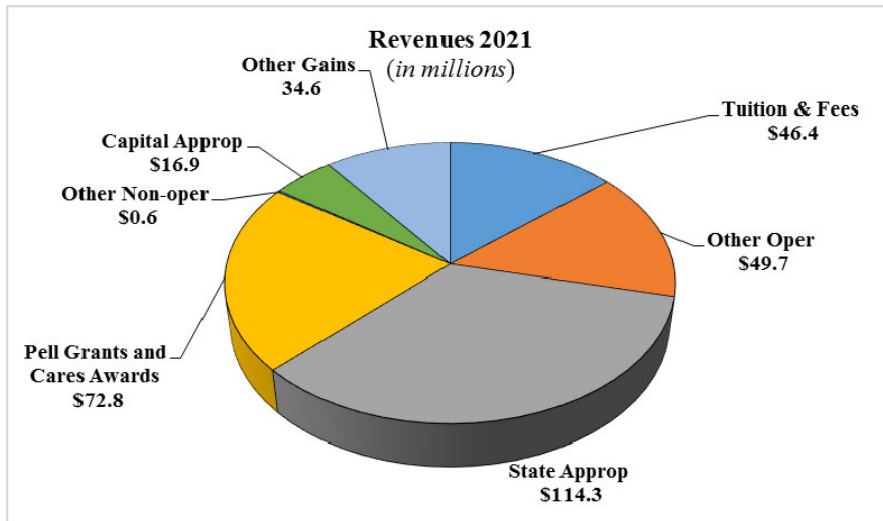
**MORGAN STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

SUMMARY OF REVENUES AND OPERATING AND NONOPERATING EXPENSES (CONTINUED)

University revenues are comprised of three major categories, operating revenue, nonoperating and other revenue. For the year ended June 30, 2021, the University's total revenues were \$335.3 million, an increase of \$55.9 million or 20.0%. For the year ended June 30, 2021, operating revenues of \$96.0 million decreased by \$12.1 million from year ended June 30, 2020 primarily due to loss revenue from auxiliary fees.

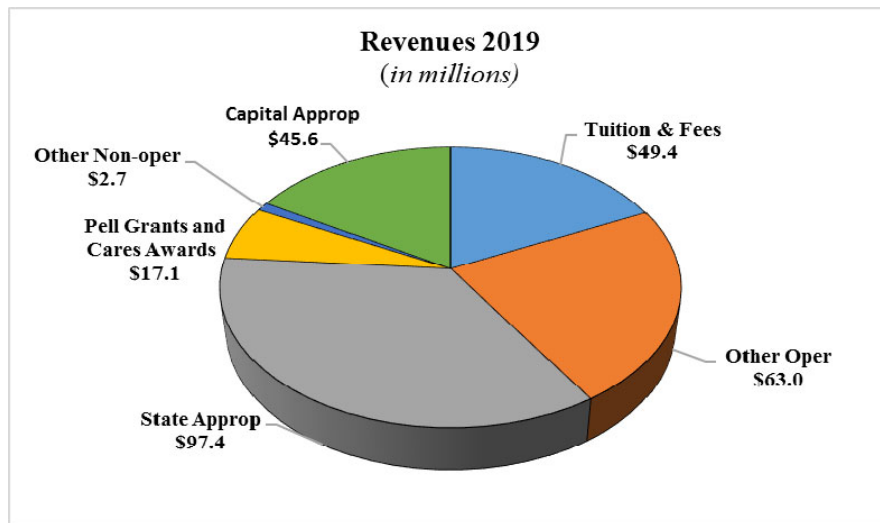
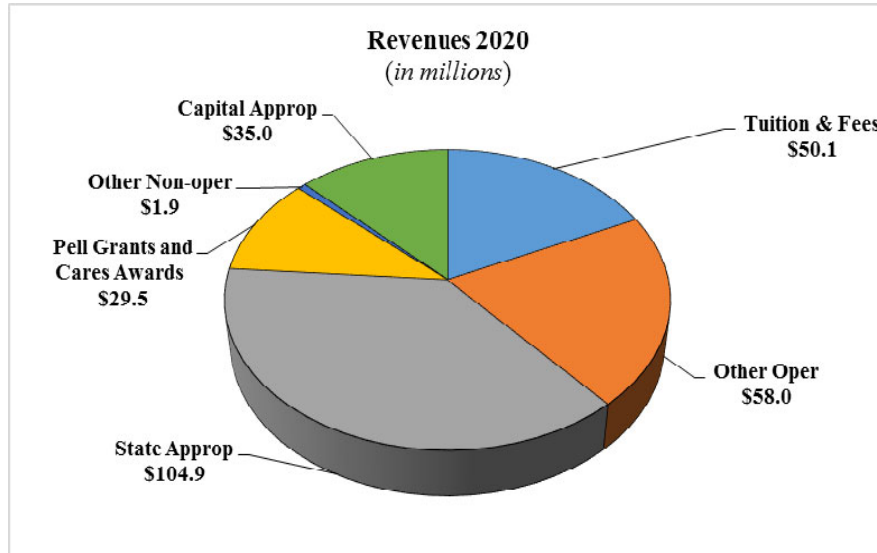
For the years ended June 30, 2021 and 2020, nonoperating revenues of \$187.7 million and \$136.3 million, increased \$51.4 million and \$19.1 million, respectively, due to the higher State appropriations for the period and additional funds related to the COVID-19 pandemic. The State of Maryland continues to provide strong support for the University affirming the positive return on investment that Morgan State University represents. Other revenues of \$51.5 million consist of capital appropriations and other gains from the forgiveness of the HBCU loan. The capital appropriations were \$16.9 and \$35.0 million for 2021 and 2020, respectively. The University continues to receive capital appropriations to enhance its physical plant and to support the University's long-term capital plan. The lower capital appropriations for 2021 is due primarily to the timing of the cash flow requirements for the majority of projects funded by the State of Maryland. Capital appropriations from the State of Maryland over the last 7 years totaled \$239.1 million.

The graphs below show the University's revenue distribution by category for 2021 and 2020. As evidenced by the graph the Universities' state appropriation and other non-operating has increased. Other operating revenue declined largely due to the impact of COVID-19 resulting in lower auxiliary related revenue.



**MORGAN STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

SUMMARY OF REVENUES AND OPERATING AND NONOPERATING EXPENSES (CONTINUED)



**MORGAN STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

SUMMARY OF OPERATING AND NONOPERATING EXPENSES (IN MILLIONS)

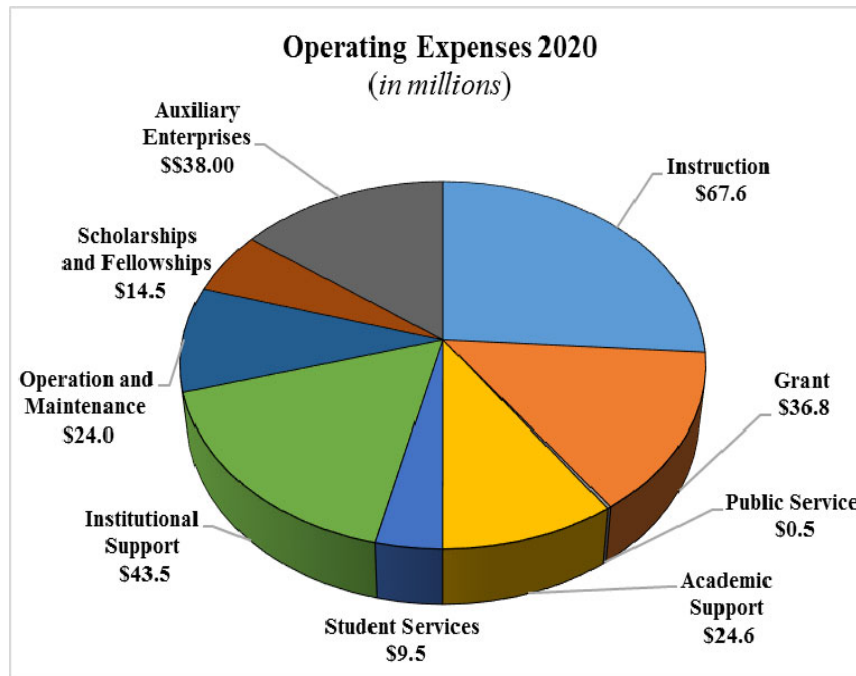
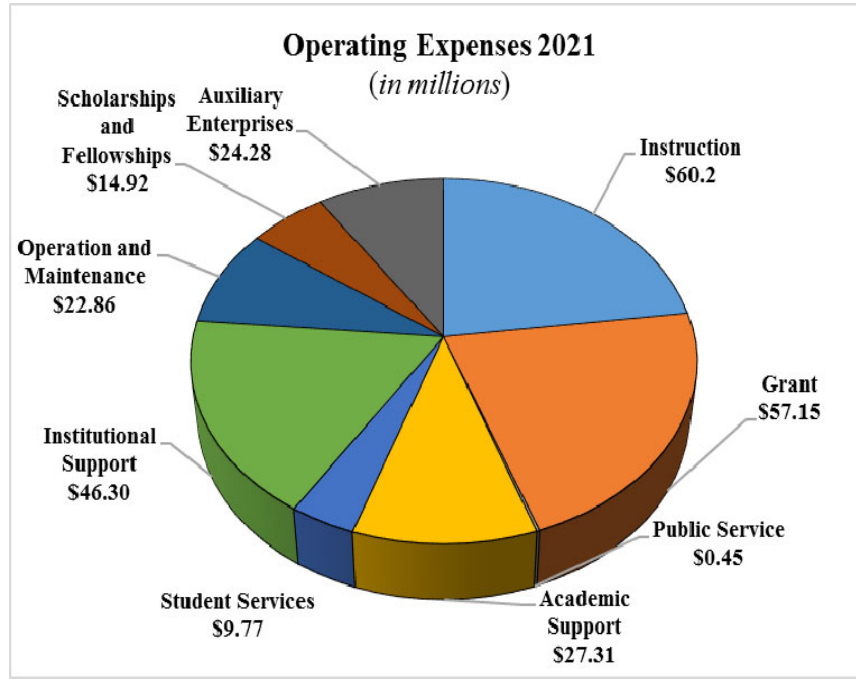
Total operating and nonoperating expenses for the year ended June 30, 2021, was \$268.6 million, an increase of \$8.0 million or 3.1%. For the year ended June 30, 2020, total expenses increased \$11.7 million or 4.7%. Interest expense decreased by \$0.5 million in 2021 and \$0.3 million in 2020, due to the bond defeasance and HBCU loan forgiveness.

For the year ended June 30, 2021, total operating expenses of \$263.2 million were higher by \$4.2 million or 1.6%.

