



MARQUETTE UNIVERSITY

(E.I.N. 39-0806251)

Audit Reports in Accordance with *Government Auditing Standards*
and Uniform Guidance

June 30, 2023

(With Independent Auditors' Reports Thereon)

MARQUETTE UNIVERSITY

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Independent Auditors' Report

The Board of Trustees
Marquette University:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Marquette University, which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Marquette University as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated 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.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Supplementary Schedule of Financial Responsibility Data is presented for purposes of additional analysis as required by the US Department of Education, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Schedule of Financial Responsibility Data is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2023, except as to note 18, which is as of March 15, 2024 on our consideration of Marquette University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Marquette University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marquette University's internal control over financial reporting and compliance.

KPMG LLP

Milwaukee, Wisconsin

September 7, 2023 except as to note 18 and our report on the Supplementary Schedule of Financial Responsibility Data, which are as of March 15, 2024

MARQUETTE UNIVERSITY

Consolidated Statements of Financial Position

June 30, 2023 and 2022

(Dollars in thousands)

Assets	2023	2022
Cash and cash equivalents	\$ 73,438	117,434
Pledges receivable, net	74,623	75,146
Student accounts and loans receivable, net	44,146	47,064
Investments	1,078,672	1,037,512
Other assets	12,196	10,565
Right of use assets – operating leases, net	14,548	16,059
Property, buildings, and equipment, net	<u>657,440</u>	<u>635,440</u>
Total assets	\$ <u>1,955,063</u>	<u>1,939,220</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 65,328	74,088
Deferred revenue and deposits	41,360	41,379
Refundable federal loan grants	25,938	28,204
Lease obligation – operating	16,253	17,640
Notes and bonds payable, net	<u>336,616</u>	<u>353,468</u>
Total liabilities	<u>485,495</u>	<u>514,779</u>
Net assets:		
Without donor restrictions	460,212	401,593
With donor restrictions	<u>1,009,356</u>	<u>1,022,848</u>
Total net assets	<u>1,469,568</u>	<u>1,424,441</u>
Total liabilities and net assets	\$ <u>1,955,063</u>	<u>1,939,220</u>

See accompanying notes to consolidated financial statements.

MARQUETTE UNIVERSITY
Consolidated Statement of Activities

Year ended June 30, 2023

(Dollars in thousands)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Operating revenues:			
Student tuition and fees, net	\$ 249,121	—	249,121
Government and private grants	41,646	—	41,646
Contributions	6,761	59,761	66,522
Auxiliary enterprises	57,812	—	57,812
Sales by educational departments	10,957	—	10,957
Investment income	6,373	989	7,362
Endowment income used in operations	7,872	34,674	42,546
Other income	34,993	—	34,993
Net assets released from restrictions	50,908	(50,908)	—
Total operating revenues	<u>466,443</u>	<u>44,516</u>	<u>510,959</u>
Operating expenses:			
Instruction	156,941	—	156,941
Academic support and libraries	56,121	—	56,121
Research and grants	55,459	—	55,459
Student services	77,460	—	77,460
Auxiliary enterprises	44,696	—	44,696
Institutional support	57,431	—	57,431
Public services	5,561	—	5,561
Total operating expenses	<u>453,669</u>	<u>—</u>	<u>453,669</u>
Operating income	<u>12,774</u>	<u>44,516</u>	<u>57,290</u>
Nonoperating activities:			
Endowment loss in excess of amounts designated for current operations, net	(6,111)	(1,449)	(7,560)
Other, net	51,956	(56,559)	(4,603)
Total nonoperating activities, net	<u>45,845</u>	<u>(58,008)</u>	<u>(12,163)</u>
Change in net assets	58,619	(13,492)	45,127
Net assets, beginning of year	<u>401,593</u>	<u>1,022,848</u>	<u>1,424,441</u>
Net assets, end of year	<u>\$ 460,212</u>	<u>1,009,356</u>	<u>1,469,568</u>

See accompanying notes to consolidated financial statements.

MARQUETTE UNIVERSITY
Consolidated Statement of Activities
Year ended June 30, 2022
(Dollars in thousands)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Operating revenues:			
Student tuition and fees, net	\$ 250,872	—	250,872
Government and private grants	52,450	—	52,450
Contributions	6,051	86,569	92,620
Auxiliary enterprises	51,844	—	51,844
Sales by educational departments	10,541	—	10,541
Investment income	1,481	471	1,952
Endowment income used in operations	7,321	31,225	38,546
Other income	37,510	—	37,510
Net assets released from restrictions	36,411	(36,411)	—
Total operating revenues	<u>454,481</u>	<u>81,854</u>	<u>536,335</u>
Operating expenses:			
Instruction	155,620	—	155,620
Academic support and libraries	52,911	—	52,911
Research and grants	48,794	—	48,794
Student services	75,254	—	75,254
Auxiliary enterprises	45,589	—	45,589
Institutional support	58,255	—	58,255
Public services	5,314	—	5,314
Total operating expenses	<u>441,737</u>	<u>—</u>	<u>441,737</u>
Operating income	<u>12,744</u>	<u>81,854</u>	<u>94,598</u>
Nonoperating activities:			
Endowment loss in excess of amounts designated for current operations, net	(37,945)	(39,963)	(77,908)
Other, net	(5,083)	(2,782)	(7,865)
Total nonoperating activities, net	<u>(43,028)</u>	<u>(42,745)</u>	<u>(85,773)</u>
Change in net assets	(30,284)	39,109	8,825
Net assets, beginning of year	<u>431,877</u>	<u>983,739</u>	<u>1,415,616</u>
Net assets, end of year	<u>\$ 401,593</u>	<u>1,022,848</u>	<u>1,424,441</u>

See accompanying notes to consolidated financial statements.

MARQUETTE UNIVERSITY
Consolidated Statements of Cash Flows
Years ended June 30, 2023 and 2022
(Dollars in thousands)

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 45,127	8,825
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	38,803	39,142
Discount amortization	(2,335)	(1,554)
Net realized and unrealized loss (gain) on investments	(30,209)	39,314
Bad debt expense	2,055	2,002
Contributions for major capital projects including gifts in kind	(23,741)	(43,196)
Contributions restricted for long-term endowments	(17,235)	(34,953)
Endowment income used in operations from net assets to be maintained permanently	(186)	(173)
Loss on sale of property, buildings, and equipment	1,061	61
Reduction in carrying amount of right to use assets	124	161
Changes in assets and liabilities:		
Student accounts and loans receivable	(799)	(7,445)
Pledges receivable	(5,581)	1,269
Other assets, net	(1,631)	(1,974)
Accounts payables and other liabilities	(11,554)	(13,891)
Deferred revenue and deposits	(18)	(7,434)
Net cash (used in) operating activities	(6,119)	(19,846)
Cash flows from investing activities:		
Purchases of property, buildings, and equipment	(63,437)	(56,209)
Proceeds from sale of property, buildings, and equipment	5,206	7,826
Student loans repayments	5,029	5,028
Student loans issued	(2,183)	(1,611)
Purchase of investments	(145,505)	(240,292)
Proceeds from the sale of investments	134,554	235,464
Net cash (used in) investing activities	(66,336)	(49,794)
Cash flows from financing activities:		
Contributions received for major capital projects	22,901	43,196
Proceeds from contributions restricted for long-term endowments	22,155	45,743
Endowment income used in operations from net assets to be maintained permanently	186	173
Decrease in refundable federal loan grants	(2,266)	(3,987)
Issuance of notes and bonds payable	64,943	—
Repayment of notes and bonds payable	(79,460)	(9,316)
Net cash provided by financing activities	28,459	75,809
Net increase (decrease) in cash, cash equivalents and restricted cash	(43,996)	6,169
Cash, cash equivalents and restricted cash, beginning of year	117,434	111,265
Cash, cash equivalents and restricted cash, end of year	\$ 73,438	117,434
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 14,421	14,381
Change in construction payables	2,585	(1)
Capital gifts in kind	840	—

See accompanying notes to consolidated financial statements.

MARQUETTE UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

(1) Summary of Significant Accounting Policies

(a) Organization

Marquette University (the university) is an independent, coeducational, not-for-profit institution of higher learning and research located in Milwaukee, Wisconsin, formally opened in 1881 and conducted under the auspices of the Society of Jesus. The university provides education and training services, primarily for students enrolled in undergraduate, graduate, and professional degree programs and performs research, training and other services under grants, contracts and other agreements with sponsoring organizations, including both government agencies and private enterprises.

The consolidated financial statements include Flora Real Properties LLC (Flora). Flora is fully controlled by the university through 100% ownership. Flora operates commercial real estate activities in the university campus area.

(b) Basis of Presentation

The consolidated financial statements of the university have been prepared in conformity with U.S. generally accepted accounting principles (GAAP).

The accompanying consolidated financial statements present information regarding the university's financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

(i) Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions.

(ii) With Donor Restrictions

Net assets that are subject to donor restrictions that will be met either by actions of the university or the passage of time. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the university, wherein the donor stipulates that the corpus of the gift be held in perpetuity and the income from those assets be made available for scholarships or program operations.

(c) Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses during the reporting period as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

Cash equivalents with original maturities of three months or less are classified as cash and cash equivalents, except those amounts held by investment managers, which are classified as investments. The fair value of cash equivalents is estimated to be the same as book value due to the short maturity of these instruments.

