

**MORGAN STATE UNIVERSITY**

**Financial Statements  
Together with Report of Independent Public Accountants**

**For the Years Ended June 30, 2025 and 2024**

# **MORGAN STATE UNIVERSITY**

## **Financial Statements**

### **Together with Report of Independence Public Accountants**

**JUNE 30, 2025 AND 2024**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE AUDIT OF THE FINANCIAL STATEMENTS**

Board of Regents  
Morgan State University

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

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 year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter – Change in Accounting Policy***

As discussed in Note 1 to the financial statements, the University implemented GASB No. 101, *Compensated Absences*, which required a restatement of net position as of July 1, 2023 and a restatement of compensated absences as of June 30, 2024, to recognize the liability for compensated absences in accordance with the new standard. Our opinion is not modified with respect to this matter.

#### ***Other Matters***

The financial statements of the University as of and for the year ended June 30, 2024, before the restatement described in Note 1, were audited by another auditor, whose report dated October 4, 2024, expressed an unmodified opinion on those financial statements. As part of our audit of the year ended June 30, 2025 financial statements, we also audited the adjustments described in Note

1 that were applied to restate the 2024 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2024 financial statements of the entity other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2024 financial statements as a whole.

The financial statements of the discretely presented component unit for the year ended June 30, 2024, before the restatement described in Note 1, were audited by another auditor whose report dated August 26, 2024, expressed an unmodified opinion on those statements. As part of our audit of the year ended June 30, 2025 financial statements, we also audited the adjustments described in Note 1 that were applied to restate the 2024 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2024 financial statements of the discretely presented component unit other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2024 financial statements as a whole.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about University's ability to continue as a going concern for a reasonable period of time.

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

### ***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, schedule of contributions for other postemployment benefits and notes to supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

Owings Mills, Maryland  
December 8, 2025

*SB + Company, LLC*

# **MORGAN STATE UNIVERSITY**

## **Management's Discussion and Analysis (Unaudited) June 30, 2025 and 2024**

### **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 150 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 160 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 an 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 59,000-degree candidates since its establishment, producing a passionately devoted 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>.

Morgan has emerged from fiscal year 2025 with many historical firsts; record number of applications, largest incoming first-year students for the fifth consecutive year, and the largest-ever student enrollment for Fall 2025. This year was as prolific as the preceding years of historic milestones and achievements for Morgan in this unprecedented era of transformation from Morgan's continual high student enrollment, to the historical financial investment in the University, to the expansive growth and capital investment on campus, to the consistently strong retention and graduation rates, to the inclusive campus community dedicated to embracing students and employees with the utmost integrity and reverence. Morgan's 158-year history of leadership and excellence continues the commitment of investigative and innovative study across numerous academic disciplines with a vision forward to attain the highly coveted R1 ("very high research") designation by the Carnegie Classification of Institutions of Higher Education.

### **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, 2025, and 2024, with comparative information for 2023. This discussion and analysis have 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.

# **MORGAN STATE UNIVERSITY**

## **Management's Discussion and Analysis (Unaudited) June 30, 2025 and 2024**

### **OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS** (continued)

The annual financial report includes three financial statements: The Statement of Net Position, the Statements 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.

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 Statements of Net Position; the Statements 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.

As of June 30, 2025, the University had \$1,143.3 million in assets plus \$52.6 million in deferred outflows of resources that totals \$1,195.9 million. This compares to the June 30, 2024, and 2023 totals of \$1,020.1 million and \$885.9 million, respectively. The increase in total assets was driven by an increase in capital assets.

As of June 30, 2025, the University had \$417.8 million in liabilities plus \$157.2 million in deferred inflows of resources which totals \$575.0 million. This compares to the June 30, 2024, and 2023 totals of \$398.1 million and \$332.0 million, respectively. The changes in liabilities are primarily due to the issuance of additional HBCU loans, lease and subscription payables, and compensated absences.

# **MORGAN STATE UNIVERSITY**

## **Management's Discussion and Analysis (Unaudited) June 30, 2025 and 2024**

### **INSTITUTION FINANCIAL HIGHLIGHTS (continued)**

The University generated \$508.4 million in total revenue for the year ended June 30, 2025. This was a 2.0% increase over the prior year and is primarily a result of increased revenues related to enrollment, State and Federal funding. Total operating expenses were \$505.9 million in 2025, an increase of 18.5%, compared to prior operating expenses of \$426.9 million and \$406.3 in 2024 and 2023, respectively. For June 30, 2025, the University's restated net position was \$622.1 million, a consistent balance with prior year.

### **ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATION**

The Statement of Net Position 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 Statement of Net Position 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.

# MORGAN STATE UNIVERSITY

## Management's Discussion and Analysis (Unaudited) June 30, 2025 and 2024

### ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATION (continued)

#### STATEMENT OF NET POSITION SUMMARY (IN MILLIONS)

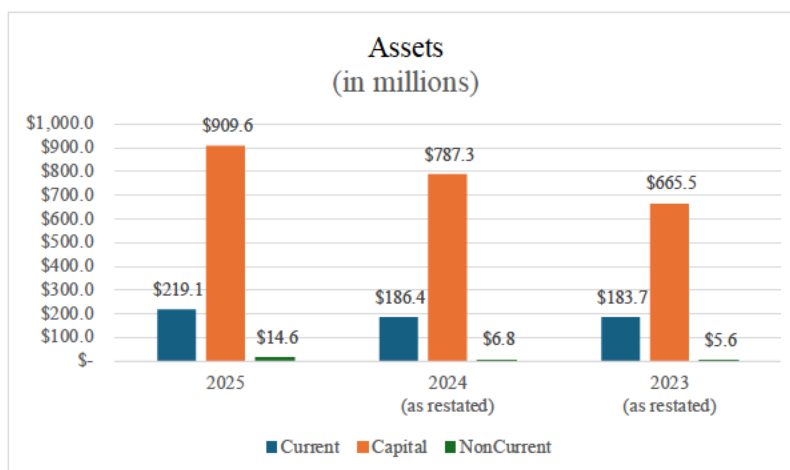
	As of June 30,		
	2025	2024	2023
		(as restated)	(as restated)
<b>ASSETS</b>			
Current Assets	\$ 219.1	\$ 186.4	\$ 183.7
Noncurrent Assets:			
Capital Assets, Net	909.6	787.3	665.5
Other Noncurrent Assets	14.6	6.8	5.6
Total Noncurrent Assets	924.2	794.1	671.1
Total Assets	1,143.3	980.5	854.8
Deferred Outflows of Resources	52.6	39.6	31.1
Total Assets and Deferred Outflows	1,195.9	1,020.2	885.9
<b>LIABILITIES</b>			
Current Liabilities	98.9	102.2	85.4
Noncurrent Liabilities	318.9	212.6	158.9
Total Liabilities	417.8	314.8	244.2
Deferred Inflows of Resources	157.2	83.3	87.8
Total Liabilities and Deferred Inflows	575.0	398.1	332.1
<b>NET POSITION</b>			
Net Investment in Capital Assets	576.7	584.1	505.8
Restricted	16.5	8.5	7.6
Unrestricted	27.8	29.5	40.4
Total Net Position, as restated	\$ 620.9	\$ 622.1	\$ 553.8

Assets included in the Statement of Net Position are classified as current and noncurrent. Current assets consist, primarily, of cash and cash equivalents, and accounts receivable. Noncurrent assets consist primarily of plant and equipment known as capital assets. Current assets of \$219.1 million represented an increase of \$32.7 million, or 17.5% compared to an increase of \$2.7 million, or 1.5% from 2023 to 2024, primarily due to an increase in accounts receivable and cash and cash equivalents. Noncurrent and capital assets of \$924.2 million increased \$130.1 million, or 16.4% from, respectively, primarily due to the increase in fixed assets with the completion of construction with several buildings.

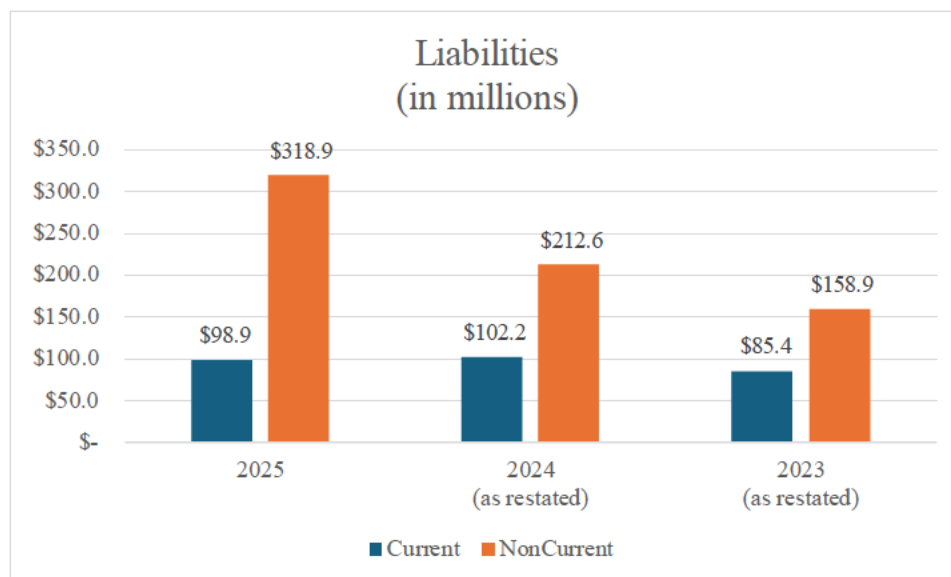
## MORGAN STATE UNIVERSITY

### Management's Discussion and Analysis (Unaudited) June 30, 2025 and 2024

#### ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATION (continued)



Noncurrent liabilities of \$318.9 million (2025), \$212.6 million (2024), and \$158.9 million (2023), include the net pension liability and other long-term debt. The net pension liability as of June 30, 2025 and June 30, 2024 was \$149 million and \$108 million, respectively.



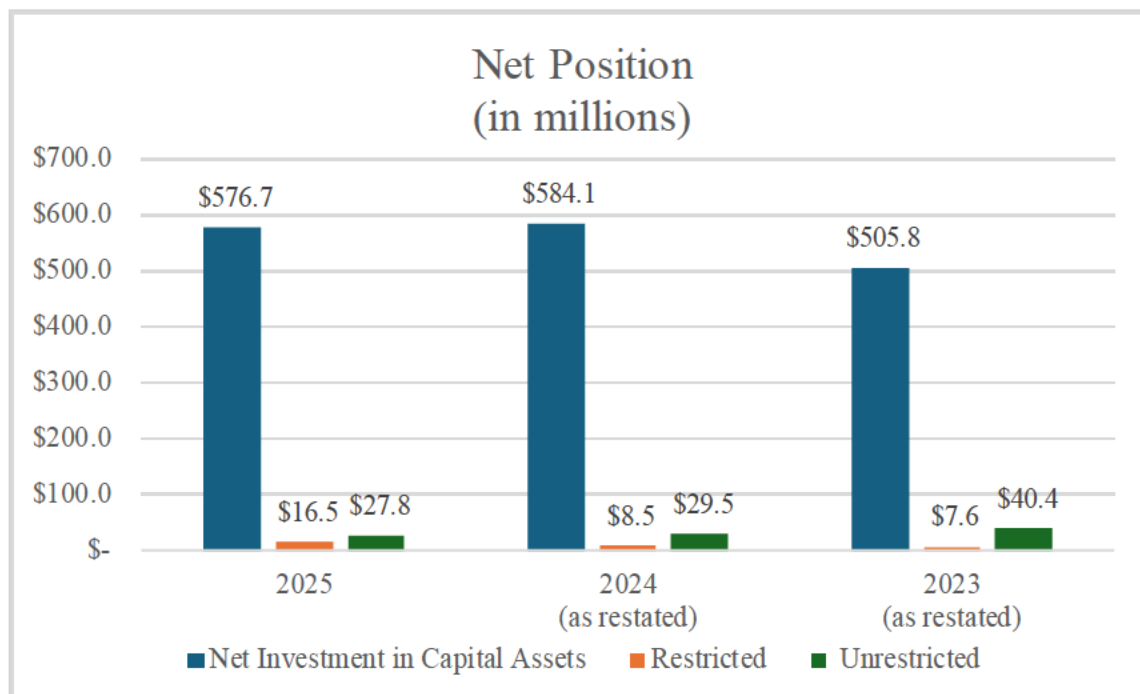
As of June 30, 2025, the University's net position was \$620.9 million, compared to \$622.1 million and \$553.8 million as of June 30, 2024 and 2023, respectively.

## MORGAN STATE UNIVERSITY

### Management's Discussion and Analysis (Unaudited) June 30, 2025 and 2024

#### ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATION (continued)

Net Investment in capital assets represents the University's capital assets ownership less any related obligations, while the \$16.5 million in restricted net position consists of the Federal Perkins loan program, and funds invested for capital debt service and disbursements. The University's unrestricted net position is \$27.8 million representing a consistent balance from 2024.



Over the last three years the University's net position has been favorable increasing \$67.1 million or 12.1% over the 2023 level of \$553.8 million. This combined growth demonstrates the University's continued strengthening of its financial position.

#### SUMMARY OF REVENUES AND OPERATING AND NONOPERATING EXPENSES

Changes in total net position, as presented on the Statement of Net Position, 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 \$295.2 million or 59.0% of the total operating expenses of \$505.9 million.

