

MARQUETTE UNIVERSITY FINANCIAL PERFORMANCE

All Dollar Amounts in Thousands

Dashboard for January 2015

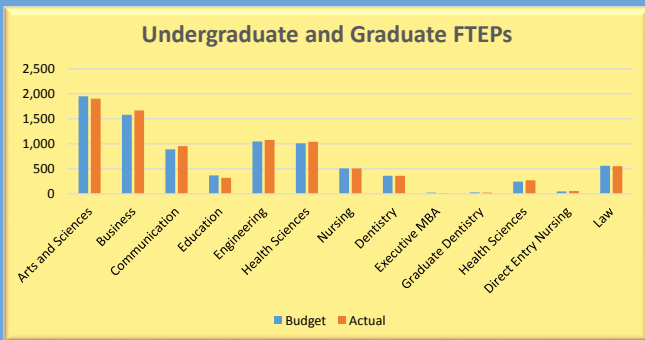
The purpose of the Marquette Financial Performance dashboard is to give the reader a clear depiction of Marquette's financial health.

Click on any chart to see trends and explanations of each topic. For more information or to ask a question about any topic, click on the Ask a Question, found at the top of each trend page.

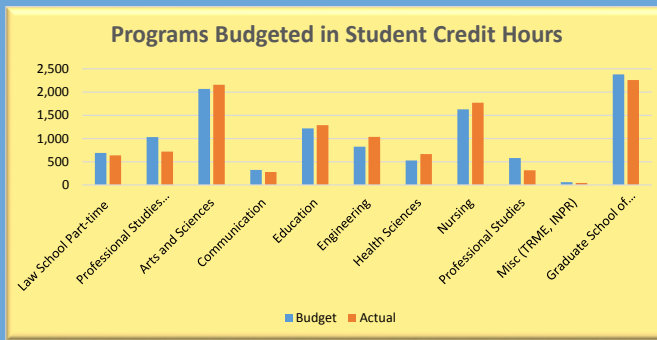
For an analysis of this information, visit the [Treasurer's Comments](#).



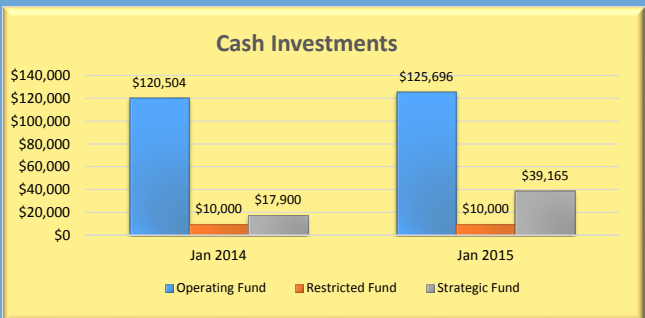
Enrollment to Targets



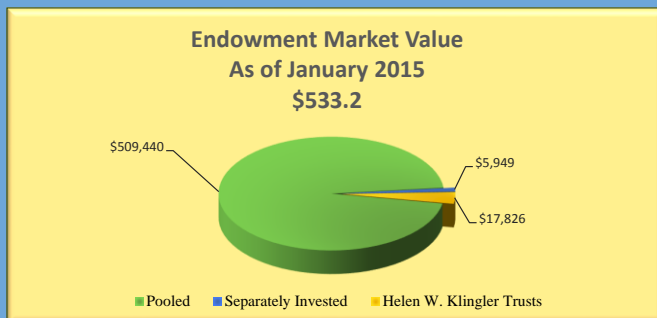
Programs Budgeted



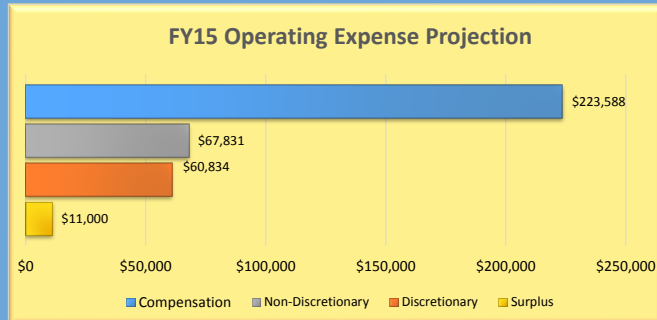
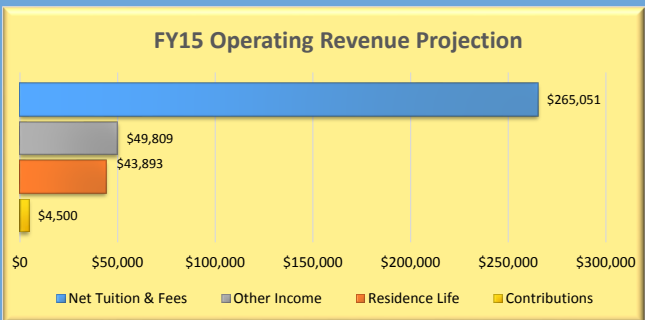
Cash Investments