MARQUETTE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2023 and 2022
(Dollars in thousands)

(e) Pledges Receivable, Net

Unconditional promises to give are recognized initially at fair value as contribution revenue in the period a donor makes the promise. The fair value of the pledge is estimated based on anticipated future cash payments discounted using a risk-adjusted rate commensurate with the duration of the planned payments. In subsequent periods, the discount rate is unchanged. Pledges receivable are net of an allowance for uncollectible amounts. Allowance for uncollectible pledges is calculated based upon the university's past collection experience. The allowance is reassessed and adjusted as necessary. Balances are written off when they are deemed permanently uncollectible.

(f) Student Accounts and Loans Receivable, Net

At June 30, student accounts and loans receivable consisted of the following:

	<u>2023</u>	<u>2022</u>
Federal government loan programs	\$ 19,993	22,855
Institutional loan programs	1,822	1,701
Student receivables	8,816	7,823
Grants receivables	9,315	15,386
Other receivables	<u>8,287</u>	<u>2,556</u>
Subtotal	48,233	50,321
Less allowances for doubtful accounts	<u>(4,087)</u>	<u>(3,257)</u>
Student accounts and loans receivable, net	<u>\$ 44,146</u>	<u>47,064</u>

The university records an allowance for uncollectible accounts when, in management's judgment, it is probable a portion of the receivable or loan will not be collected. Allowances for doubtful accounts are established based on prior collections. Balances are written off when they are deemed permanently uncollectible.

(g) Investments

Investments are reported at fair value based on market quotes with unrealized gains and losses thereon included in the consolidated statements of activities. For alternative investments, the net asset value is used as a practical expedient in estimating fair value, based on information provided by fund managers or general partners. The estimated values are reviewed and evaluated by the university. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed.

(h) Property, Buildings, and Equipment, Net

Property, buildings, and equipment are recorded at cost at the date of acquisition or fair value at the date of donation including, where appropriate, capitalized interest. Property and equipment under capital leases are initially valued and recorded on the present value of minimum lease payments. The university depreciates buildings, building improvements, land improvements, equipment, library

MARQUETTE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2023 and 2022
(Dollars in thousands)

contents, and eBooks over the estimated useful lives of the assets (25 to 50, 10 to 20, 10 to 20, 5 to 7, 20 and 20 years, respectively) using the straight-line method. Leasehold improvements are amortized over the shorter of the expected useful life of the asset or term of the related lease.

Property, buildings, and equipment include the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land and improvements	\$ 48,971	51,423
Buildings and improvements	899,764	853,897
Construction in progress	42,955	52,994
Furniture, fixtures, and equipment	175,840	174,730
Library contents	125,652	124,735
eBooks and other intangibles	40,668	31,541
Less accumulated depreciation	<u>(676,410)</u>	<u>(653,880)</u>
Property, buildings, and equipment, net	<u>\$ 657,440</u>	<u>635,440</u>

Construction in progress includes the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
O'Brien Hall	\$ —	37,716
New home for the College of Nursing	18,110	3,279
Wellness + Recreation	11,010	1,445
Information technology infrastructure upgrade	2,334	783
Lemonis Student Success Center	1,322	143
Athletic and Human Performance Research Center II	1,249	—
Dental clinic remodel	1,268	1,352
Utility infrastructure upgrade	1,139	—
Other renovation and construction projects	<u>6,523</u>	<u>8,276</u>
Total construction in progress	<u>\$ 42,955</u>	<u>52,994</u>

Long-lived assets such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

Capital gifts to acquire or construct long-lived assets are recorded as a gift with donor restrictions until the related asset is placed in service, at which time the capital gift is released from net assets with donor restrictions to net assets without donor restrictions as other non-operating activity and subsequently amortized into operations over the estimated useful life of the acquired or constructed asset. This amortization, which amounted to \$7,957 in fiscal year 2023 and \$6,668 in fiscal year 2022, is recorded as a reclassification between non-operating and operating sections of the changes in net assets without donor restrictions in the consolidated statement of activities.

MARQUETTE UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

(i) Refundable Federal Loan Grants

The university participates in the Perkins, Health Professionals Student, Nursing Student, Nurse Faculty, ARRA-Nurse Faculty, and Loans for Disadvantaged Student federal revolving loan programs. The university holds certain amounts advanced from the federal government to facilitate these loan programs. In the event the university no longer participates, the amounts related to the program are generally refundable to the government.

(j) Student Tuition and Fees

Student tuition revenue is recognized in the fiscal year in which the academic programs are delivered. Scholarships reduce the amount of revenue recognized. The university provided student tuition discounts of \$199,032 and \$197,062 in 2023 and 2022, respectively. Students who withdraw may receive a full or partial refund in accordance with the university's refund policy.

Deferred tuition revenue and deposits represents payments for summer term courses conducted in July and August along with deposits for the fall academic term.

The following tables depict activities for student – related deferred revenue.

	Balance at June 30, 2022	Revenue recognized	Cash received in advance of performance	Accounts receivable for summer courses	Balance at June 30, 2023
\$	9,746	9,746	9,115	480	9,595

	Balance at June 30, 2021	Revenue recognized	Cash received in advance of performance	Accounts receivable for summer courses	Balance at June 30, 2022
\$	9,271	9,271	9,259	487	9,746

The balance of deferred tuition revenue at June 30, 2023, will be recognized as revenue in the year ending June 30, 2024, as services are rendered.

(k) Auxiliary Enterprises

Auxiliary enterprises include revenues and expenses of the university for room and board, parking services, commercial property rentals and gift shops.

(l) Contributions

Contributions, including unconditional promises to give (pledges), are recorded as operating revenue. Gifts, excluding artwork, are recognized in the appropriate category of net assets in the period

MARQUETTE UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

received. Contributions are recorded at their estimated fair value at the date the gift is received. Contributions receivable due beyond one year are stated at estimated net present value, net of an allowance, and recorded as net assets with donor restrictions until cash payments are received and donor restrictions are fulfilled. Allowances and revisions to previous year contributions based on donor amendments or clarifications of intent are reflected within the consolidated statements of activities as a nonoperating item. Contributions with donor-imposed conditions are not recognized unless it is reasonably expected that the conditions can be met.

(m) Operating Income

Operating results in the consolidated statement of activities reflect all transactions that change net assets without donor restrictions, except for activity associated with endowment investments and certain other nonrecurring transactions, including adjustments to allowance for uncollectible contributions, changes due to adopting new accounting guidance, and other gains and losses. In accordance with the university's endowment distribution policy as described in note 4, only the portion of total investment return distributed under this policy to meet operating needs is included in operating revenue. Operating investment income consists of dividends, interest, and realized gains and losses on unrestricted non-endowed investments.

(n) Income Taxes

The university is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and Section 71.26(1)(a) of the Wisconsin statutes and is generally not subject to federal and state income taxes. However, the university is subject to income taxes on any income that is derived from a trade or business regularly carried on, and not in furtherance of the purposes for which it was granted exemption.

There was no provision for income taxes due on unrelated business income and there are no uncertain tax positions considered to be material.

As of June 30, 2023, the university has a federal tax credit carryforward of \$2,046, which expires between fiscal years 2033 and 2041.

(o) Post-retirement Benefits

The university provides retired employees access to certain healthcare and life insurance benefits. University employees become eligible to access these benefits when their years of service plus age equal 70 with a minimum age of 55. Qualified retired employees under the age of 65 are eligible to participate in the university's healthcare plan. Retirees are expected to pay the full cost of their premiums, based on the claims experience associated with that defined group of retired employees. The university also pays group life insurance premiums for active or future retired employees hired prior to February 1, 1982, that provide for limited death benefits. The premiums paid are based on the group community rate associated with death claims filed for the entire population of employees and retirees participating in the program. As of June 30, 2023 and 2022, the university had post-retirement benefits payable of \$3,613 and \$4,906, respectively.

MARQUETTE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2023 and 2022
(Dollars in thousands)

(p) Art Collection

The university has various collections of fine arts and rare books in museums, libraries, and on loan. The university does not assign or record a value to art works and other collections received as gifts or purchased with contributions restricted for that purpose. Valuations for some collections are updated periodically, and as such, the total of all fine arts may vary with appraisals and / or auction prices. Accordingly, the values of fine art and other collections have been excluded from the consolidated statements of financial position. Proceeds, if any, deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. The art and other collections are subject to a requirement that proceeds from their sales be used to acquire other items for the collections. Fine arts are included in insurance coverage for the university property and a separate policy is also secured for fine art of high value and where appraised values are listed. As of June 30, 2023, the specific policy covering highly valued works provides for insured coverage of \$100,000 aggregate limit (subject to policy sublimit including \$3,000 for the Joan of Arc Chapel) for any one loss or any one occurrence and includes some appraised items from the library collections.

(t) Reclassifications

Certain amounts in the 2022 net asset footnote have been reclassified to conform to the 2023 presentation.

