

# MARQUETTE UNIVERSITY FINANCIAL PERFORMANCE

All Dollar Amounts in Thousands

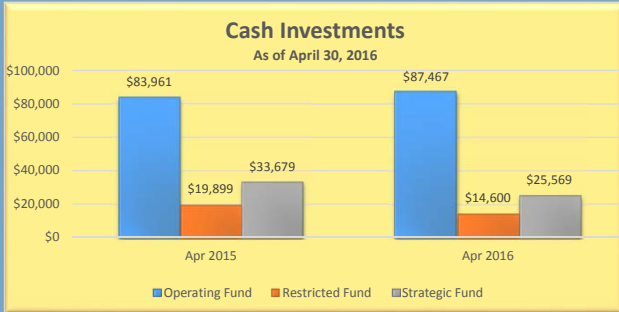
## Dashboard for April 2016

The purpose of the Marquette Financial Performance dashboard is to give the reader a clear depiction of Marquette's financial health.

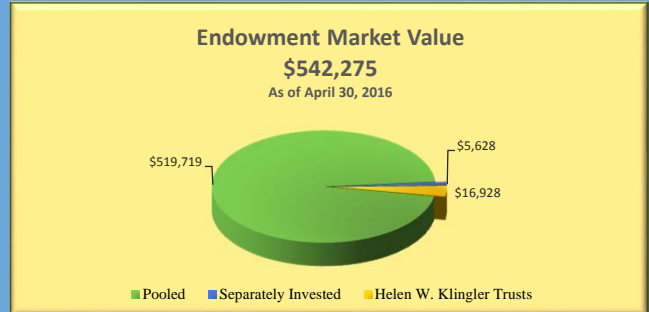
Click on any chart to see trends and explanations of that data. For more information, or to ask a question or provide feedback, click on the Ask a Question box, found at the top right corner of each trend page.

To review the analysis of this information, as well as higher ed and economic influences, visit the [Treasurer's Comments](#).

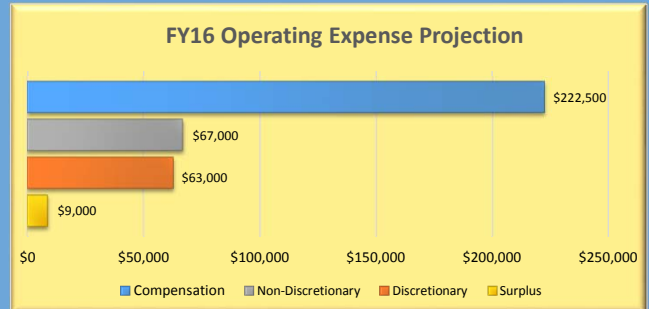
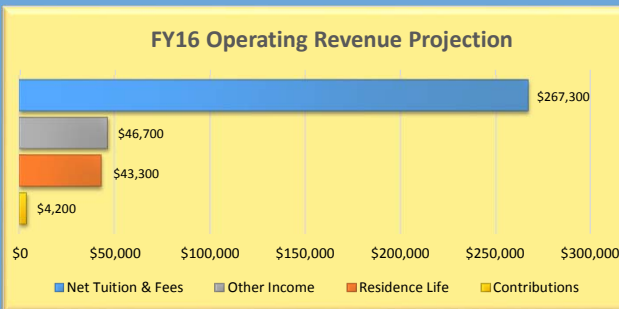
### Cash Investments



