

**MARQUETTE  
UNIVERSITY  
ANNUAL  
REPORT  
FY2019**



**MARQUETTE**  
UNIVERSITY

**BE THE DIFFERENCE.**



## **BE THE DIFFERENCE.**

It's not just a tagline — it's what Marquette University asks of its community. It's what our students, faculty and staff aspire to do every day.

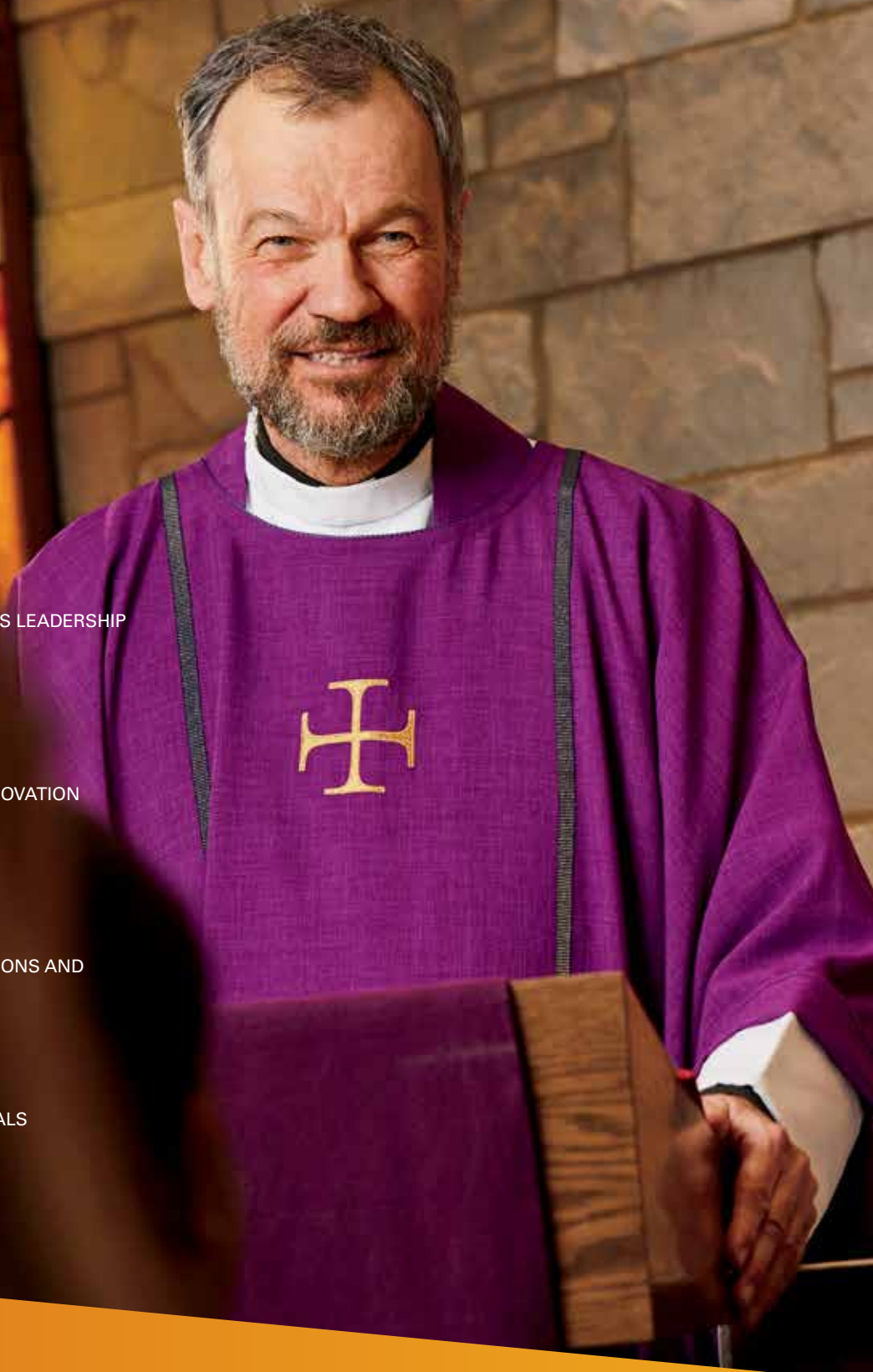
We also ask them to be bold. Be visionary.  
Be fearless. Be themselves.

These are demanding requests, but we've given them a map. Grounded in our Catholic, Jesuit mission, vision and values, and guided by our visionary strategic plan, *Beyond Boundaries*, the entire university community has been called on to think differently and act differently so that we may truly Be The Difference.

To do this successfully requires responsible fiscal stewardship through a culture of investment and innovative revenue growth.

This financial report provides not only a snapshot in time of Marquette's financial health, but also a glimpse forward — how the university invests in itself today is the foundation for how it will Be The Difference in the future.

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Marquette University is a Catholic, Jesuit university located near the heart of downtown Milwaukee, Wisconsin, that offers a comprehensive range of majors in 11 nationally and internationally recognized colleges and schools.

A Marquette education offers students a virtually unlimited number of paths and destinations, and prepares them for the world by asking them to think critically about it.

Along the way, we ask one thing of every student: Be The Difference.

**COLLEGES AND SCHOOLS**

- Helen Way Klingler College of Arts and Sciences
- College of Business Administration
- J. William and Mary Diederich College of Communication
- College of Education
- Opus College of Engineering
- College of Health Sciences
- College of Nursing
- School of Dentistry
- Graduate School
- Graduate School of Management
- Law School

**STUDENTS**

- 11,605 total enrollment
- 8,435 undergraduate
- 3,170 graduate and professional

**ACADEMICS**

- Undergraduate programs: 80 majors and 78 minors and pre-professional programs in dentistry, law and medicine
- Postgraduate programs: 66 doctoral and master's degree programs, 18 graduate certificate programs, and professional degrees in dentistry and law

**FACULTY AND STAFF**

- 1,246 faculty and academic positions
- 1,680 exempt and non-exempt staff

**ATHLETICS**

- 16 NCAA Division I athletics teams
- Competes in the BIG EAST Conference



**A MESSAGE FROM**

**Dr. Michael R. Lovell,**  
President

Few responsibilities can be as invigorating — and at the times as overwhelming — as staying true to a tradition that dates back hundreds and hundreds of years. Marquette University has existed for 138 years and our greater organization can trace a history back more than 450 years, when Ignatius of Loyola and his colleagues founded the first of several Jesuit institutions in Sicily. This is the challenge that Catholic, Jesuit universities accept when they carry on their mission of producing men and women who live their lives in service to others.

Specifically at Marquette, we are embracing the imperative to serve others by going beyond classroom education and sharing with students the knowledge and tools they need to improve the communities in which they live. As a result, we are constantly looking for new and innovative ways to help address some of Milwaukee's most pressing challenges and uniquely connect our talents and resources to benefit our community. You'll see great progress in this annual report. We're expanding E-Lead, unlearning racism and rallying around the first-ever winner of the President's Challenge award. We're also looking to a future of online academic programs and better engaging with our corporate community.

All this progress we make because of our outstanding Marquette community. Faculty, staff and students — it's also our alumni, community partners and corporate friends. And as our mission states: "All this we pursue for the greater glory of God and the common benefit of the human community."



**Dr. Michael R. Lovell**  
President  
Marquette University

*Marquette will always be committed to an emphasis on the liberal arts and humanities in its teaching, a focus on cura personalis and magis, a mission of service to and with others, and a desire to transform the broader community — not just the acres within our campus boundaries.*



**Joel Pogodzinski**  
Senior Vice President and  
Chief Operating Officer

*There is much  
the Marquette  
community should  
be proud of and  
excited about. This  
momentum marks  
one of the most  
pivotal times for  
the university.*

**A MESSAGE FROM**

**Joel Pogodzinski,**  
Senior Vice President and  
Chief Operating Officer

To be successful, a modern university must be nimble. We need to adapt to new ways of teaching and delivering transformative learning experiences as our landscape — and the needs of our students — shift. We must be equally agile to ensure that the institution has a clear vision and strategy and is properly resourced to deliver on its promise.

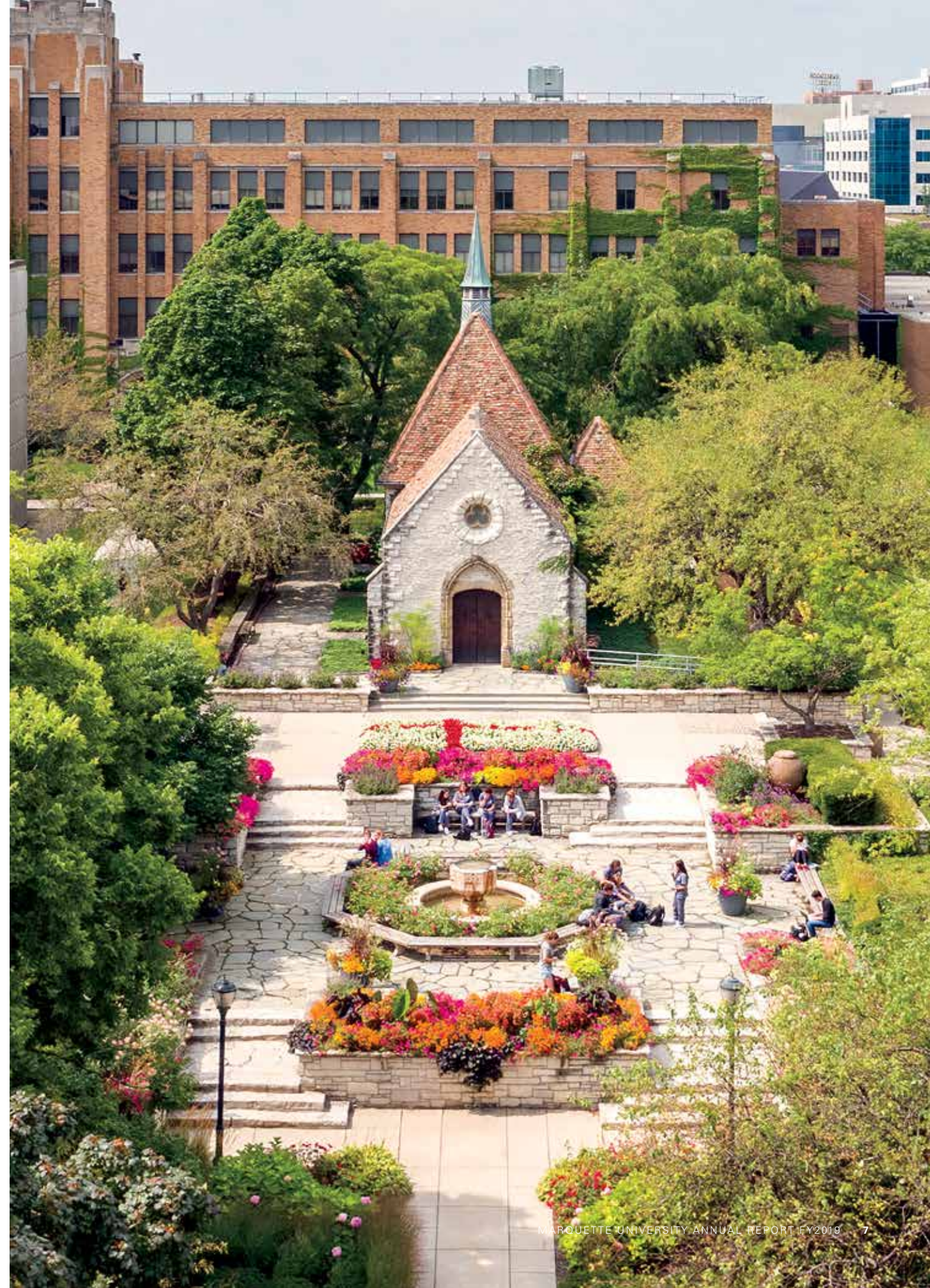
In the Jesuit tradition, these focuses are known as *cura personalis* (“care for the person”) and *cura apostolica* (“care for the enterprise”). Though they may at times seem in opposition to one another, these are not competing forces — rather, joined together they make a Jesuit university like Marquette distinct.

In this, our FY2019 Annual Report, you will see clear examples of how Marquette carefully balances our centuries’ old mission and tradition with the realities of providing a higher education to an increasingly diverse student body amid an ever-shifting and challenging marketplace.

You will read about alumnus Barry Cosgrove, who grew up “poorer than poor,” only to give back to his alma mater with a generous gift to fund scholarships for first-generation students. You will be inspired by Malaina Moore, a remarkable student whose own experiences dealing with racial bigotry motivated her award-winning play, *White Privilege*. And you’ll learn about how Marquette’s commitments to community engagement and corporate engagement go hand-in-glove.

Indeed, whether building a culture of philanthropy or fostering new partnerships on and off campus, we at Marquette University take great care to be responsive and innovative in our approach, while maintaining and promoting our Catholic, Jesuit identity.

It is our great privilege to do all of this so that our entire university community — students, faculty, staff and alumni — can truly Be The Difference.





Milwaukee Archbishop Jerome Listeck and Marquette President Michael R. Lovell at the archdiocese's 175th anniversary celebration.

## CATHOLIC CONNECTIONS

Milwaukee's first archbishop, John Martin Henni, helped establish Marquette as a Catholic, Jesuit university in 1881. Paying homage to the intertwined history of the city, Marquette and its Catholic community, Marquette President Michael R. Lovell gave the opening remarks at the archdiocese's 175th anniversary event in May 2019. President Lovell spoke of Archbishop Henni's influence on the city, Jesuit causes and the Marquette mission, as well as Catholicism's important role in transforming Milwaukee, past, present and future.