# MORGAN STATE UNIVERSITY

## Management's Discussion and Analysis (Unaudited) June 30, 2025 and 2024

### SUMMARY OF REVENUES AND OPERATING AND NONOPERATING EXPENSES (continued)

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 Maryland 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*)

	For the Years Ended June 30,		
	2025	2024	2023
<b>OPERATING REVENUES</b>			
Tuition and Fees, Net	\$ 80.4	\$ 68.7	\$ 56.9
Other	138.4	115.6	106.9
Total Operating Revenues	218.8	184.3	163.8
<b>NONOPERATING REVENUES</b>			
State Appropriations	205.3	190.8	155.5
Pell Grants and Cares Award	35.8	27.9	51.0
Other Nonoperating Revenues	6.2	6.5	6.6
Total Nonoperating Revenues	247.3	225.2	213.1
<b>OTHER REVENUES</b>			
Other Gains	-	-	4.2
Capital Appropriations	42.4	88.9	66.7
Total Other Revenues	42.4	88.9	70.9
Total Revenues	\$ 508.4	\$ 498.4	\$ 447.8

University revenues are comprised of three major categories, operating revenue, nonoperating and other revenue. For the year ended June 30, 2025, the University's total revenues were \$508.4 million, an increase of \$10.0 million or 2.0% from prior year. For the year ended June 30, 2025, operating revenues of \$218.8 million increased by \$34.5 million from year ended June 30, 2024 primarily due to an increase in tuition and auxiliary fees revenue resulting from increased enrollment and in grant revenue.

# MORGAN STATE UNIVERSITY

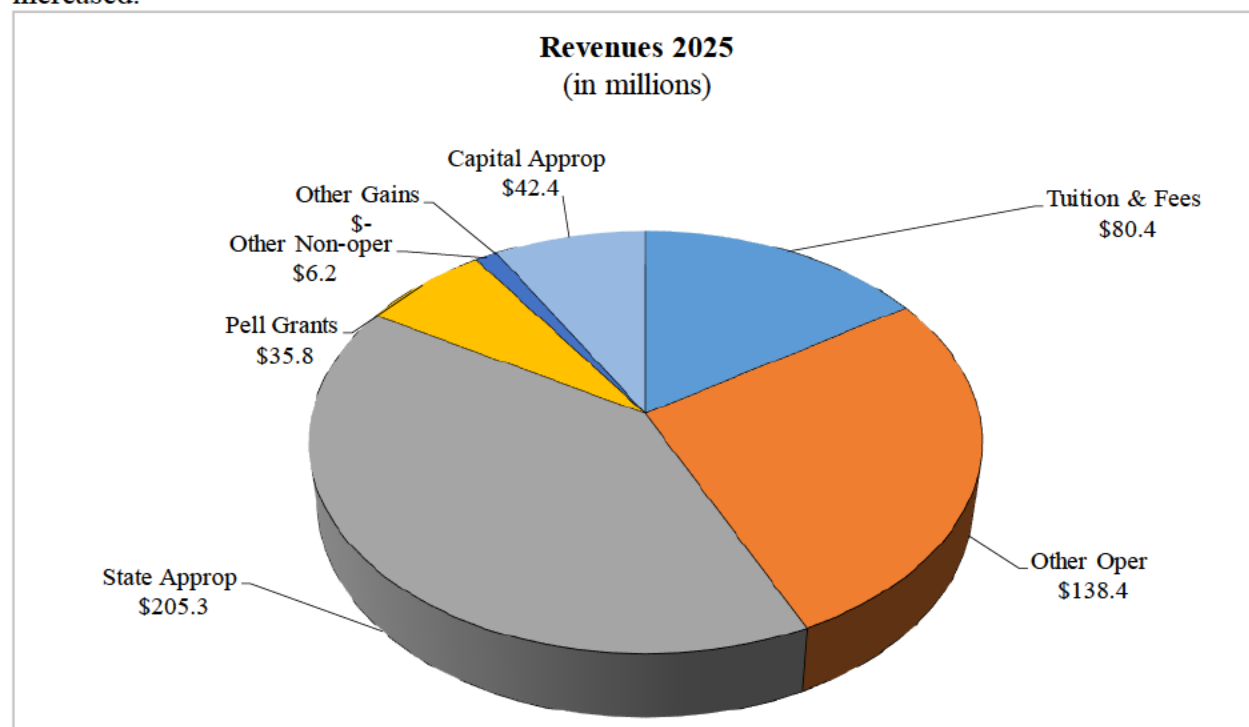
## Management's Discussion and Analysis (Unaudited) June 30, 2025 and 2024

### SUMMARY OF REVENUES AND OPERATING AND NONOPERATING EXPENSES (continued)

For the years ended June 30, 2025 and 2024, nonoperating revenues of \$247.3 million and \$225.2 million, increased \$22.1 million and \$12.1 million, respectively, due to the increase in State Appropriation and Pell grants.

The State of Maryland continues to provide strong support for the University affirming the positive return on investment that Morgan State University provides to the State. Other revenues of \$42.4 million consist of capital appropriations. The capital appropriations were \$42.4 million and \$88.9 million for 2025 and 2024, respectively. The University continues to receive strong capital appropriations to improve and enhance its physical plant and to support the University's long-term capital plan.

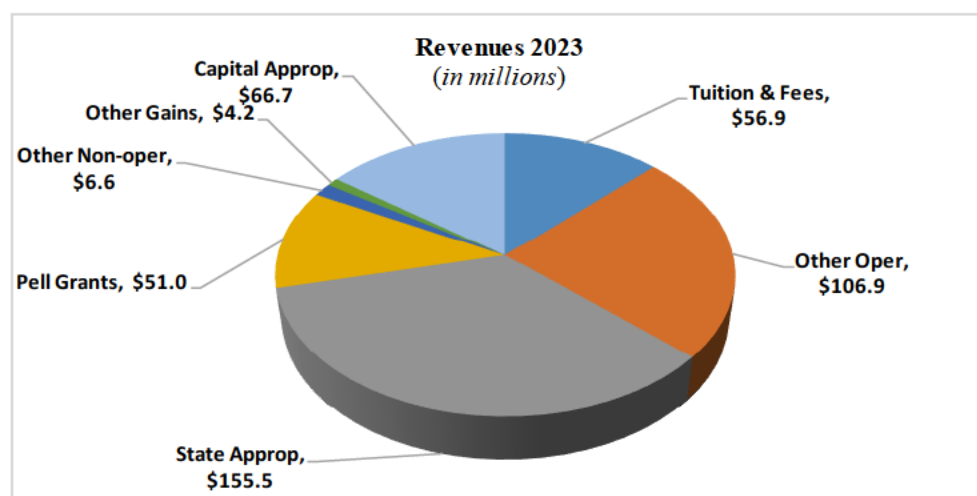
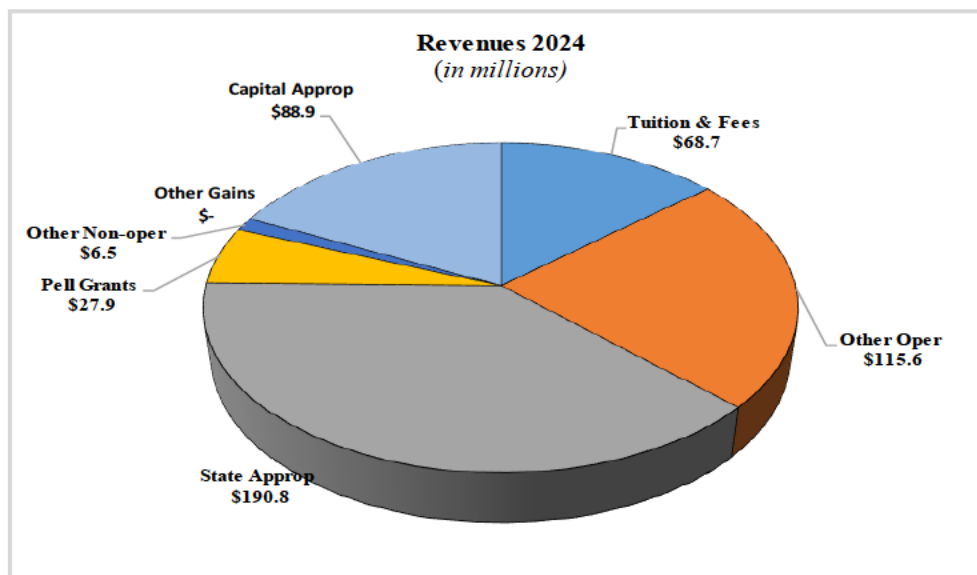
The graphs below show the University's revenue distribution by category for fiscal years 2025 and 2024. As evidenced by the graph the University's state appropriation and other non-operating have increased.



## MORGAN STATE UNIVERSITY

### Management's Discussion and Analysis (Unaudited) June 30, 2025 and 2024

#### SUMMARY OF REVENUES AND OPERATING AND NONOPERATING EXPENSES (continued)



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

Total operating and nonoperating expenses for the year ended June 30, 2025, were \$509.6 million, an increase of \$79.4 million or 18.5%.

Total operating expenses increased over the previous year due mainly with the increase in student enrollment and the significant increase in grant activity and awards. The enrollment increase required the University to invest in more faculty and staff, financial aid and other administrative functions to service the University student population.

# MORGAN STATE UNIVERSITY

## Management's Discussion and Analysis (Unaudited) June 30, 2025 and 2024

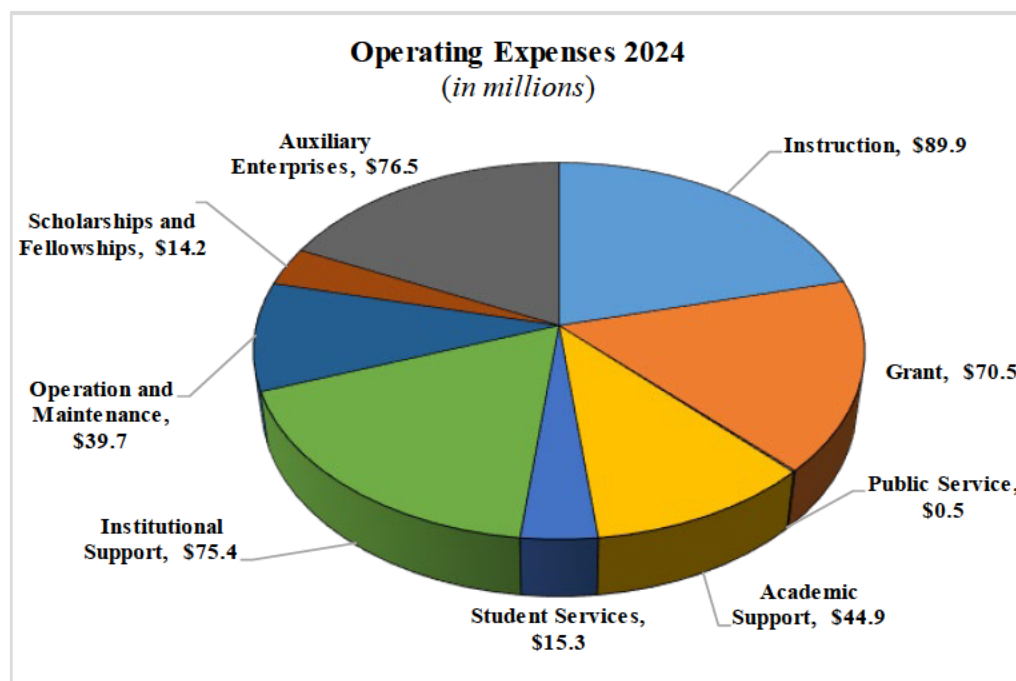
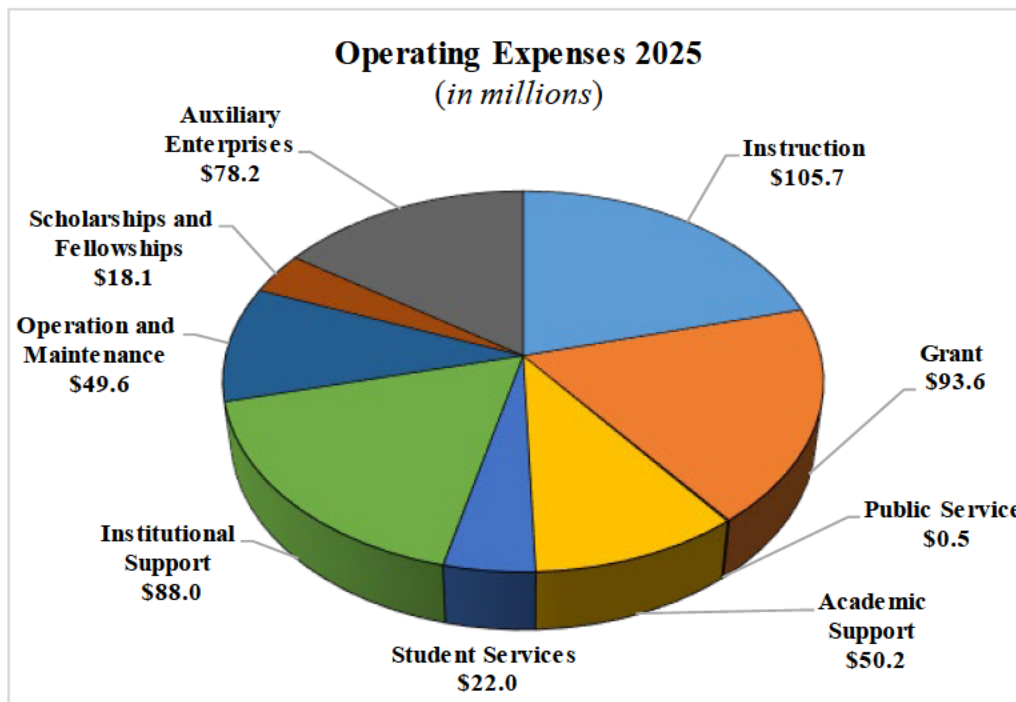
### SUMMARY OF OPERATING AND NONOPERATING EXPENSES (IN MILLIONS) (continued)