	As of June 30,		
	2021	2020	2019
OPERATING EXPENSES			
Instruction	\$ 60.2	\$ 67.6	\$ 67.2
Grant	57.2	36.8	26.3
Public Service	0.4	0.5	0.6
Academic Support	27.3	24.6	28.6
Student Services	9.8	9.5	9.1
Institutional Support	46.3	43.5	45.4
Operation and Maintenance of Plant	22.9	24.0	21.5
Scholarships and Fellowships	14.9	14.5	9.3
Auxiliary Enterprises	24.3	38.0	37.5
Total Operating Expenses	263.2	259.0	245.5
NONOPERATING EXPENSES			
Interest in Indebtedness	0.8	1.3	1.6
Capital Expense	1.5	0.4	1.3
Other Expenses/ Transfers	3.1	-	0.5
Total Nonoperating Expenses	5.4	1.7	3.4
Total Expenses	\$ 268.6	\$ 260.6	\$ 248.9

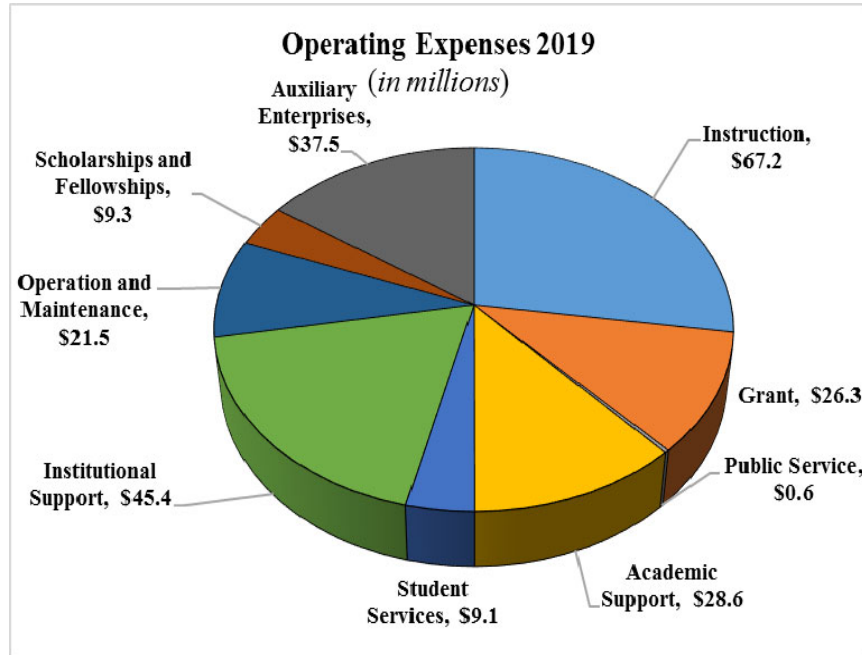
**MORGAN STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

SUMMARY OF OPERATING AND NONOPERATING EXPENSES (IN MILLIONS) (CONTINUED)



**MORGAN STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

SUMMARY OF OPERATING AND NONOPERATING EXPENSES (IN MILLIONS) (CONTINUED)



SUMMARY OF OPERATING RESULTS

The University realized an increase in its net position of \$66.7 million or 14.3% during fiscal year 2021 primarily due to the HEERF grant funding and the HBCU loan forgiveness. The long-term financial plan places an emphasis on growing the net position. The University's financial management team continues to guide the University to meeting its long-term financial goals.

	As of June 30,		
	2021	2020	2019
Net Position - Beginning of Year	\$ 481.5	\$ 462.7	\$ 436.4
Impact of Restatement for GASB 84	1.9	-	-
Total Revenues	335.3	279.4	275.2
Total Expenses	(268.6)	(260.6)	(248.9)
Increase in Net Position	<u>68.6</u>	<u>18.8</u>	<u>26.3</u>
NET POSITION - END OF YEAR	<u>\$ 550.1</u>	<u>\$ 481.5</u>	<u>\$ 462.7</u>

**MORGAN STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

STATEMENTS OF CASH FLOWS SUMMARY

The Statement of Cash Flows provides relevant information that aids in the assessment of the University's ability to generate cash to meet present and future obligations and provides detailed information reflecting the University's sources and uses of cash during the fiscal year. The statement is divided into four sections. The first section deals with operating cash flows and reflects the sources and uses to support the essential mission of the University. The second section presents cash flows from noncapital financing activities and reflects nonoperating sources and uses of cash primarily to support operations. The third section represents cash flows from capital financing activities and details the activities related to the acquisition and construction of capital assets, including related debt payments. The fourth section deals with cash flows from investing activities and includes interest on investments and sale of investments.

SUMMARY OF CASH FLOWS (IN MILLIONS)

	As of June 30,		
	2021	2020	2019
Cash (Used) Provided By:			
Operating Activities	\$ (175.1)	\$ (115.9)	\$ (98.6)
Noncapital Financing Activities	193.1	134.6	114.2
Capital and Related Financing Activities	(5.9)	(21.2)	(8.1)
Investing Activities	0.4	1.7	7.4
Net (Decrease)/Increase in Cash and Cash Equivalents	<u>12.5</u>	<u>(0.9)</u>	<u>14.9</u>
Cash and Cash Equivalents - Beginning of Year	<u>109.3</u>	<u>110.2</u>	<u>95.3</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 121.8</u></u>	<u><u>\$ 109.3</u></u>	<u><u>\$ 110.2</u></u>

The primary cash receipts from operating activities consist of tuition and fees, and auxiliary enterprises. Cash disbursements from operations include salaries and wages, benefits, supplies, utilities, maintenance, and scholarships. The overall increase in net cash used by operations reflects the loss revenue from auxiliary operations and the increase of COVID-19 operational expenses. State appropriations are the primary source of noncapital financing. Noncapital state appropriation receipts were \$114.3 million in 2021, \$104.9 million in 2020, and \$97.4 million in 2019.

**MORGAN STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

CAPITAL INVESTMENT ACTIVITIES

The University continues to invest in capital assets to support the mission of the institution. With strong support from the State of Maryland, the University's five-year capital project budget totals 494 million. The plan includes the following projects:

- 1) The University is in its third year of a comprehensive deferred maintenance program.
- 2) Campus-wide utility upgrades and other renovations of key buildings.
- 3) Construction of the new Student Services building - \$220.8 M.
- 4) The New health and Human services building - \$157.8 M.

In April of 2020, the new Calvin and Tina Tyler Hall opened. The new administrative building houses student services and administrative support services including Admissions, Records and Registration, Financial Aid, Bursar, Comptroller, and Human Resources. The 139,000 square foot facility encompasses five stories and was designed to achieve LEED Silver Certification for optimum energy and environmental efficiency.

The University has a \$100 Million deferred maintenance program underway. Through the first two years the University has spent more than \$22 million addressing deferred maintenance issues throughout the campus. In addition, The University has a partnership with the Maryland Clean Energy Center to focus on energy conservation and sustainability projects. More detailed information about the University's capital assets and capital commitments are presented in Note 4 and Note 7 of the financial statements' footnotes.

DEBT

As of June 30, 2021, the University had \$9.0 million in outstanding long-term debt versus \$44.3 and \$48.4 million in 2020 and 2019, respectively. The table below summarizes these amounts in millions by type of debt instrument.

	As of June 30,		
	2021	2020	2019
Revenue Bonds	\$ -	\$ 25.8	\$ 30.4
Loans Payable	-	7.5	4.8
Lease Obligations	9.0	11.1	13.2
Total	<u>\$ 9.0</u>	<u>\$ 44.3</u>	<u>\$ 48.4</u>

**MORGAN STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

SUMMARY AND ECONOMIC TRENDS

During 2021, all higher education institutions experienced a continued unprecedented era due to COVID-19. In March 2020, Morgan, like many other institutions, moved to a remote learning and work environment following the mandates of Governor Larry Hogan of the State of Maryland. The University responded with significant investments in technology to support this remote learning and work environment. Additionally, the University completed a very comprehensive cleaning and disinfecting protocol for the entire campus. In August 2021, the University campus fully opened in person for students and staff with the highest number enrolled students in Morgan's greater than 150-year history.

In October 2020, Morgan defeased the remaining public bond obligations with proceeds from a new HBCU Capital loan. In March 2021, amounts disbursed under the HBCU Capital Loan Program as of December 27, 2020 were forgiven and satisfied by the U.S. Department of Education pursuant to the Consolidated Appropriations Act of 2021 resulting in no long-term bond debt obligations. At June 30, 2021, the only debt outstanding related to capital leases. This improves Morgan's debt to equity position which gives the University more financial flexibility for the future.

In December 2020, the Morgan State University Foundation (the Foundation) received a \$40 million gift from noted venture philanthropist and author, MacKenzie Scott. The generous and transformative gift is the largest single private donation in Morgan's history and the second largest gift to any public Maryland university. The funds will be used to support University efforts essential to student success as well as to advance research and enhance investments in other mission-focused priorities and initiatives. The gift was placed in the University's endowment. The market value of the endowment has reached an all-time high at \$101 million.

Morgan was awarded \$126M under the Higher Education Emergency Relief Funds from the Department of Education for pandemic relief. As of June 30, 2021, \$70M of the grant funding have been used to restore lost revenue, acquire technology, expertise, and equipment, for remote learning, award student grants, award financial aid, subsidize student housing, enhance security and safety measures, and place health protocols including on-campus testing and becoming a state vaccination site. In addition, as part of the American Rescue Plan of the HEERF grants, a portion of Morgan's loans under the HBCU Capital Loan Program from the Department of Education was forgiven in the amount of \$33.7M. Morgan continues to award student grants and financial aid, enhance safety and health protocols across campus, and strengthen technology through the HEERF funding which has allowed Morgan to remain a viable and healthy higher education institution.

**MORGAN STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

SUMMARY AND ECONOMIC TRENDS (CONTINUED)

In addition, the University and the Foundation received many other significant grants, entered into significant partnerships, and was named with numerous accolades. Here are just a few of those.

Morgan was selected as one of 14 partner institutions to participate in a \$15 million, five-year project funded by the U.S. National Science Foundation (NSF) that will engage communities in California, and the Great Lakes, Mid-Atlantic, and Southeast regions to significantly reduce food waste by 2030.

BGE is partnering with Morgan and two other Maryland HBCUs to award scholarships to full-time students majoring in STEM. Each of the universities—Bowie State University, Coppin State University, and Morgan—will receive a \$200,000 grant in 2021 to provide funding for \$10,000 scholarships to 15 “BGE Scholars.”

Morgan received \$97,000 in funding from the U.S. Department of Education to support and conduct a five-week, intensive immersion program in Senegal. The program, made possible by a Fulbright-Hays Group Projects Abroad grant, will promote the professional development of a group of U.S.-based educators and students, and the creation of curricula to guide them in teaching the history, culture and educational structures and policies of the western African republic.

The Henry Luce Foundation awarded Morgan State University’s Center for the Study of Religion and the City (CSRC) a \$250,000 grant to build upon its work in Baltimore, expanding it nationally as part of a broader effort to support the development of public education and community engagements highlighting the impact of the COVID-19 pandemic and emerging visions of the common good. This marks the third grant CSRC has received from the Foundation, bringing the total support to date to nearly \$1 million.

Morgan’s School of Computer, Mathematical and Natural Sciences (SCMNS) were awarded a five-year, \$7.5-million grant from the U.S. Department of Defense (DoD) to fund the Center for Advanced Electro-Photonics with 2D Materials. Designed to explore the technological efficacy and use of emergent two-dimensional (2D) materials, the new Center will be run jointly by Morgan and Johns Hopkins University (JHU) in partnership with the JHU Applied Physics Laboratory (APL), with additional contributions from scientists at the Adelphi Laboratory Center (ALC) and Aberdeen Proving Ground (APG) research centers of the U.S. Army.

The Public Relations Society of America (PRSA), the nation’s leading professional organization serving the communications community and principal advocate for industry excellence, ethical conduct and the advancement of its membered practitioners, has approved the recommendation for the School of Global Journalism and Strategic Communication’s (SGJC) Department of Strategic Communication (SCOM) at Morgan State University to receive the Certification in Education for Public Relations (CEPR). Morgan is the first HBCU to earn this national recognition and is only the second university in Maryland to hold the CEPR.

A first-of-its-kind collaboration between Morgan and the Tertiary Education Trust Fund (TETFund), a fiduciary and funding agency of the Federal Government of Nigeria, brought more than 70 Nigerian doctoral students and more than 15 Nigerian postdoctoral students to Morgan for scholarship and research during the fall 2021 semester.

