

# August 2014

Marquette University

Office of Finance



## TREASURER'S REPORT

The Treasurer's report is a month end compilation of the university's financial position and related data. Trend data is included where relevant.

# TREASURER'S REPORT

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# TREASURER'S COMMENTS

On the following pages you will find the Treasurer's Report, which highlights key statistics of the university's financial results for the month ending August 2014. Important points to note:

1. FY 2014 Financial Results – In August, KPMG (external auditors) completed their audit work and provided the university with an unqualified opinion and no audit adjustments. The university finished the year with an unrestricted operating income of \$7.5 million. Total unrestricted operating income was \$384.7 million while total operating expenses were \$377.2 million. The positive net operating income resulted from a favorable revenue variance in net tuition revenue and a decrease in compensation costs, discretionary expenses and a positive balance in the university's contingency fund. The full report will be made available on the Finance website.
2. Coleman & Williams (external auditors) completed their audit of the Marquette University Employee Retirement Plan and reported to the Board of Trustees that for the year-end of December 31, 2013, net assets available for benefits was \$465.3 million. The A-133 audit (federal programs) and NCAA review are currently underway.
3. Economic Commentary – The US economy continues to be a major driver of global growth, but there are warning signs of an impending slow down at a time that governments are increasingly under pressure to reform monetary and trade policies.
4. August Financial Highlights –
  0. For the month of August, total cash management investments were \$143.9 million with a monthly yield of 0.04%, which was down 3 basis points from last month.
  1. The total market value of the endowment on August 31<sup>st</sup> was \$539.9 million as compared to \$467.9 million in the prior year. On a fiscal year-to-date basis, the pooled endowment gained 0.8% compared to 0.6% of the Approved Policy Index.
  2. Since enrollments and corresponding tuition revenues are not booked and verified until September, Finance will provide a more complete income forecast next month.
5. Treasurer's Report – In 2008, the Finance Area introduced the first comprehensive Treasurer's Report as a means to inform various constituencies of the university's financial situation. In keeping with the strategic planning theme of building financial stewardship, the Finance Area has undertaken a major effort aimed at increasing knowledge of Marquette's finances, enhancing on-line management tools, streamlining processes and promoting best practices. In the coming months, Finance will unveil a series of new financial tools and reports, a new website and video tutorials aimed at creating a better understanding of the underlying finances of Marquette.

# CASH INVESTMENTS

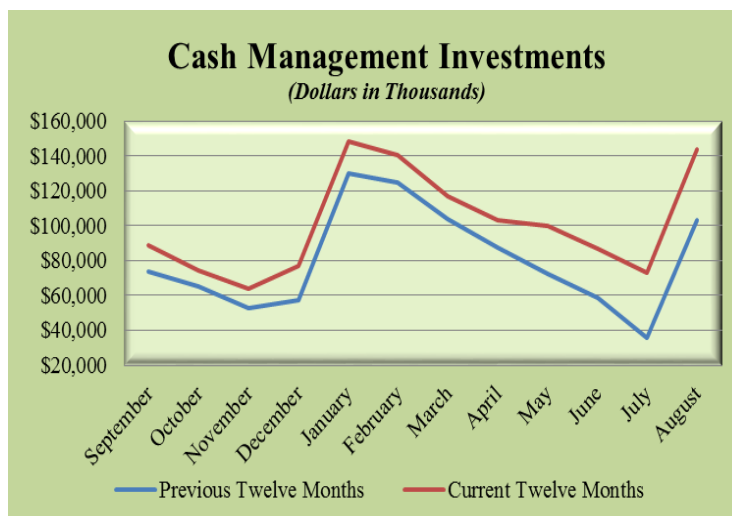
## Cash Investments

As of August 31, 2014

(Dollars in Thousands)