	For the Years Ended June 30,		
	2025	2024 (as restated)	2023 (as restated)
<b>OPERATING EXPENSES</b>			
Instruction	\$ 105.7	\$ 89.9	\$ 79.4
Grant	93.6	70.5	83.3
Public Service	0.5	0.5	0.3
Academic Support	50.2	44.9	40.9
Student Services	22.0	15.3	13.5
Institutional Support	88.0	75.4	64.2
Operation and Maintenance of Plant	49.6	39.7	37.5
Scholarships and Fellowships	18.1	14.2	11.9
Auxiliary Enterprises	78.2	76.5	75.3
Total Operating Expenses	505.9	426.9	406.3
<b>NONOPERATING EXPENSES</b>			
Interest in Indebtedness	3.7	3.3	2.0
Capital Expense	-	-	25.2
Total Nonoperating Expenses	3.7	3.3	27.1
Total Expenses	\$ 509.6	\$ 430.2	\$ 433.4

# MORGAN STATE UNIVERSITY

## Management's Discussion and Analysis (Unaudited) June 30, 2025 and 2024

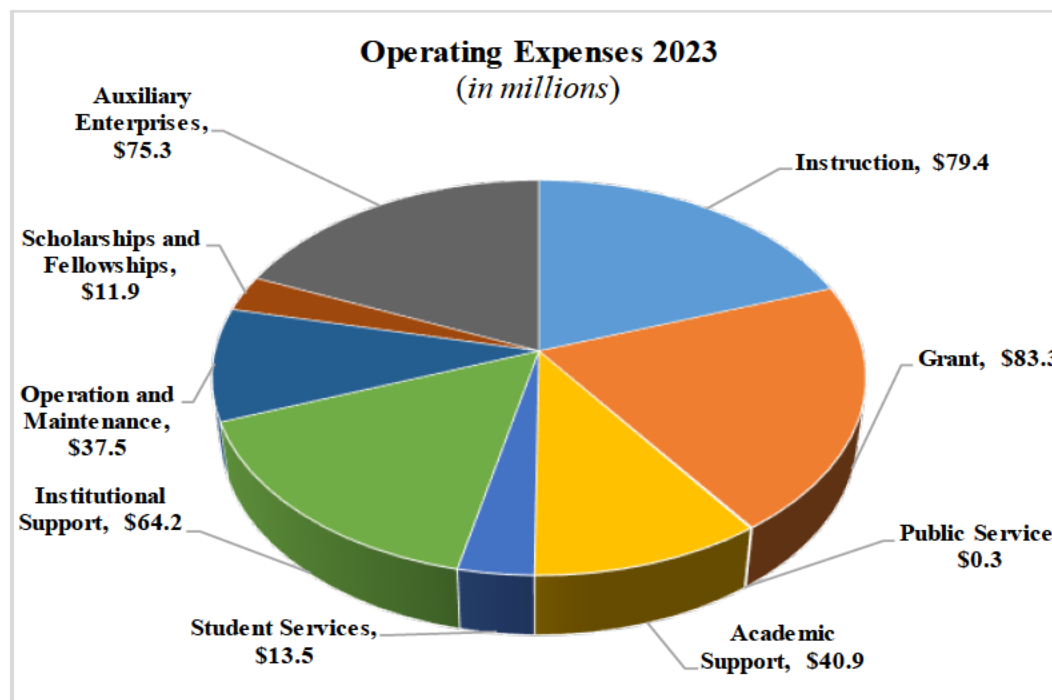
### SUMMARY OF OPERATING AND NONOPERATING EXPENSES (IN MILLIONS) (continued)



# MORGAN STATE UNIVERSITY

## Management's Discussion and Analysis (Unaudited) June 30, 2025 and 2024

### SUMMARY OF OPERATING AND NONOPERATING EXPENSES (IN MILLIONS) (continued)



### SUMMARY OF OPERATING RESULTS

The University realized a slight decrease in its net position of \$1.1 million. 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 meet its long-term financial goals.

	As of June 30,		
	2025	2024 (as restated)	2023 (as restated)
NET POSITION - BEGINNING OF YEAR	\$ 622.0	\$ 553.8	\$ 539.4
Total Revenues	508.4	498.4	447.8
Total Expenses	(509.5)	(430.1)	(433.4)
(Decrease)/Increase in Net Position	(1.1)	68.3	14.3
<b>NET POSITION - END OF YEAR</b>	<b>620.9</b>	<b>622.1</b>	<b>560.6</b>
GASB 101 change in accounting principle	-	-	(6.8)
<b>NET POSITION - END OF YEAR, as Restated</b>	<b>\$ 620.9</b>	<b>\$ 622.1</b>	<b>\$ 553.8</b>

## MORGAN STATE UNIVERSITY

### Management's Discussion and Analysis (Unaudited) June 30, 2025 and 2024

#### 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,		
	2025	2024	2023
Cash (Used) Provided By:			
Operating Activities	\$ (220.2)	\$ (188.5)	\$ (177.5)
Noncapital Financing Activities	241.0	218.7	206.4
Capital and Related Financing Activities	9.5	(33.9)	(25.4)
Investing Activities	6.2	6.5	6.6
Net Increase in Cash and Cash Equivalents	36.5	2.8	10.1
Cash and Cash Equivalents - Beginning of Year	155.4	152.6	142.4
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 192.0</b>	<b>\$ 155.4</b>	<b>\$ 152.6</b>

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. State appropriations are the primary source of noncapital financing. Noncapital state appropriation receipts were \$205.3 million in 2025 and \$190.8 million in 2024, and \$155.5 million in 2023.

#### 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 preliminary five-year capital project budget request totaled \$586 million for fiscal years 27-31. Fiscal year 2026 capital budget includes:

- 1) Deferred maintenance of over \$13 million.
- 2) Campus wide electrical upgrades of \$15 million
- 3) Construction of the new Science Center building – \$70 million
- 4) Campus expansion- Lake Clifton demolition of \$5.3 million.

## MORGAN STATE UNIVERSITY

### Management's Discussion and Analysis (Unaudited) June 30, 2025 and 2024

#### CAPITAL INVESTMENT ACTIVITIES (continued)

The University has a \$85.3 million deferred maintenance program underway. In addition, The University has a partnership with the Maryland Clean Energy Center to focus on energy conservation and sustainability projects.

#### DEBT

As of June 30, 2025, the University had \$178.8 million in outstanding long-term debt versus \$113.5 and \$66.5 million in 2024 and 2023 respectively. The table below summarizes these amounts in millions by type of debt instrument. The increase in the debt obligations is primarily due to the HBCU loan, leases and subscription liabilities.

	As of June 30,		
	2025	2024	2023
Loan and Note Payables	\$ 105.7	\$ 69.3	\$ 44.4
Lease and Subscription Payable	73.1	44.2	22.2
Total	<u>\$ 178.8</u>	<u>\$ 113.5</u>	<u>\$ 66.6</u>

#### SUMMARY AND ECONOMIC TRENDS

During fiscal year 2025, Morgan continued its unprecedented growth in enrollment, infrastructure, and positive international recognition. In August 2025, Morgan once again exceeded Fall 2024 enrollment with a record number of applicants, the largest incoming first-year students for the fourth consecutive year, and the new record breaking largest-ever student enrollment. The following provides a summary of significant events and Morgan's continued commitment to excellence and to being a leader across the higher education community.

The Fall 2024 enrollment equates to a 9% increase over the previous year, highlighted by the largest graduate school enrollment-1,712 students- in Morgan's history. The Fall 2024 class also marks the fourth straight year in which more than 50% of the new students came from out of state, with students hailing from 41 states, the most of any new class. The University's enrollment growth still stands among the highest percentage among Maryland four-year institutions over the past several years.

Bolstered by five consecutive academic years of historic enrollment nearing 11,000 students and a strong fiscal standing, Morgan State University has received affirmations of its A1 issuer rating by Moody's Investors Service (Moody's) and of its A+ long-term issuer rating by S&P Global Ratings in November 2024, reflecting a continued strong financial standing. As a result, Morgan has become one of the nation's most financially stable and highest-rated Historically Black Colleges and Universities (HBCU's).

## MORGAN STATE UNIVERSITY

### Management's Discussion and Analysis (Unaudited) June 30, 2025 and 2024

#### SUMMARY AND ECONOMIC TRENDS (continued)

For fiscal year 2025, a transformative milestone has been achieved as Morgan—Maryland's Preeminent Public Urban Research University and a national leader among HBCUs—has surpassed \$100 million in sponsored research commitments within a single fiscal year for the first time in its 158-year history. This marks the fifth consecutive year Morgan has netted increases in sponsored research commitments. The achievement further advances the University toward its goal of obtaining R1 (very high research activity) Carnegie classification.

Some highlights of the awards received in FY25 and recently include:

- In the face of growing physician shortages and persistent health disparities in underserved communities, Morgan State University is taking a decisive step toward a solution that will serve both Maryland and the nation. With the support of a two-year, \$1.75-million grant from the Robert Wood Johnson Foundation (**RWJF**), Morgan will develop a comprehensive plan to establish its own public, nonprofit Doctor of Medicine (M.D.) program — a first for Maryland's largest Historically Black College or University (HBCU).
- The Morgan State University (**MSU**) Patuxent Environment and Aquatic Research Laboratory (**PEARL**) was awarded two grants: \$500,000 from the National Oceanic and Atmospheric Administration (**NOAA**) and \$75,000 from the Maryland Department of Natural Resources' (**DNR**) Fishing and Boating Services to study the impact of blue catfish, an invasive species found throughout the Chesapeake Bay system. Over the next two years, research conducted by PEARL will involve engagement with a wide range of stakeholders, including commercial and recreational sectors, government entities, nongovernmental organizations, and scientific community members.
- Morgan State University (**MSU**) has been awarded a \$1 million research grant from the U.S. Department of Defense (DOD) to lead pioneering work in developing next-generation thermoelectric materials—an emerging technology that transforms heat into usable electricity. Over the next four years, researchers in the School of Computer, Mathematical and Natural Sciences (**SCMNS**) will focus on producing, synthesizing, and fabricating new thermoelectric materials. They will investigate the physical and structural properties of these materials and explore how heat is converted to electrical energy at the microscopic level. This work could also lay the foundation for new academic programs in new techniques for nanoscale structural analysis
- Morgan State University's (**MSU**) School of Community Health and Policy (**SCHP**) **Department of Nursing** has been awarded a \$1 million grant from **the Bedford Falls Foundation DAF** to support nursing scholarships for students and enhance faculty professional development opportunities. Over the next three years, the Joanne and William Conway Nursing Scholarship will benefit 75 students a year pursuing a Bachelor of Science in Nursing (BSN) degree, providing need-based funding and improving individualized guidance, academic coaching, and career mentoring within the nursing department. Additionally, it will support various networking events and mentoring opportunities designed to improve student retention and engagement.

## MORGAN STATE UNIVERSITY

### Management's Discussion and Analysis (Unaudited) June 30, 2025 and 2024

#### SUMMARY AND ECONOMIC TRENDS (continued)

- The School of Architecture and Planning (**SA+P**) at Morgan State University—Maryland's Preeminent Public Urban Research University—has been awarded more than \$1.4 million in new grant funding to advance energy planning, innovation, and curriculum development across campus. The funding includes \$1,315,000 from the Maryland Energy Administration's **Higher Education Clean Energy Grant Program**, \$100,000 through the Maryland Industrial Partnerships (**MIPS**) program—a collaborative academic-industrial initiative—and a \$30,000 grant from the 2025 **Nuckolls Fund for Lighting Education**. These investments will support a range of initiatives focused on energy strategies, research collaborations, and infrastructure upgrades, positioning Morgan as a leader in campus development rooted in sustainability. SA+P will lead this interdisciplinary effort in partnership with university stakeholders and external collaborators, implementing transformative energy solutions aligned with state and federal sustainability goals.
- Morgan State University has expanded its research partnership with the National Aeronautics and Space Administration (**NASA**) through six federally funded projects awarded this fiscal year. These investments, totaling more than \$22 million (\$22,542,463), reinforce Morgan's expanding role in STEM research while enhancing the career pipeline for highly skilled talent in aerospace and atmospheric sciences.
- Morgan State University's **Center for Career Development** has been awarded a \$300,000 grant from the Strada Education Foundation in partnership with the American Association of State Colleges and Universities (**AASCU**) and the Association of Public and Land-Grant Universities (**APLU**). The grant will support efforts to scale innovative career guidance strategies, expand employer connections, and enhance mentorship and leadership development opportunities for first-year, first-generation students.
- Morgan State University's Entrepreneurial Development and Assistance Center (**EDAC**) has secured funding to enhance two of its impactful outreach initiatives aimed at advancing the center's mission. Specifically, the Small Business Administration (SBA) has awarded EDAC **\$1.5 million** to support the Returning Citizens Inspired to Develop Entrepreneurial Ventures (**RIDE**) Entrepreneurship Center and **\$700,000** for the Government Certifications Contracting and Matchmaking Solutions Center. Both programs are designed to empower aspiring entrepreneurs by providing essential resources and assistance to help participants effectively navigate the complexities of the business landscape.
- The National Science Foundation (NSF), a longstanding catalyst for groundbreaking research across the U.S. higher education landscape, granted Morgan more than \$2.9 million in funding to initiate new research and further existing research in the first quarter of the current fiscal year. Bolstered by support from the NSF and many other agencies, Morgan has amassed more than \$77 million in research grants and sponsored projects to-date. The NSF funding received thus far supports nine initiatives and drives essential innovation in microelectronics, artificial intelligence, semiconductors, Internet of Things (IoT) and cybersecurity, STEM education equity, career readiness and mobility accessibility.

