



MARQUETTE UNIVERSITY

Financial Statements

June 30, 2024 and 2023

(With Independent Auditors' Report Thereon)

MARQUETTE UNIVERSITY

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

Independent Auditors' Report

The Board of Trustees
Marquette University:

Opinion

We have audited the financial statements of Marquette University (the University), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.



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

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

KPMG LLP

Milwaukee, Wisconsin
September 6, 2024

MARQUETTE UNIVERSITY
Statement of Financial Position
June 30, 2024 and 2023
(Dollars in thousands)

Assets	2024	2023
Cash and cash equivalents	\$ 135,546	73,438
Pledges receivable, net	68,793	74,623
Student accounts and loans receivable, net	47,015	44,146
Investments	1,057,631	1,078,672
Other assets	11,387	12,196
Right of use assets – operating leases, net	12,995	14,548
Property, buildings, and equipment, net	723,907	657,440
Total assets	\$ 2,057,274	1,955,063
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 82,755	65,328
Deferred revenue and deposits	48,771	41,360
Refundable federal loan grants	24,017	25,938
Lease obligation – operating	14,762	16,253
Notes and bonds payable, net	321,171	336,616
Total liabilities	491,476	485,495
Net assets:		
Without donor restrictions	478,169	460,212
With donor restrictions	1,087,629	1,009,356
Total net assets	1,565,798	1,469,568
Total liabilities and net assets	\$ 2,057,274	1,955,063

See accompanying notes to financial statements.

MARQUETTE UNIVERSITY

Statement of Activities

Year ended June 30, 2024

(Dollars in thousands)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Operating revenues:			
Student tuition and fees, net	\$ 253,693	—	253,693
Government and private grants	48,766	—	48,766
Contributions	6,426	59,025	65,451
Auxiliary enterprises	62,776	—	62,776
Sales by educational departments	10,384	—	10,384
Investment income	9,822	879	10,701
Endowment income used in operations	7,823	35,755	43,578
Other income	40,815	—	40,815
Net assets released from restrictions	52,028	(52,028)	—
	<u>492,533</u>	<u>43,631</u>	<u>536,164</u>
Operating expenses:			
Instruction	164,337	—	164,337
Academic support and libraries	55,929	—	55,929
Research and grants	60,870	—	60,870
Student services	83,656	—	83,656
Auxiliary enterprises	45,998	—	45,998
Institutional support	62,387	—	62,387
Public services	5,888	—	5,888
	<u>479,065</u>	<u>—</u>	<u>479,065</u>
Operating income	<u>13,468</u>	<u>43,631</u>	<u>57,099</u>
Nonoperating activities:			
Endowment income in excess of amounts designated for current operations, net	4,110	50,320	54,430
Other, net	379	(15,678)	(15,299)
	<u>4,489</u>	<u>34,642</u>	<u>39,131</u>
Change in net assets	17,957	78,273	96,230
Net assets, beginning of year	<u>460,212</u>	<u>1,009,356</u>	<u>1,469,568</u>
Net assets, end of year	\$ <u>478,169</u>	<u>1,087,629</u>	<u>1,565,798</u>

See accompanying notes to financial statements.

MARQUETTE UNIVERSITY

Statement of Activities

Year ended June 30, 2023

(Dollars in thousands)

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

See accompanying notes to financial statements.