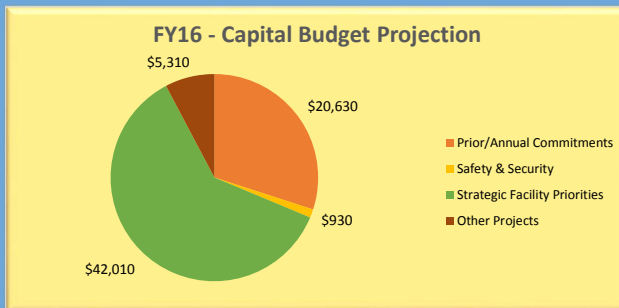
### Endowment



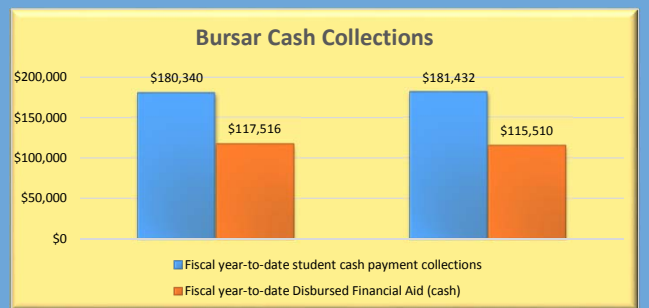
### Operating Budgets



### Capital Budgets



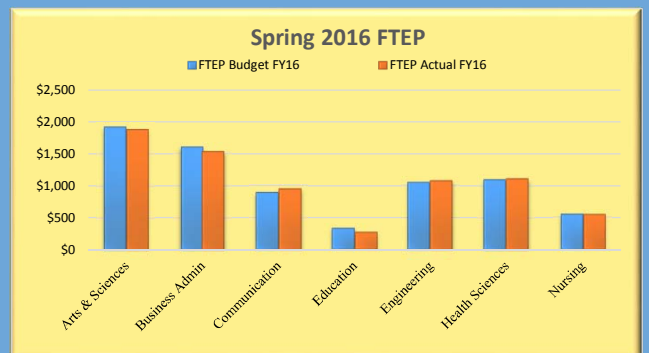
### Bursar



### Financial Aid

| Financial Aid Awarding | FY17<br>Approved Budget | FY17<br>Total Committed |
|------------------------|-------------------------|-------------------------|
| Continuing             | \$70,714                | \$71,326                |
| Continuing EOP         | 3,750                   | 2,405                   |
| Continuing Evans       | 620                     | 577                     |
| Advanced Standing      | 2,100                   | 1,186                   |
| Freshmen               | 28,550                  | 34,881                  |
| Freshman EOP           | 1,250                   | 1,022                   |
| Freshman Evans         | 300                     | 216                     |
| <b>Total</b>           | <b>\$107,284</b>        | <b>\$111,613</b>        |

### Actual Fall 2015 FTEP Compared to Budget



## Treasurer's Comments

### Economic Comments

As we head into the summer months, there continue to be more questions than answers regarding the state of the world economy. In the United States, will the Federal Reserve raise rates, will housing starts continue to fuel the economic recovery and what will be the impact of this year's presidential and congressional elections? Internationally, will Great Britain leave the European Union and can the EU survive, will oil increase or decrease and what will happen in the Middle East's war torn regions? The answers to these questions in the coming months will either serve to cloud an already murky picture or shed some light on whether or not we can finally say that the economic climate is positive.