(2) Availability of Financial Assets for General Expenditures

Resources available to the university to fund general expenditures, such as operating expenses, scheduled principal payments on debt, and internally funded capital costs have seasonal variations related to the timing of tuition payments, receipts of gifts and pledge payments, and transfers from the endowment. The university actively manages its resources, utilizing a combination of short-term and long-term operating investment strategies to align cash inflows with anticipated outflows. At June 30, 2023, existing financial assets and liquidity resources available within one year were as follows:

Financial assets:	
Cash and cash equivalents	\$ 73,438
Accounts receivable	22,434
Pledges payments available for operations	6,795
Working capital investments	150,999
Endowment spending payout	<u>42,360</u>
Total financial assets available within one year	296,026
Liquidity resources:	
Bank line of credit	<u>50,000</u>
Total financial assets and liquid resources available within one year	<u>\$ 346,026</u>

MARQUETTE UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

Additionally, the university has \$112,551 in board designated funds functioning as endowment of which \$84,027 could be liquidated within one year with Board approval, however no liquidation is anticipated as of June 30, 2023. The university's investment policy follows Wisconsin's Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which requires institutions to maintain intergenerational equity, meaning the university must make efforts to preserve purchasing power of the endowment for both current and future generations served by the university.

(3) Investments

A summary of the university's investment return net of expenses is presented below for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 15,068	6,891
Gain (loss) on investments, net	<u>27,280</u>	<u>(44,300)</u>
Return on investments	<u>\$ 42,348</u>	<u>(37,409)</u>

The fair value of the university's financial instruments is determined using the valuation methods and assumptions as set forth below. While the university believes that its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value at the reporting date.

Fair values of cash and cash equivalents are based on observable market quotation prices provided by investment managers and the custodian bank at the reporting date.

Investments include money funds, federal, state, local agency, nongovernment, asset and mortgage-backed and foreign fixed income securities, stocks, mutual funds, commingled funds, real estate, multi-strategy hedge funds and private equity partnership and membership interests. Investments are based on valuations provided by external investment managers and the custodian banks. Valuations provided by external investment managers and the custodian bank include observable market quotation prices, observable inputs other than quoted prices such as price services or indexes, estimates, appraisals, assumptions and other methods that are reviewed by management. Real estate, multi-strategy hedge funds, commingled funds and private equity partnerships are valued using net asset value; however, it is possible that the redemption rights of certain investments may be restricted by the funds in the future in accordance with the underlying fund agreements. Changes in market conditions and the economic environment may impact the net asset value of the funds and consequently the fair value of the university's interests in the funds.

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Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Observable inputs such as quoted prices in active markets that the university has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices in active markets such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs where there is little or no market data and requires the reporting entity to develop its own assumptions and includes funds held in trust by others.

The university's policy is to reflect transfers between levels at the end of the year in which a change in circumstances results in the transfer.

The following table presents the university's financial instruments at fair value as of June 30, 2023. The categorization of financial instruments within the hierarchy is based on price transparency and does not necessarily correspond to the perceived risk of the instruments.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2023:				
Assets:				
Recurring:				
Cash and cash equivalents	\$ 73,438	73,438	—	—
Investments:				
Money funds and other	33,972	33,972	—	—
Federal, state, and local				
agency securities	542	—	542	—
Nongovernment bonds and notes	254	—	254	—
Asset and mortgage-backed				
securities	644	—	644	—
Foreign bonds and notes	125	—	125	—
Common and preferred stocks	51,162	51,162	—	—

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	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds – bonds	\$ 235,580	235,580	—	—
Mutual funds – equity	115,238	115,238	—	—
Investments measured at net asset value	<u>641,155</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total investments	<u>1,078,672</u>	<u>435,952</u>	<u>1,565</u>	<u>—</u>
Total assets measured at fair value on recurring basis	<u>\$ 1,152,110</u>	<u>509,390</u>	<u>1,565</u>	<u>—</u>

Certain investment companies and partnerships in which the university has invested have imposed restriction as to the frequency at which the university might redeem, in part or whole, its investment. Redemption frequencies can vary based on several criteria, including the liquidity of an investment company's underlying investments or initial investment lockup periods. Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2023, are as follows:

<u>Fiscal year ended June 30, 2023</u>	<u>Net assets value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Commingled funds	\$ 105,375	—	Weekly, Monthly, Annually	10–30 days
Multi-strategy hedge funds	308,404	—	Quarterly, Semi-annually, Annually, 2 years, 3 years, Liquidating	45–90 days
Private equity partnerships	208,251	62,518	Illiquid	
Real estate limited partnership and membership interests	<u>19,125</u>	<u>8,330</u>	Illiquid	
	<u>\$ 641,155</u>	<u>70,848</u>		

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The following table presents the university's financial instruments at fair value as of June 30, 2022. The categorization of financial instruments within the hierarchy is based on price transparency and does not necessarily correspond to the perceived risk of the instruments.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2022:				
Assets:				
Recurring:				
Cash and cash equivalents	\$ 117,434	117,434	—	—
Investments:				
Money funds and other	32,200	32,200	—	—
Federal, state, and local agency securities	585	—	585	—
Nongovernment bonds and notes	256	—	256	—
Asset and mortgage-backed securities	684	—	684	—
Foreign bonds and notes	125	—	125	—
Common and preferred stocks	46,284	46,284	—	—
Mutual funds – bonds	230,636	230,636	—	—
Mutual funds – equity	105,853	105,853	—	—
Investments measured at net asset value	<u>620,889</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total investments	<u>1,037,512</u>	<u>414,973</u>	<u>1,650</u>	<u>—</u>
Total assets measured at fair value on recurring basis	<u>\$ 1,154,946</u>	<u>532,407</u>	<u>1,650</u>	<u>—</u>

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Certain investment companies and partnerships in which the university has invested have imposed restriction as to the frequency at which the university might redeem, in part or whole, its investment. Redemption frequencies can vary based on several criteria, including the liquidity of an investment company's underlying investments or initial investment lockup periods. Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2022, are as follows:

<u>Fiscal year ended June 30, 2022</u>	<u>Net assets value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Commingled funds	\$ 101,135	—	Weekly, Monthly, Annually	10–30 days
Multi-strategy hedge funds	277,565	—	Quarterly, Semi-annually, Annually, 2 years, 3 years, Liquidating	45–90 days
Private equity partnerships	221,939	67,478	Illiquid	
Real estate limited partnership and membership interests	<u>20,250</u>	<u>11,439</u>	Illiquid	
	<u>\$ 620,889</u>	<u>78,917</u>		

(4) Endowment

(a) Interpretation of Relevant Law Governing Endowments

The State of Wisconsin enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) on July 20, 2009. This law provides, among other things, expanded spending flexibility by allowing, subject to a standard of prudence, the university to spend from an endowment fund without regard to the book value of the corpus. The university classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Also included in net assets with donor restrictions is accumulated appreciation on endowment funds which are available for expenditure in a manner consistent with the standard of prudence established by UPMIFA.

(b) Underwater Endowment Funds

From time to time, the value of assets associated with a permanently restricted fund may fall below the historical cost. Deficiencies of this nature are reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market conditions that occurred after the investment of endowed contributions and from appropriations to certain programs. As of June 30, 2023 and 2022, funds with fair market values of \$32,867 and \$33,873, and original gift values of \$35,738 and \$36,466, were underwater by \$2,871 and \$2,593, respectively.

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(c) Endowment Spending Policy

The primary objective of the spending policy is to provide a steady cash flow stream while at the same time protecting the purchasing power of the endowment fund's principal. Adopting the target rate approach provides the university with a level-spending plan. Spending allotments will begin with the flat amount allocated to each individual endowment fund balance as of June 30, 2004, that may grow each year by an inflationary amount not to exceed 3%. Spending allotments will be increased by new gift additions to the individual endowment funds receiving spending authority equal to 5% of the new gift amount.

Compliant with UPMIFA, the university will be allowed to prudently withdraw spendable funds even if an endowment's market value is less than its historical book value. Any "return" that is not required to meet spending shall be retained in the endowment funds and invested in accordance with the investment policy statement.

A risk control mechanism will be employed that keeps spending within a range of 4 – 6% of market value in order for the asset allocation policy to work with a minimum target rate of return of 8% (5% average spending and 3% inflation).

(d) Endowment Investment Policy

The endowment fund's investment objective is to preserve its purchasing power while providing a continuing and stable funding source to support the overall mission of the university. To accomplish this objective, the endowment fund seeks to generate a total return that will exceed its annual spendable amount, all expenses associated with managing the endowment fund, and the eroding effects of inflation. It is the intention that any excess return (interest income, dividends, realized gains, and unrealized gains), above and beyond the amount approved for expenditure or distribution, will be reinvested in the endowment fund. The endowment fund will be managed on a total return basis, consistent with the applicable standard of conduct set forth in UPMIFA.

The endowment fund has a long-term investment horizon with relatively low liquidity needs. For this reason, the endowment fund can tolerate short- and intermediate-term volatility provided that long-term returns meet or exceed its investment objective. Consequently, the endowment fund may take advantage of less liquid investments, such as private equity, hedge funds, and other partnership vehicles, which typically offer higher risk-adjusted return potential as compensation for forfeiture of liquidity. To ensure adequate liquidity for distributions and to facilitate rebalancing, the university will conduct ongoing reviews of total fund liquidity.