## **MORGAN STATE UNIVERSITY**

### **Management's Discussion and Analysis (Unaudited) June 30, 2025 and 2024**

#### **SUMMARY AND ECONOMIC TRENDS (continued)**

- Morgan State University (MSU) has received a \$5 million grant from the National Nuclear Security Administration (NNSA) to establish a comprehensive nuclear engineering program focused on developing skilled minority representative professionals with the essential knowledge and practical skills necessary for success in the rapidly evolving Nuclear Security Enterprise workforce. Over the next five years, the Scholarly Partnership in Nuclear Engineering (SPINE) project initiative will seek to significantly increase the number of graduates and postdoctoral students in the nuclear engineering field, prioritize innovative curricula, and cultivate partnerships between universities and industry leaders. Furthermore, SPINE will facilitate research opportunities and mentorship programs, ensuring students receive thorough training and guidance as they navigate their academic and professional journeys.

In a momentous event signaling the dawn of a new era at Maryland's Preeminent Public Urban Research University, Morgan State University officially broke ground for its highly anticipated, cutting-edge Science Center on May 14. With state and city dignitaries, University leaders, faculty, students, alumni, and community stakeholders on hand, the ceremonial turning of soil marked the start of construction of the \$337-million facility, which is poised to redefine Morgan's research and educational capabilities. The seven-story, 246,000-square-foot Science Center — designed by Moody Nolan, and project-led by Morgan alum Churchill Banks III (Class of 1997) — will become the centerpiece of scientific research and instruction on campus. Once completed, the facility will serve as the School of Computer, Mathematical and Natural Sciences' home, housing the School's Biology and Chemistry Departments. In addition, the Science Center will feature advanced research labs, information technology spaces, tutoring and collaboration centers, and a botanical greenhouse — all purposefully designed to meet the needs of 21st century scholars and innovators.

Recently opened facilities, recently approved construction projects and campus-wide enhancements- reflecting more than \$1.1 billion in infrastructure development- are realizing a strategic vision for Morgan's campus. The home for the \$169.4 million School of Community Health and Policy, School of Social Work, Medical Science, Counseling Center, Family and Consumer Science opened fall 2024. Specialty spaces include virtual reality lab/simulation lab, a social work clinic for community outreach, simulation spaces and textile labs. Legacy Hall, a 604 new student housing building opened in August 2024, adjacent to the recently completed Thurgood Marshall Student Housing and Dining Facility. Morgan State University partnered with the Maryland Economic Development Corporation (MEDCO) to finance, design, construct and operate this 167,000-square-foot residence hall. Morgan completed the approximately \$30 million renovation of two residential halls, Baldwin Hall and Cummings Hall, in August 2024, transforming them to modern esthetic complete with numerous amenities. The Hurt Gymnasium, tailored to facilitate a wide range of intramural and recreational activities for students and staff, reopened in fall 2024 after an extensive \$30 million renovation that includes administrative offices, classrooms, conference room, a dance/gymnastics studio, a state-of-the-art fitness center, a gym, and a fully renovated pool along with expanded locker room facilities. Morgan continued its \$68.5 million deferred maintenance program that includes heating and water filtration renovations. Demolition began in 2025 of the planned \$1 billion innovation park and satellite campus of 59 acres of Clifton Park that was acquired from Baltimore City.

## **MORGAN STATE UNIVERSITY**

### **Management's Discussion and Analysis (Unaudited) June 30, 2025 and 2024**

#### **SUMMARY AND ECONOMIC TRENDS (continued)**

In March 2021, the Maryland State Legislature passes the HBCU settlement bill providing a total of \$577 million over 10 years for Maryland's four HBCUs, therefore bringing an end to a 15-year lawsuit brought by the Coalition for Equity and Excellence in Maryland Higher Education on behalf of Maryland's HBCUs. The investment allows faculty to focus on new academic degree programs, such as cloud computing, the College of Interdisciplinary and Continuing Studies, for students who are seeking to complete their degrees, and the seven new research centers at Morgan State, including the Cybersecurity Assurance and Policy Center.

Morgan State University continues to prove that its value extends well beyond the classroom. According to a newly released economic impact study conducted by the independent firm Econsult Solutions, Inc. (ESI), Morgan contributes a staggering \$1.5 billion annually to the State of Maryland's economy, cementing its position as one of the region's most impactful and forward-moving institutions. More than a number, this valuation tells a story of jobs created, lives transformed and communities empowered through research, education, innovation and strategic capital investment. The University also supports 8,200 jobs across Maryland and contributes nearly \$71 million annually in state tax revenues, showcasing Morgan's role as both a major employer and economic engine.

In alignment with our strategic plan, "Transformation Morgan 2030" [https://issuu.com/morganstateu/docs/msu\\_strategic\\_plan\\_2022-2032\\_final?fr=sNzZjMDI5MDk3ODE](https://issuu.com/morganstateu/docs/msu_strategic_plan_2022-2032_final?fr=sNzZjMDI5MDk3ODE), Morgan continues to serve the community, region, state, nation and world as an intellectual and creative resource by supporting, empowering and preparing high-quality, diverse graduates to lead the world by offering innovative, inclusive and distinctive educational experiences to a broad cross section of the population in a comprehensive range of disciplines at the baccalaureate, master's, doctoral and professional degree levels. Through collaborative pursuits, scholarly research, creative endeavors and dedicated public service, Morgan gives significant priority to addressing societal problems, particularly those prevalent in urban communities.

The financial report is designed to provide a general overview of Montgomery County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Montgomery County Government, Department of Finance, 101 Monroe Street, Rockville, Maryland, 20850. This report can also be found on the County's website, <http://www.montgomerycountymd.gov/mcg/Financialreports>.

# MORGAN STATE UNIVERSITY

## Statements of Net Position As of June 30, 2025 and 2024

	<b>2025</b>	<b>2024</b> <b>(as restated)</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 178,248,141	\$ 149,745,491
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$10,223,374 and \$6,645,121, respectively)	39,663,819	35,319,912
Lease Receivable	97,187	125,570
Notes Receivable	16,181	26,568
Inventories	337,771	345,860
Prepaid Expenses	744,976	1,001,367
Total Current Assets	219,108,075	186,564,768
<b>NONCURRENT ASSETS</b>		
Restricted Cash and Cash Equivalents	13,664,948	5,616,898
Lease Receivable, Net of Current Portion	335,057	432,243
Notes Receivable (Net of Allowance for Doubtful Notes of \$349,020 and \$371,089, respectively)	619,685	603,680
Capital Assets, Net of Depreciation and Amortization	909,619,710	787,280,163
Total Noncurrent Assets	924,239,400	793,932,984
Total Assets	1,143,347,475	980,497,752
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	52,588,761	39,636,797
Total Assets and Deferred Outflows	\$ 1,195,936,236	\$ 1,020,134,549

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

# MORGAN STATE UNIVERSITY

## Statements of Net Position (continued) A of June 30, 2025 and 2024

	<b>2025</b>	<b>2024</b> <b>(as restated)</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$ 41,359,746	\$ 50,510,841
Unearned Revenues	14,369,118	13,671,297
Funds Held for Other Organizations	634,432	236,242
Accrued Workers' Compensation, Current Portion	444,600	367,500
Accrued Compensated Absences, Current Portion	23,155,582	16,873,905
Lease and SBITA Payable	15,217,204	17,415,915
Loans and Note Payable, Current Portion	3,739,606	3,133,828
Total Current Liabilities	<u>98,920,288</u>	<u>102,209,528</u>
<b>NONCURRENT LIABILITIES</b>		
Accrued Workers' Compensation, Net of Current Portion	2,519,400	2,082,500
Accrued Compensated Absences, Net of Current Portion	7,047,311	9,647,231
Lease and SBITA Payable, Net of Current Portion	57,923,717	26,772,163
Loans and Note Payable	101,964,394	66,118,268
Net Pension Liability	149,407,618	107,956,878
Total Noncurrent Liabilities	<u>318,862,440</u>	<u>212,577,040</u>
Total Liabilities	<u>417,782,728</u>	<u>314,786,568</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
	<u>157,227,441</u>	<u>83,285,358</u>
Total Liabilities and Deferred Inflows of Resources	575,010,169	398,071,926
<b>NET POSITION</b>		
Net Investment in Capital Assets	576,672,927	584,053,084
Restricted:		
Expendable:		
Scholarships and Fellowships	2,192,211	2,187,004
Loans	638,632	707,751
Debt Service	13,664,948	5,616,898
Total Expendable Net Position	<u>16,495,791</u>	<u>8,511,653</u>
Unrestricted Net Position	<u>27,757,349</u>	<u>29,497,886</u>
Total Net Position	<u>\$ 620,926,067</u>	<u>\$ 622,062,623</u>

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

# MORGAN STATE UNIVERSITY

## Statements of Revenues, Expenses, and Changes in Net Position For the Years Ended June 30, 2025 and 2024

	2025	2024 (as restated)
<b>OPERATING REVENUES</b>		
Tuition and Fees	\$ 116,990,276	\$ 103,429,675
Less: Scholarship Allowances	(36,615,798)	(34,750,456)
Total	80,374,478	68,679,219
Federal Grants and Contracts	77,729,437	67,089,511
State and Local Grants and Contracts	7,397,885	1,354,501
Private Gifts, Grants, and Contracts	3,110,138	3,888,351
Sales and Services Educational	6,581,486	2,426,807
Auxiliary Enterprises, Net	39,190,349	38,352,428
Other Revenues	4,367,410	2,504,575
Total Operating Revenues	218,751,183	184,295,392
<b>OPERATING EXPENSES</b>		
Instruction	105,687,649	89,857,912
Grant	93,558,800	70,536,754
Public Service	473,977	497,304
Academic Support	50,156,016	44,907,019
Student Services	21,973,216	15,253,608
Institutional Support	88,030,917	75,399,406
Operation and Maintenance of Plant	49,691,842	39,715,757
Scholarships and Fellowships	18,050,168	14,167,035
Auxiliary Enterprises	78,237,403	76,508,741
Total Operating Expenses	505,859,988	426,843,536
<b>OPERATING LOSS</b>	(287,108,805)	(242,548,144)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	205,281,664	190,813,591
Pell Grants	35,753,143	27,880,993
Investment Income	6,228,083	6,539,671
Interest on Indebtedness	(3,678,168)	(3,303,688)
Total Nonoperating Revenues, Net	243,584,722	221,930,567
<b>LOSS BEFORE OTHER REVENUES, (EXPENSES), GAINS AND (LOSSES)</b>	(43,524,083)	(20,617,577)
<b>OTHER REVENUES, (EXPENSES), GAINS AND (LOSSES)</b>		
Capital Appropriations	42,399,976	88,893,413
Other Losses	(11,409)	-
Total Other Revenues, (Expenses), Gains and (Losses)	42,388,567	88,893,413
<b>(Decrease) Increase in net position</b>	(1,135,516)	68,275,836
<b>NET POSITION - BEGINNING OF YEAR, AS PREVIOUSLY STATED</b>	622,062,622	560,619,166
Cumulative effect of GASB 101 implementation	-	(6,832,380)
<b>NET POSITION - BEGINNING OF YEAR, AS RESTATED</b>	622,062,622	553,786,786
<b>NET POSITION - END OF YEAR</b>	\$ 620,927,106	\$ 622,062,622

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

# MORGAN STATE UNIVERSITY

## Statements of Cash Flows For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and Fees	\$ 78,428,705	\$ 71,117,609
Contracts and Grants	84,534,626	69,921,477
Payments to Employees	(262,264,580)	(231,945,802)
Payments to Suppliers and Contractors	(162,392,357)	(138,336,416)
Direct Lending Proceeds	88,892,877	79,010,633
Direct Lending Disbursements	(88,994,075)	(79,010,633)
Collections of Loans from Students	16,452	45,701
Auxiliary Enterprises Charges:		
Residence Halls and Dining Facilities	39,190,349	38,352,428
Other Receipts	2,380,157	2,336,878
Net Cash Used by Operating Activities	<u>(220,207,846)</u>	<u>(188,508,125)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Appropriations	205,281,664	190,813,591
Pell Grants	35,753,143	27,880,993
Net Cash Provided by Noncapital Financing Activities	<u>241,034,807</u>	<u>218,694,584</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Appropriations	42,399,976	88,893,413
Proceeds from Capital Debt	39,585,732	27,923,355
Purchases of Capital Assets	(47,161,643)	(125,324,888)
Principal Payments on Debt and Leases	(21,638,832)	(22,129,034)
Interest Paid on Debt and Leases	(3,678,168)	(3,303,688)
Loan Issuance Cost	(11,409)	-
Net Cash Used by Financing Activities	<u>9,495,656</u>	<u>(33,940,842)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on Investments	6,228,083	6,539,672
Net Cash Provided by Investing Activities	<u>6,228,083</u>	<u>6,539,672</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>36,550,700</b>	<b>2,785,289</b>
Cash and Cash Equivalents - Beginning of Year	<u>155,362,389</u>	<u>152,577,100</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><b>\$ 191,913,089</b></u>	<u><b>\$ 155,362,389</b></u>