**MORGAN STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

SUMMARY AND ECONOMIC TRENDS (CONTINUED)

Morgan State University's (MSU) Cybersecurity Assurance and Policy (CAP) Center has been awarded a \$3.2 million National Science Foundation (NSF) grant to implement the agency's novel CyberCorps® Scholarship for Service (SFS) program at Morgan, providing 24 cybersecurity scholarships to undergraduate and graduate students. As the only HBCU recipient to be awarded the grant this year, Morgan joins six other universities distinguished by the NSF to administer the CyberCorps program at their respective institutions.

Morgan received grants from Apple and Google totaling \$6.25 million that aim to create equity in tech by building a STEM pipeline at Historically Black Colleges and Universities (HBCUs) to increase diverse representation in the STEM-related professions. The one-time, unrestricted financial grant will provide Morgan with financial support for scholarships, technological infrastructure support, career readiness and curriculum development. Morgan is one of 10 institutions to receive a grant from Google and comes as part of a \$50 million commitment to build tech equity for HBCUs and foster a diverse talent pipeline in STEM fields.

Global research and development firm Battelle is investing \$200K over two years to provide STEM Research opportunities for students at Maryland's Morgan State University and Bowie State University.

The Governor's Office on Service and Volunteerism announced that Morgan State University is the first Historically Black College or University in Maryland designated as an AmeriCorps' Schools of National Service.

In June 2021, Morgan State University President David K. Wilson announced an end to the longtime practice of hiring contractual employees to augment the University's workforce needs and heralded the conversion of eligible existing contractual employees to full-time with benefits. In addition to offering benefits to contractual employees, the University will also increase the minimum wage for all applicable hourly workers to \$15 per hour and has increased the adjunct faculty pay to be more competitive in attracting and retaining high-quality instructors for courses at all levels.

Along with the additions of the new Tyler Hall, \$88M student services building completed in 2020, Morgan is in the process of completing a new 670 bed, state of the art student residential facility to be completed in Fall 2022. Included in the residential hall is a new university dining facility. Contiguous to the campus is the Northwood shopping complex where Morgan's new public safety building will be completed in August 2022. In addition to the public safety building, Morgan will open a co-branded campus store with Barnes and Nobles. This campus store will have a cafe, books and other sundry items for students and the community. The ground-breaking for Morgan's new Health and Human Services Building also occurred in 2021.

Morgan's strengths are its commitment to student success and wellbeing, continued excellence, innovation, and focus in research. As Maryland's pre-eminent urban public research university serving as an anchor institution to the Baltimore City community and beyond is paramount. As Morgan's move forward with its new strategic plan 2021-2030, expanding its global footprint, committing to infrastructure and operational excellence will ensure that Morgan is at the forefront for proactively meeting the ever-changing environments and beyond.

**MORGAN STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020**

SUMMARY AND ECONOMIC TRENDS (CONTINUED)

Morgan is optimistically planning for the spring semester as a record number of student enrolled, record number of grants awarded, and the investment in the health and wellbeing of our campus continues. Morgan expects to thrive in the soon to be post-covid environment.

**MORGAN STATE UNIVERSITY
BALANCE SHEETS
JUNE 30, 2021 AND 2020**

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 121,499,511	\$ 103,747,003
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$3,238,603 and \$3,008,807, Respectively	47,522,190	15,631,639
Notes Receivable	51,594	79,967
Inventories	253,533	193,547
Prepaid Expenses	447,041	210,737
Total Current Assets	169,773,869	119,862,893
NONCURRENT ASSETS		
Restricted Cash and Cash Equivalents	222,594	5,513,810
Endowment Investments	-	2,855,118
Notes Receivable (Net of Allowance for Doubtful Notes of \$702,925 and \$705,187, respectively)	1,338,863	1,361,442
Capital Assets, Net	500,744,988	508,189,042
Total Noncurrent Assets	502,306,445	517,919,412
Total Assets	672,080,314	637,782,305
DEFERRED OUTFLOWS OF RESOURCES		
	31,367,007	22,398,632
Total Assets and Deferred Outflows	\$ 703,447,321	\$ 660,180,937
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 25,917,041	\$ 24,252,530
Unearned Revenue	9,858,172	6,577,314
Funds Held for Other Organizations	706,684	1,996,110
Accrued Workers' Compensation, Current Portion	474,150	501,000
Accrued Vacation Costs, Current Portion	2,816,186	3,424,510
Revenue Bonds Payable, Current Portion	-	4,917,603
Obligations Under Capital Lease Agreements, Current Portion	1,906,701	2,026,019
Total Current Liabilities	41,678,934	43,695,086
NONCURRENT LIABILITIES		
Non-Current Liabilities		
Accrued Workers' Compensation, Net of Current Portion	2,686,850	2,839,000
Accrued Vacation Costs, Net of Current Portion	9,819,964	7,521,497
Revenue Bonds Payable, Net of Current Portion	-	20,834,960
Obligations Under Capital Lease Agreements, Net of Current Portion	7,130,848	9,037,549
Loans payable	-	7,518,965
Net Pension Liability	85,852,242	78,493,621
Total Non-Current Liabilities	105,489,904	126,245,592
Total Liabilities	147,168,838	169,940,678
DEFERRED INFLOWS OF RESOURCES		
	6,159,280	8,770,450
Total Liabilities and Deferred Financing Inflows	153,328,118	178,711,128
NET POSITION		
Net Investment in Capital Assets	489,973,015	459,855,750
Restricted:		
Expendable:		
Scholarships and Fellowships	2,033,117	4,828,488
Loans	92,663	1,488,767
Debt Service	222,594	5,513,810
Total Expendable Net Position	2,348,374	11,831,065
Unrestricted Net Position	57,797,814	9,782,994
Total Net Position	550,119,203	481,469,809
Total Liabilities, Deferred Inflows, and Net Position	\$ 703,447,321	\$ 660,180,937

See accompanying Notes to Financial Statements.

MORGAN STATE UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
OPERATING REVENUES		
Tuition and Fees	\$ 69,968,115	\$ 67,426,909
Less: Scholarship Allowances	(23,606,615)	(17,361,107)
Total	46,361,500	50,065,802
Federal Grants and Contracts	33,460,188	27,038,259
State and Local Grants and Contracts	1,789,248	1,516,790
Private Gifts, Grants, and Contracts	2,874,618	1,654,361
Sales and Services Educational	2,404,613	511,497
Auxiliary Enterprises, Net	9,096,627	23,895,393
Other Revenues	29,797	3,418,037
Total Operating Revenues	96,016,591	108,100,139
OPERATING EXPENSES		
Instruction	60,186,042	67,560,183
Grant	57,154,785	36,809,874
Public Service	446,406	531,524
Academic Support	27,310,521	24,603,911
Student Services	9,773,041	9,452,146
Institutional Support	46,299,232	43,515,790
Operation and Maintenance of Plant	22,859,160	24,003,560
Scholarships and Fellowships	14,921,214	14,476,279
SGA Activity		
Auxiliary Enterprises	24,278,194	37,999,399
Total Operating Expenses	263,228,595	258,952,666
OPERATING LOSS	(167,212,004)	(150,852,527)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	114,323,767	104,890,339
Pell Grants	15,298,575	16,835,919
CARES and HEERF Grants	57,499,604	12,702,823
Investment Income	622,083	1,436,384
Interest on Indebtedness	(777,510)	(1,303,851)
Contribution to the Foundation	(3,059,006)	-
Other Nonoperating Revenues/(Expenses)	-	483,674
Total Nonoperating Revenues, Net	183,907,513	135,045,288
LOSS BEFORE OTHER REVENUES, (EXPENSES), GAINS AND (LOSSES)	16,695,509	(15,807,239)
OTHER REVENUES, (EXPENSES), GAINS AND (LOSSES)		
Capital Appropriations	16,939,346	34,991,248
Capital Expenses	(1,525,635)	(370,450)
Debt Forgiveness	32,833,893	-
Other Gains/ (Losses)	1,739,693	3,880
Total Other Revenues, (Expenses), Gains and (Losses)	49,987,297	34,624,678
INCREASE IN NET POSITION	66,682,806	18,817,439
Net Position - Beginning of Year, as Restated	481,469,809	462,652,370
Net Position - Restatement, Note 13	1,966,588	-
Net Position - Beginning of Year, as Restated	483,436,397	462,652,370
NET POSITION - END OF YEAR	\$ 550,119,203	\$ 481,469,809

See accompanying Notes to Financial Statements.

**MORGAN STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	\$ 47,560,998	\$ 51,159,485
Contracts and Grants	5,085,730	28,711,758
Payments to Employees	(156,526,971)	(154,003,363)
Payments to Suppliers and Contractors	(85,165,568)	(72,530,474)
Loans Issued to Students	-	(16,179)
Collections of Loans from Students	52,073	76,438
Auxiliary Enterprises Charges:		
Residence Halls and Dining Facilities	9,096,628	23,895,393
Other Receipts	4,755,561	6,758,879
Net Cash Used by Operating Activities	(175,141,549)	(115,948,063)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	114,323,767	104,890,339
Pell Grants and Cares Award	72,798,179	29,538,742
Other Nonoperating Cost Paid	5,942,060	218,878
Net Cash Provided by Noncapital Financing Activities	193,064,006	134,647,959
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Appropriations	16,939,346	30,993,051
Proceeds from Capital Debt	-	2,757,027
Capital Expenses	(1,525,635)	(370,450)
Purchases of Capital Assets	(15,816,128)	(46,755,126)
Principal Payments on Debt and Capital Leases	(6,666,020)	(6,559,023)
Interest Paid on Debt and Capital Leases	(777,510)	(1,303,851)
Loan Issuance Cost	1,966,587	-
Net Cash Used by Capital and Related Financing Activities	(5,879,360)	(21,238,372)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	-	5,513,809
Interest on Investments	418,195	1,687,375
Purchases of Investments	-	(5,513,810)
Net Cash Provided by Investing Activities	418,195	1,687,374
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,461,292	(851,102)
Cash and Cash Equivalents - Beginning of Year	109,260,813	110,111,915
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 121,722,105	\$ 109,260,813

See accompanying Notes to Financial Statements.

MORGAN STATE UNIVERSITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (167,212,004)	\$ (150,852,527)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Depreciation Expense	23,620,366	21,514,945
EFFECT OF CHANGES IN NONCASH OPERATING ASSETS AND LIABILITIES		
Accounts Receivable, Net	(31,890,551)	2,238,680
Notes Receivable, Net	50,952	60,143
Inventories	(59,986)	26,523
Prepaid Expenses	(236,305)	220,079
Funds Held for Other Organizations	(1,289,427)	(172,485)
Accounts Payable and Accrued Liabilities	1,304,330	6,531,144
Unearned Revenue	3,280,858	176,749
Pension Costs, Net	(4,220,924)	3,468,261
Accrued Workers' Compensation	(179,000)	(474,000)
Accrued Vacation	1,690,142	1,314,425
NET CASH FROM OPERATING ACTIVITIES	\$ (175,141,549)	\$ (115,948,063)
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and Cash Equivalents	\$ 121,499,511	\$ 103,747,003
Restricted Cash and Cash Equivalents	222,594	5,513,810
Total Cash and Cash Equivalents	\$ 121,722,105	\$ 109,260,813
NONCASH TRANSACTIONS		
Change in fair market value of investments	\$ -	\$ (250,991)
Change in worker's compensation liability	\$ (179,000)	\$ (474,000)
Decrease in bond accretion	\$ -	\$ 268,674
Capital expenditures included in accounts payable	\$ 1,734,424	\$ 3,998,196
Debt Forgiveness	\$ 33,695,084	\$ 3,998,196

See accompanying Notes to Financial Statements.