MARQUETTE UNIVERSITY

Statements of Cash Flows

Years ended June 30, 2024 and 2023

(Dollars in thousands)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ 96,230	45,127
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	39,835	38,803
Discount amortization	(2,156)	(2,335)
Net realized and unrealized gain on investments	(90,942)	(30,209)
Bad debt expense	4,297	2,055
Contributions for major capital projects including gifts in kind	(13,759)	(23,741)
Contributions restricted for long-term endowments	(27,136)	(21,278)
Endowment income used in operations from net assets to be maintained permanently	(173)	(186)
Loss on sale of property, buildings, and equipment	2,995	1,061
Reduction in carrying amount of right to use assets	62	124
Changes in assets and liabilities:		
Student accounts and loans receivable	(6,064)	(799)
Pledges receivable	2,452	(661)
Other assets, net	809	(1,631)
Accounts payables and other liabilities	16,740	(11,554)
Deferred revenue and deposits	7,411	(18)
Net cash provided by (used in) operating activities	<u>30,601</u>	<u>(5,242)</u>
Cash flows from investing activities:		
Purchases of property, buildings, and equipment	(109,012)	(63,437)
Proceeds from sale of property, buildings, and equipment	582	5,206
Student loans repayments	5,240	5,029
Student loans issued	(2,964)	(2,183)
Purchase of investments	(196,945)	(145,505)
Proceeds from the sale of investments	308,928	134,554
Net cash provided by (used in) investing activities	<u>5,829</u>	<u>(66,336)</u>
Cash flows from financing activities:		
Contributions received for major capital projects	13,579	22,901
Proceeds from contributions restricted for long-term endowments	27,136	21,278
Endowment income used in operations from net assets to be maintained permanently	173	186
Decrease in refundable federal loan grants	(1,921)	(2,266)
Issuance of notes and bonds payable	—	64,943
Repayment of notes and bonds payable	(13,289)	(79,460)
Net cash provided by financing activities	<u>25,678</u>	<u>27,582</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	62,108	(43,996)
Cash, cash equivalents and restricted cash, beginning of year	73,438	117,434
Cash, cash equivalents and restricted cash, end of year	\$ <u>135,546</u>	<u>73,438</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 13,160	14,421
Change in construction payables	613	2,585
Capital gifts in kind	180	840

See accompanying notes to financial statements.

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Notes to Financial Statements
June 30, 2024 and 2023
(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 undergraduate, graduate, and professional degree programs, and performs research, training, and other services under grants, contracts, and other agreements with sponsoring organizations, including government agencies and private enterprises.

(b) Basis of Presentation

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

The accompanying 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 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 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, Net

Unconditional promises to give are recognized initially at fair value as contribution revenue in the period a donor makes the promise. The fair value of the pledge is estimated based on anticipated future cash

MARQUETTE UNIVERSITY
Notes to Financial Statements
June 30, 2024 and 2023
(Dollars in thousands)

payments discounted using a risk-adjusted rate commensurate with the duration of the planned payments. In subsequent periods, the discount rate is unchanged. Pledges receivable are net of an allowance for uncollectible amounts. Allowance for uncollectible pledges is calculated based upon the university's past collection experience. The allowance is reassessed and adjusted as necessary. Balances are written off when they are deemed permanently uncollectible.

(f) Student Accounts and Loans Receivable, Net

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

	2024	2023
Federal government loan programs	\$ 18,021	19,993
Institutional loan programs	1,835	1,822
Student receivables	10,087	8,816
Grants receivables	12,837	9,315
Other receivables	8,734	8,287
Subtotal	51,514	48,233
Less allowances for doubtful accounts	(4,499)	(4,087)
Student accounts and loans receivable, net	\$ 47,015	44,146

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

(g) Investments

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

(h) Property, Buildings, and Equipment, Net

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

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Notes to Financial Statements
June 30, 2024 and 2023
(Dollars in thousands)

Property, buildings, and equipment include the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Land and improvements	\$ 52,334	48,971
Buildings and improvements	903,904	899,764
Construction in progress	118,839	42,955
Furniture, fixtures, and equipment	160,900	175,840
Library contents	126,033	125,652
eBooks and other intangibles	39,527	36,217
Less accumulated depreciation	<u>(677,630)</u>	<u>(671,959)</u>
Property, buildings, and equipment, net	<u>\$ 723,907</u>	<u>657,440</u>

Construction in progress includes the following as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Wellness + Recreation	\$ 55,461	11,010
New home for the College of Nursing	44,065	18,110
Lemonis Student Success Center	8,591	1,322
Athletic and Human Performance Research Center II	3,256	1,249
Holy Family Chapel	1,034	—
Dental clinic remodel	814	1,268
South Fiber Loop	142	1,139
SAN Replacement	—	2,334
Other renovation and construction projects	<u>5,476</u>	<u>6,523</u>
Total construction in progress	<u>\$ 118,839</u>	<u>42,955</u>

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

Capital gifts to acquire or construct long-lived assets are recorded as a gift with donor restrictions until the related asset is placed in service, at which time the capital gift is released from net assets with donor restrictions to net assets without donor restrictions as other non-operating activity and subsequently amortized into operations over the estimated useful life of the acquired or constructed asset. This amortization, which amounted to \$8,850 in fiscal year 2024 and \$7,957 in fiscal year 2023, is recorded as a reclassification between non-operating and operating sections of the changes in net assets without donor restrictions in the statement of activities.