Nearly 140 years later, Marquette remains an integral part of the city's Catholic community. In a shared mission with Milwaukee's archdiocese, we are called to provide transformative higher education to our students, and to serve the city and its residents for generations to come.

**FOR  
THE  
GREATER  
GLORY  
OF GOD**

St. Ignatius of Loyola,  
founder of the Society of Jesus

### JESUIT SCHOOLS: 27 STRONG

Since 1548, Jesuit higher education has remained committed to academic excellence, service, leadership and caring for the whole person. Marquette is one of 27 schools that compose the Association of Jesuit Colleges and Universities. Member institutions are committed to self-evaluation and peer review to affirm the mission of Catholic, Jesuit education, and collaborate on initiatives to support best practices, advocate at the national level, and advance international education and global citizenship.

## “Small experiment” in peacemaking becomes a national model



Sally and Dr. Terrence Rynne at the 2019 James W. Foley Freedom Awards ceremony.

### HUMANITARIAN OF THE YEAR

In April 2019, the James W. Foley Foundation honored Dr. Terrence Rynne with the 2019 Humanitarian of the Year award for his work in conflict resolution and peacemaking. In addition to making the initial gift to establish Marquette's Center for Peacemaking, Rynne and his wife, Sally, have together founded a namesake foundation dedicated to peace and the empowerment of women. Rynne also helped pen the New Year's Day 2019 peace message delivered by Pope Francis.

The Center for Peacemaking at Marquette University started in 2008 as “a small experiment with a 1.5-person staff,” says Director Patrick Kennelly. Today, it's one of the largest research centers on campus, with about one in five undergraduate students participating in its initiatives each year.

Founded by Marquette theology instructor Dr. Terrence Rynne and informed by the Jesuit mission of reconciliation and working for peace, the center explores the power of nonviolence by fostering research and action to promote social justice, human dignity and peace in partnership with the broader community.

Kennelly points out that Marquette is the only Catholic school in the country with a major and a minor in peace studies, as well as an academic center focused on nonviolence. “It's one of the fastest-growing interdisciplinary majors and minors,” he says. “The center uses student

knowledge and research to address social realities in communities ... all of our projects involve nonviolence, research from students and serving the vulnerable.”

In addition to bringing the Peaceworks program to more than 500 Milwaukee public and Catholic school students and studying nonviolence in other countries, the center is part of Near West Side Partners, a nonprofit comprising nearby private corporations. The organizations work together to revitalize the neighborhoods in which they are located as safe, thriving business and residential areas. One NWSP project, “Promoting Assets, Reducing Crime,” launched in 2015; crime has since been reduced by 25 percent and 26 new businesses have opened, offering 100 new full-time jobs.

A yearlong campaign celebrating the center's 10th anniversary and promoting its impact concluded in May 2019 and yielded some significant wins. In conjunction with the NWSP, the center secured a \$1.3 million government grant to transform public housing in the area around Marquette. The campaign also helped grow the center's endowment to nearly \$2 million this fiscal year.



The Center for Peacemaking offers week-long and semester-long travel programs for students to learn about and contribute to international peacemaking projects. Students on the center's study abroad program in northeast India participate in a Jesuit peacemaking project that educates tea workers on their legal rights.

## Of humble beginnings, alumnus pays it forward

*“Poor kid” Barry Cosgrove endows scholarship for first-generation students*

*“Those who most often get caught in the struggle of higher education costs are the same students who most need a fair chance at the advantages of a Marquette education.”*

Barry Cosgrove, Jour '79



A self-described “poorer than poor” kid from suburban Boston, Barry Cosgrove, Jour '79, has achieved the kind of career success that in 2019 earned him an All-University Alumni Award for Professional Achievement. Though he worked hard and was savvy about seizing opportunities, Cosgrove credits much of his upward trajectory to “the generosity of others.”

The help he received — including from Marquette’s Educational Opportunity Program, which provides mentoring and support for low-income, first-generation and minority students — inspired Cosgrove’s 2019 gift of \$1 million, which he and his wife, Ingrid, directed toward scholarship support for first-generation students in the College of Business Administration, as well as those majoring in journalism.

The Marion Krug Cosgrove Endowed Scholarship is named in memory of Cosgrove’s mother, the most influential person in his life “because of her decency, hard work, resilience, reliability and loyalty,” he says.

Cosgrove, a founder of DaVita dialysis centers and current president, CEO and chairman of Blackmore Partners, says the EOP program — which, at 50 years strong, was one of the nation’s first — helped him develop both leadership skills and empathy. While visiting campus to accept his alumni award, he recently drew additional inspiration from a banner adorning a campus building; it reads: “The Guts to Try, the Heart to Care and the Resolve to Be The Difference.” He remains connected to Marquette as a founding member of the university’s new President’s Advisory Council.



SPOTLIGHT

## New sacred space honors the Blessed Mother

A May 1, 2019, dedication ceremony brought together students, faculty, staff, community members and Milwaukee Archbishop Jerome ListECKI to honor, welcome and bless Marquette’s new statue of the Virgin Mary. Visitors can find her sheltered in a new, free-standing grotto near the St. Joan of Arc Chapel that offers space for prayerful contemplation. Funded by generous Marquette benefactors, the grotto was inspired by President Michael R. Lovell’s capstone project in the Ignatian Colleagues Program, which cataloged sacred spaces on campus.



*Marquette benefactor Geraldine “Nana” Fotsch seeing for the first time the Blessed Virgin Mary statue in the university’s new Marian Grotto. Fotsch and her family donated to the project.*





*A co-op student in the Opus College of Engineering working at Milwaukee-based Harley-Davidson Motor Company.*

## BUILDING LEADERS

In January 2019, President Michael R. Lovell, Opus Dean of Engineering Kris Ropella and alumnus Chuck Swoboda, Eng '89, invited regional leaders in the engineering industry to envision how Marquette's burgeoning Innovation Alley might create the most value for business and academia. The takeaway: develop the next generation of innovation leaders.

The Opus College of Engineering's Engineers in the Lead program, or E-Lead, was already nationally recognized and had garnered awards as a leadership development program for 20 engineering students each year. Chuck, a trustee emeritus, along with his wife, Karen, Eng '90, gave a \$1 million gift to immediately double the capacity of the program and add 20 non-engineering majors to each incoming cohort. Says Chuck, "It is people who provide the critical spark that drives innovative thinking."

## THE PURSUIT OF EXCELLENCE IN ALL THINGS

A defining part of Marquette's mission

### SWOBODAS MAKE A SLAM-DUNK GIFT

The Swobodas, especially Chuck, are nearly unparalleled in their zeal for Marquette men's basketball. As undergraduates, Karen and Chuck were both on the pep squad and Chuck had a super-fan alter ego known as the "Bleacher Creature." Simultaneously with their Innovation Alley gift, the couple donated \$1.5 million to support this iconic athletics program's continued growth.

## Theatre student pulls back curtain on racial tensions

### WHITE PRIVILEGE IN THE SPOTLIGHT

Marquette's production of *White Privilege* was selected to be performed in January 2019 at the Kennedy Center American College Theatre Festival, Region III, in Madison, Wisconsin. The festival is a national theatre program that provides a catalyst to improve the quality of college theatre. Malaina Moore also received the Citizen Artist Award from the organization "for insisting that theatrical production is central to the urgent community, national and international conversations on the campuses of higher education."

Inspired by social media discussions about the meaning and impact of white privilege, Marquette theatre student Malaina Moore decided to tackle the topic in a few scenes written for a class project.

She ended up writing an entire play, *White Privilege*, which opened Marquette's 2018-19 theatre season, selling out all three nights and going on to win a prestigious Kennedy Center award.

The play explores, through a series of vignettes, the discrepancies in life experience between white people and people of color. The characters interact in ways that illuminate advantages white people often don't realize they have and biases about other racial groups they have left unexamined.

"What made the play so important is that I can go through it and give people themes now of where they can see white privilege ... It's not just in politics or in the streets, but also school, where you can get treated differently by teachers when you're supposed to be treated equally," Moore told

her assistant director in a *We Are Marquette* podcast.

Moore says everyone from her classmates to Chair of Digital Media and Performing Arts Stephen Hudson-Mairet encouraged her to develop the idea. Hudson-Mairet even recruited two women influential in Milwaukee's professional theatre scene to help Moore expand and polish the script.

The faculty's willingness to help students find opportunities and make connections is one of her favorite aspects of Marquette's theatre program. She also likes its intensity. "They expect a lot from you because they are preparing you for what you will deal with in the real world," Moore says, adding that her ultimate dream is to open her own theatre.

As part of President Michael R. Lovell's January 2019 presidential address, Moore was honored with the Marquette Difference Maker Award for work that makes a positive impact on the Marquette community.

The sold-out performances of her play, Moore says, are an example. "It shows that even in venues that may cater more to white audiences, the black experience brings in the same money and the same attention, if not more."



Photo by A.J. Magoon (used with permission)  
Left to right: Cambryelle Getter, Rene Leech, Malaina Moore and Allie Brotz

## It's cooler in The Commons

*Marquette's newest residence hall elevates student living*

*“The Commons has become a new ‘living room’ for campus. We remain grateful for the investment in the residential experience for our students.”*

Dr. Xavier Cole  
Vice President for Student Affairs

The Commons, Marquette's first newly constructed student residence hall in 50 years, upgraded college living for the 890 first- and second-year students who moved in on Aug. 23, 2018.

One of the facility's two residential towers bears the name of the late Ray and Kay Eckstein, recognizing their generosity to their alma mater, including a \$10 million gift to help construct The Commons.

Standout common areas include a smart classroom; a theatre staircase with a floor-to-ceiling screen for viewing sporting events or movies; the Practice Room, a performance and rehearsal space



*A student group gathers on The Commons' ‘theatre stairs.’*

with a mirrored wall; and multiple study lounges with fireplaces.

Windows are everywhere, providing sweeping city views as well as sightlines between common areas to easily locate friends.

Rooms lend themselves to customization: beds can be easily bunked, lofted or remain low; desks snap apart and can be snapped into notched platforms; closets can accommodate dressers.

The facility also features many sustainability elements. The green roof, underground stormwater collection tank, low-flow water fixtures and energy-efficient LED lighting earned it LEED Silver certification.



### SPOTLIGHT

## The Commons by the numbers

**\$108** million construction cost

**292,000** total square footage

**625** seating capacity in the dining facility, which includes a barbecue smokehouse, an allergen-free food station and wood-fired pizzas

**25** seats in the Saint Thérèse of Lisieux Chapel, part of a worship space that caters to all faith traditions

**3** fireplace lounges

**5** construction and design awards The Commons has won





## EXPANDING ACCESS

Marquette announced in May 2019 that enrollment was open for its first fully online undergraduate degree program, a bachelor of arts in strategic communication. The new course is part of a university-wide initiative to extend access to a Marquette education.

“More than an enrollment strategy, expanding the university’s offering of online degree programs removes barriers and provides opportunities for nontraditional students, including older and/or working people who seek to fit school into their lives,” says David Schejbal, who joined Marquette in August 2018 as chief of digital learning.

Marquette plans to add new online programs at the graduate and undergraduate levels, expand offline locations and increase online course options for current students. In keeping with Marquette’s mission, online programs integrate Ignatian pedagogy to create transformative learning experiences that emphasize engagement and critical reflection.

**GO  
FORTH  
AND  
SET THE  
WORLD  
ON FIRE.**

St. Ignatius of Loyola

### ONLINE OFFERINGS

At the end of the fiscal year, Marquette’s fully online offerings in the Marquette Graduate School and the Graduate School of Management included master’s and/or Ph.D. programs in business administration, Christian doctrine, computing, corporate communication and healthcare data analytics. An online master of science in supply chain management is also offered and includes three four-day residential workshops on campus. Marquette also offers an online certificate program in data science.

## New student media space boasts transformational technology, fosters integration

### STUDENT MEDIA LAUDED

In March 2019, student reporters from MUTV, MU Radio and the Marquette Wire earned nearly 30 awards from the Wisconsin Broadcasters Association and the Wisconsin Newspaper Association for their work covering news and events on and off campus. Marquette students clinched first place in categories including WBA Student Leadership Award, News Story Writing for Radio, Air Check for Radio, Podcasting, Public Affairs Programming and news website for Marquette Wire, as well as top honors from the WNA in Collegiate Journalist of the Year, Infographic Design and Feature Photography.

A game-changing makeover of Johnston Hall's second floor is reenergizing and uniting Marquette student media.

With support from a \$3.5 million gift to the Diederich College of Communication from the Bernice Shanke Greiveldinger Trust, the transformed space now accommodates student audio, visual and print media teams in one shared area that features open space, plenty of windows and cutting-edge technology.

Before the renovation, even as audio, video and print reporting had been integrated in the all-digital Marquette Wire, student media teams remained spatially divided. Radio offices and the *Marquette Tribune* newsroom were in the basement, while TV studios, control rooms and other offices were on the second floor.

"The renovation means we can bring everything together on one floor," says Mark Zoromski, director of student media. "We are teaching our students that to be successful, they need to know every side of media. Having them all together gives them that experience."