MORGAN STATE UNIVERSITY
STATEMENTS OF FINANCIAL POSITION – MORGAN STATE UNIVERSITY FOUNDATION, INC.
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 15,845,627	\$ 8,523,117
Investments	98,712,875	39,278,135
Pledges Receivable, Net of Discount of \$290,258 and \$893,431, Respectively and Allowance of \$1,441,050 and \$602,099, Respectively	22,336,094	4,856,608
Other Assets and Deposits	636,405	114,732
Total Assets	\$ 137,531,001	\$ 52,772,592
LIABILITIES AND NET ASSETS		
Accounts Payable and Accruals	\$ 616,302	\$ 192,678
Deferred Revenue	35,500	-
Total Liabilities	\$ 651,802	\$ 192,678
NET ASSETS		
Without Donor Restrictions	1,719,655	659,860
With Donor Restrictions	135,159,544	51,920,054
Total Net Assets	136,879,199	52,579,914
Total Liabilities and Net Assets	\$ 137,531,001	\$ 52,772,592

See accompanying Notes to Financial Statements.

MORGAN STATE UNIVERSITY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS – MORGAN STATE UNIVERSITY FOUNDATION, INC.
YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Contributions and Fund Raising	\$ 1,857,784	\$ 68,910,265	\$ 70,768,049	\$ 1,338,688	\$ 6,952,346	\$ 8,291,034
Interest and Dividend Income	-	346,957	346,957	-	166,003	166,003
Unrealized Gain	-	9,358,388	9,358,388	-	1,766,014	1,766,014
Realized Gain	-	12,697,704	12,697,704	-	122,842	122,842
Total Revenues and Support	<u>1,857,784</u>	<u>91,313,314</u>	<u>93,171,098</u>	<u>1,338,688</u>	<u>9,007,205</u>	<u>10,345,893</u>
Net Assets Released from Restrictions:						
Satisfaction of Program Restrictions	<u>8,073,824</u>	<u>(8,073,824)</u>	<u>-</u>	<u>9,249,118</u>	<u>(9,249,118)</u>	<u>-</u>
Total Revenues, Support, and Net Assets Released from Restrictions	9,931,608	83,239,490	93,171,098	10,587,806	(241,913)	10,345,893
EXPENSES						
Program Services	8,234,487	-	8,234,487	9,502,177	-	9,502,177
General and Administrative	606,935	-	606,935	689,693	-	689,693
Fundraising	30,391	-	30,391	133,448	-	133,448
Total Expenses	<u>8,871,813</u>	<u>-</u>	<u>8,871,813</u>	<u>10,325,318</u>	<u>-</u>	<u>10,325,318</u>
INCREASE IN NET ASSETS	1,059,795	83,239,490	84,299,285	262,488	(241,913)	20,575
Net Assets - Beginning of Year	<u>659,860</u>	<u>51,920,054</u>	<u>52,579,914</u>	<u>397,372</u>	<u>52,161,967</u>	<u>52,559,339</u>
NET ASSETS - END OF YEAR	<u>\$ 1,719,655</u>	<u>\$ 135,159,544</u>	<u>\$ 136,879,199</u>	<u>\$ 659,860</u>	<u>\$ 51,920,054</u>	<u>\$ 52,579,914</u>

See accompanying Notes to Financial Statements.

**MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Morgan State University (the University) is a modern comprehensive research university that serves the state, national, and international communities by providing its students with academic instruction, by conducting research and other activities that advance fundamental knowledge, and by disseminating knowledge to the people of Maryland and throughout the world. The University awards bachelors, master, and doctoral degrees. The University has been designated as Maryland's Preeminent Public Urban Research University of the State by the state legislature.

The University is governed by the Board of Regents (the Board), a 15-member board, as established under Title 14 of the Education Article, Annotated Code of Maryland which is appointed for a six-year term by the Governor of Maryland, except for the student regent who is appointed for a one-year term. The University is considered a component unit of the State of Maryland for financial reporting purposes and is included in the financial statements of the State of Maryland.

As required by accounting principles generally accepted in the United States of America, these financial statements present the University and its component units. The Morgan State University Foundation, Inc. (the Foundation), was organized exclusively for charitable, religious, educational, and scientific purposes. The Foundation's purposes further include, but are not restricted to, receiving and administering funds to enhance, improve, develop, promote, and to benefit the University, its students, and its faculty. The Foundation qualifies as a component unit of the University under accounting standards generally accepted in the United States of America; therefore, the activities of the Foundation are shown in these financial statements as a discretely presented component unit.

During the years ended June 30, 2021 and 2020, the Foundation distributed \$2,035,585 and \$3,299,702, to the University. Complete financial statements for the Foundation can be obtained from Morgan State University Foundation, Truth Hall, Room 201, 1700 East Cold Spring Lane, Baltimore, MD 21251.

Measurement Focus and Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

The statements of revenues, expenses, and changes in net position for special-purpose governments engaged in business-type activities require an operating/ nonoperating format to be used. The University has elected to report its operating expenses by functional classification. The statements of cash flows are presented using the direct method which depicts cash flows from operating activities and a reconciliation of operating cash flows to operating income.

**MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating and Nonoperating Components

Financial statement operating components include all transactions and other events that are not defined as capital and related financing, noncapital financing or investing activities. The University's principal ongoing operations determine operating activities. Operating revenues and expenses are generally associated with those activities that relate to the core activities of instruction, research and auxiliary services that form the essence of the University. Nonoperating revenues, expenses, and gains and losses represent amounts that occur regularly but are not included in operating revenues and expenses.

Current and Noncurrent

Current assets are defined as cash and other assets or resources commonly identified as those which are reasonably expected to be realized in cash or consumed during a normal operating cycle of business, usually one year or less, without interfering with the normal business operation. They can consist of cash, inventories, accounts receivable, notes receivable, marketable securities, and prepaid expenses which meet the conditions stated above. Current liabilities are defined as obligations whose liquidation is reasonably expected to require the use of existing resources properly classifiable as current assets, or the creation of other current liabilities. Other assets and liabilities which extend past the one-year period are classified as noncurrent.

Cash and Cash Equivalents

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

Investments

The University accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position.

Accounts Receivable

Accounts receivable consists of tuition and fees charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of Maryland. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Notes Receivable

Notes receivable consist of notes initiated through the Federal Perkins loan program. Based on the criteria of the Perkins loan program, individuals are not required to initiate their repayments until leaving the University.

Inventories

Inventories are carried at cost, determined under the first-in, first-out (FIFO) basis, which is not in excess of realizable value.

**MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. Depreciation of capitalized assets is computed using the straight-line method over the estimated useful lives of the assets, as listed below.

Asset	Capitalization Threshold	Useful Life
Furniture, Fixtures, and Equipment	\$ 5,000	5 Years
Infrastructure (Roads Bridges, Tunnels, and Sidewalks)	100,000	40 Years
Buildings and Building Improvements	250,000	20 to 40 Years
Land Improvements	100,000	15 Years
Library Books	5,000	50 Years

Routine repairs, maintenance and items less than the minimum capitalization thresholds are charged to operating expense in the year in which the expense was incurred. All costs relating to the construction of capital assets owned by the University are capitalized.

The University maintains art collections, consisting primarily of donated African American art and are held for educational, research, and curatorial purposes. The collections which were acquired by contributions since the University's inception are not recognized as assets in the Balance Sheet. The art collections are not capitalized as allowed by criteria of generally accepted accounting principles of the United States of America. Each of the items are catalogued, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously.

Deferred Outflows/Inflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. The University recognizes deferred outflows for changes in actuarial assumptions that are being amortized over a five-year period, the difference between projected and actual experience and earnings on pension plan investments, proportionate share of contributions, and contributions made subsequent to the measurement date related to pensions.

Unearned Revenues

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period, including tuition and fees received from students prior to the start of classes. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

**MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Vacation Costs

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued vacation payable in the statements of net position, and as a component of expenses in the statement of revenues, expenses, and changes in net position.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of the Maryland State Retirement and Pension System (the System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

The University's net position is classified as follows:

Net Investment in Capital Assets – This represents the University's total investment in capital assets, net of 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 net investment in capital assets.

Restricted Net Position - Expendable – Restricted expendable net position includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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

Unrestricted Net Position – Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff. When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes – University

The University, as a political subdivision of the State of Maryland, is exempt from federal income taxes under Section 1 of the Internal Revenue Code, as amended.

Revenue Recognition

Revenue is recognized when earned and on an accrual basis with the establishment of corresponding accounts receivable. Tuition receivables are uncollateralized obligations of students resulting from course registration. The allowance method for accounts receivable is used to measure bad debts, which include account charge-offs. The allowance for doubtful accounts is determined based upon aging analysis and management's estimation of collectability of such accounts.

Scholarship Discounts and Allowances

Student tuition and fees revenues and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or non- governmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Reclassification

Certain amounts have been reclassified from the 2020 presentation to agree to the 2021 presentation.

Discretely Presented Component Unit of the University

The Foundation is a private nonprofit that reports under the standards of the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and presentation features differ from GASB's revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

Basis of Accounting – Foundation

The financial statements of the Foundation are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

**MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable– Foundation

Unconditional pledges to give represent promises from donors to contribute monies for the Foundation's programs and activities. Such pledges are recognized as support when the pledge is made. Unconditional pledges to give where payment is due in the next year are recognized at their net realizable amounts. Unconditional pledges to give where payment is due in subsequent years are recognized at the present value of their net realizable amounts, using a discount rate.

The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises to give are received. Amortization of the discounts is included in contribution revenue. As of June 30, 2021 and 2020, the discount rate was 1.2% and 0.6%, respectively, and the amount amortized was \$290,258 and \$839,431 for the years ended June 30, 2021 and 2020, respectively.

Allowances for uncollectible promises to give are estimated based on the date of the promise, the term, and the payment history.

Included in promises to give are the following restricted promises as of June 30:

	<u>2021</u>	<u>2020</u>
Promises to Give Before Unamortized Discount and Allowance for Uncollectibles	\$ 24,067,402	\$ 6,298,138
Less: Unamortized Discount	<u>290,258</u>	<u>839,431</u>
Total	23,777,144	5,458,707
Less: Allowance for Uncollectibles	<u>1,441,050</u>	<u>602,099</u>
Net Promises to Give	<u><u>\$ 22,336,094</u></u>	<u><u>\$ 4,856,608</u></u>

The Foundation wrote off \$1,181,601 and \$1,377,573 in uncollectible pledges during the years ended June 30, 2021 and 2020, respectively.

As of June 30, the restricted promises to give are expected to be collected as follows:

	<u>2021</u>	<u>2020</u>
Amounts Due In:		
One Year	\$ 3,519,545	\$ 1,908,925
Two Years	2,235,157	1,638,058
Three Years	1,257,880	1,017,400
Four Years	2,052,196	959,056
Five Years	502,624	401,650
Thereafter	<u>14,500,000</u>	<u>373,049</u>
Total	<u><u>\$ 24,067,402</u></u>	<u><u>\$ 6,298,138</u></u>

**MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes – Foundation

The Foundation is exempt from income taxes, except for taxes on unrelated business income, under Section 501(c)(3) of the Internal Revenue Code and related state statutes. The Foundation did not have any unrelated business income for the years ended June 30, 2021 and 2020.

Accounting principles generally accepted in the United State of America require management of an organization to evaluate tax positions taken by the organization and recognize an income tax liability if the organization has taken a position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Foundation and concluded that as of June 30, 2021 there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Revenue and Revenue Recognition – Foundation

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions – Foundation

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America. The University has allowed the Foundation to utilize office space on its campus. The utilities, water, and the space provided at no cost to the Foundation are not deemed significant. There are no amounts for utilities, water and the space reflected in the financial statements. Contributed goods are recorded at fair value at the date of donation. The Foundation records donated professional services at the respective fair values of the services received.