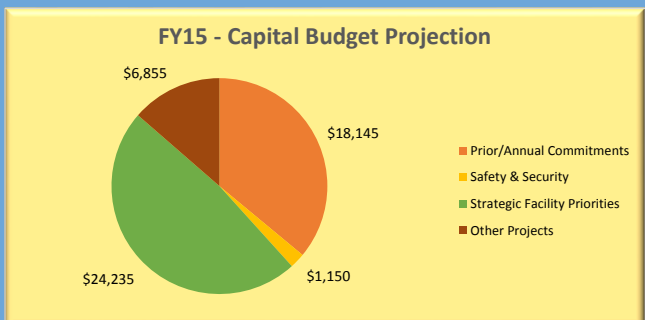
Endowment



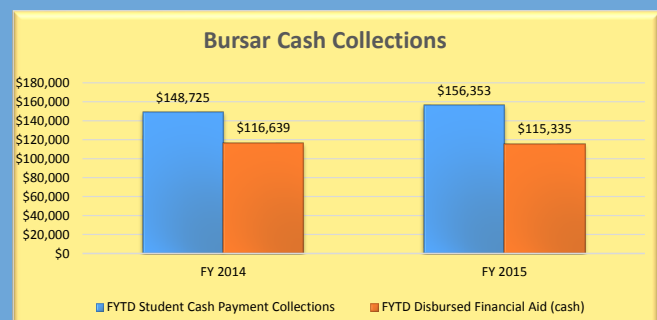
Operating Budgets



Capital Budgets



Bursar



Treasurer's Comments

Economic Comments

The January minutes of the Federal Reserve Board revealed that members continue to be concerned regarding the timing and magnitude of interest rate increases. The fear is that any upward movement would disrupt the continuing recovery, while delaying could in fact exacerbate inflation risks. The Fed has decided to wait until the Jobs Report is released in February to determine whether or not normalization of rates can begin. If the report is strong, this could occur as soon as the 3rd quarter.

Obviously a strong jobs report will assist Marquette as we look to expand our undergraduate and graduate enrollments. Although, a normalization of rates, while helping our investments yields may also spark increases in the cost of basic goods and services. In the coming weeks there will be plenty of economic indicators such as the Consumer Confidence Index, New Home Sales, and the Consumer Price Index that may provide some clue as to the future action of the Fed.

Marquette Financial News

1. The initial response to the call for Innovation proposals was overwhelming with over 270 received. The Innovation Council is currently reviewing the proposals and will be contacting sponsors as needed for additional information. To find out more about the latest innovation updates, please visit the innovation website at:

<http://www.marquette.edu/innovation/strategic-innovation-fund.php>

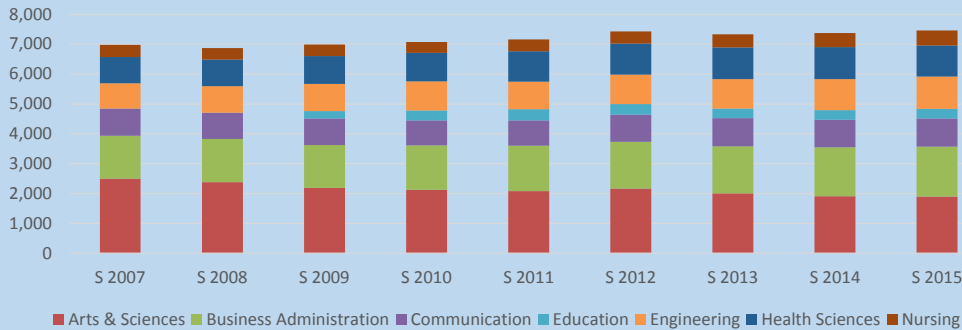
2. The Budget Office has released the latest Budget Building Timeline for the FY17 year. To access more information on the timeline and the budget building process, please visit the Budget Office website at:

<http://www.marquette.edu/budget/restricted/documents/FiscalYear2017Memo-BudgetBuildingTimeline.pdf>

January Financial Highlights

For the month of January, the university is still predicting a positive year-end net operating income of \$11.0 million with net tuition revenue greater than the budget. Cash from collections, contributions, and auxiliary operations remain strong.