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Notes to Financial Statements
June 30, 2024 and 2023
(Dollars in thousands)

(i) Refundable Federal Loan Grants

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

(j) Student Tuition and Fees

Student tuition revenue is recognized in the fiscal year in which the academic programs are delivered. Scholarships reduce the amount of revenue recognized. The university provided student tuition discounts of \$214,547 and \$199,032 in 2024 and 2023, respectively. Students who withdraw may receive a full or partial refund in accordance with the university's refund policy.

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

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

	Balance at June 30, 2023	Revenue recognized	Cash received in advance of performance	Accounts receivable for summer courses	Balance at June 30, 2024
\$	9,595	9,595	9,025	475	9,500
	Balance at June 30, 2022	Revenue recognized	Cash received in advance of performance	Accounts receivable for summer courses	Balance at June 30, 2023
\$	9,746	9,746	9,115	480	9,595

The balance of deferred tuition revenue at June 30, 2024, will be recognized as revenue in the year ending June 30, 2025, as services are rendered.

(k) Auxiliary Enterprises

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

(l) Contributions

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

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June 30, 2024 and 2023
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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 statements of activities as a nonoperating item. Contributions with donor-imposed conditions are not recognized unless it is reasonably expected that the conditions can be met.

(m) Operating Income

Operating results in the 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 the allowance for uncollectible contributions, changes due to adopting new accounting guidance, and other gains and losses. In accordance with the university's endowment distribution policy as described in note 4, only the portion of total investment return distributed under this policy to meet operating needs is included in operating revenue. Operating investment income consists of dividends, interest, and realized gains and losses on unrestricted non-endowed investments.

(n) Income Taxes

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

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

As of June 30, 2024, the university has a federal tax credit carryforward of \$2,250, which expires between fiscal years 2033 and 2042.

(o) Post-retirement Benefits

The university provides retired employees access to certain healthcare and life insurance benefits. University employees become eligible to access these benefits when their years of service plus age equal 70 with a minimum age of 55. Qualified retired employees under the age of 65 are eligible to participate in the university's healthcare plan. Retirees are expected to pay the full cost of their premiums, based on the claims experience associated with that defined group of retired employees. The university also pays group life insurance premiums for active or future retired employees hired prior to February 1, 1982, that provide for limited death benefits. The premiums paid are based on the group community rate associated with death claims filed for the entire population of employees and retirees participating in the program. As of June 30, 2024 and 2023, the university had post-retirement benefits payable of \$3,293 and \$3,613, respectively.

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June 30, 2024 and 2023
(Dollars in thousands)

(p) Art Collection

The university has various collections of fine arts and rare books in museums, libraries, and on loan. The university does not assign or record a value to artworks 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 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, 2024, 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

The university adopted *ASUs 2016-13, 2018-19, 2019-04, 2019-05 & 2019-11: Credit losses (Topic 326)* This ASU requires credit losses to be recognized on most financial assets carried at amortized cost (such as accounts and loans receivable from students) and certain other instruments. The allowance is deducted from the amortized cost basis of a financial asset so that the balance sheet reflects the net amount an entity expects to collect. Under current expected credit loss (CECL), credit losses are estimated over the entire contractual term of the instrument (adjusted for prepayment) from the date of initial recognition. Importantly, whereas current standards require recognition of those losses when it is “probable” a loss has been incurred, CECL requires recognition when losses are expected. This pronouncement does not impact contributions receivable (including receivables for federal and other grants and contracts accounted for as conditional contributions under Topic 958), financial instruments measured at fair value through net income (changes in net assets), or loans made to participants by defined contribution employee benefit plans.