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

# MORGAN STATE UNIVERSITY

## Statements of Cash Flows For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (287,108,805)	\$ (242,548,144)
<b>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Depreciation and Amortization Expense	52,894,473	44,428,150
Noncash Adjustments Related to Service Concession Arrangements	(4,202,132)	(2,373,451)
<b>EFFECT OF CHANGES IN NONCASH OPERATING ASSETS AND LIABILITIES</b>		
Accounts Receivable, Net	(4,343,907)	(1,385,053)
Notes Receivable, Net	125,570	45,702
Inventories	8,089	41,068
Leases Receivables	(5,619)	(224,583)
Prepaid Expenses	256,391	378,747
Funds Held for Other Organizations	398,190	214,483
Accounts Payable and Accrued Liabilities	(9,969,665)	3,732,260
Unearned Revenue	697,821	757,250
Pension Costs, Net	26,845,993	5,447,610
Accrued Workers' Compensation	514,000	(77,000)
Accrued Compensated Absences	3,681,755	3,054,836
Net Cash Used by Operating Activities	<u><u>\$ (220,207,846)</u></u>	<u><u>\$ (188,508,125)</u></u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION</b>		
Cash and Cash Equivalents	\$ 178,248,141	\$ 149,745,491
Restricted Cash and Cash Equivalents	13,664,948	5,616,898
Total Cash and Cash Equivalents	<u><u>\$ 191,913,089</u></u>	<u><u>\$ 155,362,389</u></u>
<b>NONCASH TRANSACTIONS</b>		
Change in Workers' Compensation Liability	\$ (514,000)	\$ 77,000
Capital Expenditures Included in Accounts Payable	818,570	12,124,409
Asset Purchased with Lease and Subscription Arrangements	47,270,624	40,919,053
Asset Purchased Financed With Service Concession Arrangements	79,796,999	-

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

# MORGAN STATE UNIVERSITY

## Statements of Financial Position – Morgan State University Foundation, Inc. June 30, 2025 and 2024

	<b>2025</b>	<b>2024</b> <b>(as restated)</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 17,516,641	\$ 26,770,663
Investments	134,612,738	112,399,733
Pledges Receivable, Net of Discount of \$8,738,183 and \$8,313,506, respectively and Allowance of \$1,020,810 and \$990,960, respectively	16,862,835	17,111,736
Other Assets and Deposits	695,318	404,503
Total Assets	<u>\$ 169,687,532</u>	<u>\$ 156,686,635</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts Payable and Accruals	<u>\$ 767,463</u>	<u>\$ 705,597</u>
<b>NET ASSETS</b>		
Without Donor Restrictions	4,137,018	3,876,437
With Donor Restrictions	164,783,051	152,104,601
Total Net Assets	<u>168,920,069</u>	<u>155,981,038</u>
Total Liabilities and Net Assets	<u>\$ 169,687,532</u>	<u>\$ 156,686,635</u>

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

# MORGAN STATE UNIVERSITY

## Statements of Activities and Changes in Net Assets – Morgan State University Foundation, Inc. For the Years Ended June 30, 2025 and 2024

	2025			2024 (as restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND SUPPORT</b>						
Contributions and Fund Raising	\$ 2,173,689	\$ 14,908,128	\$ 17,081,817	\$ 2,610,808	\$ 15,393,632	\$ 18,004,440
Interest and Dividend Income	-	1,020,140	1,020,140	-	1,435,666	1,435,666
Unrealized Gain	10,644	11,569,388	11,580,032	8,116	7,593,941	7,602,057
Realized Gain	-	(103,053)	(103,053)	-	543,082	543,082
Total Revenues and Support	2,184,333	27,394,603	29,578,936	2,618,924	24,966,321	27,585,245
Net Assets Released from Restrictions:						
Satisfaction of Program Restrictions	14,716,153	(14,716,153)	-	15,075,573	(15,075,573)	-
Total Revenues, Support, and Net Assets Released from Restrictions	16,900,486	12,678,450	29,578,936	17,694,497	9,890,748	27,585,245
<b>EXPENSES</b>						
Program Services	14,939,189	-	14,939,189	15,388,620	-	15,388,620
General and Administrative	1,370,408	-	1,370,408	884,919	-	884,919
Fundraising	330,308	-	330,308	138,708	-	138,708
Total Expenses	16,639,905	-	16,639,905	16,412,247	-	16,412,247
<b>INCREASE IN NET ASSETS</b>	260,581	12,678,450	12,939,031	1,282,250	9,890,748	11,172,998
Net Assets - Beginning of Year	3,876,437	152,104,601	155,981,038	2,595,102	151,145,266	153,740,368
Cumulative effect of accounting errors (Note 2)	-	-	-	(915)	(8,931,413)	(8,932,328)
Net assets beginning of year, as restated	3,876,437	152,104,601	155,981,038	2,594,187	142,213,853	144,808,040
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 4,137,018</u>	<u>\$ 164,783,051</u>	<u>\$ 168,920,069</u>	<u>\$ 3,876,437</u>	<u>\$ 152,104,601</u>	<u>\$ 155,981,038</u>

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

# **MORGAN STATE UNIVERSITY**

## **Notes to Financial Statements June 30, 2025 and 2024**

### **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 unit. The Morgan State University Foundation, Inc. (the Foundation), was organized exclusively for charitable, 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, 2025 and 2024, the Foundation distributed \$5,702,462 and \$5,616,460, 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.

# **MORGAN STATE UNIVERSITY**

## **Notes to Financial Statements June 30, 2025 and 2024**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Measurement Focus and Basis of Accounting (continued)**

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 loss.

#### **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.

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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. 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. 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 consists 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 they leave the University. The University records an allowance for doubtful notes based upon aging analysis and management's estimation of collectability of such notes.

#### Inventories

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

#### 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 and capital assets received in a service concession arrangement. Lease and subscription right to use assets are initially measured as the initial amount of the liability, adjusted for payments made at or before the lease commencement date, plus certain initial direct costs. 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
Right-to-Use Assets	5,000	5 Years
Library Books	5,000	50 Years

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Capital Assets (continued)

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 Statements of Net Position. 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 and inflows 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, contributions made subsequent to the measurement date related to pensions, lease receivables and service concession arrangements. Deferred outflows of \$52,588,761 and \$39,636,797, for the years ended June 30, 2025 and 2024 were related to pensions. Deferred inflows were reported as follows as of June 30:

	<b>2025</b>	<b>2024</b>
Related to Pensions	<b>\$ 3,492,127</b>	\$ 5,015,842
Related to Leases	<b>452,023</b>	581,091
Related to Service Concession Arrangements	<b>153,283,291</b>	77,688,425
Total	<b><u>\$ 157,227,441</u></b>	<b><u>\$ 83,285,358</u></b>

#### 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, 2025 and 2024**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Accrued Compensated Absences**

Employee vacation pay and Sick Leave are accrued at year-end for financial statement purposes. Sick leave is recognized for the value of unused sick leave that has been earned and is more likely than not to be paid to the employee. The liability and expense incurred are recorded at year-end as accrued compensated absences in the statements of net position, and as a component of expenses in the statement of revenues, expenses, and changes in net position.

#### **Leases and Subscription Liability**

The University is a lessee for noncancellable leases of information technology arrangements, equipment and real estate. The University recognizes a lease or subscription liability and an intangible right-to-use lease asset (lease asset) in the Statement of Net Position.

At the commencement of a lease, the University initially measures the lease or subscription liability at the present value of payments expected to be made during the lease term. Subsequently, the liability is reduced by the principal portion of payments made. The lease or subscription asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the University determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The University uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the University generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the University is reasonably certain to exercise.

The University monitors change in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease or subscription assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

# **MORGAN STATE UNIVERSITY**

## **Notes to Financial Statements June 30, 2025 and 2024**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Leases-Lessor**

The University is a lessor for noncancellable leases of cell towers. The University recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the University initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

#### **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.

#### **Service Concession Agreements**

Service concession agreements (SCA) are arrangements between the University (transferor) and a third party (operator) in which all of the following criteria are met:

- a) The University conveys to the operator the right and obligation to provide public services through the use and operation of a capital asset in exchange for significant consideration. Significant consideration could be in the form of up-front payments, installment payments, a new facility or improvements to existing facility.
- b) The operator collects and is compensated by fees from third parties.
- c) The University has the ability to modify or approve what services the operator is required to provide, to whom services are provided, and prices or rates that can be charged for those services.
- d) The institution is entitled to significant residual interest in the service utility of the asset at the end of the arrangement.

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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, amortization 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.

*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.

#### 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

Revenues are recognized when earned and on an accrual basis with the establishment of corresponding accounts receivable. Tuition and fees are recognized as revenue when the underlying instructional services are provided. Federal, state and local, and private gifts, grants, and contracts are recognized as revenue when eligibility requirements imposed by the provider have been met. Auxiliary service revenues are recognized when the underlying goods and services are provided. State and capital appropriations are recognized as revenue in the year for which they were approved by the State.

# **MORGAN STATE UNIVERSITY**

## **Notes to Financial Statements June 30, 2025 and 2024**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **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 nongovernmental 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 2024 presentation to agree to the 2025 presentation. The reclassification had no cumulative effect on the changes in restated net assets.

#### **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.

#### **Basis of Presentation – Foundation**

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

#### **Restatement – Foundation**

During the fiscal year 2025, management identified errors in the previously issued financial statements of the Foundation related to the valuation of pledges receivable and the recording of investments. The errors related to the discounting of the pledges and the allowance for doubtful accounts, and the recording of investment activity. As a result, the Foundation restated its beginning net assets as of July 1, 2023 and the financial statements as of and for the year ended June 30, 2024, to correct these errors.

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Restatement – Foundation (continued)

The correction resulted in a net decrease in beginning net assets of \$8,932,238, and adjustments identified and recorded for fiscal year 2024 decreased the 2024 change in net assets by \$67,628 as follows:

#### Restatement of Beginning Net Assets - July 1, 2023

	<u>Amount</u>
Net assets as of July 1, 2023 (as originally reported)	\$ 153,740,368
Adjustments	
Pledges receivable (discounting, uncollectible)	(8,855,504)
Investments reconciliation	<u>(76,824)</u>
Total adjustments to opening balance	<u>(8,932,328)</u>
Net assets as of July 1, 2023 (as restated)	<u>\$ 144,808,040</u>

#### Adjustments Applied to Fiscal Year 2024 Results

Change in net assets as previously reported	\$ 11,240,626
Contributions	(24,303)
Investment Income	107,964
Expense corrections	<u>(151,289)</u>
Total adjustments impacting 2024 activity	<u>(67,628)</u>
Change in net assets as restated	<u>\$ 11,172,998</u>

#### Net Assets as of June 30, 2024

Net assets as of June 30, 2024 (as previously reported)	164,980,994
Total change to 2024 net assets	<u>(8,999,956)</u>
Net assets as of June 30, 2024 (as restated)	<u>\$ 155,981,038</u>

#### Pledges Receivable– Foundation

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. 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. For the years ended June 30, 2025 and 2024, the discount rate was 5.0%.

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Pledges Receivable– Foundation (continued)

Allowances for uncollectible promises to give are estimated based on historical collection experience, review of current payment status and economic conditions.

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

	<b>2025</b>	<b>2024</b> <b>(as restated)</b>
Promises to Give Before Unamortized Discount and Allowance for Uncollectibles	\$ 26,664,684	\$ 26,519,720
Less: Unamortized Discount	<u>8,781,039</u>	<u>8,416,274</u>
Total	17,883,645	18,103,446
Less: Allowance for Uncollectibles	<u>1,020,810</u>	<u>991,710</u>
Net Promises to Give	<u><u>\$ 16,862,835</u></u>	<u><u>\$ 17,111,736</u></u>

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

<u>Fiscal Year Ended June 30,</u>	<u>2025</u>	<u>2024</u>
2026	\$ 600,000	\$ 7,943,507
2027	600,000	3,656,318
2028	600,000	1,068,968
2029	600,000	505,382
2030	300,000	242,230
Thereafter	<u>23,964,684</u>	<u>13,103,314</u>
Total	<u><u>\$ 26,664,684</u></u>	<u><u>\$ 26,519,720</u></u>

#### Income Taxes – Foundation

Under the provisions of Section 501(c)(3) of the Internal Revenue Code, the Foundation is exempt from federal and state income taxes, except for unrelated business income, if any. Accordingly, no provision for income taxes has been made in the accompanying financial statements. An informational return Form 990 is filed annually. The Foundation did not have any unrelated business income for the years ended June 30, 2025 and 2024.

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Income Taxes – Foundation (continued)**

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Foundation performed an evaluation of uncertain tax positions as of June 30, 2025 and 2024, and determined that there were no matters that would require recognition in the accompanying financial statements or which may have any effect on its tax-exempt status. As of June 30, 2025, the statute of limitations for fiscal years 2022 through 2025 remains open with the U.S. Federal jurisdiction and the various states and local jurisdictions in which the Foundation files tax returns. It is the Foundation's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

#### **Revenue and Revenue Recognition – Foundation**

The Foundation's major sources of revenue are donor contributions and pledges and ticket sales from specific fund-raising events. Donor contributions are recognized upon receipt and ticket sales revenue is recognized when the event takes place. Contributions generated from the Foundation's pledge program are recognized upon receipt of unconditional promises to give.

#### **Nonfinancial 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.

#### **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, 2025 and 2024

### 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.

#### **Subsequent Events**

The University's management evaluated the accompanying financial statements for subsequent events and transactions through December 8, 2025 the date these financial statements were available for issue, and have determined that no material subsequent events have occurred.

#### **Reclassifications**

Certain reclassifications have been made to the 2024 balances to conform with the 2025 presentation. The reclassifications had no cumulative effect on the changes in restated net assets.