The Greiveldinger gift catalyzed the project and funded elements like an impressive newsroom with plenty of

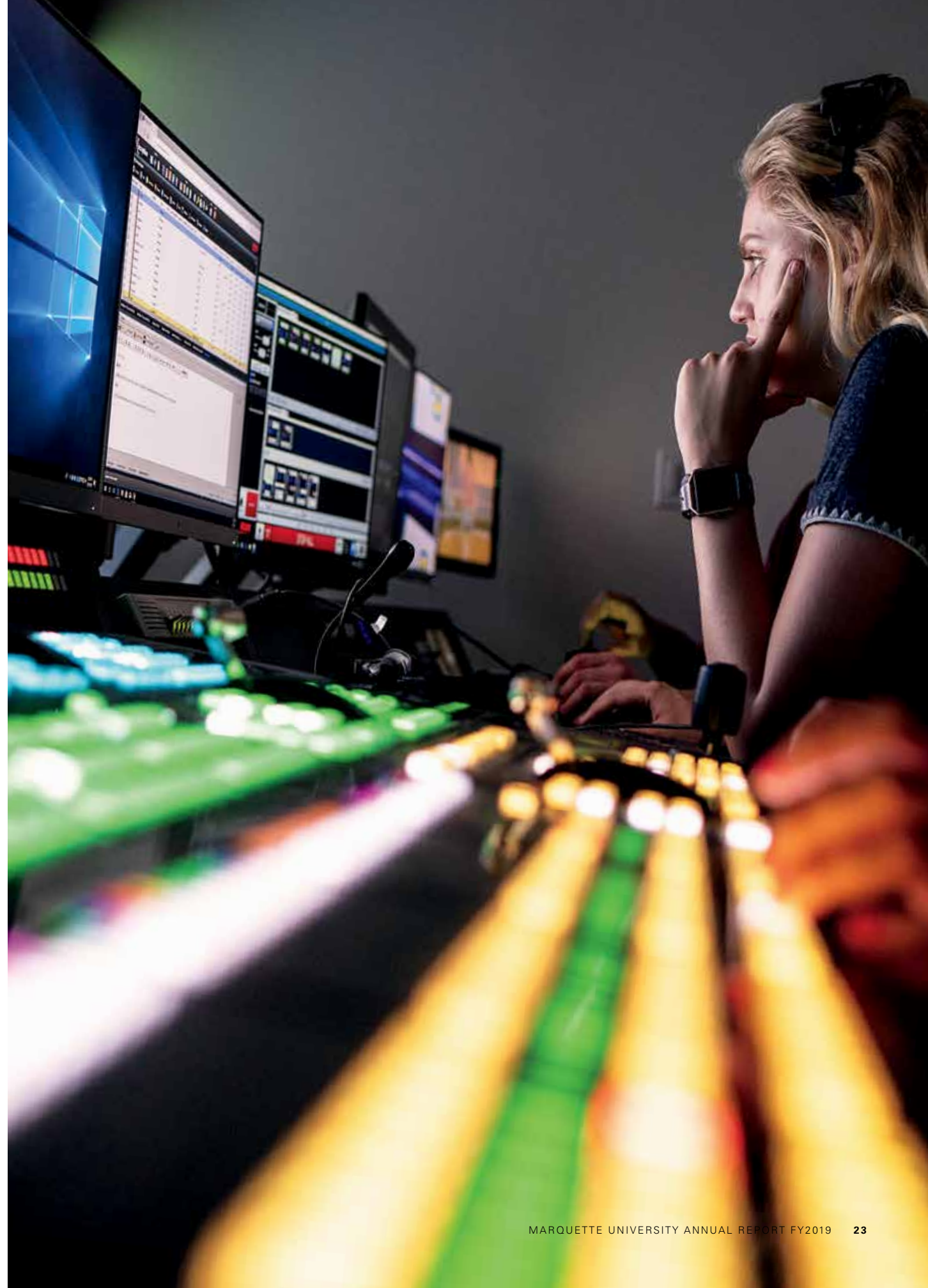
natural light and attractive views that can accommodate dozens of students from across media disciplines at any given time, encouraging collaboration.

There is also a new video-audio control room with digital tools that rival industry standards and facilitate live programming, incorporation of musical performances and prerecorded bits, and more.

Two new radio studios have upgraded equipment, which students have said demonstrates that Marquette values the work they are doing and inspires them to work harder.

Finally, students now have a green screen room with state-of-the-art virtual sets. The virtual set technology, which includes tracked cameras, a high-capacity computer, software and a number of custom-made virtual sets, was funded through a gift in memory of Jeannie Hayes, Comm '05, whose promising career in television was cut short by leukemia in 2012.

The renovations also led to a new first-floor office suite for the O'Brien Fellowship in Public Service Journalism program, which was created in 2013 to support professional journalists working on long-form investigative projects around economic and social justice topics and solutions.



## Dental education rooted in mission

*Wisconsin's only dental school is in service to the entire state*

*“The Dental School does the work of a social service agency. What the Dental School does in terms of service is a model for the rest of the university.”*

Dr. William Lobb  
Dean, Marquette University  
School of Dentistry



At the Marquette University School of Dentistry, service is built into the curriculum, championed and modeled by faculty, and embraced by student organizations. Every day, the faculty and students of Wisconsin's only dental school are in service to not only the Milwaukee metro area, but the entire state, making a positive impact on public health, care for underserved populations and the strength of local economies.

“The Dental School does the work of a social service agency,” says Dr. William Lobb, dean of the dental school. “What the Dental School does in terms of service is a model for the rest of the university.”

- The Dental School has seven clinical sites in Wisconsin — three in Milwaukee; four in less urban or rural regions — where students gain experience.
- In 2018, Marquette's Milwaukee clinics provided dental services valued at more than \$15.6 million to 17,778 patients. Three of the four rural clinics served 8,960 patients.
- Forty-three percent of the Dental School's Milwaukee-area patient population is eligible for Medicaid insurance, and the school is one of Wisconsin's largest health care providers to accept Medicaid.
- For Wisconsin children, students and faculty completed 4,638 dental screenings, applied 8,851 dental sealants and 8,179 fluoride varnishes.
- Students volunteered to help provide nearly 140 children with free screenings and treatment for acute pain and dental issues at Give Kids a Smile Day, hosted annually by the Dental School in partnership with the Greater Milwaukee Dental Association.



### SPOTLIGHT

## Celebrating 25 years of excellence in literacy education

Students graduating from the College of Education are better prepared, thanks to the hands-on experience and training they receive through the Hartman Literacy and Learning Center, which recently celebrated its 25th anniversary. The center has provided literacy services to children from more than 17 urban elementary schools since the early 1990s, when James Hartman started his endowment to support it in honor of his father, Ralph C. Hartman, Arts '28, Law '31. In addition to training education students, the center fosters original research to inform the field of literacy.



*Milwaukee-area school children entering Schroeder Hall to attend the Hartman Literacy and Learning Center.*



## GOLD STANDARD

The National Institutes of Health (NIH) is Marquette’s largest single source of research funding, accounting for 27 percent of all grant dollars awarded to university researchers. Current NIH grants fund 35 faculty research projects, and 13 of these are categorized as “R01” — the NIH’s gold standard. R01 grants are awarded only for research proposals that demonstrate the strongest science and potential health impact.

Currently, \$20 million in R01 grant funding is powering research at Marquette on health issues from cancer care to addiction treatment to circadian rhythms. As the number of R01 grants expands, Marquette is investing in initiatives to further support faculty in competing for NIH dollars, propelling the university along its strategic goal of rapidly expanding research funding.

## WE PLANT THE SEEDS THAT ONE DAY WILL GROW.

St. Óscar Romero

### ACTIVE R01 GRANTS

- \$1.2 million** to study proteins involved in DNA repair
- \$1.7 million** to study suprachiasmatic nucleus cells, the brain’s body clock
- \$1.4 million** to explore clearer CT diagnostic imaging
- \$1.2 million** to research causes of faster muscle fatigue in older adults
- \$2 million** to examine neurobiological causes of relapse among cocaine addicts
- \$1 million** to study two enzymes involved in steroid biosynthesis
- \$1.5 million** to study aortic changes that cause hypertension
- \$2.6 million** to study the role of stress, impulse control and decision-making in addiction treatment
- \$1.55 million** to advance knowledge of RNA protein interactions for cancer treatments
- \$1.6 million** to understand cardiovascular system regulation in people with spinal cord injury
- \$1.9 million** to explore the effects of negative experiences on people with psychological disorder to inform pharmaceutical treatment
- \$1.6 million and \$1.9 million** to advance understanding of gene delivery to stimulate regeneration and growth of spinal nerves

## Rooted in research, new clinic will address trauma in Milwaukee

### IT TAKES A VILLAGE

With its diverse on-campus and off-campus partners, the Next Step Clinic leverages an impressive array of expertise to meet a critical community need.

**Dr. Iqbal Ahamed**  
Computer Sciences

**Dr. Abir Bekhet**  
Nursing

**Dr. Mary Carlson**  
Educational Policy and Leadership

**Tim Coughlin**  
Milwaukee SUCCEEDS  
and United Way

**Martina Gollin-Graves**  
Mental Health America of Wis.

**Leah Jepson**  
Mental Health America of Wis.

**Dr. Norah Johnson**  
Nursing

**Dr. Lynne Knobloch-Fedders**  
Counselor Education and  
Counseling Psychology

**Wendy Krueger**  
Speech Pathology and Audiology

**Rev. Walter Lanier**  
MATC and MIRACLE Network

**Dr. Dessie Levy**  
General Baptist State Convention  
and True Love Outreach Center

**Dr. Alexandre Martins**  
Theology and Nursing

**Linda Menck**  
Communications

**Dr. Steve Saunders**  
Psychology

**Troney Small**  
Psychology staff

**Dr. Tracey Sparrow**  
Next Door Foundation

**Ida Winters**  
Mental Health America of Wis.

*Excerpted from Marquette Magazine,  
Spring+Summer 2019*

In unveiling the President's Challenge at his 2018 campuswide address, President Michael R. Lovell invited interdisciplinary, collaborative proposals to address one or more areas of inequity in Milwaukee's most underserved neighborhoods.

He sought ideas, he said, that would change the trajectory of lives among vulnerable populations.

The first-ever President's Challenge award — a \$250,000, two-year grant — went to Dr. Amy Van Hecke, associate professor of psychology, and a team of faculty and community-based collaborators. Their idea: to open the Next Step Clinic, creating a resource in the heart of a struggling, inner-city neighborhood to address mental health and developmental issues of children and families.

Such services are badly needed. Project partners point to the impact of trauma that people living in poverty or violent neighborhoods experience and how it negatively

impacts mental health; not addressing that trauma in survivors often perpetuates a trauma/poverty cycle. Developmental interventions are another area in which the Next Step Clinic can fill a gap, as families without insurance have experienced years-long wait times for services and often have to leave Milwaukee County to receive them.

"When a child is developing, you don't want to wait a year to address these problems," Van Hecke says.

The Next Step Clinic opened in October 2019 inside the headquarters of the Next Door Foundation, in an empty space that was, serendipitously, designed as a health care clinic. The grant money will immediately fund qualified professionals and staff.

Van Hecke points out that Next Step provides short- and long-term solutions to the problems facing children and families, providing needed interventions quickly while also building the pipeline of qualified professionals over time: "By involving students in this clinic, we are training more and more professionals to work with children and families ... making it easier for families to get the services that they need."



*Dr. Amy Van Hecke, shown at the new  
Next Step Clinic.*



## Exploration is who we are

*Explorer Challenge seeds innovation with annual grants*

The Explorer Challenge, formerly the Strategic Innovation Fund, invites Marquette students, faculty and staff to submit proposals each year for up to \$25,000 in seed money for innovative projects that reflect Marquette's Catholic, Jesuit mission and advance the university's strategic plan, *Beyond Boundaries*.

To be funded, proposals need to clearly illustrate potential impact in one or more of the strategic plan's thematic areas, demonstrate innovation, leverage cross-campus collaboration and have viable goals and financial sustainability.

In its first three years, \$7 million in Explorer Challenge awards funded 72 initiatives, which, in turn, garnered

more than \$10.5 million in external grants and other revenue — earning Marquette an impressive 45 percent return on its investment. Perhaps as impressive: 444 project pre-proposals were submitted and 267 of these were finalized, showing that innovation is alive and abundant in the greater Marquette community, as is the desire to make a difference in new ways, across many disciplines.

To date, Explorer Challenge funding has supported projects in a wide range of topics, with many focusing on: student entrepreneurship and social innovation, water and the environment, advanced visualization technologies, health and wellness, and community partnerships.

*“At Marquette, innovation is a means to a greater end: making a difference.”*

Dr. Jeanne M. Hossenlopp  
Vice President for  
Research and Innovation



SPOTLIGHT

## Henke Terrace hosts outdoor inspiration

Marquette students now have an outdoor space in which to innovate, create and connect. The Henke Terrace opened in October 2018, activating formerly unused space just outside the 707 Hub, home of the Kohler Center for Entrepreneurship and the Social Innovation Initiative. Complementing the 707 Hub's resources that encourage and help develop new business ideas, the Henke Terrace was designed by students and 707 Hub staffers. It was made possible through a generous grant from the Gordon Henke Family Foundation, facilitated by Mary Henke, trustee emerita.





## GOLDEN EAGLE PRIDE

Marquette University's 16 Division I athletics programs grow the university's brand awareness, foster alumni engagement and contribute to a richer collegiate experience for all students. With conference revenue of \$4.8 million, the program continues to be among the most efficient in its peer group, ranking in the 94th percentile among Division I non-football schools.

Marquette's 320 student-athletes continue to perform well academically with a mean grade point average this academic year of 3.24. They also continually demonstrate a growing commitment to the Jesuit promise of being men and women for and with others through 6,481 completed hours of service (up from 5,222 hours last year).

**IF WINNING  
WEREN'T  
IMPORTANT,  
NOBODY  
WOULD  
KEEP SCORE.**

Al McGuire  
Legendary Marquette men's basketball coach

### BLUE & GOLD FUND

Marquette's Blue & Gold Fund aims to cover all of the full athletic scholarships permitted each year by the NCAA. This year, 5,346 donors provided more than \$5.1 million in scholarship support to the Blue & Gold Fund for scholarships for Marquette student-athletes. The 27th annual Blue & Gold Fund auction, with more than 400 attendees, raised a historic total of more than \$900,000.