(r) Reclassifications

Certain amounts in 2023 have been reclassified to conform to the 2024 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

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investment strategies to align cash inflows with anticipated outflows. At June 30, 2024, existing financial assets and liquidity resources available within one year were as follows:

Financial assets:	
Cash and cash equivalents	\$ 135,546
Accounts receivable	27,275
Pledges payments available for operations	7,869
Working capital investments	51,215
Endowment spending payout	<u>43,405</u>
Total financial assets available within one year	265,310
Liquidity resources:	
Bank line of credit	<u>50,000</u>
Total financial assets and liquid resources available within one year	\$ <u><u>315,310</u></u>

Additionally, the university has \$117,597 in board designated funds functioning as endowment of which \$88,755 could be liquidated within one year with Board approval, however no liquidation is anticipated as of June 30, 2024. The university's investment policy follows Wisconsin's Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which requires institutions to maintain intergenerational equity, meaning the university must make efforts to preserve purchasing power of the endowment for both current and future generations served by the university.

(3) Investments

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

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

Investments include money funds, federal, state, local agency, nongovernment, asset and mortgage-backed and foreign fixed income securities, stocks, mutual funds, commingled funds, real estate, multi-strategy hedge funds and private equity partnership and membership interests. Investments are based on valuations provided by external investment managers and 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

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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.

A summary of the university's investment return net of expenses is presented below for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 20,387	15,068
Gain (loss) on investments, net	<u>88,322</u>	<u>27,280</u>
Return on investments	<u>\$ 108,709</u>	<u>42,348</u>

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.

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June 30, 2024 and 2023
(Dollars in thousands)

The following table presents the university's financial instruments at fair value as of June 30, 2024. 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, 2024:				
Assets:				
Recurring:				
Cash and cash equivalents	\$ 135,546	135,546	—	—
Investments:				
Money funds and other	25,202	25,202	—	—
Federal, state, and local				
agency securities	291	—	291	—
Nongovernment bonds				
and notes	595	—	595	—
Asset and mortgage-				
backed securities	596	—	596	—
Foreign bonds and notes	100	—	100	—
Common stocks	104,177	104,177	—	—
Mutual funds – bonds	136,811	136,811	—	—
Mutual funds – equity	85,476	85,476	—	—
Commingled funds	28,128	28,128	—	—
Investments measured at				
net asset value	<u>676,255</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total investments	<u>1,057,631</u>	<u>379,794</u>	<u>1,582</u>	<u>—</u>
Total assets				
measured at fair				
value on recurring				
basis	<u>\$ 1,193,177</u>	<u>515,340</u>	<u>1,582</u>	<u>—</u>

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Certain investment companies and partnerships in which the university has invested have imposed restriction as to the frequency at which the university might redeem, in part or whole, its investment. Redemption frequencies can vary based on several criteria, including the liquidity of an investment company's underlying investments or initial investment lockup periods. Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2024, are as follows:

<u>Fiscal year ended June 30, 2024</u>	<u>Net assets value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Commingled funds	\$ 88,468	—	Weekly, Monthly, Annually	10–30 days
Multi-strategy hedge funds	348,819	—	Quarterly, Semi-annually, Annually, 2 years, 3 years, Liquidating	45–90 days
Private equity partnerships	221,436	78,059	Illiquid	
Real estate limited partnership and membership interests	17,532	6,656	Illiquid	
	<u>\$ 676,255</u>	<u>84,715</u>		

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

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2023:				
Assets:				
Recurring:				
Cash and cash equivalents	\$ 73,438	73,438	—	—
Investments:				
Money funds and other	33,972	33,972	—	—
Federal, state, and local agency securities	542	—	542	—
Nongovernment bonds and notes	254	—	254	—
Asset and mortgage- backed securities	644	—	644	—
Foreign bonds and notes	125	—	125	—
Common and preferred stocks	51,162	51,162	—	—
Mutual funds – bonds	235,580	235,580	—	—
Mutual funds – equity	115,238	115,238	—	—
Commingled funds	25,610	25,610	—	—
Investments measured at net asset value	<u>615,545</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total investments	<u>1,078,672</u>	<u>461,562</u>	<u>1,565</u>	<u>—</u>
Total assets measured at fair value on recurring basis	<u>\$ 1,152,110</u>	<u>535,000</u>	<u>1,565</u>	<u>—</u>