#### **Use of Estimates**

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

#### **Implemented Accounting Pronouncements**

Effective for the fiscal year ended June 30, 2025, the University implemented GASB Statement No. 101, Compensated Absences. Under Statement 101, a liability for unused leave is now recognized when the leave is earned and accumulated by employees based on time in service. As a result of adopting Statement 101, the University performed an analysis of its historical employee leave patterns and employment policies and determined that the accumulated sick leave is more likely than not to be used. For purposes of valuing the liability, the University has elected to use a last-in, first-out (LIFO) flow assumption. Under this assumption, the most recently accrued sick leave is presumed to be the first used. As a result, older, previously accrued sick leave balances are expected to remain outstanding and are used to value the long-term portion of the liability at the employee's pay rate as of the date of the financial statements.

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Implemented Accounting Pronouncements (continued)

The implementation resulted in a restatement of net position as of July 1, 2023 by \$6,832,383 and the change in the expenses was \$1,994,452 for the year ended June 30, 2024, as follows:

#### Restatement of Beginning Net Assets - July 1, 2023

	<u>Amount</u>
Net assets as of July 1, 2023 (as originally reported)	\$ 560,619,166
Adjustments	
GASB 101 implementation	<u>(6,832,380)</u>
Net assets as of July 1, 2023 (as restated)	<u>\$ 553,786,786</u>

#### Adjustments Applied to Fiscal Year 2024 Results

Change in net assets as previously reported	\$ 70,270,288
GASB 101 expense adjustment	<u>(1,994,452)</u>
Change in net assets as restated	<u>\$ 68,275,836</u>

#### Net Assets as of June 30, 2024

Net assets as of June 30, 2024 (as previously reported)	630,889,454
Total change to 2024 net assets	<u>(8,826,832)</u>
Net assets as of June 30, 2024 (as restated)	<u><u>\$ 622,062,622</u></u>

In December 2023, GASB issued Statement No. 102, Certain Risk Disclosures. The primary objective of this Statement is to provide users of financial statements with essential information about risks related to an organizations vulnerabilities due to certain concentrations or constraints. The requirements of this Statement took effect for fiscal years beginning after June 15, 2024. The University has evaluated this standard and implemented it in fiscal year 2025. The implementation did not have a material effect on the financial statements.

#### Upcoming Accounting Pronouncements

In April 2024, GASB issued Statement No. 103, Financial Reporting Model Improvements. The primary objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues of the reporting model. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

# **MORGAN STATE UNIVERSITY**

## **Notes to Financial Statements June 30, 2025 and 2024**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Upcoming Accounting Pronouncements (continued)**

In September 2024, GASB issued Statement No. 104, Disclosure of Certain Capital Assets. The primary objective of this Statement is to provide users of governmental financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. The University will be analyzing the effects of these standards and will adopt by their effective dates that would affect the information presented in the accompanying financial statements or require additional disclosure.

### **2. DEPOSITS AND INVESTMENTS**

#### **Deposits in State of Maryland Cash Pool**

As of June 30, 2025, and 2024, the University's carrying value was \$178,077,097 and \$149,585,815 as compared to the amount held in the internal pooled cash account with the Maryland State Treasurer (Treasurer) in the amount of \$178,242,097 and \$149,802,815, 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 \$171,044 and \$159,676 as compared to bank balances of \$164,201 and \$155,725, as of June 30, 2025 and 2024, respectively. These time deposits were fully insured as of June 30, 2025 and 2024.

#### **Investments and Restricted Cash and Cash Equivalents**

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

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.

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 2. DEPOSITS AND INVESTMENTS (continued)

#### Investments and Restricted Cash and Cash Equivalents (continued)

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.

The University has restricted cash and cash equivalents of \$13,664,948 and \$5,616,898, respectively, as of June 30, 2025 and 2024. Restricted cash and cash equivalents were held by the Bond Trustees, Regions Bank, and are required and limited by use under the terms of the loan agreements of the Series A 2020-6, 2020-7, and 2022-09 (See Note 6). As of June 30, the risk disclosures of investments were classified as follows:

	2025		2024	
	Market Value	Rating	Market Value	Rating
Fidelity Treasury-Regions Bank	\$ 13,664,948	AAA	\$ 5,616,898	AAA

#### Investments and Investment Income

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, 2025 and 2024:

	June 30, 2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
Cash Equivalents	\$ 10,106,833	\$ 10,106,833	\$ -	\$ -
Certificate of Deposits	1,450,158	1,018,779	431,379	-
U.S. Treasury Obligations	4,429,236	-	4,429,236	-
U.S. Government Securities	5,278,582	4,071,795	1,206,787	-
Municipal Obligations	1,286,988	-	1,286,988	-
Corporate & Foreign Bonds	3,028,480	-	3,028,480	-
Equity Funds	79,702,181	79,702,181	-	-
Private Equity	29,103,327	-	-	29,103,327
Foreign Securities	225,740	225,740	-	-
Rights & Warrants	1,213	1,213	-	-
Total Equity Securities	\$ 134,612,738	\$ 95,126,541	\$ 10,382,870	\$ 29,103,327

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 2. DEPOSITS AND INVESTMENTS (continued)

#### Investments and Investment Income (continued)

	June 30, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
Cash Equivalents	\$ 7,406,517	\$ 7,406,517	\$ -	\$ -
Certificate of Deposits	1,434,502	1,008,136	426,366	-
U.S. Treasury Obligations	3,890,493	-	3,890,493	-
U.S. Government Securities	1,258,786	-	1,258,786	-
Municipal Obligations	1,291,465	-	1,291,465	-
Corporate & Foreign Bonds	2,990,728	-	2,990,728	-
Equity Funds	70,505,463	70,505,463	-	-
Private Equity	23,391,157	-	-	23,391,157
Accrued Income	230,621	-	230,621	-
Total Equity Securities	<u>\$ 112,399,733</u>	<u>\$ 78,920,117</u>	<u>\$ 10,088,459</u>	<u>\$23,391,157</u>

#### Investments and Restricted Cash and Cash Equivalents

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.

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.

# **MORGAN STATE UNIVERSITY**

## **Notes to Financial Statements June 30, 2025 and 2024**

### **2. DEPOSITS AND INVESTMENTS (continued)**

#### **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. The University held no investment in a single issuer greater than 5% as of June 30, 2025 and 2024.

#### **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, 2025, and 2024, over 90% 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, 2025 and 2024

### 3. ACCOUNTS RECEIVABLE, LEASE RECEIVABLE, ACCOUNTS PAYABLE, AND ACCRUED LIABILITIES

Accounts receivable, accounts payable, and accrued liabilities consisted of the following as of June 30, 2025 and 2024:

<b>June 30, 2025</b>	<b>Accounts Receivable</b>	<b>Accounts Payable and Accrued Liabilities</b>
Student	\$ 12,776,772	\$ 4,873,322
Federal Grants	22,904,384	-
Other Grants (Primarily State Grants)	4,574,450	-
MEDCO	8,612,024	-
Vendor	-	16,241,148
Employee	-	20,182,843
Other	1,019,563	62,433
Total	49,887,193	41,359,746
Less Allowance for Doubtful Accounts	10,223,374	-
Total	<u>\$ 39,663,819</u>	<u>\$ 41,359,746</u>

<b>June 30, 2024</b>	<b>Accounts Receivable</b>	<b>Accounts Payable and Accrued Liabilities</b>
Student	\$ 8,513,727	\$ 2,333,682
Federal Grants	18,675,258	-
Other Grants (Primarily State Grants)	11,625,907	-
MEDCO	2,193,517	-
Vendor	-	29,365,026
Employee	-	17,965,559
Other	956,624	846,326
Total	41,965,033	50,510,593
Less Allowance for Doubtful Accounts	6,645,121	-
Total	<u>\$ 35,319,912</u>	<u>\$ 50,510,593</u>

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 3. ACCOUNTS RECEIVABLE, LEASE RECEIVABLE, ACCOUNTS PAYABLE, AND ACCRUED LIABILITIES (continued)

#### Lease Receivables

The University, acting as lessor, leases cell towers under long-term, noncancelable lease arrangement. These leases expire at various dates through 2034 and provide for renewal options. During the years ended June 30, 2025 and June 30, 2024, the University recognized \$129,068 and \$166,041 in lease revenue, respectively, and \$20,636 and \$27,910 in interest revenue, respectively.

Future minimum lease payments under the leases were as follows as of June 30, 2025:

<u>Fiscal Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2026	\$ 97,187	\$ 16,108	\$ 113,295
2027	56,436	12,123	68,559
2028	60,579	9,792	70,371
2029	64,940	7,291	72,231
2030	69,530	4,612	74,142
2031-2034	83,572	5,581	89,153
Total	<u>\$ 432,244</u>	<u>\$ 55,507</u>	<u>\$ 487,751</u>

Deferred inflows related to lease receivables were \$432,244 and \$581,091 as of June 30, 2025 and 2024, respectively.

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 4. CAPITAL ASSETS

The following were the changes in capital assets for the years ended June 30, 2025 and 2024:

	<u>June 30, 2024</u>	<u>Additions</u>	<u>Reductions/ Transfers</u>	<u>June 30, 2025</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 14,851,343	\$ -	\$ -	\$ 14,851,343
Construction In-Progress	215,667,437	48,691,114	(207,754,606)	56,603,945
Total Capital Assets, Not Being Depreciated	230,518,780	48,691,114	(207,754,606)	71,455,288
Capital Assets, Being Depreciated:				
Infrastructure Networks	80,918,299	-	-	80,918,299
Land Improvements	23,342,950	651,305	-	23,994,255
Buildings	709,715,655	202,584,052	-	912,299,707
Buildings (SCA)	94,938,040	79,796,999	-	174,735,039
Furniture, Fixtures, and Equipment	58,771,019	3,807,309	(144,091)	62,434,237
Library Materials	2,917,625	-	-	2,917,625
Total Capital Assets, Being Depreciated	970,603,588	286,839,665	(144,091)	1,257,299,162
Right-to-Use Assets:				
Real Estate	79,197,500	44,503,327	(7,096,001)	116,604,826
Equipment	2,109,064	187,223	(175,543)	2,120,744
Subscription	1,191,941	2,767,297	(55,523)	3,903,715
Total Right-to-Use Assets	82,498,505	47,457,847	(7,327,067)	122,629,285
Total Capital Assets	1,283,620,873	382,988,626	(215,225,764)	1,451,383,735
Less Accumulated Depreciation:				
Infrastructure Networks	(39,820,726)	(3,848,218)	-	(43,668,944)
Land Improvements	(19,725,364)	(734,396)	-	(20,459,760)
Buildings	(319,939,987)	(22,974,720)	-	(342,914,707)
Buildings (SCA)	(16,835,651)	(4,202,132)	-	(21,037,783)
Furniture, Fixtures, and Equipment	(55,175,515)	(1,720,231)	144,091	(56,751,655)
Library Materials	(1,876,130)	(58,353)	-	(1,934,483)
Total Accumulated Depreciation	(453,373,373)	(33,538,050)	144,091	(486,767,332)
Less Accumulated Amortization:				
Real Estate	(42,305,073)	(18,468,582)	7,096,001	(53,677,654)
Equipment	(214,836)	(246,040)	175,543	(285,333)
Subscription	(447,428)	(641,801)	55,523	(1,033,706)
Total Accumulated Amortization	(42,967,337)	(19,356,423)	7,327,067	(54,996,693)
Total Accumulated Depreciation and Amortization	(496,340,710)	(52,894,473)	7,471,158	(541,764,025)
Capital Assets, Net	\$ 787,280,163	\$ 330,094,153	\$ (207,754,606)	\$ 909,619,710

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 4. CAPITAL ASSETS (continued)

	June 30, 2023	Additions	Reductions/ Transfers	June 30, 2024
Capital Assets, Not Being Depreciated:				
Land	\$ 14,851,343	\$ -	\$ -	\$ 14,851,343
Construction In-Progress	92,097,047	136,133,502	(12,563,112)	215,667,437
Total Capital Assets, Not Being Depreciated	106,948,390	136,133,502	(12,563,112)	230,518,780
Capital Assets, Being Depreciated:				
Infrastructure Networks	80,918,299	-	-	80,918,299
Land Improvements	23,342,950	-	-	23,342,950
Buildings	709,715,655	-	-	709,715,655
Buildings (Morganview SCA)	28,703,729	-	-	28,703,729
Buildings (Thurgood Marshall SCA)	66,234,311	-	-	66,234,311
Furniture, Fixtures, and Equipment	57,016,521	1,754,498	-	58,771,019
Library Materials	2,917,625	-	-	2,917,625
Total Capital Assets, Being Depreciated	968,849,090	1,754,498	-	970,603,588
Right-to-Use Assets:				
Real Estate	39,196,229	40,001,271	-	79,197,500
Equipment	2,109,064	-	-	2,109,064
Subscription	274,159	917,782	-	1,191,941
Total Right-to-Use Assets	41,579,452	40,919,053	-	82,498,505
Total Capital Assets	1,117,376,932	178,807,053	(12,563,112)	1,283,620,873
Less Accumulated Depreciation:				
Infrastructure Networks	(35,900,069)	(3,920,657)	-	(39,820,726)
Land Improvements	(19,034,389)	(690,975)	-	(19,725,364)
Buildings	(301,839,512)	(18,100,475)	-	(319,939,987)
Buildings (Morganview SCA)	(13,634,272)	(717,593)	-	(14,351,865)
Buildings (Thurgood Marshall SCA)	(1,241,893)	(1,241,893)	-	(2,483,786)
Furniture, Fixtures, and Equipment	(53,802,785)	(1,372,730)	-	(55,175,515)
Library Materials	(1,817,777)	(58,353)	-	(1,876,130)
Total Accumulated Depreciation	(427,270,697)	(26,102,676)	-	(453,373,373)
Less Accumulated Amortization:				
Real Estate	(23,096,641)	(19,208,432)	-	(42,305,073)
Equipment	(1,426,396)	1,211,560	-	(214,836)
Subscription	(118,826)	(328,602)	-	(447,428)
Total Accumulated Amortization	(24,641,863)	(18,325,474)	-	(42,967,337)
Total Accumulated Depreciation and Amortization	(451,912,560)	(44,428,150)	-	(496,340,710)
Capital Assets, Net	\$ 665,464,372	\$ 134,378,903	\$ (12,563,112)	\$ 787,280,163