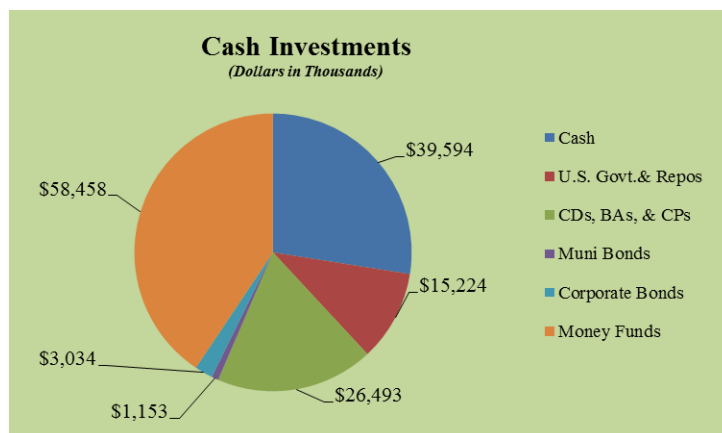
### Cash Trend

August cash management investments totaled \$143.9 million, up from the previous month's total of \$73.1 million. The increase is normal due to receipt of tuition payments for the fall semester. Additionally, a \$1.3 million gift and a \$3.3 million reimbursement from the 2012 bond series also help boosted the cash balance. Relative to August 2013, the cash investment balance is ahead by \$40.5 million. Of the \$143.9 million balance, \$18.9 million is reserved for the strategic fund, \$9.5 million is reserved for the Jesuit building and \$10 million is reserved for real estate property acquisition.



### Cash Investments

The average maturity for the cash investment portfolio is 315 days, down from 581 days in July. The decrease in average maturity duration is normal as cash received from tuition payments are invested in short term assets. Cash and cash equivalent assets make up 74.5% of the portfolio's holdings, which is up from 73.5% in July. All asset allocation and credit ratings are within Marquette's investment guidelines.



### Investment Yields

The cash management portfolio yield for the August was 0.04%, one basis point lower than July. On an annual return basis, cash investments yielded 0.48% and outperformed the weighted average index benchmark by 40 basis points. Yield on the 91-day Treasury bill was at 0.03%, same as July.

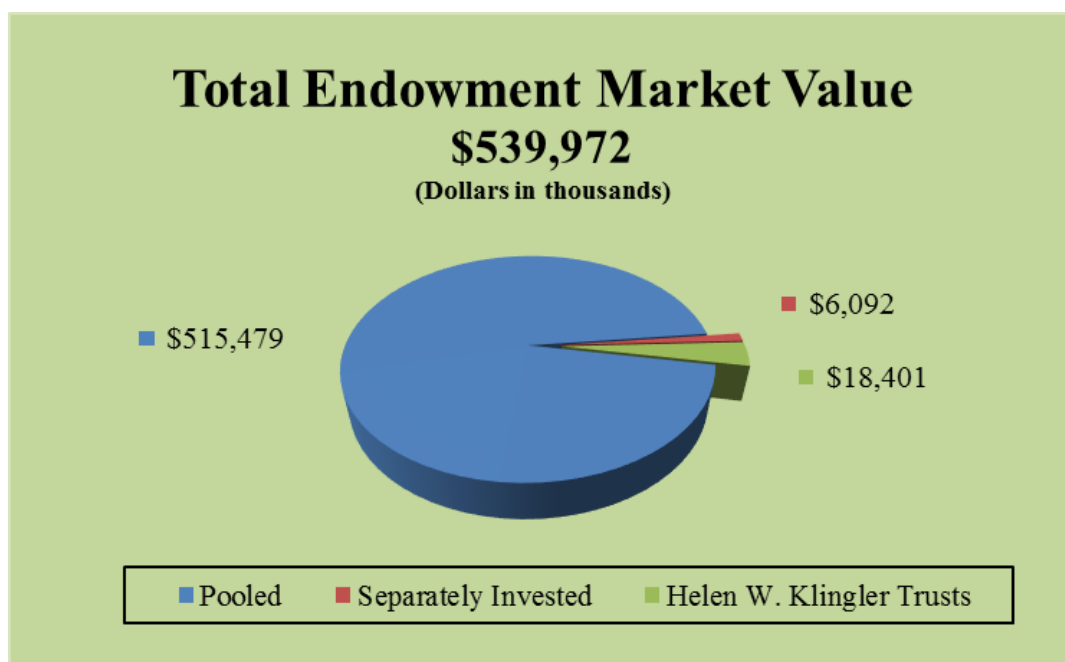


# ENDOWMENT

## Market Value

As of August 31, 2014

(Dollars in Thousands)



\*API: 45% MSCI AC World, 30% HFRI Fund of Funds, 15% Inflation Hedging Composite, 10% Barclays Aggregate.