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

<u>Fiscal year ended June 30, 2023</u>	<u>Net assets value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Commingled funds	\$ 79,765	—	Weekly, Monthly, Annually	10–30 days
Multi-strategy hedge funds	308,404	—	Quarterly, Semi-annually, Annually, 2 years, 3 years, Liquidating	45–90 days
Private equity partnerships	208,251	62,518	Illiquid	
Real estate limited partnership and membership interests	19,125	8,330	Illiquid	
	<u>\$ 615,545</u>	<u>70,848</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.

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(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, 2024 and 2023, funds with fair market values of \$29,808 and \$32,867, and original gift values of \$31,200 and \$35,738, were underwater by \$1,392 and \$2,871, 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 the forfeiture of liquidity. To ensure adequate liquidity for distributions and to facilitate rebalancing, the university will conduct ongoing reviews of total fund liquidity.

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Endowment net assets without donor restriction are “Investments functioning as endowment” that are not permanently restricted by donors but are designated by the university for endowment purposes. The following represents the composition and changes in endowment net assets for the year ended June 30, 2024:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 112,551	793,578	906,129
Investment return:			
Investment loss	—	(100)	(100)
Endowment income used for spending policy	7,823	35,755	43,578
Net realized and unrealized gains	<u>3,128</u>	<u>48,375</u>	<u>51,503</u>
Total investment return	10,951	84,030	94,981
Appropriation of endowment assets for expenditure	(7,823)	(35,582)	(43,405)
Contributions	<u>1,917</u>	<u>30,448</u>	<u>32,365</u>
Endowment net assets, end of year	<u>\$ 117,596</u>	<u>872,474</u>	<u>990,070</u>

The following represents the composition and changes in endowment net assets for the year ended June 30, 2023:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 117,537	776,589	894,126
Investment return:			
Investment loss	—	(124)	(124)
Endowment income used for spending policy	7,872	34,674	42,546
Net realized and unrealized losses	<u>(7,097)</u>	<u>(308)</u>	<u>(7,405)</u>
Total investment return	775	34,242	35,017
Appropriation of endowment assets for expenditure	(7,872)	(34,488)	(42,360)
Contributions	<u>2,111</u>	<u>17,235</u>	<u>19,346</u>
Endowment net assets, end of year	<u>\$ 112,551</u>	<u>793,578</u>	<u>906,129</u>

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

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

The university is the beneficiary of trusts that, in accordance with the decedent's instructions, are managed and maintained by separate trustees not affiliated with the university. The university receives distributions from the trusts. The fair value of the trusts was \$27,450 and \$26,010 at June 30, 2024 and 2023, 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, Net

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

As of June 30, 2024, and 2023, the pledges receivable is due as follows:

	<u>2024</u>	<u>2023</u>
Less than one year	\$ 33,121	34,834
Two to five years	42,914	44,310
Over five years	<u>6,558</u>	<u>5,641</u>
Subtotal	82,593	84,785
Less unamortized discount	(4,780)	(3,447)
Allowance for uncollectible accounts	<u>(9,020)</u>	<u>(6,715)</u>
Pledges receivable, net	<u>\$ 68,793</u>	<u>74,623</u>

In addition, the university has received certain conditional promises to give that are in the form of revocable trusts, bequests and pledges. As of June 30, 2024 and 2023, the fair value of these conditional promises is approximately \$210,633 and \$187,176, respectively. These amounts can be recognized as revenue in the periods in which the conditions are fulfilled.