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 5. LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2025 and 2024 were as follows:

	June 30, 2024	Additions	Reductions/ Transfers	June 30, 2025	Amounts Due Within One Year
Accrued Workers' Compensation	\$ 2,450,000	\$ 937,084	\$ 423,084	\$ 2,964,000	\$ 444,600
Compensated Absences	26,521,385	3,681,508	-	30,202,893	23,155,582
Lease Liability	43,408,130	44,690,366	17,712,771	70,385,725	14,466,397
Subscription Liability	799,742	2,747,687	792,233	2,755,196	750,807
HBCU Loan Payable	66,106,324	39,585,732	1,052,037	104,640,019	2,675,625
Note Payable	3,145,772	-	2,081,791	1,063,981	1,063,981
Net Pension Liability	107,956,878	41,450,740	-	149,407,618	-
Total Long-Term Liabilities	<u>\$ 250,388,231</u>	<u>\$ 133,093,117</u>	<u>\$ 22,061,916</u>	<u>\$ 361,419,432</u>	<u>\$ 42,556,992</u>

	June 30, 2023	Additions	Reductions/ Transfers	June 30, 2024	Amounts Due Within One Year
Accrued Workers' Compensation	\$ 2,527,000	\$ -	\$ (77,000)	\$ 2,450,000	\$ 367,500
Compensated Absences (as restated)	23,466,547	3,054,838	-	26,521,385	16,873,905
Lease Liability	22,205,196	40,001,271	(18,798,337)	43,408,130	17,206,428
Subscription Liability	150,593	917,782	(268,633)	799,742	209,487
HBCU Loan Payable	39,223,323	27,923,355	(1,040,354)	66,106,324	1,052,037
Note Payable	5,167,482	-	(2,021,710)	3,145,772	2,081,791
Net Pension Liability	91,807,432	16,149,446	-	107,956,878	-
Total Long-Term Liabilities	<u>\$ 184,547,573</u>	<u>\$ 88,046,692</u>	<u>\$ (22,206,034)</u>	<u>\$ 250,388,231</u>	<u>\$ 37,791,148</u>

Additional information regarding Lease and Subscription Liabilities are included at Note 7.

### 6. LOANS AND NOTE PAYABLE

#### Historically Black Colleges and Universities (HBCU) Loan Payable

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 were interest only until January 2024, at which time principal and interest payments began. 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).

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 6. LOANS AND NOTE PAYABLE (continued)

#### Historically Black Colleges and Universities (HBCU) Loan Payable (continued)

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. The proceeds from the Series 2020-6 and 2020-7 series was issued for financing various construction and deferred maintenance projects. As of June 30, 2025, the outstanding balance was \$40,415,994 (\$14,632,463 and \$25,783,531) on the Series A 2020-6 and 2020-7, respectively).

On November 2, 2022 the University issued Series A 2022-9, Future Advance Project Funding Bonds for \$65,050,000. The proceeds from the Series 2022-9 series were utilized for financing the Baldwin and Cummings Residential Halls, Murphy fine arts, Hurt building and deferred maintenance projects. As of June 30, 2025, and 2024, the outstanding balance was \$64,224,025 and \$45,935,981, respectively.

The interest rate on the loans is equal to the 30-year Federal Financing Bank Rate + 22.5 basis points at the time of issuance and the rates were 2.158% to 4.625% as of June 30, 2025.

Future minimum payments under the loans as of June 30, 2025 were as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 2,675,624	\$ 3,809,188	\$ 6,484,812
2027	2,348,100	4,155,434	6,503,534
2028	2,475,780	4,028,324	6,504,104
2029	2,561,899	3,942,625	6,504,524
2030	2,664,510	3,840,480	6,504,990
2021-2035	15,002,538	17,529,642	32,532,180
2036-2040	18,277,640	14,267,441	32,545,081
2041-2045	22,319,495	10,239,709	32,559,204
2046-2050	25,945,135	5,297,288	31,242,423
2051-2053	10,369,298	686,497	11,055,795
Total	<u>\$ 104,640,019</u>	<u>\$ 67,796,628</u>	<u>\$ 172,436,647</u>

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 6. LOANS AND NOTE PAYABLE (continued)

#### Note Payable

Morgan State University entered into a Purchase Agreement, dated January 22, 2016, by and between Grant Capital Management, Inc. (GCM). The Agreement states that the University 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 the University). The Equipment 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 Agreement includes hardware, software, maintenance, and service for a complete turnkey solution which are pledged as collateral. The term of the agreement is for ten years. The agreement requires the University to make twenty semi-annual payments to Capital One Public Funding, LLC, as assigned by Grant Capital Management.

The direct borrowing contains a provision that in an event of default, outstanding amounts become immediately due if the Government is unable to make payment.

A summary of the terms of the agreement is listed below:

Type	Annual Installments	Interest Rates	Due Dates
Equipment Purchase	\$ 1,079,675	1.01 - 4.07%	10/1/2025

Future minimum payments under the purchase agreement as of June 30, 2025 were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2026	\$ 1,063,981	\$ 15,694	\$ 1,079,675

### 7. LEASE LIABILITY

The University leases equipment as well as certain operating and office facilities for various terms under long-term, noncancelable lease agreements. See note 4 for the related assets and amortization for right to use assets. A summary of the lease is listed below:

Type	Annual Installments	Interest Rates	Due Dates
Equipment Leases	\$ 41,238 - \$ 468,652	4.00%	7/1/2025-6/1/2029
Real Estate Leases	\$ 14,736 - \$ 5,814,682	4.00%	7/1/2025-6/1/2032

## MORGAN STATE UNIVERSITY

### Notes to Financial Statements June 30, 2025 and 2024

#### 7. LEASE LIABILITY (continued)

Future minimum lease payments under the lease agreements as of June 30, 2025, were as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 14,466,397	\$ 46,803	\$ 14,513,200
2027	10,478,423	34,812	10,513,235
2028	10,752,980	35,724	10,788,704
2029	11,676,758	38,793	11,715,551
2030	7,184,388	23,868	7,208,256
2031-2032	15,826,779	52,581	15,879,360
Total	<u>\$ 70,385,725</u>	<u>\$ 232,581</u>	<u>\$ 70,618,306</u>

#### 8. SUBSCRIPTION LIABILITY

The University has agreements for subscription-based information technology arrangements (SBITA) with vendors for educational software under long-term, noncancelable agreements. See note 4 for the related assets and amortization for right to use subscription assets. A summary of the terms is listed below:

<u>Type</u>	<u>Annual Installments</u>	<u>Interest Rates</u>	<u>Due Dates</u>
Software Subscriptions	\$ 19,979 - \$ 491,400	3.73 - 4%	9/30/2025-1/1/2030

Future minimum subscription payments under the agreements as of June 30, 2025 were as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 750,807	\$ 2,494	\$ 753,301
2027	704,415	2,340	706,755
2028	742,868	2,468	745,336
2029	557,106	1,851	558,957
Total	<u>\$ 2,755,196</u>	<u>\$ 9,153</u>	<u>\$ 2,764,349</u>

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 9. 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, 2025.

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.

As of June 30, 2025, the University had commitments of approximately \$87 million for various capital improvement projects. These include:

- a) Campus expansion to the former Lake Clifton HS
- b) Residual payments for the Health and Human Services Building
- c) Phase II of the New Science Complex
- d) Renovation of the Carter Grant Wilson Building
- e) Building of the Patuxent Research and New Concrete Laboratory facilities
- f) Continuation of campus wide utility upgrades,
- g) Facilities maintenance and site improvement, and
- h) Campus-wide site improvements and ADA accessibility projects continue to be phased in over the entire campus

### 10. PENSION AND OTHER POST EMPLOYMENT BENEFIT 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.

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 10. PENSION AND OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

#### General Information About the Pension Plan (continued)

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/](http://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.

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.

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 10. PENSION AND OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

#### **General Information About the Pension Plan (continued)**

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 or 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.

#### **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.

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 10. PENSION AND OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

#### 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, 2025 and 2024.

*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.

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

The University's contractually required contribution rate for the years ended June 30, 2025 and 2024, was \$18,617,649 and \$15,724,235, 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).

As of June 30, 2025, and 2024, the University reported a liability of \$149,407,618 and \$107,956,878, 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, 2024 for June 30, 2025 and as of June 30, 2023 for June 30, 2024, 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, 2025, 2024 and 2023, the University's proportion for the net pension liability was 0.00613%, 0.00469% and 0.00459% respectively, a change of 0.00144% and 0.0001% for the years ended June 30, 2025 and 2024.

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 10. PENSION AND OTHER POST EMPLOYMENT BENEFIT 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, 2025 and 2024, the University recognized pension expense of \$26,975,060 and \$5,169,405, respectively. As of June 30, 2025, the University reported deferred outflows of resources and deferred inflows of resources related to the net pension liability of the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 8,644,307	\$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	9,574,595	-
Differences between Expected and Actual Experience	-	2,830,022
Change in Proportionate Share	14,809,329	-
Change in Proportion	942,881	662,105
Contributions Made Subsequent to the Measurement Date	18,617,649	-
Total	<u>\$ 52,588,761</u>	<u>\$ 3,492,127</u>

Deferred outflows of resources of \$18,617,649 related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Years Ending June 30,	Deferred Outflows			
	Difference Between Projected and Actual Earnings	Change in Proportionate Share	Changes in Assumptions	Change in Proportion
2026	\$ (610,565)	\$ 3,520,103	\$ 3,712,761	\$ 875,724
2027	8,101,215	3,520,103	2,364,749	44,985
2028	2,141,736	3,520,103	1,046,692	22,172
2029	(57,791)	3,043,266	1,046,692	-
2030	-	1,205,754	473,413	-
Total	<u>\$ 9,574,595</u>	<u>\$ 14,809,329</u>	<u>\$ 8,644,307</u>	<u>\$ 942,881</u>

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 10. PENSION AND OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

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

Fiscal Years Ending June 30,	Deferred Inflows				
	Difference Between Projected and Actual Experience	Changes in Assumptions	Change in Proportionate Share	Change in Proportion	Difference Between Projected and Actual Earnings
2026	\$ 1,381,254	\$ -	\$ -	\$ 221,459	\$ -
2027	1,066,977	-	-	179,889	-
2028	381,791	-	-	139,343	-
2029	-	-	-	121,414	-
2030	-	-	-	-	-
Total	<u>\$ 2,830,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 662,105</u>	<u>\$ -</u>

As of June 30, 2024, the University reported deferred outflows of resources and deferred inflows of resources related to the net pension liability of the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 6,650,195	\$ 311,173
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	10,833,696	-
Differences between Expected and Actual Experience	-	4,341,797
Change in Proportionate Share	3,794,363	-
Change in Proportion	2,634,308	362,872
Contributions Made Subsequent to the Measurement Date	15,724,235	-
Total	<u>\$ 39,636,797</u>	<u>\$ 5,015,842</u>

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 10. PENSION AND OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

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

Fiscal Years Ending June 30,	Deferred Outflows			
	Difference Between Projected and Actual Earnings	Change in Proportionate Share	Changes in Assumptions	Change in Proportion
2025	\$ 1,027,943	\$ 854,240	\$ 2,666,040	\$ 1,691,428
2026	(552,776)	854,240	2,666,069	875,723
2027	8,159,004	854,240	1,318,057	44,985
2028	2,199,525	854,240	-	22,172
2029	-	377,403	-	-
Total	<u>\$ 10,833,696</u>	<u>\$ 3,794,363</u>	<u>\$ 6,650,166</u>	<u>\$ 2,634,308</u>

Fiscal Years Ending June 30,	Deferred Inflows			
	Difference Between Projected and Actual Experience	Changes in Assumptions	Change in Proportionate Share	Change in Proportion
2025	\$ 1,511,774	\$ 311,173	\$ 16,704	\$ 113,980
2026	1,381,253	-	-	113,980
2027	1,066,976	-	-	72,410
2028	381,794	-	-	31,764
2029	-	-	-	14,034
Total	<u>\$ 4,341,797</u>	<u>\$ 311,173</u>	<u>\$ 16,704</u>	<u>\$ 346,168</u>

#### 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:

	2024	2023
Valuation Date	June 30, 2024	June 30, 2023
Inflation - General	2.50%	2.25%
Inflation - Wage	3.00%	2.75%
Salary Increases	3% to 22%, Including Inflation	2.75% to 11.25%, Including Inflation
Investment Rate of Return	6.80%	6.80%
Mortality Rates	Pub-2010 Mortality Tables with projected generational mortality improvements based on the MP-2021 fully generational mortality improvement scale	Pub-2010 Mortality Tables with projected generational mortality improvements based on the MP-2018 fully generational mortality improvement scale

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 10. PENSION AND OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

#### Actuarial Assumptions (continued)

The assumptions used for the actuarial valuation were recommended by the System's independent actuary, based upon periodic analyses of the System's experience, and adopted by the Board of Trustees. The most recent analysis of the System's experience was performed in 2024 and new assumptions were adopted for the June 30, 2024 valuation. Assumptions from the 2024 experience study for the period July 1, 2018 to June 30, 2023 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, 2024, which computes the employer contribution for fiscal year 2026. As a result, an investment return assumption of 6.80% and an inflation assumption of 2.5% were used in the June 30, 2024, 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 tables:

Asset Class	2024	
	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	34.0%	6.9%
Private Equity	16.0	8.60
Rate Sensitive	20.0	2.60
Credit Opportunity	9.0	5.60
Real Assets	15.0	5.40
Absolute Return	6.0	4.40
Total	100.0%	

Asset Class	2023	
	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	34.0%	6.9%
Private Equity	16.0	8.60
Rate Sensitive	20.0	2.60
Credit Opportunity	9.0	5.60
Real Assets	15.0	5.40
Absolute Return	6.0	4.40
Total	100.0%	

MORGAN STATE UNIVERSITY

Notes to Financial Statements  
June 30, 2025 and 2024

10. PENSION AND OTHER POST EMPLOYMENT BENEFIT PLANS (continued)

Actuarial Assumptions (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, 2024.

