



MARQUETTE UNIVERSITY

Consolidated Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

MARQUETTE UNIVERSITY

Table of Contents

	Page
Independent Auditors' Report	1
Consolidated Financial Statements:	
Consolidated Statements of Financial Position as of June 30, 2020 and 2019	2
Consolidated Statement of Activities for the year ended June 30, 2020	3
Consolidated Statement of Activities for the year ended June 30, 2019	4
Consolidated Statements of Cash Flows for the years ended June 30, 2020 and 2019	5
Notes to Consolidated Financial Statements	6



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

Independent Auditors' Report

The Board of Trustees
Marquette University:

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, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Milwaukee, Wisconsin
September 4, 2020

MARQUETTE UNIVERSITY
Consolidated Statements of Financial Position
June 30, 2020 and 2019
(Dollars in thousands)

Assets	2020	2019
Cash and cash equivalents	\$ 211,224	33,204
Pledges receivable, net	59,363	50,435
Student accounts and loans receivable, net	44,038	47,485
Investments	711,823	733,108
Other assets	8,393	10,031
Property, buildings, and equipment, net	640,969	643,191
Total assets	<u>\$ 1,675,810</u>	<u>1,517,454</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 75,036	88,917
Deferred revenue and deposits	46,657	41,471
Refundable federal loan grants	35,742	40,561
Notes and bonds payable, net	374,925	220,020
Total liabilities	<u>532,360</u>	<u>390,969</u>
Net assets:		
Without donor restrictions	407,836	416,803
With donor restrictions	735,614	709,682
Total net assets	<u>1,143,450</u>	<u>1,126,485</u>
Total liabilities and net assets	<u>\$ 1,675,810</u>	<u>1,517,454</u>

See accompanying notes to consolidated financial statements.

MARQUETTE UNIVERSITY
Consolidated Statement of Activities
Year ended June 30, 2020
(Dollars in thousands)

	Without donor restrictions	With donor restrictions	Total
Operating revenues:			
Student tuition and fees, net	\$ 271,115	—	271,115
Government and private grants	39,101	—	39,101
Contributions	5,106	61,195	66,301
Auxiliary enterprises	46,949	—	46,949
Sales by educational departments	8,388	—	8,388
Investment income	630	1,142	1,772
Endowment income used in operations	5,990	24,156	30,146
Other income	31,367	—	31,367
Net assets released from restrictions	35,058	(35,058)	—
Total operating revenues	<u>443,704</u>	<u>51,435</u>	<u>495,139</u>
Operating expenses:			
Instruction	125,933	—	125,933
Academic support and libraries	64,497	—	64,497
Research	45,487	—	45,487
Student services	62,937	—	62,937
Auxiliary enterprises	50,445	—	50,445
Institutional support	86,305	—	86,305
Public services	5,811	—	5,811
Total operating expenses	<u>441,415</u>	<u>—</u>	<u>441,415</u>
Operating income	<u>2,289</u>	<u>51,435</u>	<u>53,724</u>
Nonoperating activities:			
Endowment loss in excess of amounts designated for current operations, net	(7,365)	(19,599)	(26,964)
Other, net	(3,891)	(5,904)	(9,795)
Total nonoperating activities, net	<u>(11,256)</u>	<u>(25,503)</u>	<u>(36,759)</u>
Change in net assets	(8,967)	25,932	16,965
Net assets, beginning of year	<u>416,803</u>	<u>709,682</u>	<u>1,126,485</u>
Net assets, end of year	<u>\$ 407,836</u>	<u>735,614</u>	<u>1,143,450</u>

See accompanying notes to consolidated financial statements.