Net Assets – Foundation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets– Foundation (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits in State of Maryland Cash Pool

As of June 30, 2021 and 2020, the University's carrying value was \$121,376,026 and \$103,471,550 as compared to the amount held in the internal pooled cash account with the Maryland State Treasurer (Treasurer) in the amount of \$121,376,191 and \$103,670,470 respectively. The Treasurer has statutory responsibility for the State's cash management activities. The Treasurer maintains these and other State agency funds on a pooled basis in accordance with State statutes. The carrying amount of the University's demand and time deposits was \$123,485 and \$275,453 as compared to bank balances of \$266,555 and \$132,782, as of June 30, 2021 and 2020, respectively. These time deposits were fully insured as of June 30, 2021 and 2020.

Endowment Investments and Restricted Cash and Cash Equivalents

With respect to Endowment Funds, statutes authorize the University to invest its funds in most types of debt and equity securities, subject to any specific limitations set forth in the applicable gift instruments or any applicable law, provided the University exercises ordinary business care and prudence and considers long and short-term needs for carrying out its stated purposes. The restricted investments are held by a third-party custodial financial institution designated by the State.

The University categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 – Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and

**MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Endowment Investments and Restricted Cash and Cash Equivalents (Continued)

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

Transactions are recorded on the trade date. Realized gains and losses are determined using the identified cost method. Any change in net unrealized gain or loss from the preceding period is reported in the statement of revenues, expenses, and changes in net position. Dividends are recorded on the ex-dividend date. Interest is recorded on the accrual basis.

Money market and equity securities are classified in Level 1 of the fair value hierarchy and are valued using prices quoted in active markets for those investments.

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

During the fiscal year ended June 30, 2021 the University contributed the investments in the Endowment to the Foundation. The value of the endowments was \$3,059,006 on the date of transfer.

As of June 30, 2020, investments of the Endowment pool consisted of the following:

Investments by Fair Value Level	<u>June 30, 2020</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Equity Securities				
Financial	\$ 309,474	\$ 309,474	\$ -	\$ -
Industrials	403,857	403,857	-	-
Telecommunication Services	126,679	126,679	-	-
Consumer Staples	1,388,175	1,388,175	-	-
Energy	394,118	394,118	-	-
Other	232,815	232,815	-	-
Total Equity Securities	<u>\$ 2,855,118</u>	<u>\$ 2,855,118</u>	<u>\$ -</u>	<u>\$ -</u>

The University has restricted cash and cash equivalents of \$222,594 and \$5,513,810, respectively, as of June 30, 2021 and 2020. The June 30, 2021 and 2020, restricted cash and cash equivalents were held by the Bond Trustees, the Bank of New York Mellon and Regions Bank. As of June 30, the risk disclosures of investments were classified as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Market Value</u>	<u>Rating</u>	<u>Market Value</u>	<u>Rating</u>
Federated Treas Oblig As 115	\$ -	AAA	\$ 5,220,755	AAA
Total Investments held by Bank of NY Mellon	-		5,220,755	
Fidelity Treasury-Regions Bank	222,594	AAA	293,055	AAA
Total Restricted Cash and Cash Equivalents	<u>\$ 222,594</u>		<u>\$ 5,513,810</u>	

**MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments and Investment Income

Investments are recorded at fair value as of June 30, 2020, and consisted of the following:

	<u>2020</u>
Quasi Endowment Funds	
Stocks	\$ 2,034,812
Unrestricted	
Stocks	820,306
Total	<u>\$ 2,855,118</u>

The Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Foundation had the following recurring fair value measurements as of June 30, 2021 and 2020:

	June 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Money Market Fund	\$ 6,964,545	\$ 6,964,545	\$ -	\$ -
Mutual Funds	8,586,841	8,586,841	-	-
Certificate of Deposits	1,112,745	1,112,745	-	-
U.S. Treasury Obligations	2,598,290	2,598,290	-	-
U.S. Government Securities	790,975	790,975	-	-
Municipal Obligations	1,951,622	1,951,622	-	-
Corporate & Foreign Bonds	4,699,493	-	4,699,493	-
Equity Funds	72,008,364	-	72,008,364	-
Total Equity Securities	<u>\$ 98,712,875</u>	<u>\$ 22,005,018</u>	<u>\$ 76,707,857</u>	<u>\$ -</u>

	June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Money Market Fund	\$ 1,154,472	\$ 1,154,472	\$ -	\$ -
Mutual Funds	5,935,349	5,935,349	-	-
Certificate of Deposits	1,110,720	1,110,720	-	-
U.S. Treasury Obligations	1,707,155	1,707,155	-	-
U.S. Government Securities	405,028	405,028	-	-
Corporate & Foreign Bonds	1,897,352	-	1,897,352	-
Equity Funds	27,068,059	-	27,068,059	-
Total Equity Securities	<u>\$ 39,278,135</u>	<u>\$ 10,312,724</u>	<u>\$ 28,965,411</u>	<u>\$ -</u>

Money market, certificates of deposits, common stocks, and U.S. Government obligations and securities are classified in Level 1 of the fair value hierarchy and are valued using prices quoted in active markets for those investments.

MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments and Investment Income (Continued)

Mutual and Equity funds are valued at the last quoted sales price, except securities traded on the Nasdaq Stock Market, Inc. (NASDAQ), which are value in accordance with the NASDAQ official closing price. Over the counter securities are valued at the mean between the latest bid and asked prices as furnished by dealers who make markets in such securities. Mutual funds are classified in Level 1 while equity funds are valued in Level 2.

Corporate and foreign bonds are valued based upon quotes for similar securities; therefore, these investments are classified in Level 2.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University adheres to the State Treasurer's policy for managing its exposure to fair value loss arising from increasing interest rates.

The State Treasurer's investment policy states that to the extent possible, it will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the State Treasurer will not directly invest in securities maturing more than five years from the date of purchase.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's policy for reducing its exposure to credit risk is to comply with the State Treasurer's policy, which requires that the State Treasurer's investment in repurchase agreements be collateralized by U.S. Treasury and agency obligations. In addition, investments may be made directly in U.S. Treasuries or agency obligations.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's policy for reducing this risk of loss is to comply with the State Treasurer's policy, which limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. Otherwise, there is no limit on the amount that may be invested in any one issuer.

Custodial Credit Risks-Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the University's deposits may not be returned. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by pledging financial institutions' trust department or agent but not in the University's name. The University does not have a formal deposit policy for custodial credit risk but follows the State Treasurer's policy which states that the State Treasurer may deposit in a financial institution in the State, any unexpended or surplus money in which the State Treasurer has custody. As of June 30, 2021, and 2020, 99% of the University's cash was deposited with the State Treasury and this was not subject to custodial risk.

**MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3 ACCOUNTS RECEIVABLE, ACCOUNTS PAYABLE, AND ACCRUED LIABILITIES

Accounts receivable, accounts payable, and accrued liabilities consisted of the following as of June 30, 2021 and 2020:

June 30, 2021	Accounts Receivable	Accounts Payable and Accrued Liabilities
Student	\$ 4,389,390	\$ 2,761,760
Federal Grants	40,602,161	-
Other Grants (Primarily State Grants)	4,082,562	-
Vendor	-	13,875,434
Employee	-	8,853,834
Other	1,686,680	426,013
Total	<u>50,760,793</u>	<u>25,917,041</u>
Less Allowance for Doubtful Accounts	3,238,603	-
Total	<u>\$ 47,522,190</u>	<u>\$ 25,917,041</u>
June 30, 2020	Accounts Receivable	Accounts Payable and Accrued Liabilities
Student	\$ 4,801,532	\$ 1,798,801
Federal Grants	9,335,505	-
Other Grants (Primarily State Grants)	2,286,712	-
Vendor	-	12,748,046
Employee	-	9,124,276
Other	2,216,697	581,407
Total	<u>18,640,446</u>	<u>24,252,530</u>
Less Allowance for Doubtful Accounts	3,008,807	-
Total	<u>\$ 15,631,639</u>	<u>\$ 24,252,530</u>

MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 4 CAPITAL ASSETS

The following were the changes in capital assets for the years ended June 30, 2021 and 2020:

	June 30, 2020	Additions	Reductions/ Transfers	June 30, 2021
Capital Assets, Not Being Depreciated:				
Land	\$ 10,551,343	\$ -	\$ -	\$ 10,551,343
Construction In-Progress	21,156,650	14,049,539	(9,116,195)	26,089,994
Total Capital Assets, Not Being Depreciated	31,707,993	14,049,539	(9,116,195)	36,641,337
Capital Assets, Being Depreciated:				
Infrastructure Networks	71,802,104	-	9,116,195	80,918,299
Land Improvements	24,144,896	-	(801,946)	23,342,950
Buildings	672,631,170	-	-	672,631,170
Furniture, Fixtures and Equipment	53,095,424	2,126,773	(127,571)	55,094,626
Library Materials	2,917,625	-	-	2,917,625
Total Capital Assets, Being Depreciated	824,591,219	2,126,773	8,186,678	834,904,670
Total Capital Assets	856,299,212	16,176,312	(929,517)	871,546,007
Less Accumulated Depreciation:				
Infrastructure Networks	(24,441,972)	(3,616,784)	-	(28,058,756)
Land Improvements	(16,452,133)	(1,316,935)	801,946	(16,967,122)
Buildings	(255,245,827)	(17,105,839)	-	(272,351,666)
Furniture, Fixtures and Equipment	(50,327,520)	(1,522,455)	127,571	(51,722,404)
Library Materials	(1,642,718)	(58,353)	-	(1,701,071)
Total Accumulated Depreciation	(348,110,170)	(23,620,366)	929,517	(370,801,019)
Capital Assets, Net	\$ 508,189,042	\$ (7,444,054)	\$ -	\$ 500,744,988
	June 30, 2019	Additions	Reductions/ Transfers	June 30, 2020
Capital Assets, Not Being Depreciated:				
Land	\$ 10,551,343	\$ -	\$ -	\$ 10,551,343
Construction In-Progress	60,981,664	45,816,097	(85,641,111)	21,156,650
Total Capital Assets, Not Being Depreciated	71,533,007	45,816,097	(85,641,111)	31,707,993
Capital Assets, Being Depreciated:				
Infrastructure Networks	71,802,104	-	-	71,802,104
Land Improvements	21,800,439	-	2,344,457	24,144,896
Buildings	589,334,516	-	83,296,654	672,631,170
Furniture, Fixtures and Equipment	53,149,870	939,032	(993,478)	53,095,424
Library Materials	2,917,625	-	-	2,917,625
Total Capital Assets, Being Depreciated	739,004,554	939,032	84,647,633	824,591,219
Total Capital Assets	810,537,561	46,755,129	(993,478)	856,299,212
Less Accumulated Depreciation for:				
Infrastructure Networks	(20,940,338)	(3,501,634)	-	(24,441,972)
Land Improvements	(15,492,393)	(959,740)	-	(16,452,133)
Buildings	(239,671,198)	(15,574,629)	-	(255,245,827)
Furniture, Fixtures and Equipment	(49,900,169)	(1,420,829)	993,478	(50,327,520)
Library Materials	(1,584,605)	(58,113)	-	(1,642,718)
Total Accumulated Depreciation	(327,588,703)	(21,514,945)	993,478	(348,110,170)
Capital Assets, Net	\$ 482,948,858	\$ 25,240,184	\$ -	\$ 508,189,042

MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2021 and 2020 were as follows:

	June 30, 2020	Additions	Reductions/ Transfers	June 30, 2021	Amounts Due Within One Year
Bonds, Loans Payable and Capital Lease Obligations:					
Revenue Bonds Payable	\$ 22,565,000	\$ -	\$ (22,565,000)	\$ -	\$ -
Unamortized Bond Premium	3,187,563	-	(3,187,563)	-	-
Total Revenue Bonds Payable	25,752,563	-	(25,752,563)	-	-
Loans Payable	7,518,965	26,176,119	(33,695,084)	-	-
Lease Purchase Agreement:					
Network Upgrade-New Generation Information Technology	10,889,224	-	(1,851,675)	9,037,549	1,906,702
Capital Lease Obligations	174,344	-	(174,344)	-	-
Total Lease Purchase Agreements	11,063,568	-	(2,026,019)	9,037,549	1,906,702
Accrued Workers' Compensation	3,340,000	288,434	(467,434)	3,161,000	474,150
Accrued Vacation	10,946,007	4,263,466	(2,933,324)	12,276,149	2,816,186
Net Pension Liability	78,493,621	7,358,621	-	85,852,242	-
Total Long-Term Liabilities	<u>\$ 137,114,724</u>	<u>\$ 38,086,640</u>	<u>\$ (64,874,424)</u>	<u>\$ 110,326,940</u>	<u>\$ 5,197,038</u>

	June 30, 2019	Additions	Reductions/ Transfers	June 30, 2020	Amounts Due Within One Year
Bonds, Loans Payable and Capital Lease Obligations:					
Revenue Bonds Payable	\$ 26,985,000	\$ -	\$ (4,420,000)	\$ 22,565,000	\$ 4,640,000
Unamortized Bond Premium	3,456,237	-	(268,674)	3,187,563	277,603
Total Revenue Bonds Payable	30,441,237	-	(4,688,674)	25,752,563	4,917,603
Loans Payable	4,761,938	2,757,027	-	7,518,965	-
Lease Purchase Agreement:					
Network Upgrade-New Generation Information Technology	12,687,459	-	(1,798,235)	10,889,224	-
Capital Lease Obligations	515,133	-	(340,789)	174,344	174,344
Total Lease Purchase Agreements	13,202,592	-	(2,139,024)	11,063,568	174,344
Accrued Workers' Compensation	3,814,000	474,000	(948,000)	3,340,000	501,000
Accrued Vacation	9,631,582	4,761,392	(3,446,967)	10,946,007	3,424,510
Net Pension Liability	83,001,543	(4,507,922)	-	78,493,621	-
Total Long-Term Liabilities	<u>\$ 144,852,892</u>	<u>\$ 3,484,497</u>	<u>\$ (11,222,665)</u>	<u>\$ 137,114,724</u>	<u>\$ 9,017,457</u>

Additional information regarding Revenue Bonds Payable is included at Note 6. Additional information regarding Lease Purchase Agreement and Capital Lease Obligations is included at Note 7.

**MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 6 REVENUE BONDS AND LOANS PAYABLE

Revenue Bonds Payable

On July 15, 1993, the University issued Academic Fees and Auxiliary Facilities Fees Revenue Refunding Bonds 1993 Series (1993 Revenue Bonds), pursuant to Title 19 of the Education Article of the Annotated Code of Maryland, as amended.

On December 20, 2001, the University issued \$7,035,000 in Academic Fees and Auxiliary Facilities Fees Revenue Bonds 2001 Series (2001 Revenue Bonds), pursuant to Title 19 of the Education Article of the Annotated Code of Maryland, as amended, to provide funding toward Murphy Fine Arts Center (\$4,002,597) (retired) and Hughes Stadium (\$2,765,000) (retired). On January 9, 2003, the University issued Academic Fees and Auxiliary Facilities Fees Refunding Bonds 2003 Series (2003 Series A Bonds and 2003 Series B Bonds) (defeased), pursuant to Title 19 of the Education Article of the Annotated Code of Maryland, as amended to provide funding toward New Student Center (\$33,050,000) (defeased) and University Boiler Plant (\$4,395,000) (defeased).

On September 11, 2012, the University issued \$29,230,000 in Academic Fees and Auxiliary Facilities Fees Revenue Refunding Bonds 2012 Series (2012 Revenue Bonds), pursuant to Title 19 of the Education Article of the Annotated Code of Maryland, as amended.

The 1993 and 2012 Revenue Bonds are limited obligations of the University, payable solely from and secured by tuition, academic fees, and auxiliary facilities fees of the University. Debt issued by the University for this purpose is not debt of the State.

The 1993 and 2012 Revenue Bonds consisted of the following as of June 30, 2020:

	2020
1993 Revenue Bonds:	
Current Interest Term Bonds, Maturing July 1, 2020, Bearing Interest of 6.10%, Which is Paid Semiannually on January 1 and July 1	<u>\$ 2,930,000</u>
2012 Revenue Bonds:	
Current Interest Term Bonds, Maturing July 1, 2032, Bearing Interest of 2.08%-5.0%, Which is Paid Semiannually on January 1 and July 1	19,635,000
Unamortized Bond Premium	3,187,563
Total 1993 Bonds Payable	<u>22,822,563</u>
Total Revenue Bonds Payable	<u><u>\$ 25,752,563</u></u>

Pursuant to the trust agreements for both the 1993 and 1992 Revenue Bonds, the University has covenanted to perform certain actions related to the collection of fees, timely payment of debt service, maintenance of adequate insurance coverage and performance of independent audits. The University was in compliance with these covenants as of June 30, 2021 and 2020.

**MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 6 REVENUE BONDS AND LOANS PAYABLE (CONTINUED)

Revenue Bonds Payable (Continued)

The University is subject to Federal arbitrage laws governing the use of these proceeds of tax-exempt debt.

As of June 30, 2021 and 2020, the trustee held restricted cash and cash equivalents in mutual funds in the amount of \$222,594 and \$5,513,810 respectively. The funds in the restricted accounts will be used to cover capital projects costs debt service payments.

Historically Black Colleges and Universities (HBCU) Loan

In fiscal year 2019, Morgan State University initiated \$25,000,000 Future Advance Project Funding Bonds, Series A 2018-5 HBCU Loan for University Projects. The Loan Agreement was dated November 14, 2018.

When the Trustee disburses funds from this loan Account to the University, the Trustee reimburses the University for incurred expenses paid by the University for construction and/or renovation projects. Interest is only incurred after disbursement funds are sent to the University by the Trustee. Each installment disbursement has its own Debt Service Payment Schedule. The draws are interest only until January 2023, at which time principal and interest payments are due. The outstanding balance on the loan was \$7,518,965 as of June 30, 2020. In October 2020, the outstanding loan balance of \$8,380,157 was forgiven by the Lender pursuant to the Consolidated Appropriations Act, 2021 (Pub. L. 116-260).

In October 2020, the University issued Series A 2020-5, 2020-6 and 2020-7 Future Advance Project Funding Bonds for \$21,250,000, \$16,500,000 and \$32,000,000, respectively. The 2020-5 Series was utilized to advance refund the 2012 Revenue bonds. As a result of the refunding, the University decreased its total debt service requirements by \$23,970,750 which resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$3,075,833. The proceeds from the Series 2020-6 and 2020-7 series was issued for financing various construction and deferred maintenance projects. As of March 2020, the outstanding balance of \$25,314,928 (\$20,894,917, \$168,168, and \$4,251,843 on the Series A 2020-5, 2020-6 and 2020-7, respectively) were forgiven by the Lender pursuant to the Consolidated Appropriations Act, 2021 (Pub. L. 116-260).

NOTE 7 COMMITMENTS AND CONTINGENCIES

Contingencies

In the normal course of operations, certain claims have been brought against the University, which are in various stages of resolution. In the opinion of management, based on the advice of the State's Attorney General, the claims asserted are not expected to have a material effect on the University's financial position as of June 30, 2021.

**MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Contingencies (Continued)

The University receives funds from various Federal and State Agencies to fund specific programs. Final determination of various amounts is subject to audit under the Federal Single Audit Act Amendments of 1996 and by the responsible agencies. University officials believe that any audit adjustments resulting from final settlements will be immaterial in relation to the University's financial resources.

Capital Leases (Financed through the State of Maryland)

The University maintained capital leases primarily for equipment. As of June 30, 2020, the net book value of the underlying assets relating to the capital lease liability was \$1,334,704.

Interest rates and administrative fees for the capital leases were as follows:

	<u>Range</u>
Interest Rates	1.0110 - 4.07%
Administrative Fees	.050 - .1120%

Amortization expense for the assets held under capital lease was \$120,618, for the year ended June 30, 2020.

Operating Leases

The University leases certain property under non-cancelable operating leases. Future minimum lease payments under the operating leases for the years ending June 30, are as follows:

<u>For Year Ending June 30.</u>	<u>Amount</u>
2022	\$ 7,641,181
2023	7,717,593
Total	<u>\$ 15,358,774</u>

Lease expense for the years ended June 30, 2021 and 2020, was \$7,999,622 and \$7,409,025, respectively.

**MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Leases (Financed Through Third Parties)

Lease-Purchase Agreement

Morgan State University (the "Lessee") entered into a Lease-Purchase Agreement, dated January 22, 2016, by and between Grant Capital Management, Inc. (the "Lessor"). The Agreement states that the Lessor will deposit with Escrow Agent-BOK FINANCIAL cash in the amount of \$18,703,145. The "Escrow Fund" is to be applied from time to time to (i) pay the Vendor(s) or Manufacturer(s) of the Equipment its invoice cost and (ii) reimburse the Lessee (a portion of which may if required, be paid prior to final acceptance of the Equipment by Lessee). The Equipment Lease Purchase Agreement Contract provides Next Generation Network Upgrade, data network equipment and integrated network admissions management solution to satisfy and replaces the existing University data network infrastructure. The Lease Agreement includes hardware, software, maintenance, and service for a complete turnkey solution. The term of the agreement is for ten years. The lease agreement requires the University to make twenty semi-annual payments to Capital One Public Funding, LLC, as assigned by Grant Capital Management. As of June 30, 2021, the Principal amount is \$9,037,549; the lease financing total amount is \$9,717,077. The total annual principal and interest payment by the University was \$2,159,351. The University Next Generation Network (NGN) upgrade is completed and the vendor-Magothy Technology, LLC was paid as of May 11, 2017.

Future minimum lease payments under the lease purchase agreement for the years ending June 30, were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2022	\$ 1,906,702	\$ 252,649	\$ 2,159,351
2023	1,963,365	195,986	2,159,351
2024	2,021,711	137,640	2,159,351
2025	2,081,790	77,559	2,159,349
2026	1,063,981	15,694	1,079,675
Total	<u>\$ 9,037,549</u>	<u>\$ 679,528</u>	<u>\$ 9,717,077</u>

The net book value of the underlying assets relating to the lease liability was \$11,066,027 and \$12,936,342, respectively.

Construction Commitments

As of June 30, 2021, the University had commitments of \$27,335,784 for various capital improvement projects. These include:

- (a) complete equipping the new Student Services building
- (b) the new Health and Human Services building in the initial planning stages
- (c) residual vendor payments on facilities (Behavioral Sciences Building and School of Business complex)
- (d) continuation of campus wide utility upgrades,
- (e) facilities maintenance and site improvement, and
- (f) campus-wide site improvements and ADA accessibility projects continue to be phased in over the entire campus

**MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 PENSION PLANS

General Information about the Pension Plan

Plan Description: Teachers employed by the University are provided with pensions through the Teacher's Pension System of the State of Maryland (TPS) – a cost-sharing multiple-employer defined benefit pension plan administered by the Maryland State Retirement and Pension System (MSRPS). Certain employees of the University are provided with pensions through the Employees Retirement System of the State of Maryland (ERS) – a cost-sharing multiple- employer defined benefit pension plan administered by the Maryland State Retirement and Pension System (MSRPS). Police employees or any cadet of the Maryland State Police may participate in the State Police Retirement System (PRS) – a cost-sharing multiple- employer defined benefit pension plan administered by the MSRPS.

The State Personnel and Pensions Article of the Annotated Code of Maryland (the Article) grants the authority to establish and amend the benefit terms of TPS and ERS to MSRPS Board of Trustees. MSRPS issues a publicly available financial report that can be obtained at www.sra.state.md.us/Agency/Downloads/CAFR/.

