POISED FOR NEW LEADERSHIP, NEW EXCELLENCE

One day before Marquette University’s first lay president Dr. Michael R. Lovell assumed office on July 1, 2014, the university concluded a fiscal year in which continued careful financial stewardship resulted in an improved fiscal outlook. Generous philanthropic support combined with efforts to achieve operational efficiencies helped Marquette widen its operating margins while putting aside $4 million in a new contingency fund, providing merit increases for high-performing talent and reducing the rate of tuition growth. At the dawn of a new era of university leadership, Marquette was positioned favorably to pursue new strategic opportunities to innovate, to excel academically and to deliver an outstanding student experience.

A year of philanthropic gains

In FY 2014, nearly 28,000 benefactors contributed $55.1 million in new gifts and pledges to the university, a 26 percent increase over the previous year’s total. Inclusion of deferred gifts brings the FY 2014 total to $60.7 million, a 30 percent increase over the comparable FY 2013 total. Marquette recorded nine gifts in excess of $1 million, three times as many as in FY 2013. Alumni, parents and friends funded $18.4 million in student scholarships, a nearly 5 percent annual increase and an important component of the $115.8 million in scholarships awarded to undergraduate, graduate and professional students.

Philanthropic support also made possible $22.3 million in cash contributions to the university’s endowment. At the end of FY 2014, that endowment stood at $531.7 million, an increase of 15.1 percent from FY 2013, which edged the account’s benchmark policy index by .3 percent.

New opportunities flow from strong financial stewardship

Through a proactive approach to managing university resources, Marquette achieved notable financial progress during FY 2014. Operating expenses increased by just 3 percent while operating revenues grew by 7 percent, resulting in overall net operating income of $41.4 million, an 83 percent increase from FY 2013. Unrestricted net operating income reached $7.5 million, a remarkable tenfold one-year increase.

These positive results reflect a commitment to a financial strategy that includes both administrative cost reductions and the pursuit of new and expanded revenue sources. This effort extends beyond FY 2014 and includes development of a comprehensive university-wide enrollment strategy through which Marquette will expand high-demand programs to offset factors such as the softened demand nationally for graduate and professional study programs.

Entering FY 2015 on sound financial footing, Marquette quickly embarked on exciting initiatives under Dr. Lovell’s leadership. These priorities include research and technology partnerships based in Milwaukee’s Global Water Center, as well as a new strategic innovation fund to seed creative ideas and entrepreneurial ventures proposed by faculty, students and staff. The fund will also support discipline-specific innovation and entrepreneurship education across campus. Through these efforts, Dr. Lovell is propelling the university forward as a place where innovation enriches the university’s treasured Catholic, Jesuit mission.
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2014

### (dollars in thousands)

#### Assets:
- Cash and cash equivalents: $67,551
- Collateral held under securities lending agreement: 29,475
- Unexpected bond proceeds: 19,274
- Contributions receivable: 56,904
- Accounts receivable: 11,394
- Student loans receivable: 42,681
- Investments: 560,506
- Funds held in trust by others: 19,313
- Net property, buildings and equipment: 508,511
- All other assets: 8,533

**Total assets**: $1,324,142

#### Liabilities:
- Accounts payable and accrued liabilities: $40,357
- Payable under securities lending agreement: 29,475
- Deferred income and deposits: 33,229
- Refundable federal loan grants: 35,940
- Notes and bonds payable: 235,294
- All other liabilities: 16,026

**Total liabilities**: $390,321

#### Net assets:
- Unrestricted: $216,159
- Temporarily restricted: 359,731
- Permanently restricted: 357,931

**Total net assets**: $933,821

**Total liabilities and net assets**: $1,324,142

### TOTAL OPERATING REVENUES

(dollars in thousands)

- Net tuition and fees: 57% $238,698
- Other income: 9% $36,750
- Investment and endowment income: 5% $22,493
- Contributions: 13% $55,126
- Grants: 6% $23,930
- Room and board: 10% $41,678

**Total**: $418,675

### TOTAL OPERATING EXPENDITURES

(dollars in thousands)

- Compensation: 63% $236,932
- Depreciation: 9% $34,145
- Interest: 2% $8,510
- Other operating expenditures: 26% $97,705

**Total**: $377,292
CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended June 30, 2014

(dollars in thousands)

Operating revenues:

<table>
<thead>
<tr>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net tuition and fees</td>
<td>$238,698</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Government and private grants</td>
<td>23,930</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Contributions</td>
<td>4,143</td>
<td>32,435</td>
<td>18,548</td>
</tr>
<tr>
<td>Investment income</td>
<td>322</td>
<td>654</td>
<td>(82)</td>
</tr>
<tr>
<td>Endowment income used in operations</td>
<td>5,287</td>
<td>15,984</td>
<td>328</td>
</tr>
<tr>
<td>Auxiliary and all other</td>
<td>78,428</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>$350,808</td>
<td>49,073</td>
<td>18,794</td>
</tr>
</tbody>
</table>

Net assets released from restrictions | 33,987 | (33,987) | - | - |

Total revenues and net assets released from restrictions | 384,795 | 15,086 | 18,794 | 418,675 |