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Endowment net assets without donor restriction are “Investments functioning as endowment” that are not permanently restricted by donors but are designated by the university for endowment purposes. The following represents the composition and changes in endowment net assets for the year ended June 30, 2023:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 117,537	776,589	894,126
Investment return:			
Investment loss	—	(124)	(124)
Endowment income used for spending policy	7,872	34,674	42,546
Net realized and unrealized losses	<u>(7,097)</u>	<u>(2,045)</u>	<u>(9,142)</u>
Total investment return	775	32,505	33,280
Appropriation of endowment assets for expenditure	(7,872)	(34,488)	(42,360)
Contributions	<u>2,111</u>	<u>17,235</u>	<u>19,346</u>
Endowment net assets, end of year	\$ <u>112,551</u>	<u>791,841</u>	<u>904,392</u>

The following represents the composition and changes in endowment net assets for the year ended June 30, 2022:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 151,782	777,217	928,999
Investment return:			
Investment loss	—	(29)	(29)
Endowment income used for spending policy	7,321	31,225	38,546
Net realized and unrealized losses	<u>(34,325)</u>	<u>(35,725)</u>	<u>(70,050)</u>
Total investment return	(27,004)	(4,529)	(31,533)
Appropriation of endowment assets for expenditure	(7,321)	(31,052)	(38,373)
Contributions	<u>80</u>	<u>34,953</u>	<u>35,033</u>
Endowment net assets, end of year	\$ <u>117,537</u>	<u>776,589</u>	<u>894,126</u>

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(5) Irrevocable Split-Interest Agreements and Funds Held in Trust by Others

The university's split-interest agreements with donors consist primarily of charitable gift annuities, pooled income funds, and charitable remainder trusts for which the university serves as trustee. Assets held in these trusts are included in investments. Contribution revenues are recognized at the date the trusts are established after recording liabilities for the present value of the estimated future payments to be made to the donors or other beneficiaries. Annuity and other split-interest liabilities are recorded at their present value, using a risk-adjusted discount rate and, if applicable, the estimated life expectancy of the donor or other beneficiaries.

The university is the beneficiary of trusts that, in accordance with the decedent's instructions, are managed and maintained by separate trustees not affiliated with the university. The university receives distributions from the trusts. The fair value of the trusts was \$26,010 and \$24,572 at June 30, 2023 and 2022, respectively, and are included in investments on the consolidated statement of financial position.

For those agreements where the university does not serve as trustee but is designated as an irrevocable beneficiary of the trust, restricted funds held in trust and revenue are recognized for the present value of the estimated future benefits due to the university over the life of the trust and when the trust is distributed. The present value calculation of the trust considers both the discount rate and, if applicable, the estimated life expectancy of the trust originator.

(6) Pledges Receivable, Net

Pledges receivable expected to be collected within one year are recorded at net realizable value. Pledges receivable expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using an appropriate risk-free rate of return on the date the promise to give is received. Amortization of the discount is included in contribution revenues.

As of June 30, 2023, and 2022, the contributions receivable is due as follows:

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 34,834	35,499
Two to five years	44,310	42,822
Over five years	<u>5,641</u>	<u>5,973</u>
Subtotal	84,785	84,294
Less unamortized discount	(3,447)	(2,166)
Allowance for uncollectible accounts	<u>(6,715)</u>	<u>(6,982)</u>
Pledges receivable, net	<u>\$ 74,623</u>	<u>75,146</u>

In addition, the university has received certain conditional promises to give that are in the form of revocable trusts, bequests and pledges. As of June 30, 2023 and 2022, the fair value of these conditional promises is approximately \$187,176 and \$165,363, respectively. These amounts can be recognized as revenue in the periods in which the conditions are fulfilled.

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(7) Leases

The university has operating leases, primarily for athletic facility use, clinic space, office space and vehicles, which expire over the next twelve years. Some leases contain renewal options. For instances where it is probable that the university will renew, the renewal period is included in the lease period and calculations. Certain leases include payment escalators based on stated rates. Variable lease payments based on stated rates such as mileage or sales volume are not included in the calculation of lease liabilities and right-of-use (ROU) assets but, rather, are recognized during the year incurred. The present value of the lease obligation is determined using a discount rate equal to the interest rate implicit in the lease or, if unavailable, the university's incremental borrowing rate is used. Included in ROU calculations are adjustments to lease payments made as a result of COVID-19 economic impact.

The components of operating lease costs for the fiscal year ended June 30, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Operating lease costs	\$ 1,860	1,903
Variable lease costs	<u>476</u>	<u>449</u>
Total lease costs	<u>\$ 2,336</u>	<u>2,352</u>

Amounts reported in the consolidated statements of financial position as of June 30, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Operating lease ROU assets net of amortization	\$ 14,548	16,059
Operating lease liabilities	16,253	17,640

Other information related to operating leases as of June 30, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Weighted-average remaining lease term in years	9.9	10.6
Weighted-average discount rate	2.28 %	2.27 %

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Maturities of the operating leases as of June 30, 2023, are as follows:

2024	\$	1,797
2025		1,765
2026		1,814
2027		1,701
2028		1,755
Thereafter		<u>9,652</u>
Operating lease liabilities – undiscounted		18,484
Impact of present value discount		<u>(2,231)</u>
Operating lease liabilities	\$	<u><u>16,253</u></u>

(8) Notes and Bonds Payable, Net

As of June 30, 2023, and 2022, notes and bonds payable consisted of the following:

	<u>2023</u>	<u>2022</u>
Revenue Bonds, Series 2012, payable with fixed interest rates ranging from 2.00% to 5.00%, maturing through 2032	\$ —	67,665
Revenue Bonds, Series 2016, payable with fixed interest rates ranging from 4.00% to 5.00%, maturing through 2047	73,040	74,985
Revenue Bonds, Series 2019, payable with fixed interest rate of 5.00%, maturing through 2033	35,415	38,295
Revenue Bonds, Series 2020, payable with fixed interest rates ranging from 1.00% to 4.00%, maturing through 2050	150,000	150,000
Revenue Bonds, Series 2022, payable with fixed interest rate of 5.00%, maturing through 2050	56,590	—
Other long-term payables with variable interest rates, maturing through 2024	<u>319</u>	<u>565</u>
Subtotal	315,364	331,510
Unamortized premiums, discount and issuance costs	<u>21,252</u>	<u>21,958</u>
Notes and bonds payable, net	\$ <u><u>336,616</u></u>	<u><u>353,468</u></u>

Notes are issued under the Master Indenture and are equally and ratably secured by any lien created under the Master Indenture.

The notes and bonds payable are subject to various covenants. Management confirms the university is in compliance with all covenants as of and for the years ended June 30, 2023 and 2022.

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Maturities of notes and bonds payable based on scheduled repayments at June 30, 2023, are as follows:

Fiscal Year 2024	\$	13,289
Fiscal Year 2025		13,510
Fiscal Year 2026		14,105
Fiscal Year 2027		14,730
Fiscal Year 2028		15,390
Thereafter		<u>244,340</u>
Total	\$	<u><u>315,364</u></u>

As of June 30, 2023, the university has two secured letters of credit with banks under which it may borrow up to \$3,101. There were no borrowings outstanding under these letters of credit as of June 30, 2023 and 2022.

As of June 30, 2023, the university has a \$50,000 line of credit with a bank. There were no borrowings outstanding under this line of credit as of June 30, 2023 and 2022.

(9) Restricted Cash and Investments

The composition of assets restricted to investment in land, buildings and equipment as of June 30, 2023 and 2022 is shown below.

		<u>2023</u>	<u>2022</u>
Restricted cash	\$	12,823	31,182
Contributions receivable		42,327	39,694
Investments		<u>26,367</u>	<u>16,760</u>
Total assets restricted for investment in land, building and equipment	\$	<u><u>81,517</u></u>	<u><u>87,636</u></u>

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statement of financial position that sum to the total of same amounts shown in the consolidated statements of cash flows as of June 30:

		<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$	60,615	86,252
Restricted cash included in assets restricted to investment in land, buildings and equipment		<u>12,823</u>	<u>31,182</u>
Total cash, cash equivalents, and restricted cash shown in the consolidated statement of cash flows	\$	<u><u>73,438</u></u>	<u><u>117,434</u></u>

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Assets restricted to investment in land, buildings and equipment include restricted cash equivalents received with a donor-imposed restriction that limits the use of that cash to long-term purposes.

(10) Retirement Plan

All eligible full-time and part-time personnel who meet the waiting period criteria, may elect to participate in a defined contribution individual retirement plan. Under the provisions of the plan in order to receive the university's matching contribution, participants are required to contribute 5% of their annual wages to the plan. The university has neither administrative responsibilities nor any financial liabilities under this plan except to make contributions, currently limited to 8% of the annual wages of participants, up to defined limits. In addition, voluntary contributions by participants may be made subject to Internal Revenue Service limitations. Payments for contributions to this plan totaled \$11,554 and \$11,354 in fiscal years 2023 and 2022, respectively.

(11) Self-Funded Health, Dental and Vision Benefit Plans

The university has self-funded benefit plans covering all active and certain retired employees' health, dental and vision costs. The university's plans are protected against catastrophic losses through excess stop loss insurance. Excess stop loss provides reimbursement to the university when combined eligible claims for members are above \$375 and \$300. Claims paid under the plans for fiscal years 2023 and 2022 totaled \$27,839 and \$27,222, respectively. The university has also contracted with third party administrators to provide administrative services for the plans. Accrued liabilities include an estimate of the university's liability for claims incurred but not paid through June 30, 2023 and 2022.