MARQUETTE UNIVERSITY
Consolidated Statement of Activities
Year ended June 30, 2019
(Dollars in thousands)

	Without donor restrictions	With donor restrictions	Total
Operating revenues:			
Student tuition and fees, net	\$ 256,633	—	256,633
Government and private grants	32,583	—	32,583
Contributions	6,228	41,484	47,712
Auxiliary enterprises	58,337	—	58,337
Sales by educational departments	10,294	—	10,294
Investment income	1,305	1,238	2,543
Endowment income used in operations	6,086	22,314	28,400
Other income	36,462	—	36,462
Net assets released from restrictions	35,964	(35,964)	—
Total operating revenues	<u>443,892</u>	<u>29,072</u>	<u>472,964</u>
Operating expenses:			
Instruction	124,496	—	124,496
Academic support and libraries	63,885	—	63,885
Research	42,500	—	42,500
Student services	66,564	—	66,564
Auxiliary enterprises	51,500	—	51,500
Institutional support	87,406	—	87,406
Public services	6,048	—	6,048
Total operating expenses	<u>442,399</u>	<u>—</u>	<u>442,399</u>
Operating income	<u>1,493</u>	<u>29,072</u>	<u>30,565</u>
Nonoperating activities:			
Endowment (loss) gain in excess of amounts designated for current operations, net	(1,113)	6,279	5,166
Other, net	14,139	(21,971)	(7,832)
Total nonoperating activities, net	<u>13,026</u>	<u>(15,692)</u>	<u>(2,666)</u>
Change in net assets	14,519	13,380	27,899
Net assets, beginning of year	<u>402,284</u>	<u>696,302</u>	<u>1,098,586</u>
Net assets, end of year	<u>\$ 416,803</u>	<u>709,682</u>	<u>1,126,485</u>

See accompanying notes to consolidated financial statements.

MARQUETTE UNIVERSITY
Consolidated Statements of Cash Flows
Years ended June 30, 2020 and 2019
(Dollars in thousands)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 16,965	27,899
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	41,243	39,433
Discount amortization	(1,438)	(983)
Net realized and unrealized appreciation on investments	(2,045)	(30,427)
Bad debt expense	919	1,638
Contributions for major capital projects including gifts in kind	(5,278)	(5,468)
Contributions restricted for long-term endowments	(32,598)	(20,805)
Endowment income used in operations from net assets to be maintained permanently	(236)	(241)
(Loss) gain on sale of property, buildings, and equipment	(1,194)	1,645
Changes in assets and liabilities:		
Student accounts and loans receivable	(1,421)	164
Pledges receivable	(7,643)	(5,916)
Other assets, net	1,629	(1,615)
Accounts payables and other liabilities	922	8,768
Deferred revenue and deposits	5,186	(305)
Net cash provided by operating activities	<u>15,011</u>	<u>13,787</u>
Cash flows from investing activities:		
Purchases of property, buildings, and equipment	(38,853)	(73,721)
Proceeds from sale of property, buildings, and equipment	1,373	27
Student loans repayments	7,477	7,964
Student loans issued	(3,510)	(2,705)
Purchase of investments	(229,480)	(149,846)
Proceeds from the sale of investments	239,106	151,357
Net cash used in investing activities	<u>(23,887)</u>	<u>(66,924)</u>
Cash flows from financing activities:		
Contributions received for major capital projects	5,115	5,192
Proceeds from contributions restricted for long-term endowments	31,305	27,600
Endowment income used in operations from net assets to be maintained permanently	236	241
Decrease in refundable federal loan grants	(4,819)	(421)
Issuance of notes and bonds payable	202,143	—
Repayment of notes and bonds payable	(47,084)	(9,535)
Net cash provided by financing activities	<u>186,896</u>	<u>23,077</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	178,020	(30,060)
Cash, cash equivalents and restricted cash, beginning of year	<u>33,204</u>	<u>63,264</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 211,224</u>	<u>33,204</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 9,619	9,782
Change in construction payables	(958)	1,913
Capital gifts in kind	162	278

See accompanying notes to consolidated financial statements.