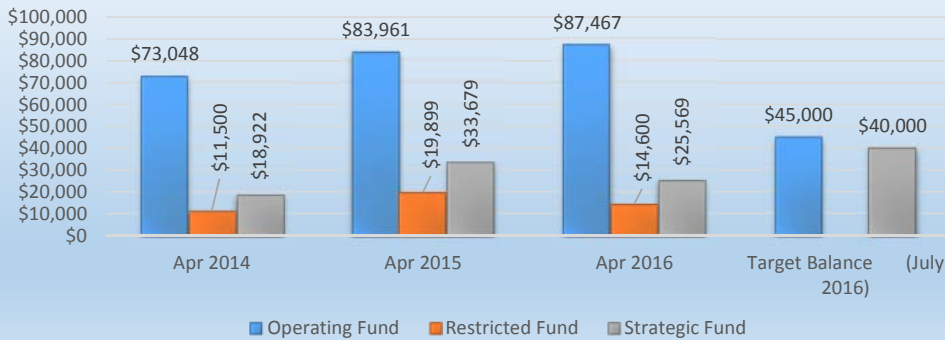
### Marquette Financial News

1. The May 1st and 15th dates for undergraduate deposits have passed and the university is 106 (as of May 25th) above the budget goal of 1935. Transfer students are slightly behind last's years deposits (77 vs. 94). Graduate School, Dental, and Law School deposits are all on target with their budget goals.
2. Student Financial numbers as of May 12th indicate that the majority of aid packages have been completed for both freshmen and continuing students.
3. The university will begin demolition of the former Jesuit Residence at 1404 W. Wisconsin Avenue beginning on May 23rd. After the demolition, the university will re-landscape the plaza and reconstruct the entranceway to the Alumni Memorial Union for easier access to the facility.
4. The university recently received approval from the Board of Trustees to begin the first phase of a program to replace student housing and dining facilities. This phase includes building two new undergraduate resident halls and a new dining facility on the west side of campus. The facilities will replace an aging McCormick Hall, that will be torn down and eventually be the site for a new Recreation and Wellness Center. Future phases will include further development of the Wells Street corridor to provide a mixed use development of upper division/graduate housing, retail and programmatic space.

### April Financial Highlights

1. Total cash reserves ended the month at \$127.6 million. Of the \$127.6 million, \$87.4 million is reserved for the university's operating needs, \$25.5 million for strategic priorities and the balance for designated purposes. Yield for the cash management investments was 0.05% which outperformed the weighted index benchmark by 30 basis points.
2. The market value of the endowment for April 30th was \$542.2 million. The 1.1% monthly return for April represents an underperformance of 0.3% when compared to the 1.4% return of the Approved Policy Index (API). Other than the Real Asset allocation, all other asset classes underperformed their respective benchmarks for the month.
3. At this time the Budget Office is projecting revenues of \$362 million with projected expenses of \$353 million and a positive net operating income of \$9.0 million. The major drivers for revenue (tuition, room and board, and gifts) are slightly lower than previous years, while compensation (salaries and fringe benefits) is expected to be lower.
4. The capital budget totals \$68.9 million and year-to-date capital expenditures are \$42.9 million. The university projects that all capital projects and expenditures will be within the established financial parameters. The majority of the expenses incurred to-date were for the Jesuit Residence, the Dental School expansion, conversion of Humphrey Hall and McCabe Hall to a residence hall and apartments. The rest of the budget will be disbursed over the course of the fiscal year on various building projects, equipment and computer replacements and security enhancements.

## Cash Investments

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### What does this trend indicate?

Cash balances continue to improve for all three funds. The steep increase in restricted fund in 2015 was due to large gift for the Jesuit residence. A healthy cash balance ensures that Marquette has the ability to meet its financial

## Cash Investments

### What Comprises Marquette's Cash Investments?

Operating Funds, Restricted Funds, Strategic Funds.

### April Results

The cash management balance for the month totaled \$127.6 million, and is down from the previous month's total of \$138.7 million. This decrease in cash balance is normal for this time of the year as Marquette continues to liquidate short term investments to meet operating needs. Relative to April 2015, the cash balance is down by \$9.9 million. The annualized yield for the cash management investment was 0.52%, which outperformed the weighted index benchmark by 37 basis points.

### How is Marquette's Cash Invested?

Investments are made according to the university's Short-Term Investment guideline. Cash surpluses are laddered out with maturities occurring at the end of each month. This process provides a constant source of cash flow to meet the university's liquidity needs.

### What are the Concerns for Cash Investments?

The three main concepts to monitor include:

Market Risk – ensuring the investments are diversified to minimize risk.

Liquidity – investments must be readily convertible into cash.

Interest Rate – a low interest rate environment can negatively impact investment income.