5 Year Trend of Undergraduate FTEPs Spring Semester



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What does this trend indicate?

This trend indicates that the university's undergraduate enrollment is stable.

Enrollment

What is Full-Time Equivalent Paying (FTEP) Enrollment?

Undergraduate enrollment revenue is budgeted using an enrollment calculation known as FTEP. FTEP includes the number of students who are officially enrolled paying full-time tuition (12 credits or more) and the number of part-time enrolled student credit hours equivalent to 1 full-time student tuition.

Current Results

Undergraduate enrollment FTEPs for spring semester are 110 students greater than budget. The increase is primarily in Business Administration and Communication offset by decrease in Arts and Sciences and Education. Graduate and Professional Students are 11 above budget due to Health Sciences and Direct Entry Nursing offset by declines in Executive MBA. Programs measured in student credit hours are below budget due to decreases in Professional Studies and the Graduate School of Management.

How Does Marquette Measure Enrollment?

An FTEP (Full-Time-Equivalent-Pay) is an officially enrolled student (including audit/withdrawal if applicable) who pays full-time tuition. Programs measured in FTEPs are: traditional undergraduates, Dental School, Executive MBA, Health Sciences Professional Students, Direct Entry Nursing, and Law. Programs are measured in student credit hours when fewer of the students enroll full-time. These programs are: Part-time Law School, Professional Studies, Graduate Programs and Summer School.

Why is Enrollment Important?

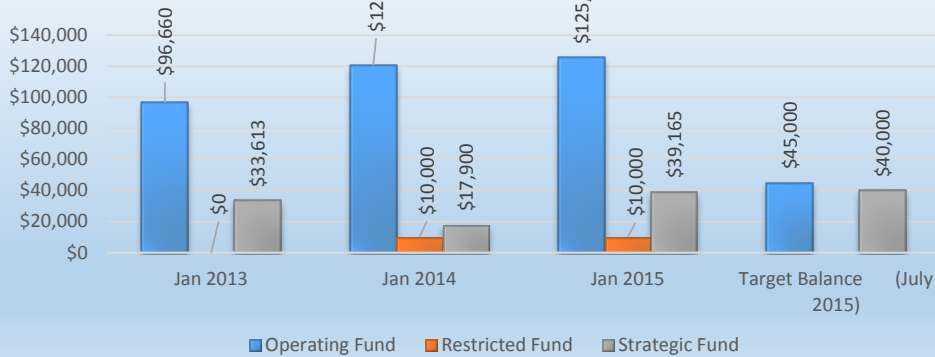
Revenue from tuition and room and board comprises approximately 70% of the overall revenue in the university's budget. This revenue directly supports the day-to-day expenses of the business operation including employee compensation, technology, and maintaining facilities. As a tuition dependent institution, Marquette must maintain its enrollment to provide sufficient financial support for its educational activities.

What is Marquette's Enrollment Goal?

For FY15, the new freshmen undergraduate budgeted enrollment goal is 1,900, plus 150 new transfers.

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

Cash Investments



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What does this trend indicate?

Cash balances for all three pools have improved since FY2012. Having a healthy cash balance ensures that Marquette has the ability to meet its financial obligations.

Cash Investments

What Comprises Marquette's Cash Investments?

Operating Funds, Restricted Funds, Strategic Funds.

January Results

The cash management balance for January totaled \$174.8 million, up from the previous month's total of \$111.3 million. This increase is normal as the majority of tuition payments have been collected for spring semester. In addition, the university received \$1.4 million from the Diederich Charitable Trust fund. Relative to January 2014, the cash investment balance is ahead by \$26.4 million. The annualized yield for the cash management investment was 0.51%, which outperformed the weighted index benchmark by 45 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?