Benefits Provided: A member of either the Teachers' or Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals 1/55 (1.81%) of the member's AFC (average final compensation) multiplied by the number of years of accumulated creditable service.

An individual who is a member of either the Teachers' or Employees' Pension System on or before June 30, 2011, is eligible of full retirement benefits upon the earlier of attaining the age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligible service.

An individual who is a member of the State Police Retirement System is eligible for full retirement benefits upon the earlier of attaining age 50 or accumulating 22-25 years of eligibility service regardless of age. The annual retirement allowance equals 2.55% of the member's AFC multiplied by the number of years of accumulated creditable service and may not exceed 71.4% of the member's AFC.

**MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 PENSION PLANS (CONTINUED)

General Information about the Pension Plan (Continued)

For most individuals who retired from either the Teachers' or Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Teachers' or Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.8% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the Teachers' or Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Teachers' or Employees' Pension System.

Exceptions to these benefit formulas apply to members of the Employees' Pension System who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits. The pension allowance for these members' equals 0.8% of the member's AFC up to the social security integration level (SSIL), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the past 35 calendar years ending with the year the retiree separated from service.

Early Service Retirement

A member of either the Teachers' or Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for members of the Teachers' or Employee's Retirement System is 30%.

An individual who is a member of either the Teachers' or Employees' Pension System on or before June 30, 2011, may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the Teachers' or Employees' Pension System is 42%. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011 may retire with reduced benefits upon attaining the age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the Teachers' or Employees' Pension System is 30%.

Members of the State Police Systems are not eligible for early service benefits.

**MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 PENSION PLANS (CONTINUED)

Disability and Death Benefits

Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

Contributions

Contributions: (ERS) The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 6% of their annual pay.

Contributions: (TPS) The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 7% of their annual pay. The State of Maryland is responsible for the net pension liability of TPS. The University's required contribution is for the normal cost and does not include any contribution for past service cost. As such, the State of Maryland is responsible for 100% of the net pension liability related to TPS and qualifies for as special funding situation. The State of Maryland did not make contributions on behalf of the University for the years ended June 30, 2021 and 2020.

Contributions: (PRS) The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 8% of their annual pay.

The University's contractually required contribution rate for the years ended June 30, 2021 and 2020, \$10,080,992 and \$9,123,226, respectively, actuarially determined as an amount that, when combined with the State of Maryland and employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (State only).

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

As of June 30, 2021 and 2020, the University reported a liability of \$85,852,242 and \$78,493,621 respectively, for its proportionate share of the net pension liability. The liability is inclusive of the University's share of the net pension liability for the ERS, TPS and PRS Plans. The net pension liability was measured as of June 30, 2020 for June 30, 2021 and as of June 30, 2019 for June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the net pension liability was based on a projection of the University's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. As of June 30, 2021 and 2020, the University's proportion for the net pension liability was 0.380% and 0.381%, respectively.

**MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 PENSION PLANS (CONTINUED)

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

For the years ended June 30, 2021 and 2020, the University recognized pension expense of \$4,902,302 and \$12,591,488 respectively. As of June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to the net pension liability of the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Actuarial Assumptions	\$ 341,338	\$ 1,679,970
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	6,397,133	-
Differences between Expected and Actual Experience	-	2,725,010
Change in Proportionate Share	7,131,033	149,300
Change in Proportion	7,416,511	1,605,000
Contributions Made Subsequent to the Measurement Date	10,080,992	-
Total	<u>\$ 31,367,007</u>	<u>\$ 6,159,280</u>

These amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	<u>Deferred Outflows</u>			
	Difference Between Projected and Actual Earnings	Change in Proportionate Share	Changes in Assumptions	Change in Proportion
2022	\$ 1,057,272	\$ 2,465,181	\$ 215,386	\$ 1,646,443
2023	1,774,991	2,387,868	125,952	1,646,443
2024	1,984,151	2,277,984	-	1,646,443
2025	1,580,719	-	-	1,646,443
2026	-	-	-	830,739
Total	<u>\$ 6,397,133</u>	<u>\$ 7,131,033</u>	<u>\$ 341,338</u>	<u>\$ 7,416,511</u>

Year Ending <u>June 30,</u>	<u>Deferred Inflows</u>			
	Difference Between Projected and Actual Earnings	Changes in Assumptions	Change in Proportionate Share	Change in Proportion
2022	\$ 1,617,456	\$ 456,265	\$ 45,514	\$ 598,434
2023	747,029	456,265	45,514	598,434
2024	199,289	456,265	41,568	408,132
2025	145,704	311,175	16,704	-
2026	15,532	-	-	-
Total	<u>\$ 2,725,010</u>	<u>\$ 1,679,970</u>	<u>\$ 149,300</u>	<u>\$ 1,605,000</u>

MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 8 PENSION PLANS (CONTINUED)

As of June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to the net pension liability of the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Actuarial Assumptions	\$ 556,724	\$ 2,136,234
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,470,746	-
Differences between Expected and Actual Experience	-	4,385,088
Change in Proportionate Share	11,247,936	45,693
Change in Proportion	-	2,203,435
Contributions Made Subsequent to the Measurement Date	9,123,226	-
Total	<u>\$ 22,398,632</u>	<u>\$ 8,770,450</u>

Year Ending June 30,	<u>Deferred Outflows</u>			
	<u>Difference Between Projected and Actual Earnings</u>	<u>Change in Proportionate Share</u>	<u>Changes in Assumptions</u>	<u>Change in Proportion</u>
2022	\$ 1,396,489	\$ 4,116,903	\$ 215,386	\$ 9,123,226
2023	(523,447)	2,465,181	215,386	-
2024	194,272	2,387,868	125,952	-
2025	403,432	2,277,984	-	-
2026	-	-	-	-
Total	<u>\$ 1,470,746</u>	<u>\$ 11,247,936</u>	<u>\$ 556,724</u>	<u>\$ 9,123,226</u>

Year Ending June 30,	<u>Deferred Inflows</u>			
	<u>Difference Between Projected and Actual Earnings</u>	<u>Changes in Assumptions</u>	<u>Change in Proportionate Share</u>	<u>Change in Proportion</u>
2022	\$ 1,798,744	\$ 456,265	\$ 12,410	\$ 598,434
2023	1,586,673	456,265	12,410	598,434
2024	716,246	456,265	12,410	598,434
2025	168,503	456,265	8,463	408,133
2026	114,922	311,174	-	-
Total	<u>\$ 4,385,088</u>	<u>\$ 2,136,234</u>	<u>\$ 45,693</u>	<u>\$ 2,203,435</u>

**MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability in the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2021	2020
Valuation Date	June 30, 2020	June 30, 2019
Inflation - General	2.6%	2.6%
Inflation - Wage	3.1%	3.1%
Salary Increases	3.1% to 11.6%, Including Inflation	3.1% to 11.6%, Including Inflation
Investment Rate of Return	7.40%	7.40%
Mortality Rates	Pub-2010 Mortality Tables with projected generational mortality improvements based on the MP-2018 fully generational mortality improvement scale	Pub-2010 Mortality Tables with projected generational mortality improvements based on the MP-2018 fully generational mortality improvement scale

The economic and demographic actuarial assumptions used in the June 30, 2020 valuation were adopted by the System's Board of Trustees based upon review of the System's experience study for the period 2014-2018, after completion of the June 30, 2018 valuations. Assumptions from the experience study including investment return, inflation, COLA increases, mortality rates, retirement rates, withdrawal rates, disability rates and rates of salary increase were adopted by the Board for the first use in the actuarial valuation as of June 30, 2019. As a result, an investment return assumption of 7.40% and an inflation assumption of 2.60% were used in the June 30, 2020 valuation.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-range expected rate of return by weighting the expected future real rates by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

Asset Class	2021	
	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37.0 %	5.20 %
Private Equity	13.0	6.50
Rate Sensitive	19.0	(0.30)
Credit Opportunity	9.0	2.80
Real Assets	14.0	4.30
Absolute Return	8.0	1.80
Total	<u>100.0 %</u>	

**MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 PENSION PLANS (CONTINUED)

The above was the System's Board of Trustees adopted asset allocation policy and best estimate of geometric real rates for each major asset class as of June 30, 2020.

For the years ended June 30, 2021 and 2020, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 3.50% and 6.46% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The single discount rate used to measure the total pension liability was 7.40% as of June 30, 2020 and 2019, respectively. This single discount rate was based on the expected rate of return on pension plan investments of 7.40% as of June 30, 2020 and 2019, respectively. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the University's net pension liability, calculated using a single discount rate that is 1-percentage-point lower and 1- percentage-point higher as of June 30, 2021 and 2020:

	2021		
	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
University's Proportionate Share	\$ 122,224,566	\$ 85,852,242	\$ 55,557,512
	2020		
	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
University's Proportionate Share	\$ 113,611,667	\$ 78,493,621	\$ 46,244,725

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued System's financial report available at www.sra.state.md.us/Agency/Downloads/CAFR/.

**MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8 PENSION PLANS (CONTINUED)

Optional Retirement Plans

In addition to retirement and pension plans, the University offers optional defined contribution retirement programs for certain faculty and professional staff. The University contributes 4% to 7% of the annual salary to these plans. The amount contributed by the University for these Plans for the fiscal years ended June 30, 2021 and 2020, were \$3,035,539 and \$2,933,914, respectively.

Other Postemployment Benefits

Members of the State Retirement and Pension System of Maryland (the State System) and their dependents are provided postemployment health care benefits through the State Employee and Retiree Health and Welfare Benefits Program (the Plan), which is administered by the Department of Budget and Management. The Plan is a single employer defined benefit healthcare plan established by the State Personnel and Pensions Article, Section 2-501 of the Annotated Code of Maryland. The Plan is self-insured to provide medical, hospitalization, prescription drug and dental insurance benefits to eligible state employees, retirees, and their dependents. The Secretary of the Department of Budget and Management has the authority to establish/amend benefit terms. The State does not distinguish employees by employer/ State agency. Instead, the State allocates the postemployment healthcare costs to all participating employers. As such, the State has elected to maintain the entire net postemployment benefit liability as a liability of the general fund of the State and has not allocated any liability to State entities, including the University, and as a result, did not require a contribution.

Financial information for the Plan is included in the State of Maryland Comprehensive annual Financial Report, which can be obtained from the Office of the Comptroller, Louis L. Goldstein Treasury Building, Annapolis, MD 21401 or <https://finances.marylandtaxes.gov/Where the Money Comes From/General Revenue Reports/default.shtml>.

A separate actuarial valuation is not performed for the University. The statutorily required employer contribution for the year-ended June 30, 2021, 2020, and 2019 was \$4,574,806, \$4,315,836, and \$4,555,492, respectively.

The contribution recognized by the OPEB plan in relation to statutorily required employer contribution for the year-ended June 30, 2021, 2020, and 2019 was \$4,574,806, \$4,315,836, and \$4,555,492, respectively.

Payroll for employees covered in OPEB for the year-ended June 30, 2021, 2020, and 2019 was \$97,577,437, \$87,923,660, and \$83,052,243, respectively. The percentage amount of contributions recognized by the OPEB plan as related to the statutorily required employer contribution of covered-employee payroll is 4.69%, 4.91%, and 5.49%, respectively (See Schedule of Other Postemployment Benefits (OPEB) in the "Required Supplementary Information" section).

MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 9 RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters. The University participates in the State's various self-insurance programs. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities, and certain employee health benefits.

The State allocates the cost of providing claims servicing and claims payment by charging a "premium" to the University based on a percentage of the University's estimated current-year payroll or based on the average loss experienced by the University. This charge considers recent trends in actual claims experience of the State as a whole and makes provisions for catastrophic losses.