*Women's lacrosse team players react to seeing their new home in the Athletic and Human Performance Research Center, which opened in spring 2019.*

## Lacrosse player draws on faith after bittersweet start



*“I grew a lot in my faith that year, with my injury. That is a huge part of what keeps me calm — just understanding that God has a bigger plan for me, and if I work hard, I can achieve it.”*

Jordan Schmid

Playing four years of varsity lacrosse for Wisconsin’s Kettle Moraine High School, Jordan Schmid always had his eye on Marquette University.

“I loved the culture and what they were building here,” he says. “I went to their prospect camp every summer to see if I could earn a spot in their recruiting class.”

The dream finally came true, but not until the summer after Schmid had graduated high school and was already committed to a Division II school in Colorado.

Working closely with the Office of Undergraduate Admissions, Schmid was able to enroll in fall 2017 as an exercise physiology major. He began practicing with the team that fall, although he was still appealing release from the Colorado school.

Right before practice one day, he got the good news: His release had gone through and he would be able to play once Marquette’s season began. An hour later, Schmid tore his ACL during a ground ball drill.

“That was a really up and down day for me,” he says, understatedly.

Drawing on his faith, Schmid turned what could have been a devastating circumstance into a

positive experience. Despite having to redshirt his freshman year, “I thought, ‘Maybe I can’t contribute on the field this year, but I can contribute in other ways,’” he says.

That year, Schmid managed the team’s Catapult system. The software gathers data on player exertion during a given practice, week or game to help prevent injury and promote recovery. He even turned the role into an independent study for college credit.

Recovered for the 2018-19 season, Schmid contributed on the field as a reserve midfielder, and in early summer was elected president of the Student Athlete Advisory Committee, both at Marquette and for the entire Big East Conference. The SAAC gives student-athletes a voice in NCAA initiatives and organizes service projects, such as a recent trip Schmid and other Marquette athletes made to help rebuild homes in Puerto Rico.

“It’s a time commitment,” acknowledges Schmid, who says he has always thrived on a busy schedule. “I could just play lacrosse and go to school, but I want to make an impact, and that’s not going to happen unless you take risks.”

*Jordan Schmid poses on a rooftop during a Marquette student-athlete service trip to Puerto Rico.*

## First year in “The Fiserv”

*New home for men’s basketball an unrivaled fan experience*

*In a special August 30 column for onmilwaukee.com, Brian Foley wrote, “The [Fiserv] Forum is the nicest basketball arena in the nation, full stop.”*

Golden Eagles fans have a beautiful new venue in which to cheer on the Marquette University men’s basketball team. Located in the heart of downtown Milwaukee, the recently opened Fiserv Forum is a world-class sports and entertainment venue and the official home of the Milwaukee Bucks, the city’s NBA team.

Shortly after the arena opened on Aug. 26, 2018, the Marquette men’s basketball program welcomed fans to an open house to show off the new digs. Seating 17,500, the Fiserv Forum boasts unrivaled viewing experiences as well as the largest square scoreboard in North America.

Marquette men’s basketball has nearly two decades of top-25 attendance among more than 340 NCAA Division I teams nationally, and the first full season

at the Fiserv Forum saw attendance rise 11 percent over the previous season, putting Marquette at No. 9 in attendance.

“The Fiserv Forum is a tremendous asset, not only to our men’s basketball program, but to our university community as a whole,” says Bill Scholl, vice president and director of intercollegiate athletics. “The Bucks have been tremendous partners and the opportunity to host basketball games, graduations and special events in a world-class facility is a difference maker. Specific to men’s basketball, the game experience has been elevated dramatically for both our players and fans, creating a home-court advantage among the best in the country.”



*Milwaukee’s new Fiserv Forum, home of Marquette men’s basketball.*



SPOTLIGHT

## Dwyane Wade Day: Honoring a legend

Marquette and its men’s basketball program honored former standout player and decorated NBA star Dwyane Wade on Jan. 20, 2019, not long after he announced his retirement from professional basketball. Held in conjunction with a Golden Eagles game at Fiserv Forum, the celebration included heartfelt tributes from former Marquette teammates and a halftime ceremony in which Wade spoke of the “many memories” created during his years at Marquette. The Miami Heat recruited Wade in 2003 after he helped lead Marquette to the Final Four that year.



*Dwyane Wade walks through the men’s locker room at the Fiserv Forum.*



Dr. Simon Howard, assistant professor of psychology and director of the Psychological Social Inquiry Lab in the Klingler College of Arts and Sciences.

## LEADING BY EXAMPLE

“A Culture of Inclusion” is one of six goal themes within Marquette’s strategic plan, *Beyond Boundaries*. This year, funding from the plan’s operating budget enabled university leaders, faculty, staff and students to explore and confront unconscious bias in a sought-after workshop from the YWCA of Southeastern Wisconsin, “Unlearning Racism.”

The University Leadership Council was first to complete the intensive, 16-hour series designed to foster personal commitment to addressing racial inequities and equip participants to build richer relationships across racial differences.

Dr. William Welburn, vice president for inclusive excellence, explains that although Marquette has long deployed organizational diversity training, programs like “Unlearning Racism” help address root causes of inequity through examining individual biases. “Before you can create institutional change, you have to make some individual change,” he says.

## CURA PERSONALIS

Latin for “care for the whole person,” a tenet of Jesuit spirituality

### PROMOTING A SENSE OF COMMUNITY

This fiscal year, Marquette faculty and staff formed two new employee resource groups (Womxn of Color and Women of Marquette), bringing the total to seven on campus. Groups are based on affinities like race, gender, LGBTQ status, working moms and a group for newer, younger employees called Social Professionals. Such groups help support, retain and attract the best employees — each ERG aims to promote a sense of community and build personal and professional networks to foster a diverse and inclusive community.

## Improving employee communications and professional development

### EMPLOYEE COMMUNICATIONS HUB

Managed by the Office of Marketing and Communication, *Marquette Today* serves as the university's primary employee communications medium. Central to *Marquette Today* is a website that serves as a news hub for university announcements and events. The site is augmented by a twice weekly e-newsletter of the same name that goes to all faculty and staff. OMC also maintains a student version.

Successful employee engagement is a high priority for Marquette for many reasons, including to help advance its strategic plan, *Beyond Boundaries*.

"If you are going to achieve strategic goals, the degree to which you have an engaged group to help you do it is very important," says Claudia Paetsch, Marquette's vice president for human resources. This year saw expanded initiatives targeting key aspects of employee engagement.

#### Listening to employees

Though employee engagement surveys are uncommon within higher education, Paetsch says universities "should be doing this, because faculty and staff engagement is directly associated with student engagement."

With a nearly 15 percent participation rate increase, Marquette completed its second such survey this past May seeking to understand, for example, how connected employees feel to Marquette and its mission, attitudes about working relationships with managers and colleagues, and a host of other questions. Responses will inform action plans and recommendations for each department and for the University Leadership Council.

#### Developing leadership skills

Marquette's internally developed Leadership Development Program

launched in early 2018 — nearly 50 percent of supervisors have completed it.

"We are in the high 90th percentile of people finding it to be 'valuable and worth their time,'" notes Wendy Butler, director of organizational development, who will leverage participant feedback to refine the program. Participant surveys provide insights into key takeaways, goals, behavior change, barriers to success, and more.

#### LEAD

This year also saw the launch of LEAD (Leadership Engagement and Dialogue), an employee communications initiative aimed at building trust and operational understanding among mid-level managers. Targeting about 500 employees, LEAD deploys twice monthly management briefings via email that include talking points around university priorities and issues, and gathers the group throughout the year for deeper dives into issues like university finances and enrollment strategy.

#### Professional growth

This year's focus for GROW sessions — "one-off" classes offered to all employees, covering myriad subjects — has largely centered on professional growth. "We have also started a Professional Growth Series," Butler says. "People really want development opportunities, so we created a series for those ready to make a dedicated commitment."



Marquette employees take a walking tour of Sculpture Milwaukee. The guided tour was sponsored by Marquette's GROW sessions in collaboration with the Haggerty Museum of Art and Marquette Wellness.

## Meet Claudia Paetsch

*New VP for human resources joins Marquette from Northwestern Mutual*

*“Marquette’s contributions to the community in which they live and work ... and the way the students go out to the community and engage, is inspiring and exciting.”*

Claudia Paetsch  
Vice President for Human Resources



### What drew you to this role?

Marquette’s mission. Not only *Beyond Boundaries*, which is a great blueprint for the future, but their mission as a university overall. Their contributions to the community in which we live and work — through initiatives like Near West Side Partners, SWIM (Scaling Wellness in Milwaukee) — and the way the students go out to the community and engage, is inspiring and exciting. In a world with so much negativity, seeing the students’ hopefulness, dedication and engagement, it is so positive and reinforcing.

### What do you bring to this role?

I’ve been in HR a very long time, with different organizations, and I’ve

experienced HR from many vantage points. My last role at Northwestern Mutual as a business partner gave me a view of HR from the business unit’s perspective, and you see how they receive and experience HR initiatives. It’s sometimes a little shocking, like, ‘We developed this great program, and you’re not using it, why?’ But HR that is not leading from the organization perspective is never going to be relevant or valuable. There is a desire by the university community to be understood, and HR is here to work with them to help solve problems and achieve our mission.



SPOTLIGHT

## Taking a pulse on wellness

To augment Marquette’s robust employee wellness offerings, the university introduced Virgin Pulse, a wellness portal available to all employees and their spouses. The program encourages and helps track wellness activities and practices, from fitness and healthy eating to mental wellness, sleep habits and more. By integrating Marquette’s existing wellness benefits, Virgin Pulse offers a convenient resource to support users on their individual wellness journeys, and enables the Marquette wellness and benefits teams to better understand what elements engage users most.





## BETTER TOGETHER

Standing in the heart of Milwaukee, Marquette is an active collaborator in the pursuit of a more just society. Engaging with the community and the world through meaningful partnerships is rooted in our Catholic, Jesuit tradition.

To achieve Marquette's vision to develop comprehensive off-campus partnerships, the university recently united its Offices of Community Engagement and Corporate Engagement and Partnerships under the new Office of Economic Engagement. Here, businesses and nonprofits gain a holistic perspective of all that Marquette has to offer through research, teaching and service.

"Our vision as a Catholic, Jesuit university calls us to reach beyond traditional boundaries, embrace collaborative approaches and create an inclusive environment," President Lovell says. "By unifying our community and corporate engagement activities, Marquette can more effectively help address the economic disparities in our community."

**WE ALL  
HAVE THE  
DUTY TO  
DO GOOD.**

Pope Francis

*"Marquette as a Catholic, Jesuit university will be a national leader in community engagement, including within the corporate sector. ... Because of our mission and our location, we are well-poised to do this work effectively."*

Dr. Dan Bergen  
Executive Director  
Community Engagement

Employees from Kohler Company taking a class through Marquette's Kohler MBA program, designed for busy professionals in Wisconsin's Fox Valley area.



## Public art project is “curating the city”

### WATERMARKS COLLABORATORS

ARTIST MARY MISS AND HER ORGANIZATION CITY AS LEARNING LABORATORY

UNITED COMMUNITY CENTER’S ACOSTA MIDDLE SCHOOL

SIXTEENTH STREET COMMUNITY HEALTH CENTERS

KK RIVER NEIGHBORS IN ACTION

REFLO: SUSTAINABLE WATER SOLUTIONS

MILWAUKEE METROPOLITAN SEWERAGE DISTRICT

THE SCHOOL OF FRESHWATER SCIENCES AT THE UNIVERSITY OF WISCONSIN-MILWAUKEE

### WATERMARKS FINANCIAL SUPPORTERS

THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES

MARQUETTE UNIVERSITY EXPLORER CHALLENGE FUND



Outside Acosta Middle School, located within the United Community Center on Milwaukee’s south side, a giant red letter “A” stands atop a tall pole. Installed in October 2018, it is Milwaukee’s first WaterMark, anchoring what will become an “atlas of water” for the city.

This atlas-in-progress is the focus of WaterMarks, a public art initiative conceived by New York-based artist Mary Miss. It invites local artists, scientists and residents to explore connections to the land, lake and rivers, reminding the community of the ways water connects and sustains us and encouraging a shared commitment to protect this precious resource.

When Haggerty Museum of Art Director and Chief Curator Susan Longhenry heard about Miss’s idea

for WaterMarks several years ago, she hit on the idea of bringing Miss in as an artist-in-residence.

The Haggerty secured a \$200,000 grant from Marquette’s Explorer Challenge Program to develop the project, as well as a grant from the Institute of Museum and Library Services that “allowed us to prototype the complete WaterMarks process at both Acosta and Sixteenth Street Community Health Centers,” Longhenry says.

Both sites hosted educational community walks and held culminating workshops where artists proposed public art concepts to the community. Three such installations were completed this fiscal year, in addition to the “A” outside Acosta, where students completed a water-focused academic unit.

Now, the Haggerty’s focus is on maintaining long-term relationships with the WaterMarks partners (see sidebar) to continue educational programming as well as collaboration with local artists and the community to produce more public art.

“This project is unique because it’s not happening at the art museum,” Longhenry says. “We are curating the city ... to create public works of art that speak to issues important to all of us. I love that this program is causing us to rethink what art museums — especially academic art museums — can and should be.”



*Photo by Wangard (used with permission)*  
One stop on the WaterMarks tour is a specially designed water feature at Freshwater Plaza, a mixed-use development in Milwaukee’s Walker’s Point neighborhood. Located at the gateway to the city’s burgeoning Harbor District, the feature is not merely an attractive architectural element — it serves an important environmental purpose by capturing and storing up to 30,000 gallons of filtered rainwater run-off.