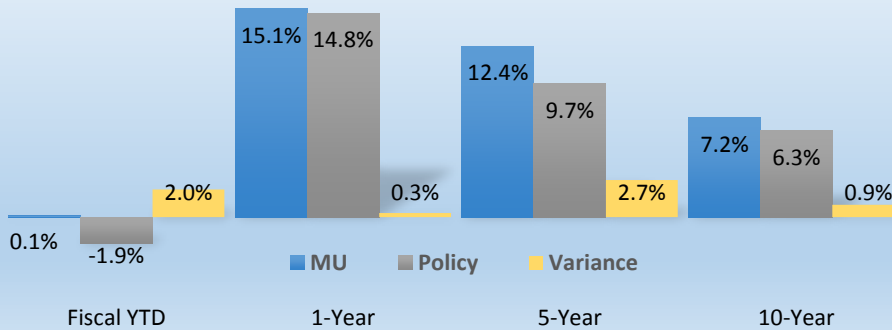
The type of cash investment, time to maturity, and return on investment (yield) are dictated by the specific demand and usage of the cash. Cash needed to fund operational expenses, strategic initiatives or other priorities such as construction projections all may require different investment instruments. 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, 2014



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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

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.

Current Results

The -0.4% return in January represents an outperformance of 0.2% when compared to the -0.6% return of the Approved Policy Index (API). Public Equity, Fixed Income, and Real Assets outperformed their respective benchmarks.

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.

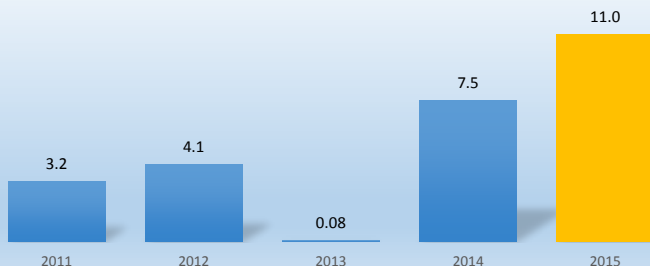
What Internal Operations Influence the Success and Growth of the Endowment?

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 a unrestricted operating budget that is annually approved by the Board of Trustees. For fiscal year 2015 the budget will be \$364.1 million and is comprised of revenues and expenses, which are further detailed within this report.

Current Results

Projected revenues of \$363.3 million with corresponding expenses of \$352.3 million are expected to provide an operating income of \$11.0 million for fiscal year 2015 (FY15). Projected revenues are \$0.8 million lower than the budget. Net tuition revenues of \$265.1 million are over budget by \$3.0 million, due essentially to a larger freshman class. All other revenue categories are expected to be collectively under budget by \$3.8 million, due primarily to declines in contributions and government and private grants.

Total compensation is projected to be \$223.5 million, which is \$2.8 million lower than budget due essentially to unfilled positions in Dental School and University advancement and fringe benefits. Operating expenditures are projected to reach \$128.8 million for FY15 compared to the budget of \$137.6 million. Lower spending can be attributed to maintaining the university's contingency fund of \$8.0 million. Any additional profit will be shared according to Law School, Dental School and RCM agreement.

FY15 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 73.0% of the university's unrestricted revenue with room and board attributing 12.2%. The total of these two revenue components is 85.2%, and well depicts the dependence the university places on enrollment to support its annual operations.

The remaining sources of university unrestricted revenue is 14.8%, 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 AMU and Parking*).

FY15 Expenses

Compensation

Compensation is the largest expense category for the university with a total budget of \$226.3 million; 62.2% of operational expenses. Within compensation are two categories: salary and fringe benefits. The salary budget is \$171.7 million or 47.2% of operating expenditures and the fringe benefit budget is \$54.6 million or 15.0%.

Discretionary Expenses

The discretionary operating budget deals with the general day-to-day activities and expenses of the university. For the discretionary operating budget, \$61.3 million is allocated among the units. Discretionary budgets of the university account for approximately 16.9% 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 deals with the contractual obligations of the university. The non-discretionary expenditure budget is \$68.3 million, 18.8% has been allocated. This expense category includes, but is not limited to, contract maintenance, utilities, insurance, interest, and depreciation.

Contingency

For FY15, the university will have an \$8.0 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?