Expenses:

| Instruction | $115,257 | - | - | 115,257 |
| Academic support | 41,819 | - | - | 41,819 |
| Research and grants | 22,152 | - | - | 22,152 |
| Libraries | 19,794 | - | - | 19,794 |
| Student services | 52,902 | - | - | 52,902 |
| Auxiliary enterprises | 42,552 | - | - | 42,552 |
| Institutional support | 78,228 | - | - | 78,228 |
| Public service | 4,588 | - | - | 4,588 |
| Total operating expenses | $377,292 | - | - | $377,292 |

Operating income | 7,503 | 15,086 | 18,794 | 41,383 |

Nonoperating income (loss) | 6,109 | 36,067 | 1,124 | 43,300 |

Changes in net assets | 13,612 | 51,153 | 19,918 | 84,683 |

Net assets, beginning of year | 202,547 | 308,578 | 338,013 | 849,138 |

Net assets, end of year | $216,159 | 359,731 | 357,931 | $933,821 |

ANNUALIZED RETURNS

as of 6/30/2014

<table>
<thead>
<tr>
<th></th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>10 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P 500 Index</td>
<td>24.6%</td>
<td>16.6%</td>
<td>18.8%</td>
<td>7.8%</td>
</tr>
<tr>
<td>MU Endowment (Net)</td>
<td>15.1%</td>
<td>9.0%</td>
<td>12.4%</td>
<td>7.2%</td>
</tr>
<tr>
<td>Policy Index</td>
<td>14.8%</td>
<td>6.8%</td>
<td>9.7%</td>
<td>6.3%</td>
</tr>
<tr>
<td>+ / - Relative to Policy Index</td>
<td>0.3%</td>
<td>2.2%</td>
<td>2.7%</td>
<td>0.9%</td>
</tr>
</tbody>
</table>
Robert J. Eck, Bus Ad ’77
President and CEO, Anixter International Inc.

John F. Ferraro, Bus Ad ’77
Chair of the Marquette Board
Global Chief Operating Officer, Ernst & Young

Richard J. Fotsch, Eng ’77, Grad ’84
Principal Member, Olde School Industries LLC

Rev. James G. Gartland, S.J.
Rector, Blessed Peter Faber Jesuit Community,
Boston College

Jon D. Hammes
Managing Partner, Hammes Co.

Nancy Hernandez, Grad ’02
President and Founder, ABRAZO Multicultural
Marketing and Communication

Darren R. Jackson, Bus Ad ’86
President and Chief Executive Officer, Advance Auto Parts

Rev. Thomas A. Lawler, S.J.
Provincial, Wisconsin Province of the Society of Jesus

Patrick S. Lawton, Bus Ad ’78, Grad ’80
Managing Director, Fixed Income Capital Markets Group,
Robert W. Baird & Co.

Dr. Michael R. Lovell
President, Marquette University

John P. Lynch, Arts ’64
Retired Senior Partner, Latham & Watkins LLP

Rev. Patrick McGrath, S.J.
President, Loyola Academy

Kelly McShane, Arts ’68
Retired School Psychologist

Dr. Arnold L. Mitchem, Grad ’81
President Emeritus, Council for Opportunity in Education

Rev. Kevin F. O’Brien, S.J.
Vice President for Mission and Ministry, Georgetown University

Rev. Joseph M. O’Keefe, S.J.
Professor of Education, Boston College

Dr. Janis M. Orlowski, Eng ’78
Senior Director, Health Care Affairs,
American Association of Medical Colleges

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A&A Manufacturing Company Inc.

Kristine A. Rappé
Special Advisor, Wisconsin Energy Foundation

Glenn A. Rivers, Arts ’85
Head Coach, Los Angeles Clippers

Scott A. Roberts, Bus Ad ’85
President, CEO and Chairman,
Ziegler Capital Management LLC (ZCM)

Hon. W. Greg Ryberg, Arts ’68
Retired Senator, State of South Carolina

Scott H. Schroeder, Bus Ad ’92, Grad ’96, Law ’96
Co-Founding Partner, Balyasny Asset Management

Owen J. Sullivan, Arts ’79
Retired CEO of Right Management, Jefferson Wells
and President of Specialty Brands, ManpowerGroup

Charles M. Swoboda, Eng ’89
Chairman and Chief Executive Officer, Cree Inc.

Cherryl T. Thomas, Arts ’68
Vice Chair of the Marquette Board
President and Chief Executive Officer,
Ardmore Associates LLC

Ben Tracy, Comm ’98, Grad ’04
National Correspondent, CBS News

Margaret Troy, Nurs ’74
President and Chief Executive Officer,
Children’s Hospital and Health System

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President, Weiss Capital Management Inc.

Thomas H. Werner, Eng ’86
President, CEO and Chairman of the Board,
SunPower Corporation

Hon. James A. Wynn, Jr., Law ’79
Federal Appeals Court Judge,
U.S. Court of Appeals for the Fourth Circuit

Rev. Michael A. Zampelli, S.J.
Rector, Santa Clara Jesuit Community, and
Associate Professor of Theatre and Dance,
Santa Clara University

Anne A. Zizzo, Jour ’87
CEO, Zizzo Group Marketing
+ Public Relations + New Media

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Corporate Vice President

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Assistant Secretary

Mary L. (Mel) Austin
Assistant Treasurer