## New VP for Economic Engagement seeks partnerships for the greater good

Dr. Maura Donovan sees an “incredible opportunity” for corporate and community engagement at Marquette

*“Economic engagement is about positively impacting the community by forging strategic external partnerships for the greater good.”*

Dr. Maura Donovan  
Vice President for  
Economic Engagement



*Donovan is a scientist by trade, with a Ph.D. in pharmacology and a post-doctoral fellowship in biochemistry. She was on the team that developed the first implantable neurostimulation therapy to treat symptoms of Parkinson's disease.*

Marquette’s Office of Economic Engagement is formalizing, streamlining and enhancing the ways we work with partners in the corporate sector and community. At its helm is Dr. Maura Donovan, who arrived at Marquette in January 2019 from the University of Minnesota, where she designed, launched and led the office of economic development, leading to increased corporate-sponsored research, stronger relationships with economic development organizations, new opportunities for companies to engage with students, and a cross-campus culture of collaboration.

Donovan’s charge at Marquette is similar, and she is excited to uncover and leverage what she believes is an

“incredible opportunity” for Marquette when it comes to holistic engagement based on shared values and strategic priorities.

In addition to research strengths, technology innovation, tailored executive education, strategic philanthropic support and talent acquisition, Donovan adds that “increasingly, corporate entities that are looking to engage with universities like Marquette are doing so because we add value, and they are asking to work together to impact the communities we serve,” Donovan says. “Marquette stands out because of the type of leader that is groomed and developed here – that nexus of mission and scholarship.”



SPOTLIGHT

## Food service provider part of the family

The university’s long-running partnership with Sodexo, the campus food service provider since 1973, “works well because we have a great team on campus,” says Rick Arcuri, executive director, business operations and auxiliary services. “They focus on providing great food, but they also engage with and take care of our students and become a part of the fabric of campus life.”

**1.98 million** meals served  
**42%** of food sourced locally

**500** Sodexo student employees  
**\$25,000** of coffee sold  
*Academic year 2018-19*



*Sodexo employee Cynthia Byrd welcomes students to the dining facility in The Commons, Marquette’s new residence hall.*



*The Commons, Marquette's newest residence hall facility, features a green roof and courtyard space with native trees, plants and grass.*

## SUSTAINABLE SOLUTIONS

Sustainability aligns with Marquette's Catholic, Jesuit mission to care for others through social responsibility and justice, and to develop leaders who demonstrate this care in their personal and professional lives. Demonstrating good stewardship of our environment also improves efficiency, can catalyze philanthropy and new funding sources, attracts exceptional students and employees, strengthens community relationships and unifies our campus around a shared goal.

This fiscal year, Marquette moved forward on its first-ever campus sustainability plan, which aims to achieve key sustainability goals by 2025 around emissions reduction, improved energy efficiency in buildings, reduced water use and waste generation, and increased landfill diversion. An important component of the plan is increasing students' sustainability literacy by weaving sustainable ideas into the curriculum and engaging students through strategic campus communications.

## FIND GOD IN ALL THINGS.

St. Ignatius of Loyola

### ILLUMINATING EFFICIENCIES

A key sustainability investment this year: upgrades to parking structure lighting. Marquette replaced 887 fixtures in two structures with brighter and more attractive fixtures that use LED lighting, taking advantage of a Focus on Energy rebate from We Energies. The investment is expected to recoup in approximately 3.5 years and will generate continued efficiencies over the expected 20- to 30-year life of the LED lights.

## World-class research, elite athletic performance, one roof

### AHPRC BY THE NUMBERS

**400** number of construction workers

**950** yards of concrete poured

**100** doors in the facility

**39,000 bricks** that were used could build a 20-foot-tall wall surrounding a basketball court.

**320 square feet** of fabric duct in the strength and conditioning space could make jerseys for the entire women's lacrosse team.

**39,000-pound** air handling unit on the roof weighs as much as 125,115 lacrosse balls.

**7,200 hours** to install the HVAC systems, which was equal to 36 holes of golf the Marquette men's golf team members could have played daily for the entire academic year.

The second facility in Marquette's Campus Master Plan, the \$24 million, 46,000-square-foot Athletic and Human Performance Research Center opened March 4, 2019 — just under one year after workers for Mortenson broke ground to begin its construction.

The foundation of a new research era for Marquette, the AHPRC provides 5,400 square feet of dedicated space where Marquette faculty and external partners can research elite athletic performance, human performance, rehabilitation, fitness data analytics and other related disciplines. The AHPRC aims to be a leading center that facilitates collaborative and innovative research in athletic, healthy and clinical populations to advance knowledge to optimize human performance while training the next generation of basic and applied scientists.

The facility also houses a world-class strength and conditioning

area for athletes, as well as locker rooms, high-tech indoor practice facilities and support space for the university's men's golf team, as well as the first-ever permanent locker room space for the men's and women's lacrosse programs.

The architecture firms of Perkins+Will and HGA designed the facility with a focus on high-quality materials and potential for expansion, which the university says will take place in phases. The facility was designed to complement adjacent university buildings. At the north end of the AHPRC is a two-story glass wall that provides visibility to the strength and conditioning space as well as the interdisciplinary research space.

Located underground next to the facility is a sustainable stormwater system, one of the university's most important environmental initiatives. Stormwater retention tanks reduce runoff throughout the campus and are built to accommodate additional campus building going forward. Lora Strigens, vice president for planning and facilities management, says the system can reduce peak stormwater discharge rates by more than 65 percent.



*An exercise class for parents of children with autism takes place in the AHPRC. Dr. Norah Johnson, associate professor in the College of Nursing, tracks the effects of exercise intervention on parenting stress.*

## Sourcing goes online

*University launches MARQetplace e-procurement solution*

Marquette's new e-procurement software, branded as MARQetplace, went live in February 2019. The decision to shift to a fully online procurement solution was driven in large part by the Sustainability of Valuable Resources goal in *Beyond Boundaries*, the university's strategic plan. Efficiency and a modernized user interface for Marquette and its suppliers, as well as the ability to further expand the university's strategic sourcing initiatives, are key long-term benefits.

Coupa was selected as the software vendor just as the last fiscal year was ending, says Jenny Alexander, director of purchasing.

"To contract with a supplier in June and then go live in February was a very short turnaround time," she says. "It took a lot of teamwork, a lot of long hours and a lot of engaged

stakeholders from across campus. The work we did as a team to make our deadlines was nearly as rewarding as successfully launching the new e-procurement system."

The team, which involved staff from Information Technology Services, exceeded its goals for the number of "punchout" suppliers enabled on the go-live date, i.e., vendors whose own web-based product catalogs are directly accessible from MARQetplace. More vendors continue to be added.

Next, the university will begin to leverage the software's functionality that automates competitive bidding. After gathering a year's worth of data, the Purchasing Department can begin to leverage different pricing agreements to save money and improve efficiencies.

*"It took a lot of teamwork ... and a lot of engaged stakeholders from across campus. The work we did as a team ... was nearly as rewarding as successfully launching the new system."*

Jenny Alexander  
Director of Purchasing



SPOTLIGHT

## New police chief leads dynamic department

Bringing a passion for community policing and 25 years in progressive leadership roles with the Milwaukee Police Department that culminated in serving as assistant chief of police, Edith Hudson became Marquette's chief of police in December 2018. She now leads more than 80 officers to protect and serve the university community. Chief Hudson says she is focused on and energized by the community relations aspect of her role. She also brings to MUPD experience in and a desire to better utilize data and data models to inform the department's crime prevention and policing efforts.





## FUNDING FAITH

Philanthropy at Marquette begins with a shared commitment to carrying forward the vision and mission of our founders. Donors and supporters have the opportunity to advance these values in ways they find meaningful, and together we determine how to direct these resources to support our work in today's world. It is this mission alignment that makes the process rewarding on both sides as we collaborate to help gifts make the most significant impact possible.

Enabling generations of future students to explore and deepen their Catholic faith was the vision of two Marquette alumni who this year committed to a gift of more than \$1 million to fund the Bill and Nancy Stemper Endowment for Excellence in Catholic Faith Formation. The endowment will ensure resources for faith-based programming and self-reflection, and also broaden access to these opportunities.

**YOU HAVE  
GIVEN ALL  
TO ME. TO  
YOU, LORD,  
I RETURN IT.**

St. Ignace of Loyola

### STEMPERS GUIDED BY MISSION

Bill Stemper, Eng '77, and his wife, Nancy, Sp '78, Grad '79, met at Marquette and attended Mass at Gesu as a second date. The university's Catholic, Jesuit identity had a profound effect on their college experience, inspiring their gift to help sustain faith formation initiatives at Marquette for the foreseeable future. "Nothing is more valuable than developing one's faith in life," says Nancy, "because it will be their guiding star forever."

## \$5 million gift founds Institute for Women's Leadership

### FANFARE FOR NEW INSTITUTE

In laying the groundwork and gathering input to shape the Institute for Women's Leadership, Dr. Jeanne Hossenlopp has received overwhelmingly positive feedback from students, faculty, staff, alumni and community members. To date, she has led internal visioning meetings, formed a faculty leadership team and held listening sessions with alumni groups in the Chicago and New York metro areas. "The enthusiastic response demonstrates the great potential for Marquette to become a thought leader in the field of women's leadership," she says.

Part of Marquette's distinctive history as a progressive, Catholic university committed to developing strong leaders is the decision 110 years ago to become the world's first Catholic university to educate men and women together.

A \$5 million gift from the Thomas J. Rolfs Family Foundation will further enable Marquette to support and promote women's economic advancement and leadership development.

At his campuswide address in January 2019, President Michael R. Lovell announced that the gift would establish the Institute for Women's Leadership. "Gender equity and inclusive representation in the workforce and education at all levels are critical topics both nationally and within our campus community at Marquette," he told attendees.

Representatives from the Rolfs Foundation collaborated with Marquette's vice president for research and innovation, Dr. Jeanne Hossenlopp, who oversees the institute, to shape its supported objectives, including cutting-edge research on gender

equality issues, with the goal of contributing to the national dialogue on gender bias and the underrepresentation of women in all sectors of the economy. Additional research will explore potential and proven strategies for providing women with equitable access to leadership opportunities, and institute programming will promote leadership development and networking opportunities for women on campus and in the community.

The gift builds on a 2015 donation to Marquette that established the Women's Innovation Network, which plans, co-sponsors and promotes events that encourage inclusive innovation and connects students, faculty and staff. The WIN's robust programming will be led by the new institute.

"The institute's work will help Marquette move forward on all six themes in our strategic plan, *Beyond Boundaries*," Hossenlopp says. "By combining research with programming that targets people at all stages of their career progression, the institute will enable Marquette to contribute to creating more inclusive participation in leadership, ensuring that a broader range of voices are incorporated into future workplace innovation."



The Institute of Women's Leadership team from left to right, Jennica Webster, Sasha Parsons, Jean Grow and Andrea Schneider.

## New VP for Advancement looks to build a “culture of philanthropy”

*Tim McMahon built a track record of fundraising success at Villanova*

*“I look forward to partnering with the university's alumni, parents and friends to help support the groundbreaking initiatives, projects and programs taking shape at the university.”*

Tim McMahon  
Vice President for  
University Advancement



*McMahon speaking at the Marquette University Volunteer Summit.*

New York native Tim McMahon was named vice president for university advancement in October 2018, bringing his shared goal of “building a culture of philanthropy” to Marquette. McMahon came to Marquette from Villanova University, where he served as senior associate vice president in university advancement and played a pivotal role in helping the school surpass its campaign goal. He brings nearly two decades of experience in development for higher education, including successful leadership in athletics development.

Upon his arrival, McMahon expressed strong enthusiasm for the Catholic, Jesuit mission of Marquette, as well as the Office of University Advancement’s overarching goals and objectives: “This is a time of great momentum at Marquette,” he said, “and I look forward to partnering with the university’s alumni, parents and friends to help support the groundbreaking initiatives, projects and programs taking shape at the university.”



SPOTLIGHT

## Gift establishes new Neuro Recovery Clinic

In December 2018, an anonymous donor made a \$1 million gift to the College of Health Sciences to establish a Neuro Recovery Clinic at Marquette. By May 2019, the clinic — the only one of its kind in Wisconsin and one of just several in the region — had opened its doors to serve people with debilitating neurological challenges such as brain and spinal cord injury. It provides intensive and long-term services — “life-changing therapies,” says the donor, that are often unavailable to patients in the current health care marketplace.







## **Management's Discussion and Analysis**

The objective of management's discussion and analysis ("MD&A") is to give readers an overview of the financial position and operating activities of Marquette University for the year ended June 30, 2019, with selected comparative information for the year ended June 30, 2018. This discussion should be read in conjunction with the audited financial statements and the notes to the financial statements.

The statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The three primary statements included in this report are the statements of financial position, the statements of activities and the statements of cash flows. Financial statement footnotes provide additional explanations for various portions the financial statements.

## Marquette University

Marquette 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. Through its eleven nationally and internationally recognized separate colleges and schools, the university offers a comprehensive range of bachelor's degree programs, master's degree programs, doctoral degree programs and post-baccalaureate first professional degree programs. A Marquette education offers students a virtually unlimited number of paths and destinations and prepares them for the world by asking them to think critically about it.

### Statement of financial position

The statement of financial position provides information about an organization's assets, liabilities and net assets at a specific moment in time. The statement reports total assets, liabilities, net assets and separate totals into two classifications of net assets: without donor restrictions and with donor restrictions. Additional information about net assets can be found in Note 1(b) of the consolidated financial statements.