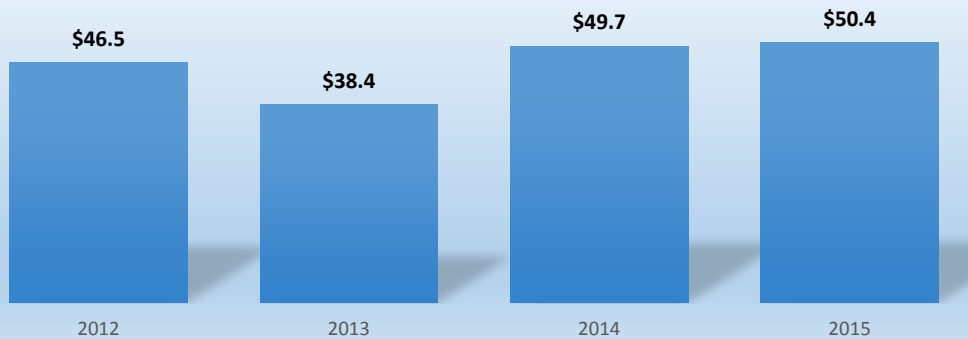
Overall, the university's financial situation is stable, but there is a strong dependency on net tuition revenue generated by enrollments to balance the budget. The university needs to diversify its revenue streams by increasing gift contributions, investment income, grants, endowment income, and other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

What are the Budget's Major 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 FY15 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 expenses 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 \$23.9 million compared to a budget of \$50.4 million. Proposed new commitments and facility projects include work or repairs in: façades, electrical transformers, roofing, elevators, security camera replacement, as well as other projects totaling \$4.0 million. Major project expenditures include renovations to the historic core (Sensenbrenner, Marquette, and Johnston Hall) and are at \$6.0 million; the Dental School expansion has expensed \$0.7 million. Technology upgrades (smart classrooms, MFS upgrade, and voice over IP) have expensed \$1.3 million and the computer replacement program expensed \$0.3 million. Other nonrecurring capital items are at \$1.8 million. Prior commitment capital items which include principle payments and books and periodicals have expensed \$8.4 and \$1.7 million respectfully.

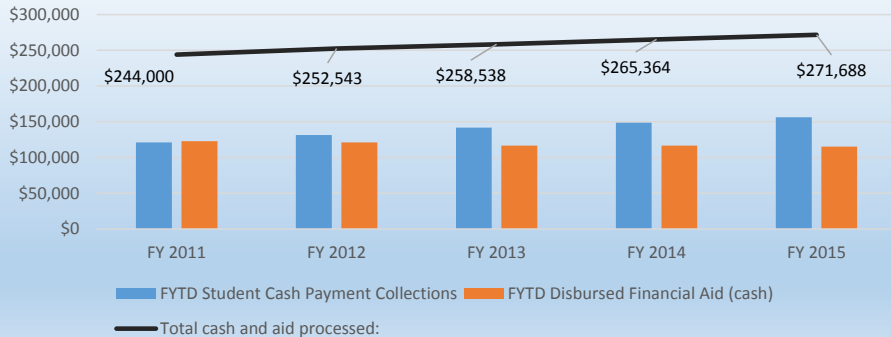
What Comprises Marquette's FY15 Capital Budget?

The total university capital budget, approved by the Board of Trustees for fiscal year 2015, is \$50.4 million. This budget is composed of unrestricted funds of \$27.7 million and restricted funds of \$22.7 million. The breakdown is as follows:

- A) \$24.2 million or 48.1% for improvements to, or new construction of, academic facilities, a Jesuit Residence, classrooms, and faculty and administrative facilities.
- B) \$18.1 million or 36.0% 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) \$6.9 million or 13.6% to purchase equipment, and improve existing academic and student facilities, and provide technology upgrades.
- D) \$1.2 million or 2.3% 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.).

January Results

Cash collections were consistent with those in January a year ago. At the end of the add/drop period there were 63 students with delinquent balances, totaling \$300 thousand; these students have not returned for the spring term. This is a decrease of 24 students from last year, with a slight decrease of about \$77 thousand dollars in delinquent account balances. These students have been contacted for payment and those that remain outstanding will be transferred to University Accounting Services for out of school collection in February.

Account receivables for the spring term are similar to past terms with 43% of enrolled students having outstanding receivables delinquent accounts. This comprises 41% of our outstanding account receivables.

How are Marquette's 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 to also maintain and build a healthy financial position that sustains the university for future generations.

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