MARQUETTE UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Dollars in thousands)

(1) Summary of Significant Accounting Policies

(a) Organization

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

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

(b) Basis of Presentation

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

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

(i) Without Donor Restrictions

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

(ii) With Donor Restrictions

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

(c) Use of Estimates

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

(d) Cash and Cash Equivalents

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

MARQUETTE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Dollars in thousands)

(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 for uncollectible pledges is calculated based upon the university's 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:

	<u>2020</u>	<u>2019</u>
Federal government loan programs	\$ 29,258	33,268
Institutional loan programs	1,485	1,443
Student receivables	8,358	7,020
Grants receivables	4,983	4,939
Other receivables	<u>3,367</u>	<u>3,852</u>
Subtotal	47,451	50,522
Less allowances for doubt accounts	<u>(3,413)</u>	<u>(3,037)</u>
Student accounts and loans receivable, net	<u>\$ 44,038</u>	<u>47,485</u>

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

MARQUETTE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Dollars in thousands)

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

Property, buildings, and equipment include the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land and improvements	\$ 61,646	60,336
Buildings and improvements	830,504	807,806
Construction in progress	20,500	21,894
Furniture, fixtures, and equipment	166,319	158,871
Library contents	123,014	122,012
eBooks and other intangibles	22,454	17,882
Less accumulated depreciation	<u>(583,468)</u>	<u>(545,610)</u>
Property, buildings, and equipment, net	<u>\$ 640,969</u>	<u>643,191</u>

Construction in progress includes the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Animal research center renovations	\$ 9,091	—
Electrical improvements	2,030	—
Facilities planning and management relocation	1,606	—
Physician assistant building	—	13,679
Johnston Hall renovations	—	1,119
Other renovation and construction projects	<u>7,773</u>	<u>7,096</u>
Total construction in progress	<u>\$ 20,500</u>	<u>21,894</u>

(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 \$6,849 in fiscal year 2020 and \$6,568 in fiscal year 2019, is recorded as a reclassification between non-operating and operating sections of the changes in net assets without donor restrictions in the consolidated statement of activities.

MARQUETTE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Dollars in thousands)

(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. The university provided student tuition discounts of \$184,362 and \$172,282 in 2020 and 2019, respectively. Students who withdraw may receive a full or partial refund in accordance with the university's refund policy.

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

The following tables depict activities for deferred revenue.

	<u>Balance at June 30, 2019</u>	<u>Revenue recognized</u>	<u>Cash received in advance of performance</u>	<u>Accounts receivable for summer courses</u>	<u>Balance at June 30, 2020</u>
\$	8,575	8,575	9,250	487	9,737

	<u>Balance at June 30, 2018</u>	<u>Revenue recognized</u>	<u>Cash received in advance of performance</u>	<u>Accounts receivable for summer courses</u>	<u>Balance at June 30, 2019</u>
\$	8,612	8,612	8,146	429	8,575

The balance of deferred tuition revenue at June 30, 2020, will be recognized as revenue in the year ending June 30, 2021 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.

MARQUETTE UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Dollars in thousands)

(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, 2020, the university has a federal tax credit carryforward of \$3,086, which expires between fiscal years 2034 and 2039.

(p) Postretirement Benefits

The university provides retired employees access to certain healthcare and life insurance benefits. University employees become eligible to access these benefits when their years of service plus age equal 70 with a minimum age of 55. Qualified retired employees under the age of 65 are eligible to participate in the university's healthcare plan. Retirees are expected to pay the full cost of their premiums, based on the claims experience associated with that defined group of retired employees. The university also pays group life insurance premiums for active or future retired employees hired prior to February 1, 1982 that provide for limited death benefits. The premiums paid are based on the group community rate associated with death claims filed for the entire population of employees and

MARQUETTE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Dollars in thousands)

retirees participating in the program. As of June 30, 2020 and 2019, the university had post-retirement benefits payable of \$4,525 and \$4,481, respectively.