For the month ending August 31, 2014, the pooled endowment gained 1.4%, performing at par with the Approved Policy Index (API), which also climbed 1.4%. On a fiscal year-to-date basis, the pooled endowment increased 0.8%, compared with the API's 0.6%.

In August, improved investor sentiment boosted equity returns in many regions around the globe. Domestically, the S&P 500 Index climbed 4.0%, finishing the calendar year-to-date period with a 9.9% gain. Internationally, many emerging markets posted strong returns. The MSCI Emerging Markets Index increased 2.3% in USD terms, putting its calendar year-to-date gain ahead of the S&P 500 Index at 10.6%. The MSCI EAFE index, a yardstick for the performance of developed stock markets in Europe, Australasia, and the Far East, increased 1.0% in local currency terms but declined 0.2% in USD terms due to the fact that the U.S. dollar continued to strengthen versus most currencies in August.

In August, Marquette's public equity managers as a group outperformed their benchmark, the MSCI AC World Index, by 70 basis points, which contributed to the endowment's outperformance over the API.

# FINANCIAL POSITION

## Financial Position

As of August 31, 2014

(Dollars in Thousands)

	Current Year	Prior Year	Variance
<b>Assets:</b>			
Cash and non-endowment investments	\$172,917	\$136,622	\$36,295
Receivables	166,639	193,277	(26,638)
Endowment	539,972	467,857	72,115
Net property, and other assets	511,814	504,914	6,900
<b>Total Assets</b>	<b>\$1,391,342</b>	<b>\$1,302,670</b>	<b>\$88,672</b>
<b>Liabilities:</b>			
Accounts payable and other liabilities	106,031	99,724	6,307
Notes and bonds payable	235,120	243,789	(8,669)
<b>Total Liabilities</b>	<b>341,151</b>	<b>343,513</b>	<b>(2,362)</b>
<b>Net Assets:</b>			
Unrestricted	332,760	312,903	19,857
Temporarily & permanently restricted	717,431	646,254	71,177
<b>Total Net Assets</b>	<b>1,050,191</b>	<b>959,157</b>	<b>91,034</b>
<b>Total Liabilities and Net Assets</b>	<b>\$1,391,342</b>	<b>\$1,302,670</b>	<b>\$88,672</b>

Changes in investment values are described within the cash management and endowment sections of the Treasurer's Report. Reimbursements for construction expenses from the unexpended bond proceeds receivable reduced the overall receivables balance. Additionally, receivables decreased as the result of scheduled donor payments. Notes and bonds payable decreased as a result of regularly scheduled debt payments.

# OPERATING BUDGET

## Operating Budget

As of August 31, 2014

(Dollars in Thousands)

	YTD	Budget	Projection
<b>Revenues:</b>			
Net tuition & fee revenue	\$131,943	\$261,776	\$263,669
Government and private grants	476	3,500	2,851
Contributions	306	7,083	6,500
Auxiliary enterprises	22,978	48,805	48,975
Investment income	12	250	350
Endowment income used in operations	834	5,360	5,360
Other income	6,091	34,579	34,432
<b>Total Revenues</b>	<b>162,640</b>	<b>361,353</b>	<b>362,137</b>
<b>Expenditures:</b>			
Compensation	33,332	225,988	224,548
Interest	1,736	9,630	9,630
Depreciation	4,428	27,720	27,900
Other operating expenses	15,306	98,015	92,059
<b>Total Expenditures</b>	<b>54,802</b>	<b>361,353</b>	<b>354,137</b>
<b>Operating Income</b>	<b>\$107,838</b>	<b>\$0</b>	<b>\$8,000</b>

Projected revenues of \$362.1 million with corresponding expenses of \$354.1 million are expected to provide an operating income of \$8.0 million for fiscal year 2015 (FY15). Projected revenues are \$0.8 million higher than the budget. Net tuition revenues of \$263.7 million are over budget by \$1.9 million, due essentially to a larger freshman class. All other revenue categories are expected to be collectively under budget by \$1.1 million, due primarily to contributions and government and private grants.

Total compensation is projected to be \$224.5 million, which is \$1.4 million lower than budget due essentially to vacant lines and fringe benefits. Operating expenditures are projected to reach \$129.6 million for FY15 compared to the budget of \$135.4 million. Lower spending can be attributed to maintaining the university's contingency fund of \$8.0 million.