(12) Net Assets

Net assets consist of the following as of June 30, 2023 and 2022:

	2023	2022
Without donor restrictions:		
Board designated endowments	\$ 112,551	117,537
Other net assets without donor restrictions	347,661	284,056
Total without donor restrictions	460,212	401,593
With donor restrictions:		
Amounts with time and purpose restrictions:		
Academic support, instruction and student services	240,402	235,808
Pledges receivable, net	56,146	53,001
Scholarships	109,309	112,140
Life income and annuity funds	2,630	2,577
Physical assets	17,384	55,998
Total net assets with time and purpose restrictions	425,871	459,524

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	2023	2022
Amount with perpetual restrictions:		
Academic support, instruction and student services	\$ 217,934	211,570
Pledges receivable, net	15,467	19,088
Scholarships	347,641	330,241
Life income and annuity funds	2,443	2,425
Total net assets with permanent restrictions	583,485	563,324
Total with donor restrictions	1,009,356	1,022,848
Total net assets	\$ 1,469,568	1,424,441

(13) Commitments and Contingencies

The university is involved in various litigation arising in the normal course of operations. On the basis of information presently available and the advice of legal counsel, management is of the opinion that any liability, to the extent not provided for through reserves or otherwise, for pending litigation is not expected to be material in relation to the university's financial position or activities.

As of June 30, 2023, the university has outstanding commitments for the following construction projects:

New home for College of Nursing	\$	37,691
Wellness + Recreation		8,511
Lemonis Student Success Center		5,400
Athletic and Human Performance Research Center II		4,060
Dental clinic remodel		1,881
Total	\$	57,543

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(14) Expenses

The university's primary programs are instruction, research, and public service. Academic support and libraries, student services, and auxiliary enterprises are considered integral to the delivery of these programs. Athletics expenses are included in student services. Costs related to the operation and maintenance of physical plant, including depreciation of plant assets, are allocated to operating programs and supporting activities based upon square footage. Interest expense on external debt is allocated to the activities that have most directly benefited from the debt proceeds. Natural expenses allocated by function for the years ended June 30, 2023 and 2022 are as follows:

	2023					
	Supplies, repairs, utilities and other		Interest	Depreciation	Operations and maintenance	Total
	Compensation	and other				
Instruction	\$ 113,656	15,604	1,678	14,723	11,280	156,941
Academic support and libraries	29,265	12,232	900	6,092	7,632	56,121
Research and grants	31,529	21,775	—	2,018	137	55,459
Student services	36,307	30,104	178	4,085	6,786	77,460
Auxiliary enterprises	6,085	23,070	3,241	6,735	5,565	44,696
Institutional support	41,507	9,009	3,238	2,284	1,393	57,431
Public services	4,733	710	3	—	115	5,561
Operations and maintenance	9,842	19,617	583	2,866	(32,908)	—
Total operating expenses	\$ 272,924	132,121	9,821	38,803	—	453,669

	2022					
	Supplies, repairs, utilities and other		Interest	Depreciation	Operations and maintenance	Total
	Compensation	and other				
Instruction	\$ 111,956	16,322	2,569	13,462	11,311	155,620
Academic support and libraries	28,076	11,029	514	6,110	7,182	52,911
Research and grants	29,017	17,857	—	1,778	142	48,794
Student services	34,583	26,990	385	4,894	8,402	75,254
Auxiliary enterprises	6,357	22,506	4,448	6,931	5,347	45,589
Institutional support	39,918	10,116	3,587	2,744	1,890	58,255
Public services	4,458	743	3	—	110	5,314
Operations and maintenance	9,494	21,219	448	3,223	(34,384)	—
Total operating expenses	\$ 263,859	126,782	11,954	39,142	—	441,737

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(15) Related Party Transactions

Members of the Board of Trustees can be associated, either directly or indirectly, with companies doing business with the university. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of the university, including that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable. The university has a written conflict of interest policy that includes, among other things, that Trustees annually complete a Conflicts of Interest Disclosure Statement indicating material financial interest or affiliation including, but is not limited to, service by the Trustee or by the Trustee's spouse as an officer, partner, director or trustee of an entity.

The Consolidated Statements of Activities include \$1,740 and \$1,210 of other goods and services expense, from companies affiliated with members of the Board of Trustees for the years ended June 30, 2023, and 2022, respectively.

(16) Research and Grant Costs

The university receives grant and contract revenue from various government agencies and private sources for the support of research, training, and other sponsored programs. Revenues associated with the direct costs of these programs are recognized as the related costs are incurred. Indirect cost reimbursements from federal agencies are based on negotiated predetermined rates. Research and grant costs reported for fiscal years 2023 and 2022 are comprised of the following:

	<u>2023</u>	<u>2022</u>
Sponsored research	\$ 40,528	35,824
Teaching and training	6,449	6,108
Development and others	<u>8,482</u>	<u>6,862</u>
Total research and grants	<u>\$ 55,459</u>	<u>48,794</u>

(17) Subsequent Events

Subsequent events have been evaluated through September 7, 2023, which is the date the consolidated financial statements were available to be issued. No other subsequent events were identified requiring recording or disclosure in the consolidated financial statements or related notes to the consolidated financial statements.

MARQUETTE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2023 and 2022
(Dollars in thousands)

(18) Financial Responsibility Standards

The university participates in federal Title IV student financial assistance programs, which require it to meet standards of financial responsibility based on criteria determined by the U.S. Department of Education (ED), as set forth in 34 CFR Subpart 668.171. The criteria for private institutions includes the annual calculation by ED of a financial responsibility composite score, as further outlined in 34 CFR Subpart 668.172, using audited consolidated financial statements submitted through ED's eZ-Audit system. The composite score has been and will continue to be based on three ratios: Primary Reserve, Equity, and Net Income. Inputs to these ratios as of and for the year ended June 30, 2023 are bolded below and include (a) elements directly from the accompanying consolidated financial statements and related other notes to the consolidated financial statements, as well as (b) certain other financial data. Additional financial information, which is not bolded, has also been presented to facilitate understanding and reconciliation of such data elements to the accompanying consolidated financial statements and related other notes.

<u>Data element</u>	<u>Direct input to ratio</u>	<u>Amount</u>
(a) Property, buildings, and equipment, net: pre-implementation	Primary reserve	\$ 84,492
Property, buildings, and equipment, net: post-implementation	Primary reserve	252,124
Property, buildings, and equipment, net: postimplementation	Primary reserve	277,869
without outstanding debt for original purchase		
Construction in progress (note 1(h))	Primary reserve	<u>42,955</u>
Total property, buildings, and equipment, net (statement of financial position)	NA	<u>\$ 657,440</u>
(b) Long-term debt, net: pre-implementation	Primary reserve	\$ 84,492
Long-term debt, net: post-implementation	Primary reserve	<u>252,124</u>
Total notes and bonds payable, net (statement of financial position)	NA	<u>\$ 336,616</u>

MARQUETTE UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

Total long-term debt consists of (1) pre-implementation debt, defined as the amounts reported in the last consolidated financial statements Marquette University submitted to the ED prior to July 1, 2020 (Marquette University's consolidated financial statements for the fiscal year ended June 30, 2019), less any payments or other reductions after June 30, 2019, and not to exceed property, buildings, and equipment, net; and (2) postimplementation debt, defined as debt used to obtain property, buildings, and equipment, net, after the fiscal year ended June 30, 2019, less any payments or other reductions. Total notes and bonds payable, net as of June 30, 2023, described in note 8 to the 2023 consolidated financial statements, is classified as pre-implementation debt, except for Revenue Bonds Series 2019, Taxable Fixed Rate Bonds Series 2020, Revenue Bonds Series 2022, and Other long-term payables. Details of the Long-term debt, net: post-implementation are included in the table below:

Long-term debt, net: post- implementation	As of June 30, 2023	Issue date	Years to original maturity
Revenue Bonds, Series 2019, including unamortized premium; used to fund various capital projects, including the law school building, residence hall renovation, and physician assistant building	\$ 41,132	September 17, 2019	11
Revenue Bonds, Series 2020, to be used to fund various capital projects.	\$ 1,489,479	May 1, 2020	28
Revenue Bonds, Series 2022, including unamortized premium; used to refund a portion of prior bonds.	\$ 62,013	July 12, 2022	10

MARQUETTE UNIVERSITY

Supplementary Schedule of Financial Responsibility Data

As of and for the year ended June 30, 2023

(In thousands of dollars)

Data element	Source of data element in financial statements or related notes to financial statements	Amount used as ratio input
Primary reserve ratio:		
Numerator: Expendable net assets:		
Net assets without donor restrictions	Statement of financial position	\$ 460,212
Net assets with donor restrictions	Statement of financial position	1,009,356
Post-retirement benefits payable	Note 1(o)	3,613
Long-term debt, net pre-implementation	Note 18	84,492
Long-term debt, net post-implementation	Note 18	252,124
Total net assets with permanent restrictions	Note 12	583,485
Life income and annuity funds with permanent donor restrictions	Note 12	2,443
Property, buildings and equipment: net pre-implementation	Note 18	84,492
Property, buildings and equipment: net post-implementation	Note 18	252,124
Property, buildings and equipment: net post-implementation without outstanding debt for original purchases	Note 18	277,869
Construction in progress	Note 1(h)	42,955
Denominator: Total expenses and losses without donor restrictions:		
Total operating expenses without donor restrictions	Statement of activities	\$ 453,669
Other, net nonoperating activities without donor restrictions	Statement of activities	51,956
Equity ratio:		
Numerator: Modified net assets:		
Net assets without donor restrictions	Statement of financial position	\$ 460,212
Net assets with donor restrictions	Statement of financial position	1,009,356
Property, buildings and equipment: eBooks and other intangibles	Note 1(h)	40,668
Denominator: Modified Assets:		
Total assets	Statement of financial position	\$ 1,955,063
Property, buildings and equipment: eBooks and other intangibles	Note 1(h)	40,668
Net income ratio:		
Numerator: Change in net assets without donor restrictions:		
Change in net assets without donor restrictions	Statement of activities	\$ 58,619
Denominator: Total revenue and gains without donor restrictions:		
Total operating revenues without donor restriction	Statement of activities	\$ 466,443

See accompanying independent auditors' report.