(g) Art Collection

The university has various collections of fine arts and rare books in museums, libraries, and on loan. The university does not assign or record a value to art works and other collections received as gifts or purchased with contributions restricted for that purpose. Valuations for some collections are updated periodically, and as such, the total of all fine arts may vary with appraisals and / or auction prices. Accordingly, the values of fine art and other collections have been excluded from the consolidated statements of financial position. Proceeds, if any, deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. The art and other collections are subject to a requirement that proceeds from their sales be used to acquire other items for the collections. Fine arts are included in insurance coverage for the university property and a separate policy is also secured for fine art of high value and where appraised values are listed. As of June 30, 2020, 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.

(r) Recent Accounting Pronouncements

During 2020, the university adopted Accounting Standards Update (ASU) No. 2018-08: *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. It also provides a framework for determining whether a contribution is conditional or unconditional which will impact the timing of revenue recognition. As a result of this ASU, grants are accounted for like conditional contributions. The adoption of this ASU did not have a material impact on the university's consolidated financial statements.

(s) Reclassification

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation.

(2) Availability of Financial Assets for General Expenditures

Resources available to the university to fund general expenditures, such as operating expenses, scheduled principal payments on debt, and internally funded capital costs have seasonal variations related to the timing of tuition payments, receipts of gifts and pledge payments, and transfers from the endowment. The university actively manages its resources, utilizing a combination of short-term and long-term operating

MARQUETTE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Dollars in thousands)

investment strategies to align cash inflows with anticipated outflows. At June 30, 2020, existing financial assets and liquidity resources available within one year were as follows:

Financial assets:	
Cash and cash equivalents	\$ 211,224
Accounts receivable and prepaid	16,368
Pledges payments available for operations	5,617
Working capital investments	4
Endowment spending payout	<u>30,146</u>
Total financial assets available within one year	263,359
Liquidity resources:	
Bank line of credit	<u>50,000</u>
Total financial assets and liquid resources available within one year	<u>\$ 313,359</u>

Additionally, the university has \$118,538 in board-designated funds functioning as endowment of which \$96,361 can be liquidated within one year with Board approval, however, no liquidation is anticipated as of June 30, 2020.

(3) Investments

A summary of the university's investment return net of expenses is presented below for the years ended June 30, 2020 and 2019:

	2020	2019
Interest and dividends	\$ 2,909	5,851
Gain on investments, net	<u>2,045</u>	<u>30,258</u>
Return on investments	<u>\$ 4,954</u>	<u>36,109</u>

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

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

MARQUETTE UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Dollars in thousands)

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, 2020 and 2019, the university had loaned securities with a market value of \$9,512 and \$22,724, respectively, that were secured by collateral with a market value of approximately \$9,300 and \$23,216, respectively. The collateral received in connection with the security lending program and the obligation to return such collateral are reported as investments and accounts payable, 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.

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.

MARQUETTE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Dollars in thousands)

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, 2020. The categorization of financial instruments within the hierarchy is based on price transparency and does not necessarily correspond to the perceived risk of the instruments.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2020:				
Assets:				
Recurring:				
Cash and cash equivalents	\$ 211,224	211,224	—	—
Investments:				
Money funds and other	19,573	19,573	—	—
Federal, state, and local agency securities	694	—	694	—
Nongovernment bonds and notes	266	—	266	—
Asset and mortgage-backed securities	318	—	318	—
Foreign bonds and notes	125	—	125	—
Common and preferred stocks	51,698	51,698	—	—
Mutual funds – bonds	66,773	66,773	—	—
Mutual funds – equity	101,459	101,459	—	—
Receivables under securities lending agreement	9,430	—	9,430	—
Investments measured at net asset value	<u>461,487</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total investments	<u>711,823</u>	<u>239,503</u>	<u>10,833</u>	<u>—</u>
Total assets measured at fair value on recurring basis	<u>\$ 923,047</u>	<u>450,727</u>	<u>10,833</u>	<u>—</u>

MARQUETTE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Dollars in thousands)