The statement of financial position, along with related footnote disclosures, has a twofold purpose. First, the statement is meant to help assess the university's ability to continue to provide services. Second, the statement is meant to provide information about liquidity, financial flexibility, ability to meet obligations and potential need for external financing.

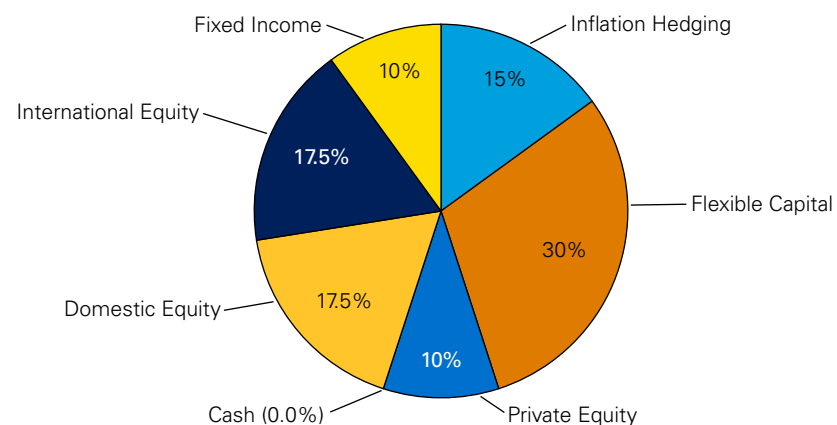
Change in cash and cash equivalents are detailed in the statement of cash flows.

Pledges receivable consists of unconditional promises to give recognized initially at fair value as contribution revenue in the period the promise is made by a donor. 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.

Student repayment of federal program loans resulted in a lower student accounts and loans receivable balance. Under federal program guidelines, universities are no longer allowed to make new Federal Perkins Loans. Additional information about student accounts and loans receivable can be found in Note 1(f) of the consolidated financial statements.

Investments represent the largest university asset. Investments consist of long-term cash equivalents, endowment, trust and other investments. The endowment fund's investment objective is to preserve purchasing power, while providing a continuing and stable funding source to support the overall mission of Marquette University. To accomplish this objective, the fund seeks to generate a total return that will exceed its annual spendable amount, all expenses associated with managing the fund and eroding effects of inflation. The fund is managed on a total return basis.

To achieve this investment objective, the fund is allocated among several asset classes with a bias toward equity and equity-like investments. The fund is diversified both by and within asset classes. Diversification provides reasonable assurance that no single security or class of securities will have a disproportionate impact on the performance of the total fund. As a result, the risk level associated with the portfolio investment is reduced. The following chart displays the endowment targeted asset allocation:



The 5-year Marquette endowment performance is summarized in the table below:

### ENDOWMENT PERFORMANCE SUMMARY

	5-YEAR ANNUALIZED	FISCAL YEAR ENDING				
		2019	2018	2017	2016	2015
Market Value (in millions)		\$698.0	\$668.8	\$626.2	\$550.1	\$551.6
Endowment	5.5%	5.3%	7.9%	11.8%	-0.9%	3.7%
Policy Index	4.2%	4.2%	7.3%	10.6%	-1.6%	1.0%
S&P 500 Index	10.7%	10.4%	14.4%	17.9%	4.0%	7.4%
MSCI AC World ex USA (Net)	2.2%	1.3%	11.1%	20.5%	-10.2%	-5.3%
Barclays Capital Agg. Bond Index	2.9%	7.9%	-0.4%	-0.3%	6.0%	1.9%

Additional information on endowments and endowment income can be found in Note 4 of the consolidated financial statements.

Net property, building and equipment grew due to construction related to the Athletic and Human Performance Research Center and the new Physician Assistant Studies building. Additional information about property, buildings and equipment can be found in Note 1(h) of the consolidated financial statements.

The \$10.5 million decrease in notes and bonds payable is due to regularly scheduled debt payments. Additional details regarding notes and bonds payable can be found in Note 7 of the consolidated financial statements.

### Statement of activities

The statement of activities is the university's operating statement. It reflects financial transactions from the beginning to the end of the fiscal year that result in increases or decreases in net assets. The statement of activities reflects changes for both types of net assets: without donor restrictions and with donor restrictions.

The statement of activities, along with the related footnote disclosures, are intended to provide the reader with information that will evaluate the not-for-profit organization's performance during the fiscal year, assess the university's service efforts and its ability to continue to provide services, and assess how university's management has discharged their stewardship responsibilities and other aspects of their performance.

For fiscal year 2019, Marquette University's operating income was \$30.6 million. Operating results in the consolidated statement of activities reflect all transactions that change net assets, except for activity associated with endowment investments and certain other nonrecurring transactions.

The fiscal 2019 operating revenue increase is primarily due to net student tuition and fees and other income.

Net tuition and fees of \$256.6 million represents a \$9.0 million increase over the prior year. This increase is attributable to the largest incoming class in university history.

Total grant revenue increased \$2.7 million or 9% over the prior year. The increase is primarily due to growth in sponsored research.

Major contributions were received to support scholarships, the Neuro-Recovery Clinic, Excellence in Catholic Faith Formation, Women's Leadership and future capital construction projects. The "Philanthropy" section details some of the large contributions received during the fiscal year.

Contribution revenue of \$47.7 million reported within the statements of activities is calculated based on GAAP. As is widespread practice, University Advancement reports fundraising according to the guidelines established by the Council for Advancement and Support of Education (CASE). CASE guidelines represent the philanthropy reporting standard for colleges and universities. Under CASE guidelines, philanthropic giving totaled \$104.2 million in fiscal 2019.

A normal bridging from GAAP to CASE totals displaying customary adjustments is provided below:

<i>(dollars in thousands)</i>	
Per GAAP	\$47.7
Accrual basis adjustment	(0.7)
Priority point gifts	4.2
Grants	6.7
Revocable planned gifts	16.9
Conditional Gifts/Other	29.4
Per CASE	\$104.2

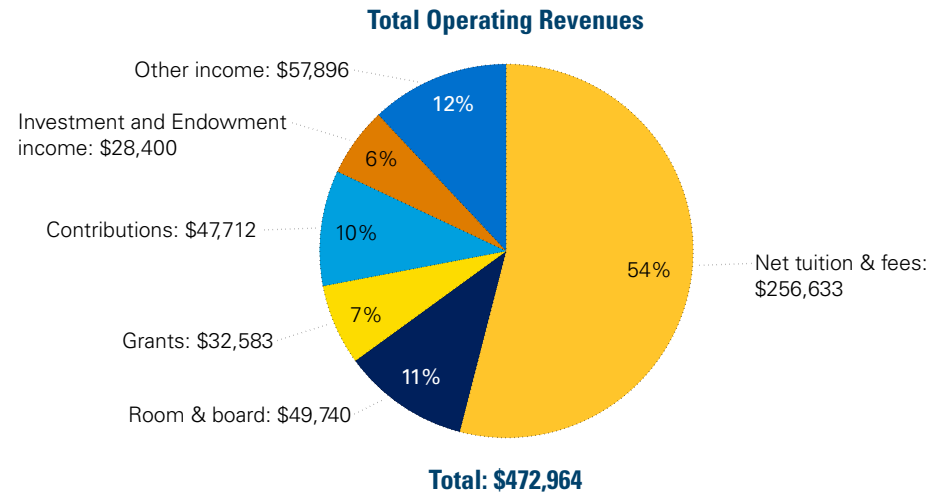
University philanthropic efforts will continue to pursue support for our students, programs, research and capital priorities.

Additional information on GAAP reporting of contributions revenue and pledges receivable is provided in Notes 1(e) and 6 of the consolidated financial statements.

Auxiliary enterprise revenue of \$58.3 million represents a \$4.5 million or 8% increase over the prior year. This increase is primarily attributable to an increase in room and board revenue from the larger incoming class.

Endowment income used in operations of \$28.4 million reflects a \$1.0 million increase over the prior year.

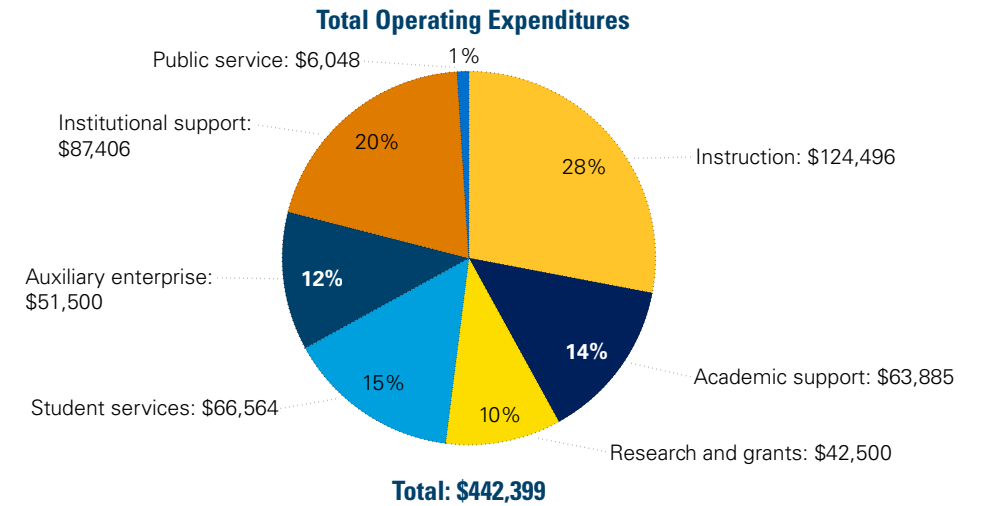
The following chart shows total operating revenues by source:



Management's ongoing investment in furthering the mission of the university is displayed through the year over year increase in expenditures in the following areas:

	FY19	FY18	INCREASE/DECREASE
Instruction	124.5	117.2	7.3
Academic support and libraries	63.9	61.6	2.3
Research and grants	42.5	38.3	4.2
Student services	66.6	60.7	5.9
Auxiliary enterprises	51.5	46.3	5.2
Institutional support	87.4	82.4	5.0
Public service	6.0	5.9	0.1
<b>Total</b>	<b>442.4</b>	<b>412.4</b>	<b>30.0</b>

The following chart shows total operating expense by service:



Additional information on expenses is provided in Note 13 of the consolidated financial statements.

### Statement of cash flows

The statement of cash flows provides information about cash receipts and cash payments of the university during the fiscal year. This statement also provides insight into university investing and financing activities.

The statement of cash flows shows how changes in balance sheet accounts and income affect cash and cash equivalents. It breaks down the analysis into operating, investing and financing activities. The cash flow statement explains the flow of cash in and out of the university. The statement is intended to provide information on the university's liquidity and solvency. The statement also provides information for evaluating changes in assets, liabilities and equity, while indicating the amount, timing and probability of future cash flows.

Cash and cash equivalents at fiscal year-end total \$33.2 million. Cash equivalents with original maturities of three months or less are classified as cash and cash equivalents. Year over year operating cash decreased due to the timing of capital investment in the campus master plan.

Net cash provided from operations continues to be positive.

Net cash used in investing activity is a result of the university investing in the campus master plan through construction projects related to academic programming, research and athletics.

Net cash provided from financing activities continues to be positive due to the generous support of university donors. Contributions for major capital projects generated \$5.2 million of financing cash flows. Contributions for endowments generated \$27.6 million of financing cash flow.

## CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018 | With Independent Auditors' Report Thereon

**KPMG LLP**  
Suite 1050  
833 East Michigan Street  
Milwaukee, WI 53202-5337

September 6, 2019

### INDEPENDENT AUDITORS' REPORT

## Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Marquette University, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, the related consolidated statements of activities for the year ended June 30, 2019, cash flows for the years ended June 30, 2019 and 2018, and the related notes to the consolidated financial statements.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

#### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Marquette University as of June 30, 2019, 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.

#### *Report on Summarized Comparative Information*

We have previously audited Marquette University's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 10, 2018. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

#### *Emphasis of Matters*

As discussed in note 1(q) to the consolidated financial statements, in 2019, Marquette University adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, and ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to these matters.

**KPMG LLP**

## Consolidated Statements of Financial Position

JUNE 30, 2019 AND 2018

(Dollars in thousands)

	2019	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$33,204	63,264
Pledges receivable, net	50,435	52,070
Student accounts and loans receivable, net	47,485	53,727
Investments	733,108	696,926
Other assets	10,031	8,479
Property, buildings, and equipment, net	643,191	612,838
<b>TOTAL ASSETS</b>	<b>\$1,517,454</b>	<b>1,487,304</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$88,917	75,422
Deferred revenue and deposits	41,471	41,776
Refundable federal loan grants	40,561	40,982
Notes and bonds payable, net	220,020	230,538
<b>TOTAL LIABILITIES</b>	<b>390,969</b>	<b>388,718</b>
<b>NET ASSETS:</b>		
Without donor restrictions	416,803	402,284
With donor restrictions	709,682	696,302
<b>TOTAL NET ASSETS</b>	<b>1,126,485</b>	<b>1,098,586</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$1,517,454</b>	<b>1,487,304</b>

See accompanying notes to consolidated financial statements.