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(7) Leases

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

The components of operating lease costs for the fiscal year ended June 30, 2024 and 2023, were as follows:

	<u>2024</u>	<u>2023</u>
Operating lease costs	\$ 1,680	1,860
Variable lease costs	<u>568</u>	<u>476</u>
Total lease costs	<u>\$ 2,248</u>	<u>2,336</u>

Amounts reported in the statements of financial position as of June 30, 2024 and 2023, were as follows:

	<u>2024</u>	<u>2023</u>
Operating lease ROU assets net of amortization	\$ 12,995	14,548
Operating lease liabilities	14,762	16,253

Other information related to operating leases as of June 30, 2024 and 2023, were as follows:

	<u>2024</u>	<u>2023</u>
Weighted-average remaining lease term in years	8.9	9.9
Weighted-average discount rate	2.28 %	2.28 %

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Maturities of the operating leases as of June 30, 2024, are as follows:

2025	\$	1,605
2026		1,651
2027		1,701
2028		1,756
2029		1,811
Thereafter		<u>7,840</u>
Operating lease liabilities – undiscounted		16,364
Impact of present value discount		<u>(1,602)</u>
Operating lease liabilities	\$	<u><u>14,762</u></u>

(8) Notes and Bonds Payable, Net

As of June 30, 2024, and 2023, notes and bonds payable consisted of the following:

	<u>2024</u>	<u>2023</u>
Revenue Bonds, Series 2016, payable with fixed interest rates ranging from 4.00% to 5.00%, maturing through 2047	\$ 70,990	73,040
Revenue Bonds, Series 2019, payable with fixed interest rate of 5.00%, maturing through 2033	32,405	35,415
Revenue Bonds, Series 2020, payable with fixed interest rates ranging from 2.00% to 4.00%, maturing through 2050	146,600	150,000
Revenue Bonds, Series 2022, payable with fixed interest rate of 5.00%, maturing through 2033	52,080	56,590
Other long-term payables with variable interest rates, maturing through 2024	<u>—</u>	<u>319</u>
Subtotal	302,075	315,364
Unamortized premiums and issuance costs	<u>19,096</u>	<u>21,252</u>
Notes and bonds payable, net	\$ <u><u>321,171</u></u>	<u><u>336,616</u></u>

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

The notes and bonds payable are subject to various covenants. Management confirms the university is in compliance with all covenants as of and for the years ended June 30, 2024 and 2023.

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Maturities of notes and bonds payable based on scheduled repayments at June 30, 2024, are as follows:

Fiscal Year 2025	\$	13,510
Fiscal Year 2026		14,105
Fiscal Year 2027		14,730
Fiscal Year 2028		15,390
Fiscal Year 2029		16,090
Thereafter		228,250
Total	\$	302,075

As of June 30, 2024, the university has two secured letters of credit with banks under which it may borrow up to \$3,101. No borrowings were outstanding under these letters of credit as of June 30, 2024 and 2023.

As of June 30, 2024, the university has a \$50,000 line of credit with a bank. No borrowings were outstanding under this line of credit as of June 30, 2024 and 2023.

(9) Restricted Cash and Investments

The composition of assets restricted to investment in land, buildings and equipment as of June 30, 2024 and 2023 is shown below.

		2024	2023
Restricted cash	\$	31,267	12,823
Contributions receivable		37,032	42,327
Investments		11,814	26,367
Total assets restricted for investment in land, building and equipment	\$	80,113	81,517

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

		2024	2023
Cash and cash equivalents	\$	104,279	60,615
Restricted cash included in assets restricted to investment in land, buildings and equipment		31,267	12,823
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	\$	135,546	73,438

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

(10) Retirement Plan

All eligible full-time and part-time personnel who meet the waiting period criteria may elect to participate in a defined contribution individual retirement plan. Under the provisions of the plan in order to receive the university's matching contribution, participants are required to contribute 5% of their annual wages to the plan. The university has neither administrative responsibilities nor any financial liabilities under this plan except to make contributions, currently limited to 8% of the annual wages of participants, up to defined limits. In addition, voluntary contributions by participants may be made subject to Internal Revenue Service limitations. Payments for contributions to this plan totaled \$11,953 and \$11,554 in fiscal years 2024 and 2023, respectively.

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

The university has self-funded benefit plans covering all active and certain retired employees' health, dental, and vision costs. The university's plans are protected against catastrophic losses through excess stop loss insurance. When a covered individual exceeds \$375,000 in combined medical and prescription drug claims, their claims above \$375,000 accumulate towards a separate \$300,000 deductible. When the total combined medical and prescription drug claims for all individuals over \$375,000 exceed \$300,000, the stop-loss insurer reimburses the university for any claim amounts above the \$300,000 for those individuals. Claims paid under the plans for fiscal years 2024 and 2023 totaled \$26,986 and \$27,839, 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, 2024 and 2023.