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Liabilities:				
Recurring:				
Payables under securities lending agreement	\$ 9,512	—	9,512	—
Total liabilities measured at fair value on recurring basis	\$ 9,512	—	9,512	—

Certain investment companies and partnerships in which the university has invested have imposed restriction as to the frequency at which the university might redeem, in part or whole, its investment. Redemption frequencies can vary based on several criteria, including the liquidity of an investment company's underlying investments or initial investment lockup periods. Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2020 are as follows:

<u>Fiscal year ended June 30, 2020</u>	<u>Net assets value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Commingled funds	\$ 93,701	—	Weekly, Monthly, Annually	10–30 days
Multi-strategy hedge funds	242,275	1,840	Quarterly, Semi-annually Annually, 2 years, 3 years, Liquidating	45–90 days
Private equity partnerships	107,435	48,454	Illiquid	
Real estate limited partnership and membership interests	18,076	20,902	Illiquid	
	\$ 461,487	71,196		

MARQUETTE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Dollars in thousands)

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.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2019:				
Assets:				
Recurring:				
Cash and cash equivalents	\$ 33,204	33,204	—	—
Investments:				
Money funds and other	36,083	36,083	—	—
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	50,281	50,281	—	—
Mutual funds – bonds	37,208	37,208	—	—
Mutual funds – equity	104,164	104,075	89	—
Receivables under securities				
lending agreement	23,216	—	23,216	—
Investments measured at				
net asset value	<u>473,691</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total investments	<u>733,108</u>	<u>227,647</u>	<u>31,770</u>	<u>—</u>
Total assets				
measured at fair value				
on recurring basis	<u>\$ 766,312</u>	<u>260,851</u>	<u>31,770</u>	<u>—</u>
Liabilities:				
Recurring:				
Payables under securities				
lending agreement	<u>\$ 23,216</u>	<u>—</u>	<u>23,216</u>	<u>—</u>
Total liabilities measured at				
fair value on recurring				
basis	<u>\$ 23,216</u>	<u>—</u>	<u>23,216</u>	<u>—</u>

MARQUETTE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Dollars in thousands)

Certain investment companies and partnerships in which the university has invested have imposed restriction as to the frequency at which the university might redeem, in part or whole, its investment. Redemption frequencies can vary based on several criteria, including the liquidity of an investment company's underlying investments or initial investment lockup periods. Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2019 are as follows:

<u>Fiscal year ended June 30, 2019</u>	<u>Net assets value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
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	<u>17,163</u>	<u>26,554</u>	Illiquid	
	<u>\$ 473,691</u>	<u>83,352</u>		

(4) Endowment

(a) Interpretation of Relevant Law Governing Endowments

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

(b) Underwater Endowment Funds

From time to time, the value of assets associated with a permanently restricted fund may fall below the historical cost. Deficiencies of this nature are reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market conditions that occurred after the investment of endowed contributions and from appropriations to certain programs. As of June 30, 2020 and 2019, funds with fair market value of \$96,023 and \$31,099, an original gift value of \$101,100 and \$32,358 were underwater by \$5,077 and \$1,259, respectively.

MARQUETTE UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Dollars in thousands)

(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.

MARQUETTE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Dollars in thousands)

The following represents the composition and changes in endowment net assets for the year ended June 30, 2020:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 123,360	582,116	705,476
Investment return:			
Investment loss	—	(78)	(78)
Endowment income used for spending policy	5,990	24,156	30,146
Net realized and unrealized losses	<u>(6,757)</u>	<u>(17,605)</u>	<u>(24,362)</u>
Total investment return	(767)	6,473	5,706
Appropriation of endowment assets for expenditure	(5,990)	(23,920)	(29,910)
Contributions	<u>1,935</u>	<u>32,598</u>	<u>34,533</u>
Endowment net assets, end of year	<u>\$ 118,538</u>	<u>597,267</u>	<u>715,805</u>