### What Internal Influences Affect Marquette's Cash Investments?

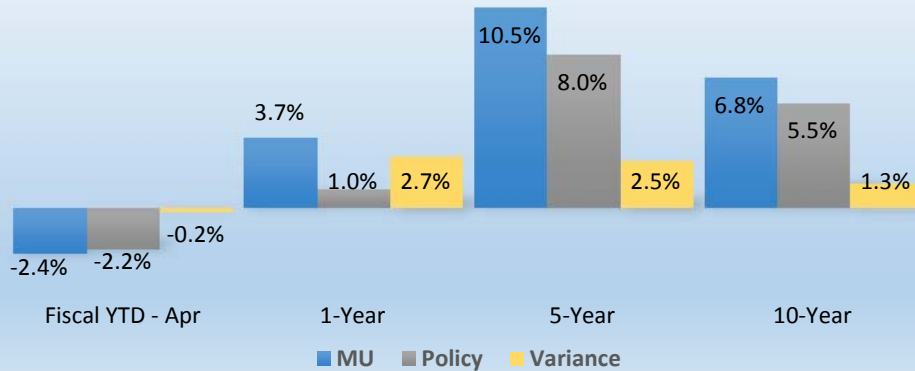
The type of cash investment, time to maturity, and return on investment (yield) are dictated by the specific demand and usage of the cash. Cash needed to fund operational expenses, strategic initiatives or other priorities such as construction projections all may require different investment instruments. Monthly operational expenses such as payroll, utilities, supplies, etc. demand a highly liquid investment such as a money market instruments, which generally sacrifice yield for security. Strategic initiatives usually have a longer time horizon that allow for investments with slightly greater risk, longer duration, less liquidity, and higher yields. Other types of cash demands, such as construction projects that have known timelines and specific drawdown requirements, may use investment instruments that allow “laddering” or staggering of the maturity periods.

### What are Marquette's Cash Investment Goals?

1. Preservation of principal – ensure the safety of cash being invested.
2. To fund the university's liquidity needs – provide cash flow for the university.
3. Yield – generate investment income for the university.

For More Information, Visit the Treasury Office by [Clicking here.](#)

## Fiscal YTD and Annualized Returns as of June 30, 2015

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### What does this trend indicate?

The active investment returns of the endowment have outperformed the passive allocation of the benchmark for all time periods.

## Endowment

### Current Results

The 1.1% return for the month of April represents an underperformance of 0.3% when compared to the 1.4% return of the Approved Policy Index. Domestic Equity, International Equity and Real Asset allocations underperformed while Hedge Equity and Fixed Income outperformed their respective benchmarks.

### What is an Endowment?

The Marquette endowment represents financial donations given to the university that are restricted for a specific purpose and invested with the intent of providing a perpetual stream of financial support. The purpose of the endowment is to enhance fiscal stability and strengthen the mission of the university.

### How is Marquette's Endowment Used?

Annual spendable funds are broadly disbursed to support student scholarships, academic programs, and the general operations of the university.

### How is Marquette's Endowment Managed and Protected?

The Endowment Office attempts to partner with the highest quality external investment managers in a manner that is consistent with the Board of Trustee approved Investment Policy.

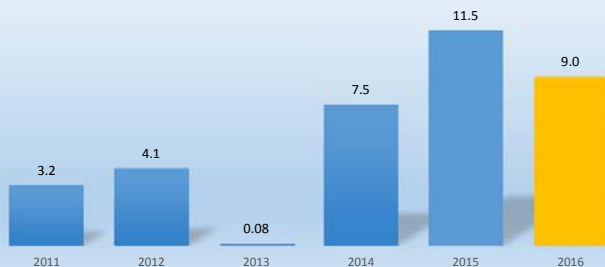
### What Internal Operations Influence the Success and Growth of the Endowment?