MARQUETTE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2023

Federal grantor/program title	Federal AL number	Pass through entity name	Pass through entity identifying number	Federal Expenditures			Passed through to subrecipient	Marquette University Cost Share
				Direct awards	Pass through awards	Total		
Major Federal Programs								
Student Financial Aid Programs:								
U.S. Department of Education:								
Federal Supplemental Educational Opportunity Grants	84.007			\$ 2,406,401	—	2,406,401	—	802,134
Federal Work-Study Program	84.033			1,025,354	—	1,025,354	—	403,014
Perkins - Federal Capital Contributed	84.038			10,985,078	—	10,985,078	—	—
Federal Pell Grant Program	84.063			7,524,604	—	7,524,604	—	—
Federal Direct Loans	84.268			115,859,389	—	115,859,389	—	—
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	Wisconsin Department of Public Instruction	NONE	—	57,619	57,619	—	—
Total				137,800,826	57,619	137,858,445	—	1,205,148
U.S. Department of Health and Human Services								
Nurse Faculty Loan Program (NFLP)	93.264			342,921	—	342,921	—	—
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342			9,830,403	—	9,830,403	—	—
Nursing Student Loans	93.364			3,607,283	—	3,607,283	—	—
Scholarships for Health Professions from Disadvantaged Backgrounds	93.925			630,575	—	630,575	—	—
Total				14,411,182	—	14,411,182	—	—
Total Student Financial Aid Programs				152,212,008	57,619	152,269,627	—	1,205,148
Total Major Federal Programs				152,212,008	57,619	152,269,627	—	1,205,148
Non-Major Federal Programs								
COVID-19 - Education Stabilization Fund:								
Higher Education Emergency Relief Fund - Institutional Portion	84.425F			1,156,356	—	1,156,356	—	—
Total COVID-19 Education Stabilization Fund				1,156,356	—	1,156,356	—	—
Research and Development Programs:								
U.S. Department of Agriculture:								
National Institute of Food and Agriculture Agriculture and Food Research Initiative (AFRI)	10.310			20,489	—	20,489	—	—
Total U.S. Department of Agriculture				20,489	—	20,489	—	—
U.S. Department of Commerce:								
Measurement and Engineering Research and Standards	11.609			170	—	170	—	—
Total U.S. Department of Commerce				170	—	170	—	—
U.S. Department of Defense:								
Military Medical Research and Development	12.420	Indiana University	IN4385300MU	—	3,435	3,435	—	—
Basic, Applied, and Advanced Research in Science and Engineering	12.630			1,536,401	—	1,536,401	—	—
Air Force Defense Research Sciences Program	12.800	Air Force Office of Scientific Research	FA9550-20-1-0415	220,041	—	220,041	—	—
Other Department of Defense awards	12.RD	Steel Founders' Society of America	STAR4	3,206	29,440	32,646	2,095	—
Other Department of Defense awards	12.RD	Advanced Technology International	2021-316	—	132,887	132,887	—	44,085
Total U.S. Department of Defense				1,759,648	165,762	1,925,410	2,095	44,085
U.S. Department of Justice:								
Services for Trafficking Victims	16.320	United Migrant Opportunity Services/UMOS, Inc.	2019-VT-BX-0102	—	4,255	4,255	—	—
Total U.S. Department of Justice				—	4,255	4,255	—	—
U.S. Department of Transportation:								
Highway Planning and Construction	20.205	University of Illinois-Urbana Champaign	087798-19095	—	27,455	27,455	—	13,795
Highway Planning and Construction	20.205	Minnesota Department of Transportation	1036335	—	22,812	22,812	—	—
Pipeline Safety Research Competitive Academic Agreement Program (CAAP)	20.724	The University of Akron	04540-MU; 04808-MU	—	130,001	130,001	—	29,192
Pipeline Safety Research Competitive Academic Agreement Program (CAAP)	20.724	Rutgers University	828657; 831247	—	60,560	60,560	—	8,922
Total U.S. Department of Transportation				—	240,828	240,828	—	51,909
U.S. National Aeronautics and Space Administration (NASA):								
Science	43.001	Smithsonian Astrophysical Observatory	G0223044C	—	7,158	7,158	—	—
Education	43.008	Wisconsin Space Grant Consortium	RIP234.0; OPP233-0; ESI241-0; RIP242-0	—	34,209	34,209	11,495	19,179
Total NASA				—	41,367	41,367	11,495	19,179

MARQUETTE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2023

Federal grantor/program title	Federal AL number	Pass through entity name	Pass through entity identifying number	Federal Expenditures			Passed through to subrecipient	Marquette University Cost Share
				Direct awards	Pass through awards	Total		
U.S. National Science Foundation								
Engineering Grants	47.041	North Carolina State University	2020-0165-03	\$ 817,930	108,240	926,170	5,638	79,130
Engineering Grants	47.041	Rapid Radicals Technology, LLC	01227177; 11P-1913949	—	59,573	59,573	—	—
Mathematical and Physical Sciences	47.049	University of Wisconsin-Madison	0000000301	745,795	3,500	749,295	—	—
Geosciences	47.050			118,388	—	118,388	—	—
Computer and Information Science and Engineering	47.070	Florida Atlantic University	MR-K238	623,706	21,567	645,273	11,238	—
Computer and Information Science and Engineering	47.070	University of New Mexico	433769-87CA	—	11,942	11,942	—	—
Biological Sciences	47.074	University of Alabama at Birmingham	000535059-SC006	—	108,909	1,048,073	—	—
Social, Behavioral, and Economic Sciences	47.075	Michigan State University	RC108871MU	939,164	—	32,485	—	—
Education and Human Resources	47.076	Purdue University	1000152-016	598,645	10,361	609,006	—	—
Office of International Science and Engineering	47.079			114,307	—	114,307	—	—
NSF Technology, Innovation, and Partnerships	47.084	Water Intelligence LLC	00053573-01-01	81,131	11	81,142	—	—
Total U.S. National Science Foundation				4,039,066	356,588	4,395,654	16,876	79,130
U.S. Department of Veterans Affairs								
Other Veterans Affairs grant	64.RD	Zablocki VA Medical Center	695D17023; 695D07014; 695D27015	—	111,527	111,527	—	—
Total U.S. Department of Veterans Affairs				—	111,527	111,527	—	—
U.S. Department of Energy								
Office of Science Financial Assistance Program	81.049			83,111	—	83,111	—	—
Conservation Research and Development	81.086	Poweramerica Institute	2014-0654-98	1,023,584	1,409	1,024,993	605,092	89,080
Advanced Research Projects Agency - Energy	81.135			1,843,465	—	950,770	—	163,518
Total U.S. Department of Energy				2,950,160	1,409	2,951,569	1,555,862	252,598
U.S. Department of Education								
Education Innovation and Research (formerly Investing in Innovation (I3) Fund)	84.411C	Sacred Heart University	19-030A	—	184,146	184,146	—	—
Total U.S. Department of Education				—	184,146	184,146	—	—
U.S. Department of Health and Human Services:								
Lifespan Respite Care Program	93.072	Respite Care Association of Wisconsin	435400-G21-753463-190 M1	—	136,513	136,513	—	—
Oral Diseases and Disorders Research	93.121	University of Wisconsin-Madison	0000002012	611,062	62,937	673,999	187,850	—
Human Genome Research	93.172	The University of Chicago	AWD1014535(SUB00000795)	18,540	19,616	38,156	—	—
Research Related to Deafness and Communication Disorders	93.173			169,249	—	169,249	17,471	—
Research on Healthcare Costs, Quality and Outcomes	93.226	University of Michigan	SUBK00015877	—	11,146	11,146	—	—
Mental Health Research Grants	93.242	Virginia Polytechnic Institute and State University	412595-19E22	378,002	125,656	503,658	—	—
Mental Health Research Grants	93.242	PsyTech Ltd.	2021-0154	—	151,169	151,169	—	—
Mental Health Research Grants	93.242	University of Michigan	SUBK000016637	—	32,162	32,162	—	—
Mental Health Research Grants	93.242	University of Wisconsin-Milwaukee	223405557	—	33,110	33,110	—	8,377
Alcohol Research Programs	93.273			64,468	—	64,468	—	—
Drug Abuse Research Programs	93.279	Medical College of Wisconsin	6186709	1,063,448	135,354	1,198,802	252,735	—
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286			615,625	—	615,625	180,747	—
Trans-NIH Research Support	93.310			259,956	—	259,956	44,124	83,271
NIH Office of Research on Women's Health	93.313			76,500	—	76,500	—	—
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	WI Department of Health Services	435100-G22-ELCSHARP-00	—	88,168	88,168	—	—
National Center for Advancing Translational Sciences	93.350	Medical College of Wisconsin	6227749	—	2,227	2,227	—	—
Head Start Disaster Recovery	93.356	Medical College of Wisconsin	2UL1TR001436-07	—	180,513	180,513	—	—
Nursing Research	93.361	University of Wisconsin-Milwaukee	223405541	—	47,211	47,211	—	—
Cancer Cause and Prevention Research	93.393	Medical College of Wisconsin	1RO1CA258759-01A1; 1RO1CA229546-01	—	55,710	55,710	—	—
ACL National Institute on Disability, Independent Living, and Rehabilitation Research	93.433	University of Wisconsin - Milwaukee	213405481; 213405488	173,890	82,371	256,261	42,805	—
Cardiovascular Disease Research	93.837	Medical College of Wisconsin	6207742	7,040	—	7,040	6,855	—
Lung Diseases Research	93.838	University of Pittsburgh	AWD00000490-13777-1	189,364	—	189,364	15,404	49,667
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	Baylor College of Medicine	PO70000001035	61,137	107,375	168,512	—	—
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	University of Connecticut	UHC7137901340	—	4,280	4,280	—	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847			15,150	—	15,150	—	—
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Indiana University	8893	757,388	26,064	783,452	100,133	58,583
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Medical College of Wisconsin	6210907	—	34,048	34,048	—	—
Allergy and Infectious Diseases Research	93.855	University of North Carolina at Chapel Hill	5126829	—	3,614	3,614	—	—
Biomedical Research and Research Training	93.859			1,645,577	—	1,645,577	72,769	28,398
Child Health and Human Development Extramural Research	93.865	Medical College of Wisconsin	1R21HD105021; 1R01HD091302	961,584	81,182	1,042,766	387,850	—
Child Health and Human Development Extramural Research	93.865	Northwestern University	60047828 MU	—	101,023	101,023	—	6,253
Child Health and Human Development Extramural Research	93.865	Shirley Ryan AbilityLab	82393	—	19,792	19,792	—	—
Child Health and Human Development Extramural Research	93.865	Virginia Polytechnic Institute and State University	412579-19E22	—	372	372	—	—
Aging Research	93.866	University of Maryland	55786-Z0081202	1,317,378	21,216	1,338,594	382,072	—
Aging Research	93.866	Cleveland Clinic	2R01AG022304-11	—	8,464	8,464	—	—
Vision Research	93.867	Medical College of Wisconsin	RO1EY033580	—	9,020	9,020	—	—
Other DHHS awards	93.RD	Medical College of Wisconsin	2TL1TR001437; PO6242212	—	137,155	137,155	—	—
Total U.S. Department of Health and Human Services				8,385,358	1,717,468	10,102,826	1,690,815	234,549