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:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
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	<u>(365)</u>	<u>6,316</u>	<u>5,951</u>
Total investment return	5,721	28,613	34,334
Appropriation of endowment assets for expenditure	(6,087)	(22,072)	(28,159)
Contributions	<u>88</u>	<u>20,805</u>	<u>20,893</u>
Endowment net assets, end of year	<u>\$ 123,360</u>	<u>582,116</u>	<u>705,476</u>

MARQUETTE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Dollars in thousands)

(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 \$27,203 and \$27,269 at June 30, 2020 and 2019, respectively, and are included in investments on the consolidated statement of financial position.

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

(6) Pledges Receivable

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, 2020, and 2019, the contributions receivable is due as follows:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 24,633	18,566
Two to five years	38,768	35,944
Over five years	<u>5,265</u>	<u>5,116</u>
Subtotal	68,666	59,626
Less unamortized discount	(4,060)	(4,824)
Allowance for uncollectible accounts	<u>(5,243)</u>	<u>(4,367)</u>
Pledges receivable, net	<u>\$ 59,363</u>	<u>50,435</u>

MARQUETTE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Dollars in thousands)

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, 2020 and 2019, the fair value of these conditional promises is approximately \$177,795 and \$155,062, 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, 2020, and 2019, notes and bonds payable consisted of the following:

	2020	2019
Revenue Bonds, Series 2008B1, payable with fixed interest rates ranging from 2.00% to 5.00%, maturing through 2030	\$ —	14,280
Revenue Bonds, Series 2008B2, payable with fixed interest rates ranging from 2.25% to 5.00%, maturing through 2030	—	9,030
Revenue Bonds, Series 2008B3, payable with fixed interest rates ranging from 2.00% to 5.00%, maturing through 2030	—	16,060
Revenue Bonds, Series 2011A, payable with fixed interest rates ranging from 2.00% to 5.00%, maturing through 2020	2,895	5,680
Revenue Bonds, Series 2012, payable with fixed interest rates ranging from 2.00% to 5.00%, maturing through 2032	73,645	75,045
Revenue Bonds, Series 2016, payable with fixed interest rates ranging from 4.00% to 5.00%, maturing through 2047	78,600	80,275
Revenue Bonds, Series 2019, payable with fixed interest rates ranging from 4.00% to 5.00%, maturing through 2033	43,650	—
Taxable Fixed Rate Bonds, Series 2020, payable with fixed interest rates ranging from 1.00% to 4.00%, maturing through 2050	150,000	—
Other long-term payables with variable interest rate, maturing through 2024	1,067	—
Subtotal	349,857	200,370
Unamortized premiums, discount and issuance costs	25,068	19,650
Notes and bonds payable, net	\$ 374,925	220,020

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, 2020 and 2019.

MARQUETTE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Dollars in thousands)

Maturities of notes and bonds payable based on scheduled repayments at June 30, 2020 are as follows:

Fiscal year 2021	\$	9,006
Fiscal year 2022		9,473
Fiscal year 2023		10,054
Fiscal year 2024		13,509
Fiscal year 2025		14,040
Thereafter		<u>293,775</u>
Total	\$	<u><u>349,857</u></u>

As of June 30, 2020, 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, 2020 and 2019.

As of June 30, 2020, the university has a \$50,000 line of credit with a bank. There were no borrowings outstanding under this line of credit as of June 30, 2020 and 2019.

(8) Restricted Cash and Investments

The composition of assets restricted to investment in land, buildings and equipment as of June 30, 2020 and 2019 is shown below.