The three key variables that influence the endowment are:

- 1) Donor Gifts
- 2) Investment Returns
- 3) Spendable Income

For More Information, Visit the Endowment Office Web Page by [Clicking Here](#).

# Net Operating Income Projection

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## What does this trend indicate?

The current trend indicates that the university is becoming more financially solvent by maintaining its contingency commitment, generating positive bottom lines and strategically using its scarce resources.

## Operating Budget

### What Comprises the Operating Budget?

The university operates within an unrestricted operating budget that is annually approved by the Board of Trustees. For FY16, the budget will be \$372.7 million and is comprised of the revenues and expenses further detailed in this report.

### Current Results

Projected revenues of \$361.5 million with corresponding expenses of \$352.5 million are expected to provide an operating income of \$9.0 million for FY16. Projected revenues are \$9.8 million lower than the budget. Net tuition revenues of \$267.3 million are higher than budget by \$1.3 million, due essentially to a smaller freshman class. All other revenue categories are expected to be collectively under budget by \$11.6 million, due primarily to declines in contributions, government and/or private grants, and sales by educational departments.

Total compensation (salary and fringe) is projected to be \$222.5 million, \$10.1 million lower than budget. This is mostly due to unfilled positions in the Dental School and University Advancement, plus favorable healthcare insurance. Operating expenditures are projected to reach \$130.0 million for FY16 compared to the budget of \$139.2 million. Lower spending can be attributed to maintaining the university's contingency fund of \$9.0 million. Any additional profit will be shared according to Law School, Dental School and RCM agreements.

### FY16 Revenues

Tuition and fees, along with room and board are some of the major sources of revenue for the university. Net tuition revenue accounts for 72.5% of the university's unrestricted revenue with room and board attributing 12.3%. The total of these two revenue components is 84.8%, which depicts the dependence the university has on enrollment to support its annual operations.

The remaining sources of university unrestricted revenue is 15.2%, these sources include contributions, endowment income used in operations, sales by educational departments, and other auxiliary activities (e.g. *services to students, faculty, and staff such as the AMU and Parking*).

### FY16 Expenses

#### Compensation

Compensation is the largest expense category for the university with a total budget of \$230.0 million; 62.6% of operational expenses. Within compensation are two categories: salary and fringe benefits. The salary budget is \$174.1 million or 47.4% of operating expenditures and the fringe benefit budget is \$55.8 million or 15.2%.

#### Discretionary Expenses

The discretionary operating budget deals with the general day-to-day activities and expenses of the university and totals \$56.4 million. Discretionary budgets of the university account for approximately 15.3% percent of the total expense budget. This expense category includes, but is not limited to, supplies, travel, telephone, professional fees and advertising.

#### Non-discretionary Expenses

The non-discretionary operating budget contains the contractual obligations of the university. The non-discretionary expenditure budget is \$71.9 million or 19.6%. This expense category includes, but is not limited to, contract maintenance, utilities, insurance, interest, and depreciation.

#### Contingency

For FY16, the university will have an \$9.0 million contingency fund. These funds are not allowed to be spent and are intended for future strategic efforts and plans.

### Is Marquette's Budget Fiscally Healthy?

Overall, the university's financial situation is stable, but there is a strong dependency on net tuition revenue generated by enrollments to balance the budget. The university needs to diversify its revenue streams by increasing gift contributions, investment income, grants, endowment income, and other income sources.

### What are the Major Budget Triggers?

There are two major "triggers" that currently have a strong impact on the university's operations: enrollment and employee health care. As the university is highly dependent on net tuition revenue to run its operations, any decline in enrollment will have ramifications on revenue and will need to be offset in expense reductions. Part of the university's compensation package is health care. Health care costs continue to rise and catastrophic participant health care events can drive those costs higher at any time in the fiscal year.

For More Information, Visit the Budget Office Web Page by [Clicking Here](#).

## Capital Budget Trend and FY16 Projection

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### What does this trend indicate?