MARQUETTE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2023

Federal grantor/program title	Federal AL number	Pass through entity name	Pass through entity identifying number	Federal Expenditures			Passed through to subrecipient	Marquette University Cost Share
				Direct awards	Pass through awards	Total		
Social Security Administration:								
Social Security Research and Demonstration	96.007	University of Wisconsin-Madison	0000002228	\$ —	54,040	54,040	9,710	—
Total Social Security Administration				—	54,040	54,040	9,710	—
U.S. Department of Homeland Security Science and Other Research	97.RD	Northeastern University	505267-78052	—	23,199	23,199	—	—
Total U.S. Department of Homeland Security				—	23,199	23,199	—	—
Total Research and Development Programs				17,154,891	2,900,589	20,055,480	3,286,853	681,450
Other Federal Awards:								
U.S. Department of Agriculture:								
Summer Food Service Program for Children	10.559	Wisconsin Department of Public Instruction		—	17,223	17,223	—	—
Total U.S. Department of Agriculture				—	17,223	17,223	—	—
U.S. Department of Defense:								
ROTC Language and Culture Training Grants	12.357	Institute of International Education	PG01801-MARO-25	—	361,711	361,711	—	—
Language Grant Program	12.900			82,063	—	82,063	—	—
Total U.S. Department of Defense				82,063	361,711	443,774	—	—
U.S. Department of Housing and Urban Development (HUD):								
Other Program	14.UNK			258,759	—	258,759	258,759	—
Total HUD				258,759	—	258,759	258,759	—
U.S. Department of Justice:								
Public Safety Partnership and Community Policing Grants	16.710			(256)	—	(256)	—	—
Body Worn Camera Policy and Implementation	16.835	Wisconsin Department of Justice		—	38,379	38,379	—	38,379
Total NASA				(256)	38,379	38,123	—	38,379
National Endowment for the Arts & Humanities (NEH):								
Promotion of the Arts Grants to Organizations and Individuals	45.025	Wisconsin Arts Board	00031423	—	(1,823)	(1,823)	—	—
National Leadership Grants	45.312	Institute of Museum and Library Services	ARPML-250738-OMLS-22	—	8,231	8,231	—	13,162
Total NEH				—	6,408	6,408	—	13,162
U.S. Department of Education:								
TRIO Cluster:								
TRIO - Student Support Services	84.042A			636,350	—	636,350	—	33,594
TRIO - Talent Search	84.044A			260,586	—	260,586	—	—
TRIO - Upward Bound	84.047A			834,817	—	834,817	—	2,602
TRIO - Upward Bound Math and Sciences	84.047M			248,123	—	248,123	—	11,813
TRIO - McNair Post-Baccalaureate Achievement	84.217A			330,359	—	330,359	—	—
Total TRIO Cluster				2,310,235	—	2,310,235	—	48,009
Fund for the Improvement of Postsecondary Education	84.116Z			36,097	—	36,097	—	—
Rehabilitation Long-Term Training	84.129H			155,117	—	155,117	—	14,411
School Safety National Activities	84.184X			41,837	—	41,837	—	—
Graduate Assistance in Areas of National Need	84.200A			334,119	—	334,119	—	114,387
Innovative Approaches to Literacy	84.215	Milwaukee Public Schools	C031141	—	190,954	190,954	—	—
Total U.S. Department of Education				2,877,405	190,954	3,068,359	—	176,807
U.S. Department of Health and Human Services:								
Nursing Workforce Diversity	93.178			553,608	—	553,608	—	—
Congressional Directives	93.493			105,084	—	105,084	2,853	—
Mental and Behavioral Health Education and Training Grants	93.732			219,630	—	219,630	—	—
International Research and Research Training	93.989	The University of Chicago	731	—	5,780	5,780	—	—
Total U.S. Department of Health and Human Services				878,322	5,780	884,102	2,853	—
Corporation for National and Community Service								
AmeriCorps State and National	94.006	Wisconsin National and Community Service Board	AD209135; AD219133	—	106,178	106,178	—	37,487
Total Corporation for National and Community Service				—	106,178	106,178	—	37,487
Total Other Federal Awards				4,096,293	726,633	4,822,926	261,612	265,835
Total Non-Major Federal Programs				22,407,540	3,627,222	26,034,762	3,548,465	947,285
Total Federal Awards Expended				\$ 174,619,548	3,684,841	178,304,389	3,548,465	2,152,433

See accompanying notes to schedules of expenditures of federal and state awards

MARQUETTE UNIVERSITY
Schedule of Expenditures of State Awards
Year ended June 30, 2023

State Grantor/Program Title	State ID	Pass through entity name	Pass through entity identifying number	State Expenditures			Passed	Marquette
				Direct Awards	Pass through Awards	Total		
Student Financial Aid Programs:								
State of Wisconsin Higher Education Aids Board								
Wisconsin Tuition Grant	235.101			\$ 3,903,896	—	3,903,896	—	—
Tuition Capitation Contract - Marquette Dental School	235.103			1,733,000	—	1,733,000	—	—
Minority Undergraduate Retention Grant	235.107			92,315	—	92,315	—	—
Academic Excellence Scholarship	235.109			96,748	—	96,748	—	96,752
Hearing and Visually Handicapped Student Grant	235.112			1,800	—	1,800	—	—
Talent Incentive Program Grant	235.114			303,100	—	303,100	—	—
WI Nursing Loan	235.117			6,000	—	6,000	—	—
Indian Student Assistance Grant	235.132			2,200	—	2,200	—	—
Wisconsin Veterans Grant	235.xxx			70,988	—	70,988	—	70,988
Wisconsin Health Services Scholarship	235.xxx			150,000	—	150,000	—	—
Wisconsin Nurse Faculty Scholarship	235.xxx			620,000	—	620,000	—	—
Total Student Financial Aid Programs				6,980,047	—	6,980,047	—	167,740
Other State Programs:								
Wisconsin Department of Health Services								
Marquette University Dental Services	435.151710			2,386,624	—	2,386,624	—	—
Increasing providers for ASD and IDD	xxx.xxx			275,879	—	275,879	—	—
Other WDHS awards	xxx.xxx	Health Connections, Inc		3,723	—	3,723	—	—
Total WI Department of Health Services				2,666,226	—	2,666,226	—	—
Wisconsin Department of Tourism								
Total Wisconsin Department of Tourism	xxx.xxx			27,825	—	27,825	—	—
Wisconsin Arts Board								
Total Wisconsin Arts Board	xxx.xxx			5,770	—	5,770	—	5,770
Wisconsin Department of Public Instruction								
Total WI Department of Public Instruction	xxx.xxx			6,325	—	6,325	—	—
Total Other State Programs				2,706,146	—	2,706,146	—	5,770
Total State Awards Expended				\$ 9,686,193	—	9,686,193	—	173,510

See accompanying notes to schedules of expenditures of federal and state awards

MARQUETTE UNIVERSITY

Notes to Schedules of Expenditures of Federal and State Awards

Year ended June 30, 2023

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards and schedule of expenditures of state awards (the schedules) include the federal and state awards received by Marquette University (the University) under programs of the federal government and the State of Wisconsin for the fiscal year ended June 30, 2023.