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(12) Net Assets

Net assets consist of the following as of June 30, 2024 and 2023:

	2024	2023
Without donor restrictions:		
Board designated endowments	\$ 117,597	112,551
Other net assets without donor restrictions	360,572	347,661
Total without donor restrictions	478,169	460,212
With donor restrictions:		
Amounts with time and purpose restrictions:		
Academic support, instruction and student services	241,478	221,250
Pledges receivable, net	50,749	56,146
Scholarships	136,343	109,309
Life income and annuity funds	1,923	2,630
Physical assets	42,656	36,536
Total net assets with time and purpose restrictions	473,149	425,871
	2024	2023
Amount with perpetual restrictions:		
Academic support, instruction and student services	\$ 227,785	219,142
Pledges receivable, net	18,043	15,467
Scholarships	367,486	347,641
Life income and annuity funds	1,166	1,235
Total net assets with permanent restrictions	614,480	583,485
Total with donor restrictions	1,087,629	1,009,356
Total net assets	\$ 1,565,798	1,469,568

(13) Commitments and Contingencies

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

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As of June 30, 2024, the university has outstanding commitments for the following construction projects:

Wellness + Recreation	\$	44,379
Chapel of Holy Family		1,564
New home for College of Nursing		1,148
Dental clinic remodel		<u>588</u>
Total	\$	<u><u>47,679</u></u>

(14) Expenses

The university's primary programs are instruction, research, and public service. Academic support and libraries, student services, and auxiliary enterprises are considered integral to the delivery of these programs. Athletics expenses are included in student services. Costs related to the operation and maintenance of physical plant, including depreciation of plant assets, are allocated to operating programs and supporting activities based upon square footage. Interest expense on external debt is allocated to the activities that have most directly benefited from the debt proceeds. Natural expenses allocated by function for the years ended June 30, 2024 and 2023 are as follows:

		2024					
		Compensation	Supplies, repairs, utilities and other	Interest	Depreciation	Operations and maintenance	Total
Instruction	\$	118,466	17,472	1,389	15,178	11,832	164,337
Academic support and libraries		29,734	11,701	813	6,188	7,493	55,929
Research and grants		33,084	26,136	—	1,586	64	60,870
Student services		38,363	33,423	136	4,612	7,122	83,656
Auxiliary enterprises		6,232	25,083	2,849	6,545	5,289	45,998
Institutional support		42,957	11,143	3,810	3,065	1,412	62,387
Public services		5,368	412	4	—	104	5,888
Operations and maintenance		<u>10,267</u>	<u>20,113</u>	<u>275</u>	<u>2,661</u>	<u>(33,316)</u>	<u>—</u>
Total operating expenses	\$	<u><u>284,471</u></u>	<u><u>145,483</u></u>	<u><u>9,276</u></u>	<u><u>39,835</u></u>	<u><u>—</u></u>	<u><u>479,065</u></u>

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

(15) Related Party Transactions

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

The Statements of Activities include \$608 and \$1,740 of other goods and services expense, from companies affiliated with members of the Board of Trustees for the years ended June 30, 2024, and 2023, respectively.

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(16) Research and Grant Costs

The university receives grant and contract revenue from various government agencies and private sources for the support of research, training, and other sponsored programs. Revenues associated with the direct costs of these programs are recognized as the related costs are incurred. Indirect cost reimbursements from federal agencies are based on negotiated predetermined rates. Research and grant costs reported for fiscal years 2024 and 2023 are comprised of the following:

	2024	2023
Sponsored research	\$ 43,698	42,616
Teaching and training	8,329	6,781
Development and others	8,843	6,062
Total research and grants	\$ 60,870	55,459

(17) Subsequent Events

Subsequent events have been evaluated through September 6, 2024, which is the date the financial statements were available to be issued. No other subsequent events were identified requiring recording or disclosure in the financial statements or related notes to the financial statements.