This trend indicates that the university continues to maintain and improve its inventory of fixed assets.

## Capital Budget

### What is a Capital Expense?

Capital expenditures are funds used by the university to acquire or upgrade physical assets such as equipment, property, or buildings. Any one of these assets with a life longer than the accounting year are considered a capital expense. In the case when a capital expenditure constitutes a major financial decision, \$1.0 million or more, the expenditure must be approved by the Board of Trustees in the annual budget approval process.

### Year-to-Date Results

Year-to-date capital expenditures for the university are \$42.9 million compared to the budget of \$68.9 million. Proposed new commitments and facility projects include work or repairs in: façades, roofing, elevators, security camera replacement, as well as other projects totaling \$9.4 million. Major project expenditures include the construction of the New Jesuit Residence which has expensed \$4.3 million. The Dental School expansion has expensed \$0.5 million, McCabe Conversion \$0.4 million, Humphrey Hall conversion \$3.0 million, Engineering Hall \$0.5 million and the Historic Core \$0.7 million. Property acquisitions are currently at \$5.8 million with vehicle replacement at \$0.2 million, the computer replacement program at \$1.0 million and non-reoccurring capital items were at \$2.2 million at the end of April. Prior commitment capital items which include principle payments, books and periodicals have expensed \$10.4 million and \$4.5 million respectfully.

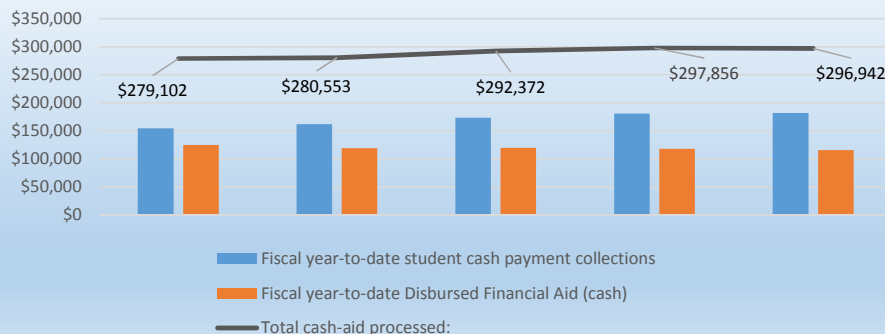
### What Comprises Marquette's FY16 Capital Budget?

The total university capital budget, approved by the Board of Trustees for fiscal year 2016, is \$68.9 million. This budget is composed of unrestricted funds of \$28.2 million and restricted funds of \$40.7 million. The breakdown is as follows:

- A) \$42.1 million or 61.0% for the purchase of property, improvements to, or new construction of, academic facilities, a Jesuit Residence, classrooms, and faculty and administrative facilities.
- B) \$20.6 million or 30.0% to satisfy the university's prior commitments such as principal payments, library books, academic start-up, and other expansion projects started in the prior year.
- C) \$5.3 million or 7.7% to purchase equipment, and improve existing academic and student facilities, and provide technology upgrades.
- D) \$0.9 million or 1.3% for student and campus safety initiatives.

For More Information, Visit the Budget Office Web Page by [Clicking Here](#).

## Student Payments - Aid Disbursed

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### What does this trend indicate?

The trend indicates that students and families are contributing more through private funding sources.

## Bursar Report

### What Comprises Outstanding Receivables?

Outstanding receivables are payments owed to the university by students for tuition, room and board, and other student fees (e.g. Student Health Fees, Student Activity Fees, U-Pass, etc.).

### April, 2016

Receivables were at \$3.9 million as of April 30<sup>th</sup>. The 298 accounts with delinquent balances totaling \$1.1 million is similar to FY15. The \$2.0 million increase for FY15 was a result of a delay in the ROTC payment.

Loan Exit Seminars continued this month for undergraduates as well as law and dental students. Additionally staff have been proactively contacting delinquent cohort borrowers to provide options to bring their account current.