For the years ended June 30, 2024 and 2023, the annual money-weighted rate of return on pension plan investments, net of the pension plan expense was 6.89% and 3.11%, 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 6.8% as of June 30, 2024 and 2023, respectively. This single discount rate was based on the expected rate of return on pension plan investments of 6.8% as of June 30, 2024, and 2023, 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, 2025 and 2024:

	2025		
	1% Decrease	Current Discount Rate	1% Increase
	5.80%	6.80%	7.80%
University's Proportionate Share	\$ 217,140,800	\$ 149,407,618	\$ 92,947,237

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/](http://www.sra.state.md.us/Agency/Downloads/CAFR/).

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 10. PENSION AND OTHER POST EMPLOYMENT BENEFIT 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, 2025 and 2024, were \$5,226,030 and \$4,869,141, 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](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 years ended June 30, 2025, 2024, and 2023 was \$8,322,742, \$9,685,136, and \$7,397,161, respectively.

The contribution recognized by the OPEB plan in relation to statutorily required employer contribution for the years ended June 30, 2025, 2024, and 2023 was \$8,322,742, \$9,685,136, and \$7,397,161, respectively.

Payroll for employees covered in OPEB for the years ended June 30, 2025, 2024, and 2023 was \$158,688,371, \$144,606,889, and \$127,842,912, respectively. The percentage amount of contributions recognized by the OPEB plan as related to the statutorily required employer contribution of covered-employee payroll is 5.245%, 6.698%, and 5.786%, respectively (See Schedule of Other Postemployment Benefits (OPEB) in the “Required Supplementary Information” section).

# **MORGAN STATE UNIVERSITY**

## **Notes to Financial Statements June 30, 2025 and 2024**

### **10. PENSION AND OTHER POST EMPLOYMENT BENEFIT PLANS (continued)**

#### **Morgan State University Section 457(f) Contingent Deferred Compensation Plan**

The University maintains an Internal Revenue Code (IRC) Section 457 plan (457 Plan), a defined contribution plan, for eligible employees as designated by the Board. Section 457 requires that the assets and income of the plans be held in trust for the exclusive benefit of participants and their beneficiaries. Employer contributions for the year ended June 30, 2025 and June 30, 2024 were \$126,000 and \$126,000, respectively.

### **11. 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 years ended June 30, 2025 and 2024. Settlement amounts have not exceeded insurance coverage levels for the years ended June 30, 2025, 2024, or 2023.

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 12. SERVICE CONCESSION ARRANGEMENTS

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. The University reports capital assets and deferred inflows of resources pursuant to the service concession agreement as follows as of June 30, 2025 and 2024:

	2025	2024
Buildings (Morganview SCA), Net of Depreciation	\$ 13,634,271	\$ 14,351,864
Deferred Inflow, Net of Amortization	13,634,271	14,351,864

The deferred inflow is recognized as revenue ratably over the 40-year term of the agreement.

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 is known as the "Thurgood Marshall Project".

The \$96 million Thurgood Marshall Project was 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, constructed and managed this property through contractual arrangements. The University will receive annual rent equal to net available cash flow beginning for the lease year ended June 30, 2024 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.

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 12. SERVICE CONCESSION ARRANGEMENTS (continued)

The \$96 million Thurgood Marshall Project was 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.

On November 1, 2022, the University amended its Lease Agreement with the Maryland Economic Development Corporation (MEDCO), for the construction of a privatized apartment building to be adjacent to the Thurgood Marshall Project. The student housing building, now called Legacy Hall, was initially opened for the students to occupy for the fall 2024 semester with 165 apartments. Legacy Hall, which includes 604 beds for student housing, is owned and operated by MEDCO until the related bonds are paid in full

The \$79.8 million Legacy Residential Hall was financed with tax-exempt bonds issued by MEDCO on November 9, 2022 and will mature fully by 2058.

MEDCO, subject to certain review and approval rights of the University, is managing the Thurgood Marshall Project and the Legacy Hall residential tower properties through contractual arrangements. The University will receive annual rent equal to net available cash flow paid from the surplus funds after permitted expenses are paid each year as outlined by the associated Bond Indentures. Once the Bonds are paid in full, each building 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.

The University reports capital assets and deferred inflows of resources pursuant to the service concession agreement as follows.

	2025	2024
Buildings (Thurgood Marshall SCA), Net of Depreciation	\$ 61,680,702	\$ 63,750,525
Deferred Inflow, Net of Amortization	61,680,702	63,336,561
	2025	2024
Buildings (Legacy SCA), Net of Depreciation	\$ 77,968,318	\$ -
Deferred Inflow, Net of Amortization	77,968,318	-

As of June 30, 2025 and 2024, the University had receivables of \$8,612,023 and \$2,193,517 outstanding from MEDCO, respectively as it relates to the above transactions.

	2025	2024
MEDCO Receivable	\$ 8,612,024	\$ 2,193,517

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 13. AUXILIARY ENTERPRISES

Auxiliary enterprises revenues for the years ended June 30, 2025 and 2024 were as follows:

		2025		
Auxiliary Enterprises Revenue Category	Gross Amount	Scholarship		Net Balance
		Allowances		
Residential Facilities	\$ 47,984,702	\$ 22,224,068		\$ 25,760,634
Intercollegiate Athletics	11,517,910	3,584,309		7,933,601
Student Center	5,566,051	1,709,821		3,856,230
Parking Facilities	1,325,639	351,982		973,657
Bookstore	666,227	-		666,227
Total	<u>\$ 67,060,529</u>	<u>\$ 27,870,180</u>		<u>\$ 39,190,349</u>

		2024		
Auxiliary Enterprises Revenue Category	Gross Amount	Scholarship		Net Balance
		Allowances		
Residential Facilities	\$ 45,120,739	\$ 18,977,391		\$ 26,143,348
Intercollegiate Athletics	11,130,769	3,420,414		7,710,355
Student Center	5,036,640	1,729,099		3,307,541
Parking Facilities	943,255	358,516		584,739
Bookstore	606,445	-		606,445
Total	<u>\$ 62,837,848</u>	<u>\$ 24,485,420</u>		<u>\$ 38,352,428</u>

# MORGAN STATE UNIVERSITY

## Notes to Financial Statements June 30, 2025 and 2024

### 14. 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, 2025 and 2024 by natural classification:

2025				
Functional Classification	Natural Classification			Total
	Payroll and Related Costs	Suppliers and Contractors	Depreciation/ Amortization	
Instruction	\$ 91,047,848	\$ 1,631,394	\$ 13,008,407	\$ 105,687,649
Grant	51,774,212	40,231,598	1,552,990	93,558,800
Public Service	282,403	41,424	150,150	473,977
Academic Support	35,007,693	9,599,034	5,549,289	50,156,016
Student Service	14,945,755	7,027,461	-	21,973,216
Institutional Support	56,337,382	27,856,538	3,836,997	88,030,917
Operation and Maintenance of Plant	22,265,405	25,629,303	1,797,134	49,691,842
Scholarships and Fellowships	1,104,175	16,945,993	-	18,050,168
Auxiliary Enterprises	22,440,054	28,797,843	26,999,506	78,237,403
Total Expenses	\$ 295,204,927	\$ 157,760,588	\$ 52,894,473	\$ 505,859,988

2024				
Functional Classification	Natural Classification			Total
	Payroll and Related Costs	Suppliers and Contractors	Depreciation/ Amortization	
Instruction	\$ 79,056,741	\$ 2,252,605	\$ 8,548,566	\$ 89,857,912
Grant	41,302,228	27,939,334	1,295,192	70,536,754
Public Service	229,393	117,761	150,150	497,304
Academic Support	29,874,059	9,325,195	5,707,765	44,907,019
Student Service	11,015,463	4,238,145	-	15,253,608
Institutional Support	46,436,841	25,506,227	3,456,338	75,399,406
Operation and Maintenance of Plant	18,640,964	19,177,676	1,897,117	39,715,757
Scholarships and Fellowships	-	14,167,035	-	14,167,035
Auxiliary Enterprises	18,449,841	34,685,878	23,373,022	76,508,741
Total Expenses	\$ 245,005,530	\$ 137,409,856	\$ 44,428,150	\$ 426,843,536

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."

## **REQUIRED SUPPLEMENTARY INFORMATION**

# MORGAN STATE UNIVERSITY

## Schedule of Proportionate Share of Net Pension Liability For the Maryland State Retirement and Pension System June 30, 2025 Last 10 Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
The University's Proportion of the System's Net Pension Liability	0.00613%	0.00469%	0.00459%	0.00422%	0.00426%	0.00382%	0.00422%	0.00352%	0.00349%	0.00347%
The University's Proportionate Share of the System's Net Pension Liability	\$ 149,407,618	\$ 107,956,878	\$ 91,807,432	\$ 63,300,372	\$ 85,852,242	\$ 78,493,621	\$ 83,001,543	\$ 71,857,509	\$ 77,422,295	\$ 67,805,629
State and Other Agencies Proportionate Share of the System's Net Pension Liability	24,228,156,563	21,321,221,410	18,559,986,013	13,871,527,695	21,006,672,769	19,206,756,940	19,591,032,654	20,318,346,203	22,096,034,108	19,468,527,051
Total State Net Pension Liability	<u>\$24,377,564,181</u>	<u>\$21,429,178,288</u>	<u>\$18,651,793,445</u>	<u>\$13,934,828,067</u>	<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>
The University's Covered Payroll	\$ 76,536,100	\$ 67,108,417	\$ 51,517,049	\$ 47,856,262	\$ 44,936,035	\$ 40,215,363	\$ 40,081,182	\$ 40,185,137	\$ 39,007,196	\$ 38,992,278
The University's Proportionate Share of the System's Net Pension Liability as a Percentage of its Covered Payroll	195.2120%	1.6087%	178.2100%	132.2700%	191.0500%	195.1800%	207.0800%	178.8200%	198.4800%	173.9000%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.21%	73.88%	71.75%	76.76%	66.29%	67.98%	68.36%	66.71%	62.97%	66.26%

The schedule is presented to illustrate the requirement to show information for 10 years.

See accompanying Notes to Required Supplementary Information

# MORGAN STATE UNIVERSITY

## Schedule of Contributions for the Pension Plan June 30, 2025 Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 18,617,649	\$ 15,724,235	\$ 13,914,910	\$ 10,724,829	\$ 10,080,992	\$ 9,123,226	\$ 7,849,256	\$ 7,803,727	\$ 8,097,317	\$ 6,916,260
Contributions in Relation to the Contractually Required Contribution	(18,617,649)	(15,724,235)	(13,914,910)	(10,724,829)	(10,080,992)	(9,123,226)	(7,849,256)	(7,803,727)	(8,097,317)	(6,916,260)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
University's Covered Payroll	\$ 85,838,173	\$ 76,536,099	\$ 67,108,417	\$ 51,517,049	\$ 47,856,262	\$ 44,936,035	\$ 40,215,363	\$ 40,081,182	\$ 40,185,137	\$ 39,007,196
Contributions as a Percentage of Covered Payroll	21.69%	20.54%	20.73%	20.82%	21.07%	20.30%	19.52%	19.47%	20.15%	17.73%

The schedule is presented to illustrate the requirement to show information for 10 years.

See accompanying Notes to Required Supplementary Information

# MORGAN STATE UNIVERSITY

## Schedule of Contributions for the Other Postemployment Benefits

June 30, 2025

Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Statutory Required Contributions	\$ 8,322,742	\$ 9,685,136	\$ 7,397,161	\$ 5,460,186	\$ 4,574,807	\$ 4,315,836	\$ 4,555,492	\$ 3,584,599	\$ 4,773,228
Contributions in Relations to Statutorily Required Contributions	(8,322,742)	(9,685,136)	(7,397,161)	(5,460,186)	(4,574,807)	(4,315,836)	(4,555,492)	(3,584,599)	(4,773,228)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
University's Covered-Employee Payroll	\$ 158,688,371	\$ 144,606,889	\$ 127,842,912	\$ 100,469,194	\$ 97,577,437	\$ 87,923,660	\$ 83,052,243	\$ 80,633,680	\$ 79,315,339
Contributions as a Percentage of Covered-Employee Payroll	5.245%	6.698%	5.786%	5.435%	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.

See accompanying Notes to Required Supplementary Information

## **MORGAN STATE UNIVERSITY**

### **Notes to Supplementary Information June 30, 2025 and 2024**

#### **NOTE 1 – CHANGES IN BENEFIT TERMS**

There were no benefit changes during the years 2015 through 2024.

#### **NOTE 2 – CHANGES IN ASSUMPTIONS**

Inflation assumptions were as follows:

- 6/30/2024 2.50%
- 6/30/2023 2.25%
- 6/30/2022 2.25%
- 6/30/2021 2.25%
- 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:

- 6/30/2024 6.80%
- 6/30/2023 6.80%
- 6/30/2022 6.80%
- 6/30/2021 6.80%
- 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%