## Consolidated Statement of Activities

YEAR ENDED JUNE 30, 2019  
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2018

(Dollars in thousands)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	2018 TOTAL
<b>OPERATING REVENUES:</b>				
Student tuition and fees, net	\$256,633	—	256,633	247,662
Government and private grants	32,583	—	32,583	29,868
Contributions	6,228	41,484	47,712	71,680
Auxiliary enterprises	58,337	—	58,337	53,866
Sales by educational departments	10,294	—	10,294	10,164
Investment income	1,305	1,238	2,543	1,952
Endowment income used in operations	6,086	22,314	28,400	27,443
Other income	36,462	—	36,462	28,688
Net assets released from restrictions	35,964	(35,964)	—	—
<b>TOTAL OPERATING REVENUES</b>	<b>443,892</b>	<b>29,072</b>	<b>472,964</b>	<b>471,323</b>
<b>OPERATING EXPENSES:</b>				
Instruction	124,496	—	124,496	117,187
Academic support and libraries	63,885	—	63,885	61,637
Research	42,500	—	42,500	38,296
Student services	66,564	—	66,564	60,651
Auxiliary enterprises	51,500	—	51,500	46,285
Institutional support	87,406	—	87,406	82,475
Public services	6,048	—	6,048	5,887
<b>TOTAL OPERATING EXPENSES</b>	<b>442,399</b>	<b>—</b>	<b>442,399</b>	<b>412,418</b>
<b>OPERATING INCOME</b>	<b>1,493</b>	<b>29,072</b>	<b>30,565</b>	<b>58,905</b>
<b>NONOPERATING ACTIVITIES:</b>				
Endowment (loss) gain in excess of amounts designated for current operations, net	(1,113)	6,279	5,166	18,676
Other, net	14,139	(21,971)	(7,832)	(19,981)
<b>TOTAL NONOPERATING ACTIVITIES, NET</b>	<b>13,026</b>	<b>(15,692)</b>	<b>(2,666)</b>	<b>(1,305)</b>
<b>CHANGE IN NET ASSETS</b>	<b>14,519</b>	<b>13,380</b>	<b>27,899</b>	<b>57,600</b>
Net assets, beginning of year	402,284	696,302	1,098,586	1,040,986
Net assets, end of year	\$416,803	709,682	1,126,485	1,098,586

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

YEARS ENDED JUNE 30, 2019 AND 2018

(Dollars in thousands)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$27,899	57,600
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	39,433	37,292
Discount amortization	(983)	(983)
Net realized and unrealized appreciation on investments	(30,427)	(40,719)
Bad debt expense	1,638	7,839
Contributions for major capital projects including gifts in kind	(5,468)	(14,238)
Contributions restricted for long-term endowments	(20,805)	(21,400)
Endowment income used in operations	(241)	(414)
Loss on sale of property, buildings, and equipment	1,645	112
Changes in assets and liabilities:		
Student accounts and loans receivable	164	(805)
Pledges receivable	(5,916)	(3,436)
Other assets, net	(1,615)	(1,543)
Accounts payables and other liabilities	8,768	(3,509)
Deferred revenue and deposits	(305)	(8,050)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>13,787</b>	<b>7,746</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, buildings, and equipment	(73,721)	(109,086)
Proceeds from sale of property, buildings, and equipment	27	20
Student loans repayments	7,964	7,476
Student loans issued	(2,705)	(6,284)
Purchase of investments	(149,846)	(225,965)
Proceeds from the sale of investments	151,357	300,681
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(66,924)</b>	<b>(33,158)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions received for major capital projects	5,192	13,646
Proceeds from contributions restricted for long term endowments	27,600	14,494
Permanently restricted endowment income used in operations	241	414
(Decrease) increase in refundable federal loan grants	(421)	252
Repayment of notes and bonds payable	(9,535)	(9,313)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>23,077</b>	<b>19,493</b>
<b>NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>(30,060)</b>	<b>(5,919)</b>
Cash, cash equivalents and restricted cash, beginning of year	63,264	69,183
Cash, cash equivalents and restricted cash, end of year	\$33,204	63,264
Supplemental disclosure of cash flow information		
Cash paid for interest	\$9,782	10,072
Change in construction payables	1,913	(3,610)
Capital gifts in kind	278	592

See accompanying notes to consolidated financial statements.

## Notes to Consolidated Financial Statements

JUNE 30, 2019 AND 2018 | (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.

#### (E) PLEDGES RECEIVABLE

Unconditional promises to give are recognized initially at fair value as contribution revenue in the period the promise is made by a donor. 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 of uncollectible pledges is calculated based upon the university past collection experience. The allowance is reassessed and adjusted as necessary.

**(F) STUDENT ACCOUNTS AND LOANS RECEIVABLE, NET**

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

*(dollars in thousands)*

	2019	2018
Federal government loan programs	\$33,268	38,608
Institutional loan programs	1,443	1,361
Student receivables	7,020	7,144
Grants receivables	4,939	4,763
Other receivables	3,852	4,351
<b>SUBTOTAL</b>	<b>50,522</b>	<b>56,227</b>
<b>LESS ALLOWANCES FOR DOUBT ACCOUNTS</b>	<b>(3,037)</b>	<b>(2,500)</b>
<b>STUDENT ACCOUNTS AND LOANS RECEIVABLE, NET</b>	<b>\$47,485</b>	<b>53,727</b>

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 to be 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. When a ready market for the investments does not

exist, 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 date of acquisition or fair value at 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 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, 2019 and 2018:

*(dollars in thousands)*

	2019	2018
Land and improvements	\$60,336	57,483
Buildings and improvements	807,806	685,613
Construction in progress	21,894	109,700
Furniture, fixtures, and equipment	158,871	146,729
Library contents	122,012	120,798
eBooks and other	17,882	13,613
Less accumulated depreciation	(545,610)	(521,098)
<b>PROPERTY, BUILDINGS, AND EQUIPMENT, NET</b>	<b>\$643,191</b>	<b>612,838</b>

Construction in progress includes the following as of June 30, 2019 and 2018:

*(dollars in thousands)*

	2019	2018
Freshman/Sophomore housing	\$—	99,518
Athletic Human Performance Research Center	—	5,517
Al McGuire Center upgrades	—	1,224
Physician Assistant Building	13,679	1,056
Johnston Hall renovations	1,119	—
Other renovation and construction projects	7,096	2,385
<b>TOTAL CONSTRUCTION IN PROGRESS</b>	<b>\$21,894</b>	<b>109,700</b>

**(I) CAPITAL GIFTS TO ACQUIRE OR CONSTRUCT LONG-LIVED ASSETS**

Capital gifts to acquire or construct long-lived assets are recorded as a gift with donor restriction 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 \$6,568 in fiscal year 2019 and \$6,390 in fiscal year 2018, 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.

**(J) 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.

**(K) 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. 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 deferred revenue.

*(dollars in thousands)*

BALANCE AT JUNE 30, 2018	REVENUE RECOGNIZED	CASH RECEIVED IN ADVANCE OF PERFORMANCE	BALANCE AT JUNE 30, 2019
\$8,612	8,612	8,575	8,575

*(dollars in thousands)*

BALANCE AT JUNE 30, 2017	REVENUE RECOGNIZED	CASH RECEIVED IN ADVANCE OF PERFORMANCE	BALANCE AT JUNE 30, 2018
\$7,624	7,624	8,612	8,612

The balance of deferred tuition revenue at June 30, 2019, will be recognized as revenue in the year ending June 30, 2020 as services are rendered.

The university applies the practical expedient in Accounting Standards Codification (ASC) 606-10-50-14 and therefore does not disclose information about performance obligations that have an origination and expected duration within the fiscal year.

**(L) AUXILIARY ENTERPRISES**

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

**(M) 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 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.

**(N) 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 nonendowed investments.

**(O) 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, 2019, the university has a federal tax credit carryforward of \$3,531, which expires between fiscal years 2034 and 2038.

**(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 has been excluded from the 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, 2019, 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.

**(Q) RECENT ACCOUNTING PRONOUNCEMENTS**

During 2019, the university adopted *Accounting Standards Update (ASU) No. 2016-14—Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset

is placed in service; and recognition of underwater endowment funds as a reduction in net assets with

donor restrictions. The guidance also enhances disclosure for board designated amounts, composition of

net assets without donor restriction, liquidity and expenses by both their natural and functional classification.

A recap of the net asset reclassifications as a result of the adoption of ASU 2016-14 as of June 30, 2018 follows:

*(dollars in thousands)*

	ASU 2016-14 CLASSIFICATIONS		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL NET ASSETS
<b>Net asset classifications:</b>			
<b>As previously presented:</b>			
Unrestricted	\$239,084	—	239,084
Temporarily restricted	—	416,349	416,349
Permanently restricted	—	443,153	443,153
<b>NET ASSETS AS PREVIOUSLY PRESENTED</b>	<b>239,084</b>	<b>859,502</b>	<b>1,098,586</b>
<b>Reclassifications of implemented ASU 2016-14:</b>			
Capital gifts for construction	162,289	(162,289)	—
Underwater endowments	911	(911)	—
<b>NET ASSETS, AS RECLASSIFIED</b>	<b>\$402,284</b>	<b>696,302</b>	<b>1,098,586</b>

During 2019, the university adopted *ASU 2014-09 Revenue from Contracts with Customers (Topic 606)*. This guidance is intended to remove inconsistencies and weaknesses in revenue requirements, provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices, provide more useful information to users of financial statements through improved disclosure requirements and simplify the preparation of financial statements. As a result of this guidance, student tuition and fees are presented net of tuition discounts. Other impact of this guidance to the statements is considered immaterial.

During 2019, the university adopted *ASU 2016-18 Statement of Cash Flows (Topic 230) Restricted Cash*. This guidance requires that a statement of cash flows explain the change during the period in the

total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. See note 8.

*ASU 2016-02 Leases (Topic 842)* is intended to increase transparency and comparability among organizations by recognizing right of use assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under this update, right of use assets and lease liabilities are recognized for leases with a term of 12 months or more. The university is still evaluating the impact and will adopt this update in the June 30, 2020 statements.

**(R) COMPARATIVE FINANCIAL INFORMATION AND RECLASSIFICATIONS**

The consolidated financial statements include certain prior information presented for comparative purposes, which does not include sufficient

detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the university's consolidated financial statements for the year ended June 30, 2018 from which this information was derived. In addition, certain reclassifications have been made for consistency to the current year 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 and long-term operating investment strategies to align cash inflows with anticipated outflows. At June 30, 2019, existing financial assets and liquidity resources available within one year were as follows:

*(dollars in thousands)*

<b>Financial assets:</b>	
Cash and cash equivalents	\$33,204
Accounts receivable and prepaid	17,095
Pledges payments available for operations	5,065
Working capital investments	1,000
Endowment spending payout	28,400
<b>TOTAL FINANCIAL ASSETS AVAILABLE WITHIN ONE YEAR</b>	<b>84,764</b>
<b>Liquidity Resources:</b>	
Bank line of credit	25,000
<b>TOTAL FINANCIAL ASSETS AND LIQUID RESOURCES AVAILABLE WITHIN ONE YEAR</b>	<b>\$109,764</b>

Additionally, the university has \$123,360 in board-designated funds functioning as endowment of which \$101,905 can be liquidated within one year with Board approval, however, no liquidation is anticipated as of June 30, 2019.

### (3) INVESTMENTS

A summary of the university's investment return net of expenses is presented below for the years ended June 30, 2019 and 2018:

*(dollars in thousands)*

	2019	2018
Interest and dividends	\$5,851	7,352
Gain on investments, net	30,258	40,719
<b>RETURN ON INVESTMENTS</b>	<b>\$36,109</b>	<b>48,071</b>

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.

Funds held in collateral under the securities lending agreement are recorded at fair market value based on quoted market prices provided by the custodian bank. The custodian banks use a variety of pricing sources to determine market valuations. Observable market quoted prices and specific pricing services or indexes are used to value investments. The securities portfolio is highly liquid, generally allowing the portfolio to

be priced through pricing services. As of June 30, 2019 and 2018, the university had loaned securities with a market value of \$22,724 and \$15,574, respectively, that were secured by collateral with a market value of approximately \$23,216 and \$15,951, respectively. The collateral received in connection with the security lending program and the obligation to return such collateral are reported as an asset and liability, respectively, in the consolidated financial statements.

Unexpended bond proceeds are invested in various securities based on

expected risk, returns and maturities that mirror the anticipated timing of construction project payment needs. Fair values of unexpended bond proceeds securities are based on prices provided by the trustee bank. Unexpended bond proceeds include cash equivalents and fixed income securities where their fair values are based on observable market quotation prices. The trustee bank uses a variety of pricing sources to determine market valuations of fixed maturity securities. The specific pricing services or indexes for each sector of the market are based upon the provider's expertise. The fixed maturity securities are highly liquid, allowing the portfolio to be priced through pricing services.

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, multistrategy 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.

Funds held in trust by others are based on quoted market prices provided by its investment managers and custodian bank. Both the investment managers and the custodian banks use a variety of pricing sources to determine market valuations. Each designate specific pricing services or indexes for each sector of the market based upon the provider's expertise. The securities portfolio is highly liquid, generally allowing the portfolio to be priced through pricing services.

Payables under the securities lending agreement are included in accounts payable and accrued liabilities on the consolidated statements of financial position and are based on quoted market prices provided by the custodian bank. The custodian banks use a variety of pricing sources to determine market valuations. Observable market quoted prices and specific pricing services or indexes are used to value investments. The securities portfolio is highly liquid, generally allowing the portfolio to be priced through pricing services.

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, 2019. 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.