### How are Billing, Receivables and Cash Collections Managed?

The Office of the Bursar is responsible for the billing of tuition, fees and housing as well as crediting student accounts with financial aid and payments received. Bursar administrators provide guidance and counseling to students and their families by informing them of payment options that can help make an education at Marquette attainable. The Office of Student Loan Accounts (SLAC) reports to the Bursar and serves to assist students in their loan inquiries. SLAC is entrusted with the responsibility to collect loans on behalf of the federal government and Marquette University, as well as to help students throughout the repayment period.

### What is Important About Receivables and Cash Collections?

As with any business, Marquette's operations include expenses for salaries, fringe benefits (e.g. health care, retirement contributions, social security and Medicare payments, etc.), facilities, technology and day-to-day operational costs. Cash collections are vitally important to meet these monthly outlays and also to maintaining and building a healthy financial position that sustains the university for future generations.

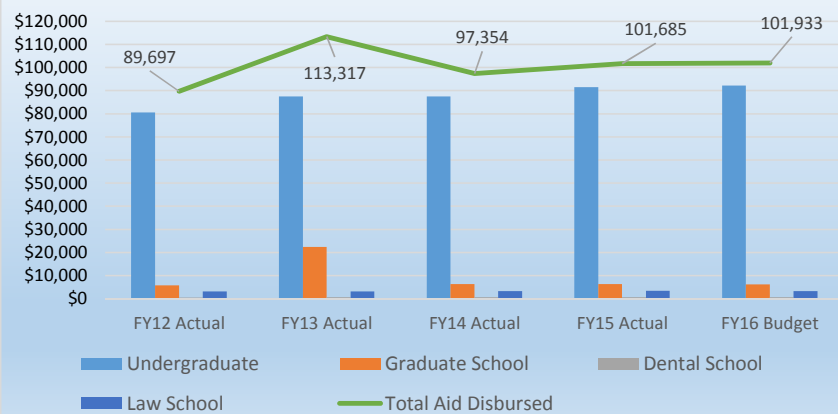
Visit the [Bursar Web Page \(Marquette Central\)](#) for More Information, [click here](#).

**What does this trend indicate?**

FY12-FY15 indicate financial aid disbursed in the categories identified. FY16 represents the budget. Final numbers will be available July 2016. Funded discount lags significantly behind unfunded discount which continues to grow to meet demand.

**Financial Aid Disbursed**

(Dollars in thousands)



## Financial Aid

### What Comprises Financial Aid?

Student financial aid is comprised of scholarships, grants, loans and work-study. Aid sources can be from federal, state, local governments, private institutions, individuals, the university's endowment, or the operating budget. Scholarships and grants do not need to be repaid. Work study is an employment program in which students are paid for the work they perform. Loans must be repaid, although some programs have forgiveness or deferment provisions.

### Current Results.

Committed funds for 2015-2016 are at 96.3% of the approved budget.

### How is Financial Aid Used?

Student financial aid is used to defray a student's cost of attendance. This typically includes tuition, room and board, student fees and other related costs.

### How is Financial Aid Managed?

The Office of Student Financial Aid (OSFA) provides Federal, State and institutional financial assistance to students who might not otherwise be able to avail themselves to a Marquette education due to inadequate financial resources. Aid is awarded consistently, while maintaining compliance with state, federal and institutional regulations and policies. Institutional resources are stewarded per donor or benefactor's wishes as outlined in the gift agreement. OSFA partners with Undergraduate Admissions to provide timely and accurate information to prospective students and their families. OSFA and Admissions participates in local, state and national outreach efforts through local high school financial aid nights and state-wide events like College Goal Wisconsin.

### How Much Aid Does Marquette Provide?

The university currently funds approximately \$102 million in discount directly from operations and uses approximately another \$19.89 million from endowment and restricted funds.

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