The "Budget" column is the revised budget, which is \$2.5 million higher in revenues and expenses than the Board approved permanent budget. These increases include budgets for: gift accounts, summer international study programs, nursing clinic operations, and the Nurse Midwifery Clinic. The other changes are not included in the permanent budget because these gifts and programs are temporary in nature.

# CAPITAL BUDGET

## Capital Budget

As of August 31, 2014

(Dollars in Thousands)

### Annual Capital Projects

	Fiscal Year 2015		
	Budget	Projection	Actual
Principal Repayment	\$ 9,400	\$ 9,400	\$ 108
Books & Periodicals	4,400	4,400	213
PC Replacement Program	569	569	0
Vehicle Replacement Program	250	250	1
Technology Upgrades	1,670	1,670	366

### Annual Capital Projects

<b>\$ 16,289</b>	<b>\$ 16,289</b>	<b>\$ 688</b>
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### Major Capital Projects

	Fiscal Year 2015			
	Budget	Projection	Actual	Project-to-Date
MFS Upgrade	\$ 651	\$ 173	\$ 173	\$ 8,500
Historic Core	9,731	9,731	1,234	21,137
Valley Fields Replacement of Soccer Field	0	0	0	261
All Other	0	0	0	0

### Major Capital Projects

<b>\$ 10,382</b>	<b>\$ 9,904</b>	<b>\$ 1,407</b>	<b>\$ 29,898</b>
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### Facility Services Projects

<b>\$ 7,895</b>	<b>\$ 7,895</b>	<b>\$ 1,787</b>	<b>\$ 9,624</b>
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### Other Non-reoccurring Capital Items

<b>\$ 2,101</b>	<b>\$ 2,101</b>	<b>\$ 290</b>
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The FY15 capital budget for proposed new commitments includes; animal research - safety and Security, an OSHA equipment mandate, facility renewal, facade repair, and security camera replacement. Historic Core and Coughlin restoration projects are in progress. The Historic Core project is expected to be completed in Fiscal Year 2015.



# BURSAR

## **Bursar**

**As of August 31, 2014**

*(Dollars in thousands)*

	Fiscal YTD 2015	Fiscal YTD 2014
Fiscal year-to-date cash collections	\$ 60,033	\$ 55,187
Fiscal year-to-date Disbursed Financial Aid (cash)	51,848	52,630
<b>Total</b>	<b>\$ 111,881</b>	<b>\$ 107,817</b>
Fall & Prior Term Outstanding Receivables		
Number of accounts	6,757	6,116
Receivables	\$37,281	\$34,690
Marquette Monthly Payment Plan		
Number of Accounts Enrolled	1,557	1,546
Deferred Receivables	\$14,469	\$13,997

Cash collections continue to be steady with the start of the 2014 fall term. Receivables as well as percent of delinquent accounts (23%) are comparable to last year. Enrollment in the monthly payment plan remains constant.

Staff will begin to contact students with delinquent accounts after the September 22<sup>nd</sup> payment due date.

# FINANCIAL AID

## Financial Aid

As of September 15, 2014

(Dollars in thousands)

FY15 Awards				
Undergraduate Students	Approved Budget	Number of Students	Total Committed	Committed as % of Budget
Continuing	\$64,806	5,555	\$65,529	101.12%
EOP	3,000	206	2,986	99.53%
Evans	600	47	586	97.67%
Advanced Standing	1,700	125	1,915	112.65%
Freshmen	24,863	1,892	25,497	102.55%
EOP	1,525	66	1,457	95.54%
Evans	250	14	189	75.60%
Totals	<u>\$96,744</u>	<u>7,905</u>	<u>\$98,159</u>	101.46%

**Continuing Students:** Committed funds for continuing students are at 101% of the Approved Budget. Total Committed will be at or below the Approved Budget by June 30, 2015 as students adjust their enrollment plans over the academic year.

**Freshmen:** Undergraduate Reports indicate 1,994 deposit-paid-freshmen, this exceeds both the budget and enrollment goals. Final enrollment numbers will be available at the end of September.

**Transfers:** Undergraduate Reports show that 135 transfer students have paid deposits, at this point, that is 1 less student than last year.

# PURCHASING

## Purchasing

As of August 31, 2014

(Dollars in thousands)