		<u>2020</u>	<u>2019</u>
Restricted cash	\$	10,067	6,030
Contributions receivable		18,656	11,209
Investments		<u>4</u>	<u>1,000</u>
Total assets restricted for investment in land, building and equipment	\$	<u><u>28,727</u></u>	<u><u>18,239</u></u>

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

		<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$	201,157	27,174
Restricted cash included in assets restricted to investment in land, buildings and equipment		<u>10,067</u>	<u>6,030</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	\$	<u><u>211,224</u></u>	<u><u>33,204</u></u>

MARQUETTE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Dollars in thousands)

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 \$11,675 and \$11,522 in fiscal years 2020 and 2019, 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 2020 and 2019 totaled \$26,065 and \$27,766, 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, 2020 and 2019.

(11) Net Assets

Net assets consist of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Without donor restrictions:		
Board designated endowments	\$ 118,538	123,360
Other net assets without donor restrictions	<u>289,298</u>	<u>293,443</u>
Total without donor restrictions	<u>407,836</u>	<u>416,803</u>
With donor restrictions:		
Amounts with time and purpose restrictions:		
Academic support, instruction and student services	138,890	137,511
Pledges receivable, net	27,900	22,435
Scholarships	58,836	71,498
Life income and annuity funds	4,472	5,148
Physical assets	<u>6,848</u>	<u>8,595</u>
Total net assets with time and purpose restrictions	<u>236,946</u>	<u>245,187</u>

MARQUETTE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Dollars in thousands)

	2020	2019
Amount with permanent restrictions:	\$	
Academic support, instruction and student services	183,582	173,735
Pledges receivable, net	26,807	24,002
Scholarships	285,990	262,988
Life income and annuity funds	2,289	3,770
Total net assets with permanent restrictions	498,668	464,495
Total with donor restrictions	735,614	709,682
Total net assets	\$ 1,143,450	1,126,485

(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, 2020, the university has outstanding commitments for the following construction projects:

Animal research center renovations	\$	881
------------------------------------	----	-----

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, 2020 are as follows:

FY21	\$	1,528
FY22		1,301
FY23		1,338
FY24		1,275
FY25		1,313
Thereafter		12,030
Total future commitments	\$	18,785

MARQUETTE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Dollars in thousands)

(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, 2020 and 2019 are as follows:

2020						
	Compensation	Supplies, repairs, utilities and other	Interest	Depreciation	Operations and maintenance	Total
Instruction	\$ 100,117	9,602	2,006	—	14,208	125,933
Academic support and libraries	39,649	11,012	321	—	13,515	64,497
Research	25,828	17,848	—	608	1,203	45,487
Student services	32,038	21,553	333	—	9,013	62,937
Auxiliary enterprises	5,322	18,334	3,598	—	23,191	50,445
Institutional support	56,675	20,046	1,979	299	7,306	86,305
Public services	4,772	920	3	—	116	5,811
Operations and maintenance	9,738	18,220	258	40,336	(68,552)	—
Total operating expenses	<u>\$ 274,139</u>	<u>117,535</u>	<u>8,498</u>	<u>41,243</u>	<u>—</u>	<u>441,415</u>
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)	—
Total operating expenses	<u>\$ 272,989</u>	<u>122,405</u>	<u>7,572</u>	<u>39,433</u>	<u>—</u>	<u>442,399</u>

MARQUETTE UNIVERSITY
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(Dollars in thousands)

(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 2020 and 2019 comprise of the following:

	<u>2020</u>	<u>2019</u>
Sponsored research	\$ 32,258	32,159
Teaching and training	5,450	6,162
Development and others	<u>7,779</u>	<u>4,179</u>
Total research and grants	<u>\$ 45,487</u>	<u>42,500</u>

(15) Subsequent Events

On March 11, 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a public health emergency. The pandemic could adversely affect the university's ability to conduct its operations and impact financial results. The Board of Trustees and the university's management are monitoring the outbreak and potential financial impact and are prepared to take measures to protect the health of the campus community and promote the continuity of the university mission.

Other than disclosed in the previous paragraph, subsequent events have been evaluated through September 4, 2020 which is the date the consolidated financial statements were available to be issued. No other subsequent events were identified requiring recording or disclosure in the consolidated financial statements or related notes to the consolidated financial statements.