The schedule of expenditures of federal awards includes all grants, contracts, and similar agreements entered into directly between the University and agencies and departments of the federal government, and all subawards to the University by nonfederal organizations pursuant to federal grants, contracts, and similar agreements. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the University. Compliance testing of all direct and material compliance requirements, as described in the Compliance Supplement, was performed for the federal grant programs noted below:

Student Financial Aid Cluster – includes certain awards to provide financial assistance to students, primarily under the Federal Pell Grant (Pell), Federal Supplemental Educational Opportunity Grants (FSEOG), Federal Direct Loan (FDL), and Federal Work Study (FWS) programs of the U.S. Department of Education. Under the Perkins Loan Program Extension Act of 2015, no Perkins Loan disbursement could be made to the graduate students after June 30, 2017 and undergraduate students after June 30, 2018. The administrative cost allowance charged to the Perkins Loan Program is based on disbursements, and no disbursements occurred during the year ended June 30, 2023. The University also receives other federal assistance from the U.S. Department of Health and Human Services and the U.S. Department of Education for certain other grant and loan programs.

COVID-19 – Education Stabilization Fund – includes two awards to prevent, prepare for and respond to coronavirus, including Higher Education Emergency Relief Fund-Student Portion and Higher Education Emergency Relief Fund-Institutional Portion.

COVID-19 – Coronavirus Relief Fund – The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) includes awards distributed to institutions of higher education in order to prevent, prepare for, and respond to coronavirus through the Higher Education Emergency Relief Fund (HEERF II). The CRRSAA requires that an institution receiving funding under provide the “same amount” in financial aid grants to students from the new CRRSAA funds that it was required or which it would have been required to provide under its original CARES Act Student Aid Portion award.

Choice Neighborhood Planning Grant – The Choice Neighborhood Planning Grant is a HUD award to address struggling local neighborhoods with distressed public housing through activities designed to calm traffic, improve storefronts, add murals, engage residents, and improve neighborhood markers.

In accordance with the criteria set forth in the State of Wisconsin State Single Audit Guidelines, the Minority Undergraduate Retention Grant, Increasing providers for ASD and IDD, Wisconsin Nurse Faculty Scholarship, Wisconsin Health Services Scholarship, and the Marquette University Dental Services Grant were considered major state programs for the year ended June 30, 2023.

MARQUETTE UNIVERSITY

Notes to Schedules of Expenditures of Federal and State Awards

Year ended June 30, 2023

(2) Summary of Significant Accounting Policies

The schedules are prepared on the accrual basis of accounting. Expenditures are recognized as incurred. The University's cost share amounts presented as a separate column within the schedules represents the University's matching portion related to those programs and such amounts are not included in the federal and state expenditures in the schedules. Negative amounts shown on the schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Costs

The University has a predetermined indirect cost rate that has been negotiated with the Department of Health and Human Services. The predetermined rate was based on prior University financial information. Approximately \$5.4 million of indirect costs were reimbursed to the University for the year ended June 30, 2023. The base rates for on – and off-campus research of modified total direct costs are listed below:

Type	Effective period		Rate percentage	Locations	Applicable to
	From	To			
Predetermined	7/1/2022	6/30/2023	53.0	on campus	Instruction
Predetermined	7/1/2022	6/30/2023	53.0	on campus	Organized Research
Predetermined	7/1/2022	6/30/2026	37.0	on campus	OSA
Predetermined	7/1/2022	6/30/2026	24.0	off campus	All Programs

(4) Federal Student Loan Programs

The federal student loan programs listed below are administered directly by Marquette University, and balances and transactions relating to these programs are included in Marquette University's financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the schedules. The balance of loans outstanding at June 30, 2023 consists of:

Agency/Program	Federal AL number	Balance of loans outstanding
U.S. Department of Education:		
Perkins	84.037	\$ 8,364,214
U.S. Department of Health and Human Services:		
Health Profession Student Loans, including Primary Care Loans and Loans for Disadvantaged Students	93.342	8,321,222
Nursing Student Loans	93.364	3,006,563
Nurse Faculty Loan Program	93.264	302,320
Total		\$ <u>19,994,319</u>

MARQUETTE UNIVERSITY

Notes to Schedules of Expenditures of Federal and State Awards

Year ended June 30, 2023

The University is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loan program, and accordingly, these loans are not included in its financial statements. It is not practical to determine the balance of loans outstanding to students and former students of the University under the direct loan program.

(5) Settlement of Wisconsin Department of Health Services (DHS) Cost Reimbursement Awards

The University's settlement of DHS cost reimbursement awards presented in the Schedule of Expenditures of State Awards for the year ended June 30, 2023 are summarized as follows:

DHS identification Number:

(CARS Profile)	151710	151720
Award Amount	\$ 2,373,765	53,806
Award period	07/01/22-06/30/23	07/01/22-06/30/23
Period of award within audit period	07/01/22-06/30/23	07/01/22-06/30/23
A. Expenditures reported to DHS for payment	\$ 2,373,765	53,806
B. Actual allowable cost of award		
Program expenses:		
Salaries and Wages	\$ 1,464,759	53,806
Other expenses	868,059	—
Total program expenses	2,332,818	53,806
C. Less Program revenue and other offsets (identify in notes)	—	—
D. Total allowable Costs	\$ 2,332,818	53,806



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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Trustees
Marquette University:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Marquette University, which comprise the University's consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 7, 2023, except as to note 18, which is as of March 15, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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



Purpose of This Report

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

KPMG LLP

Milwaukee, Wisconsin

September 7, 2023, except as to note 18, which is as of March 15, 2024



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Independent Auditors' Report on Compliance for Each Major Federal and State Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance; and Report on Schedule of Expenditures of State Awards as Required by State Single Audit Guidelines

The Board of Trustees
Marquette University:

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited Marquette University's (the University) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal and state programs for the year ended June 30, 2023. The University's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State Single Audit Guidelines for Wisconsin. Our responsibilities under those standards and the Uniform Guidance, and the State Single Audit Guidelines for Wisconsin are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the University's federal and state programs.



Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance, and the State Single Audit Guidelines for Wisconsin will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Guidelines for Wisconsin we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Guidelines for Wisconsin, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.



Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance and Report on Schedule of Expenditures of State Awards Required by the State Single Audit Guidelines for Wisconsin

We have audited the consolidated financial statements of the University as of and for the year ended June 30, 2023, and have issued our report thereon dated September 7, 2023, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and the accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the State Single Audit Guidelines for Wisconsin and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards and the schedule of expenditures of state awards are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Milwaukee, Wisconsin
March 15, 2024

MARQUETTE UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2023

(1) Summary of Auditors' Results

- a. Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- b. Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
 - Material weaknesses: **No**
 - Significant deficiencies: **None Reported**
- c. Noncompliance material to the financial statements: **No**
- d. Internal control deficiencies over major programs disclosed by the audit:
 - Material weaknesses: **No**
 - Significant deficiencies: **None Reported**
- e. Type of report issued on compliance for major programs: **Unmodified**
- f. Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**
- g. Major programs:
 - Federal programs:*
 - Student Financial Aid Cluster – various AL numbers
 - Choice Neighborhood Planning Grant – 14.UNK
 - COVID-19 Education Stabilization Fund –
 - COVID-19 Higher Education Emergency Relief Fund – Institutional Portion AL number 84.425F
 - State programs:*
 - Increasing providers for ASD and IDD – various State ID numbers
 - Minority Undergraduate Retention Grant – State ID number 235.107
 - WI Nurse Faculty Scholarship – various State ID numbers
 - Marquette University Dental Services – State ID number 435.151710
 - Wisconsin Health Services Scholarship – various State ID numbers
- h. Dollar threshold used to distinguish between Type A and Type B programs: *Federal Awards* – **\$782,771**; *State Awards* – **\$250,000**.
- i. Auditee qualified as a low-risk auditee: Federal: **No**; State: **No**

MARQUETTE UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2023

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to Federal Awards

None

(4) Findings and Questioned Costs Relating to State Awards

None

(5) Other Issues

- A. Does the auditors' report or notes to the financial statements include disclosure with regard to substantial doubt as to the auditees' ability to continue as a going concern? **No**
- B. Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, material weakness, significant deficiencies, management letter comment, excess revenue, or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with State Single Audit Guidelines: **No**
- C. Was a management letter or other document conveying audit comments issued as the result of this audit? **No**
- D. Date of report: March 15, 2024