The University records a liability when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. Liabilities recorded include a provision for claims incurred but not reported. Because actual claims liabilities depend on complex factors such as inflation, changes in legal doctrines, and damage awards, actual claims could differ from estimates. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred workers' compensation losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a 4% discount rate. The provision for workers' compensation is based upon a separately determined actuarial valuation for the fiscal year ended June 30, 2020. Settlement amounts have not exceeded insurance coverage levels for the years ended June 30, 2021, 2020, or 2019.

As of 2021 and 2020, the University recorded \$ 3,161,000 and \$3,340,000, respectively, in accrued expense liabilities associated with workers' compensation. The recorded amounts represent the actuary's allocation of the University's share of the State's overall liability under the workers' compensation program to the University.

NOTE 10 RELATED PARTY TRANSACTIONS

Morgan State University entered into a Lease Agreement with the Maryland Economic Development Corporation (MEDCO), a public instrumentality of the State of Maryland and a development company, on March 27, 2002, for the construction of a privatized apartment complex less than one-quarter mile from the center of campus. The \$38 million of tax-exempt bonds issued by MEDCO on May 1, 2002 that will mature by 2034, provides apartment-style living for approximately 780 students on a 10-acre parcel of property to address the shortage of student housing. MEDCO, subject to certain review and approval rights of the University, constructed and manages this property through contractual arrangements. The University will receive the net revenues of the project after the developer is repaid for approximately one million dollars of subordinated bonds and after permitted expenses are paid each year as outlined by the associated Bond Indenture. Once the Bonds are paid in full by the project revenue, the buildings and land improvements shall become the property of Morgan State University. The University is not liable for the repayment of the bonds or any costs related to the operation and maintenance of this project.

**MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 10 RELATED PARTY TRANSACTIONS (CONTINUED)

On December 1, 2020, the University amended its Lease Agreement with the Maryland Economic Development Corporation (MEDCO), for the construction of a complex to include a privatized apartment and a dining hall facility. The project, currently under construction on the University's main campus, includes 670 beds of replacement housing (the "Student Housing Facility") to be owned by MEDCO until the related bonds are paid in full. Also, the project includes an approximately 30,000 square foot replacement dining and retail facility to be owned by the University (the "Dining Facility"). Collectively, the complex will be known as the "Thurgood Marshall Project". The \$96 million Thurgood Marshall Project is financed with a combination of tax-exempt bonds issued by MEDCO on December 2, 2020 that will mature fully by 2056, for the Student Housing Facility and a loan by the university under the HBCU Capital Finance Loan Program for the Dining Facility. MEDCO, subject to certain review and approval rights of the University, is constructing and will manage this property through contractual arrangements. The University will receive annual rent equal to net available cash flow beginning for the lease year ending June 30, 2023 paid from the surplus fund after permitted expenses are paid each year as outlined by the associated Bond Indenture. Once the Bonds are paid in full by the project revenue, the buildings and land improvements shall become the property of Morgan State University. The University is not liable for the repayment of the bonds or any costs related to the operation and maintenance of this project.

NOTE 11 AUXILIARY ENTERPRISES

Auxiliary enterprises revenues for the years ended June 30, 2021 and 2020, were as follows:

2021			
Auxiliary Enterprises Revenue Category	Gross Amount	Scholarship Allowances	Net Balance
Residential Facilities	\$ 4,084,443	\$ 1,356,040	\$ 2,728,403
Intercollegiate Athletics	6,140,149	2,175,027	3,965,122
Student Center	3,050,191	1,076,427	1,973,764
Parking Facilities	625,793	223,673	402,120
Bookstore	27,218	-	27,218
Total	\$ 13,927,794	\$ 4,831,167	\$ 9,096,627

2020			
Auxiliary Enterprises Revenue Category	Gross Amount	Scholarship Allowances	Net Balance
Residential Facilities	\$ 20,924,089	\$ 6,170,809	\$ 14,753,280
Intercollegiate Athletics	7,478,915	2,011,967	5,466,948
Student Center	3,550,250	883,985	2,666,265
Parking Facilities	955,020	176,337	778,683
Bookstore	230,217	-	230,217
Total	\$ 33,138,491	\$ 9,243,098	\$ 23,895,393

**MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12 NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The financial statements show expenses by functional expense classification for the University. The following table reflects expenses for the years ended June 30, 2021 and 2020 by natural classification:

Functional Classification	2021			
	Natural Classification			
	Payments to Employees	Payments to Suppliers and Contractors	Depreciation	Total
Instruction	\$ 50,749,912	\$ 499,256	\$ 8,936,874	\$ 60,186,042
Grant	23,195,188	33,025,330	934,267	57,154,785
Public Service	276,053	20,203	150,150	446,406
Academic Support	19,776,912	2,349,426	5,184,183	27,310,521
Student Service	6,600,446	3,172,595	-	9,773,041
Institutional Support	31,731,300	12,227,723	2,340,209	46,299,232
Operation and Maintenance of Plant	10,395,311	9,897,660	2,566,189	22,859,160
Scholarships and Fellowships	369,478	14,551,736	-	14,921,214
Auxiliary Enterprises	10,452,147	10,317,553	3,508,494	24,278,194
Total Expenses	<u>\$ 153,546,747</u>	<u>\$ 86,061,482</u>	<u>\$ 23,620,366</u>	<u>\$ 263,228,595</u>

Functional Classification	2020			
	Natural Classification			
	Payments to Employees	Payments to Suppliers and Contractors	Depreciation	Total
Instruction	\$ 55,174,146	\$ 3,416,747	\$ 8,969,290	\$ 67,560,183
Grant	18,642,994	17,159,467	1,007,413	36,809,874
Public Service	314,483	66,891	150,150	531,524
Academic Support	19,756,635	1,514,015	3,333,261	24,603,911
Student Service	7,495,986	1,956,160	-	9,452,146
Institutional Support	33,035,804	8,084,180	2,395,806	43,515,790
Operation and Maintenance of Plant	11,414,842	10,228,455	2,360,263	24,003,560
Scholarships and Fellowships	391,780	14,084,499	-	14,476,279
Auxiliary Enterprises	12,336,735	22,363,902	3,298,762	37,999,399
Total Expenses	<u>\$ 158,563,405</u>	<u>\$ 78,874,316</u>	<u>\$ 21,514,945</u>	<u>\$ 258,952,666</u>

Depreciation is allocated to the functional classifications based on the composition of the University's equipment purchases. For example, if a piece of equipment was purchased using instructional funds on a budgetary basis, the depreciation for that piece of equipment is allocated to the functional classification "Instruction."

NOTE 13 RESTATEMENT

Effective July 1, 2021, the University implemented GASB Statement No. 84, *Fiduciary Activities* (GASB 84). GASB 84 establishes criteria for identifying fiduciary activities and limits the reporting of fiduciary activities to four specific fund classifications: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The standard specifically excludes from the definition of a fiduciary activity any own-source revenues that are generated by the government itself.

**MORGAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 13 RESTATEMENT (CONTINUED)

The implementation of GASB 84 resulted in the removal of liabilities for activities associated with University related organizations such as the Student Government Association (SGA). The below charts display the changes to the University's beginning net position as of July 1, 2020. The University elected to not restate the 2020 financial statements amounts as the time and effort to perform the calculations would be too burdensome.

	<u>Amount</u>
Net Position - June 30, 2020, as Previously Reported	\$ 481,469,809
Implementation of GASB 84	<u>1,966,588</u>
Net Position - June 30, 2020, as Restated	<u><u>\$ 483,436,397</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

MORGAN STATE UNIVERSITY
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE MARYLAND STATE RETIREMENT AND PENSION SYSTEM
JUNE 30, 2021
LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014
The University's Proportion of the System's Net Pension Liability	0.426%	0.382%	0.422%	0.352%	0.349%	0.347%	0.297%
The University's Proportionate Share of the System's Net Pension Liability	\$ 85,852,242	\$ 78,493,621	\$ 83,001,543	\$ 71,857,509	\$ 77,422,295	\$ 67,805,629	\$ 49,822,391
State and Other Agencies Proportionate Share of the System's Net Pension Liability	21,006,672,769	19,206,756,940	19,591,032,654	20,318,346,203	22,096,034,108	19,468,527,051	16,733,256,657
Total State Net Pension Liability	<u>\$ 21,092,525,011</u>	<u>\$ 19,285,250,561</u>	<u>\$ 19,674,034,197</u>	<u>\$ 20,390,203,712</u>	<u>\$ 22,173,456,403</u>	<u>\$ 19,536,332,680</u>	<u>\$ 16,783,079,048</u>
The University's Covered Payroll	\$ 47,856,262	\$ 40,215,363	\$ 40,081,182	\$ 40,185,137	\$ 39,007,196	\$ 38,992,278	\$ 38,992,278
The University's Proportionate Share of the System's Net Pension Liability as a Percentage of its Covered Payroll	179.40%	195.18%	207.08%	178.82%	198.48%	173.90%	127.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.72%	67.98%	68.36%	66.71%	62.97%	66.26%	69.53%

This schedule is presented to illustrate the requirement to show information for 10 years. However, information prior to June 30, 2014 is not available.

MORGAN STATE UNIVERSITY
SCHEDULE OF CONTRIBUTIONS FOR THE PENSION PLAN
JUNE 30, 2021
LAST TEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 10,080,992	\$ 9,123,226	\$ 7,849,256	\$ 7,803,727	\$ 8,097,317	\$ 6,916,260	\$ 6,877,006
Contributions in Relation to the Contractually Required Contribution	(10,080,992)	(9,123,226)	(7,849,256)	(7,803,727)	(8,097,317)	(6,916,260)	(6,877,006)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
University's Covered Payroll	\$ 47,856,262	\$ 44,936,035	\$ 40,215,363	\$ 40,081,182	\$ 40,185,137	\$ 39,007,196	\$ 38,992,278
Contributions as a Percentage of Covered Payroll	21.07%	20.30%	19.52%	19.47%	20.15%	17.64%	17.64%

The schedule is presented to illustrate the requirement to show information for 10 years. However, information prior to June 30, 2015 is not available.

MORGAN STATE UNIVERSITY
SCHEDULE OF CONTRIBUTIONS FOR THE OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2021
LAST TEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutory Required Contributions	\$ 4,574,807	\$ 4,315,836	\$ 4,555,492	\$ 3,584,599	\$ 4,773,228
Contributions in Relations to Statutorily Required Contributions	<u>(4,574,807)</u>	<u>(4,315,836)</u>	<u>(4,555,492)</u>	<u>(3,584,599)</u>	<u>(4,773,228)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's Covered-Employee Payroll	\$ 97,577,437	\$ 87,923,660	\$ 83,052,243	\$ 80,633,680	\$ 79,315,339
Contributions as a Percentage of Covered-Employee Payroll	4.688%	4.909%	5.485%	4.446%	6.018%

The schedule is presented to illustrate the requirement to show information for 10 years. However, information prior to June 30, 2017 is not available.

**MORGAN STATE UNIVERSITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

MARYLAND STATE RETIREMENT AND PENSION SYSTEM

NOTE 1 CHANGES IN BENEFIT TERMS

There were no benefit changes during the years 2015 through 2020.

NOTE 2 CHANGES IN ASSUMPTIONS

Inflation assumptions changed as follows:

• 6/30/2020	2.60%
• 6/30/2019	2.60%
• 6/30/2018	2.60%
• 6/30/2017	2.65%
• 6/30/2016	2.70%
• 6/30/2015	2.70%

Investment return assumption changed as follows:

• 6/30/2020	7.40%
• 6/30/2019	7.40%
• 6/30/2018	7.50%
• 6/30/2017	7.50%
• 6/30/2016	7.55%
• 6/30/2015	7.65%