(dollars in thousands)

	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
<i>June 30, 2019:</i>				
<b>ASSETS:</b>				
Recurring:				
Cash and cash equivalents	\$33,204	33,204	—	—
Investments:				
Money funds and other	36,441	36,441	—	—
Federal, state, and local agency securities	3,979	—	3,979	—
Nongovernment bonds and notes	3,322	—	3,322	—
Asset and mortgage-backed securities	426	—	426	—
Foreign bonds and notes	738	—	738	—
Common and preferred stocks	50,301	50,301	—	—
Mutual funds—bonds	37,208	37,208	—	—
Mutual funds—equity	103,786	103,697	89	—
Collateral held under securities lending agreement	23,216	—	23,216	—
Investments measured at net asset value	473,691	—	—	—
<b>TOTAL INVESTMENTS</b>	<b>733,108</b>	<b>227,647</b>	<b>31,770</b>	<b>—</b>
<b>TOTAL ASSETS MEASURED AT FAIR VALUE ON RECURRING BASIS</b>	<b>\$766,312</b>	<b>260,851</b>	<b>31,770</b>	<b>—</b>
<b>LIABILITIES:</b>				
Recurring:				
Payables under securities lending agreement	\$23,216	—	23,216	—
<b>TOTAL LIABILITIES MEASURED AT FAIR VALUE ON RECURRING BASIS</b>	<b>\$23,216</b>	<b>—</b>	<b>23,216</b>	<b>—</b>

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2019 are as follows:

(dollars in thousands)

FISCAL YEAR ENDED JUNE 30, 2019	NET ASSETS VALUE	UNFUNDED COMMITMENTS	REDEMPTION FREQUENCY	REDEMPTION NOTICE PERIOD
Commingled funds	\$84,528		Weekly, Monthly	10–30 days
Multi-strategy hedge funds	271,606		Quarterly, Semi-annually, Annually, 2 years, 3 years, Liquidating	45–90 days
Private equity partnerships	100,394	56,798	Illiquid	
Real estate limited partnership and membership interests	17,163	26,554	Illiquid	
	<b>\$473,691</b>	<b>83,352</b>		

The following table presents the university's financial instruments at fair value as of June 30, 2018. 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.

(dollars in thousands)

	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
<i>June 30, 2018:</i>				
<b>ASSETS:</b>				
Recurring:				
Cash and cash equivalents	\$63,264	63,264	—	—
Investments:				
Money funds and other	41,560	41,560	—	—
Federal, state, and local agency securities	9,408	—	9,408	—
Nongovernment bonds and notes	4,293	—	4,293	—
Asset and mortgage-backed securities	376	—	376	—
Foreign bonds and notes	532	—	532	—
Common and preferred stocks	45,294	45,294	—	—
Mutual funds—bonds	33,067	33,067	—	—
Mutual funds—equity	100,012	100,012	—	—
Collateral held under securities lending agreement	15,951	—	15,951	—
Investments measured at net asset value	446,433	—	—	—
<b>TOTAL INVESTMENTS</b>	<b>696,926</b>	<b>219,933</b>	<b>30,560</b>	<b>—</b>
<b>TOTAL ASSETS MEASURED AT FAIR VALUE ON RECURRING BASIS</b>	<b>\$760,190</b>	<b>283,197</b>	<b>30,560</b>	<b>—</b>
<b>LIABILITIES:</b>				
Recurring:				
Payables under securities lending agreement	\$15,951	—	15,951	—
<b>TOTAL LIABILITIES MEASURED AT FAIR VALUE ON RECURRING BASIS</b>	<b>\$15,951</b>	<b>—</b>	<b>15,951</b>	<b>—</b>

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2018 are as follows:

(dollars in thousands)

FISCAL YEAR ENDED JUNE 30, 2018	NET ASSETS VALUE	UNFUNDED COMMITMENTS	REDEMPTION FREQUENCY	REDEMPTION NOTICE PERIOD
Commingled funds	\$76,869	—	Weekly, Monthly	1–10 days
Multi-strategy hedge funds	260,836	—	Quarterly, Annually, 2 years, 3 years, 5 years	30–180 days
Private equity partnerships	90,409	54,798	Illiquid	
Real estate limited partnership and membership interests	18,319	27,706	Illiquid	
	<b>\$446,433</b>	<b>82,504</b>		

#### (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, 2019 and 2018, funds with fair market value of \$31,099 and \$25,933, an original gift value of \$32,358 and \$26,844 were underwater by \$1,259 and \$911, respectively.

##### (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.

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, 2019:

(dollars in thousands)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Endowment net assets, beginning of year	\$123,638	554,770	678,408
Investment return:			
Investment loss	—	(17)	(17)
Endowment income used for spending policy	6,086	22,314	28,400
Net realized and unrealized (losses) gains	(365)	6,316	5,951
<b>TOTAL INVESTMENT RETURN</b>	<b>5,721</b>	<b>28,613</b>	<b>34,334</b>
Appropriation of endowment assets for expenditure	(6,087)	(22,072)	(28,159)
Contributions	88	20,805	20,893
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b>\$123,360</b>	<b>582,116</b>	<b>705,476</b>

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, 2018:

(dollars in thousands)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Endowment net assets, beginning of year	\$117,628	529,599	647,227
Investment return:			
Investment loss	—	(42)	(42)
Endowment income used for spending policy	5,887	21,556	27,443
Net realized and unrealized gains (losses)	5,940	3,399	9,339
<b>TOTAL INVESTMENT RETURN</b>	<b>11,827</b>	<b>24,913</b>	<b>36,740</b>
Appropriation of endowment assets for expenditure	(5,887)	(21,142)	(27,029)
Contributions	70	21,400	21,470
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b>\$123,638</b>	<b>554,770</b>	<b>678,408</b>

#### (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 are invested and payments are made to beneficiaries in accordance with the respective agreements. Assets associated with split-

interest agreements are included in investments on the consolidated statement of financial position.

A liability for split-interest obligations is recorded when the agreement is established at the estimated net present value of future cash flows using a risk-adjusted discount rate commensurate with the duration of the estimated payments.

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 \$27,269 and \$22,063 at June 30, 2019 and 2018, respectively, and are included in investments on the 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

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, 2019, and 2018, the contributions receivable is due as follows:

<i>(dollars in thousands)</i>		
	2019	2018
Less than one year	\$18,566	16,325
Two to five years	35,944	39,513
Over five years	5,116	6,115
<b>SUBTOTAL</b>	<b>59,626</b>	<b>61,953</b>
Less unamortized discount	(4,824)	(5,562)
Allowance for uncollectible accounts	(4,367)	(4,321)
<b>PLEDGES RECEIVABLE, NET</b>	<b>\$50,435</b>	<b>52,070</b>

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, 2019 and 2018, the fair value of these conditional promises is approximately \$155,062 and \$108,792, respectively. These amounts can be recognized as revenue in the periods in which the conditions are fulfilled.

#### (7) NOTES AND BONDS PAYABLE, NET

As of June 30, 2019, and 2018, notes and bonds payable consisted of the following:

<i>(dollars in thousands)</i>		
	2019	2018
Revenue Bonds, Series 2008B1, payable with fixed interest rates ranging from 2.00% to 5.00%, maturing through 2030	\$14,280	15,360
Revenue Bonds, Series 2008B2, payable with fixed interest rates ranging from 2.25% to 5.00%, maturing through 2030	9,030	9,670
Revenue Bonds, Series 2008B3, payable with fixed interest rates ranging from 2.00% to 5.00%, maturing through 2030	16,060	17,185
Revenue Bonds, Series 2011A, payable with fixed interest rates ranging from 2.00% to 5.00%, maturing through 2020	5,680	8,345
Revenue Bonds, Series 2012, payable with fixed interest rates ranging from 2.00% to 5.00%, maturing through 2032	75,045	77,060
Revenue Bonds, Series 2016, payable with fixed interest rates ranging from 4.00% to 5.00%, maturing through 2047	80,275	81,875
Other long-term payables with variable interest rate, maturing through 2019	—	409
<b>SUBTOTAL</b>	<b>200,370</b>	<b>209,904</b>
Unamortized premiums, discount and issuance costs	19,650	20,634
<b>NOTES AND BONDS PAYABLE, NET</b>	<b>\$220,020</b>	<b>230,538</b>

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, 2019 and 2018.

Maturities of notes and bonds payable based on scheduled repayments at June 30, 2019 are as follows:

<i>(dollars in thousands)</i>	
Fiscal Year 2020	\$8,810
Fiscal Year 2021	9,175
Fiscal Year 2022	9,565
Fiscal Year 2023	10,065
Fiscal Year 2024	10,540
Thereafter	152,215
<b>TOTAL</b>	<b>\$200,370</b>

As of June 30, 2019, 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, 2019 and 2018.

As of June 30, 2019, the university has a \$25,000 line of credit with a bank. There were no borrowings outstanding under this line of credit as of June 30, 2019.

#### (8) RESTRICTED CASH AND INVESTMENTS

The composition of assets restricted to investment in land, buildings and equipment as of June 30, 2019 and 2018 is shown below.

<i>(dollars in thousands)</i>		
	2019	2018
Restricted cash	\$6,030	3,119
Contributions receivable	11,209	9,119
Investments	1,000	4,665
<b>TOTAL ASSETS RESTRICTED FOR INVESTMENT IN LAND, BUILDING AND EQUIPMENT</b>	<b>\$18,239</b>	<b>16,903</b>

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 statement of cash flows.

<i>(dollars in thousands)</i>		
	2019	2018
Cash and cash equivalents	\$27,174	60,145
Restricted cash included in assets restricted to investment in land, buildings and equipment	6,030	3,119
<b>TOTAL CASH, CASH EQUIVALENTS, AND RESTRICTED CASH SHOWN IN THE STATEMENT OF CASH FLOWS</b>	<b>\$33,204</b>	<b>63,264</b>

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.

## (9) 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 \$11,522 and \$11,675 in fiscal years 2019 and 2018, respectively.

## (10) 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. Under the plans, the university's losses are limited, through the use of excess loss insurance, to \$350 per claim. Claims paid under the plans for fiscal years 2019 and 2018 totaled \$27,766 and \$28,728, 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, 2019 and 2018.

## (11) NET ASSETS

Net assets consist of the following as of June 30, 2019 and 2018:

<i>(dollars in thousands)</i>		
	2019	2018
Without donor restrictions:		
Board designated endowments	\$123,360	123,638
Other net assets without donor restrictions	293,443	278,646
<b>TOTAL WITHOUT DONOR RESTRICTIONS</b>	<b>416,803</b>	<b>402,284</b>
With donor restrictions:		
Academic support, instruction and student services	309,513	298,844
Contributions receivable, net	50,435	52,070
Scholarships	334,486	316,188
Life income and annuity funds	6,653	6,939
Other net assets with donor restrictions	8,595	22,261
<b>TOTAL WITH DONOR RESTRICTIONS</b>	<b>709,682</b>	<b>696,302</b>
<b>TOTAL NET ASSETS</b>	<b>\$1,126,485</b>	<b>1,098,586</b>

## (12) 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, 2019, the university has outstanding commitments for the following construction projects:

<i>(dollars in thousands)</i>	
Physician assistant building	\$3,823
Central chilled water	2,427
McCormick demolition	1,535
<b>TOTAL CONSTRUCTION COMMITMENTS</b>	<b>\$7,785</b>

The university leases athletic and other facilities and equipment under noncancelable arrangements that are accounted for as operating leases. Total future commitments under these leases as of June 30, 2019 are as follows:

<i>(dollars in thousands)</i>	
FY20	\$1,420
FY21	1,399
FY22	1,295
FY23	1,333
FY24	1,275
Thereafter	13,344
<b>TOTAL FUTURE COMMITMENTS</b>	<b>\$20,066</b>

## (13) 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, 2019 and 2018 are as follows:

<i>(dollars in thousands)</i>						
	2019					
	COMPENSATION	SUPPLIES, REPAIRS, UTILITIES AND OTHER	INTEREST	DEPRECIATION	OPERATIONS AND MAINTENANCE	TOTAL
Instruction	\$98,581	11,029	2,023	—	12,863	124,496
Academic support and libraries	38,560	12,218	334	—	12,773	63,885
Research	25,204	15,792	—	467	1,037	42,500
Student services	33,029	24,822	440	—	8,273	66,564
Auxiliary enterprises	5,428	21,006	3,184	—	21,882	51,500
Institutional support	57,724	20,590	1,198	246	7,648	87,406
Public services	4,878	1,059	4	—	107	6,048
Operations and maintenance	9,585	15,889	389	38,720	(64,583)	—
<b>TOTAL OPERATING EXPENSES</b>	<b>\$272,989</b>	<b>122,405</b>	<b>7,572</b>	<b>39,433</b>	<b>—</b>	<b>442,399</b>

(dollars in thousands)

2018	COMPENSATION	SUPPLIES, REPAIRS, UTILITIES AND OTHER	INTEREST	DEPRECIATION	OPERATIONS AND MAINTENANCE	TOTAL
Instruction	\$93,460	9,272	2,005	—	12,450	117,187
Academic support and libraries	37,074	12,213	345	—	12,005	61,637
Research	24,346	12,810	—	302	838	38,296
Student services	30,955	21,326	474	—	7,896	60,651
Auxiliary enterprises	5,117	20,169	1,985	—	19,014	46,285
Institutional support	55,638	16,405	882	246	9,304	82,475
Public services	4,555	1,207	3	—	122	5,887
Operations and maintenance	10,132	14,458	295	36,744	(61,629)	—
<b>TOTAL OPERATING EXPENSES</b>	<b>\$261,277</b>	<b>107,860</b>	<b>5,989</b>	<b>37,292</b>	<b>—</b>	<b>412,418</b>

#### (14) 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 2019 and 2018 comprise of the following:

(dollars in thousands)

	2019	2018
Sponsored research	\$32,159	27,993
Teaching and training	6,162	6,369
Development and others	4,179	3,934
<b>TOTAL RESEARCH AND GRANTS</b>	<b>\$42,500</b>	<b>38,296</b>

#### (15) SUBSEQUENT EVENTS

The university evaluated events after the consolidated statement of financial position date of June 30, 2019 through September 6, 2019, which was the date the consolidated financial statements were issued, noting no subsequent events requiring recording or disclosure in the consolidated financial statements or related notes to the consolidated financial statements.



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