

MARQUETTE UNIVERSITY FINANCIAL PERFORMANCE

All Dollar Amounts in Thousands

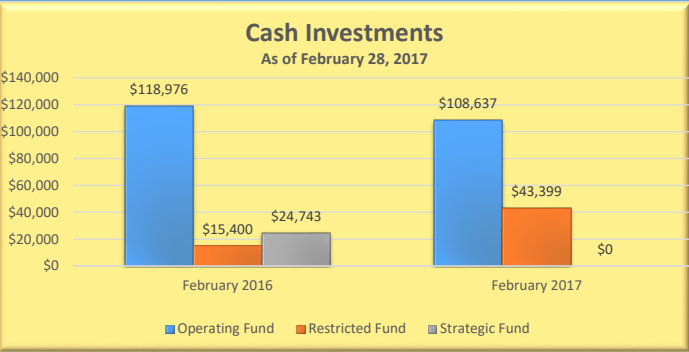
Dashboard for February 2017

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

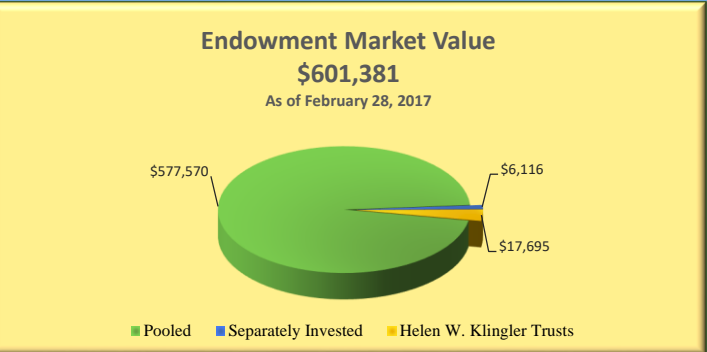
Click on any chart to see trends and explanations of that data. For more information, or to ask a question or provide feedback, click on the Ask a Question box, found at the top right corner of each trend page.

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

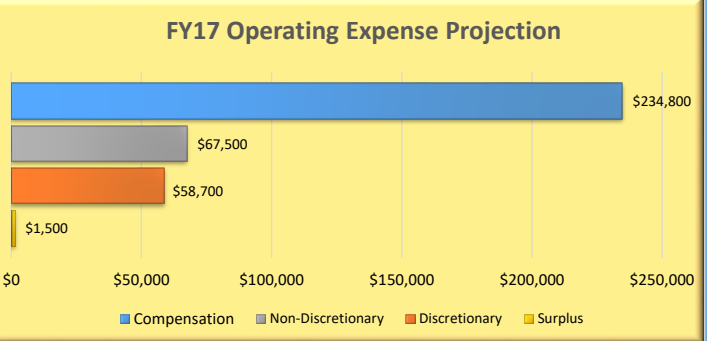
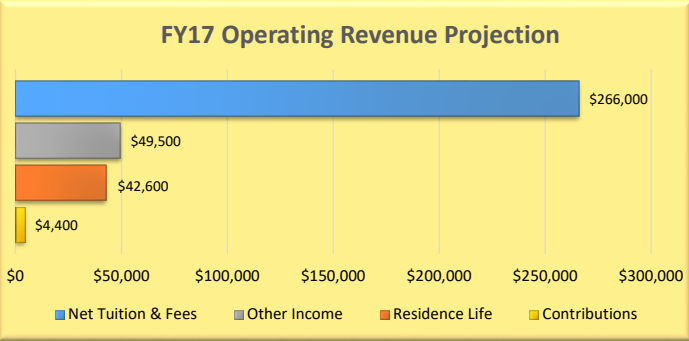
Cash Investments



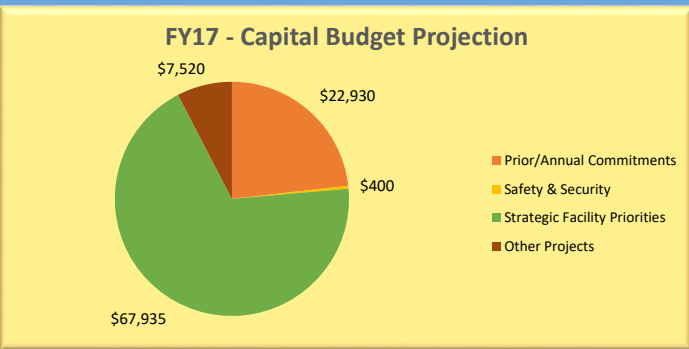
Endowment



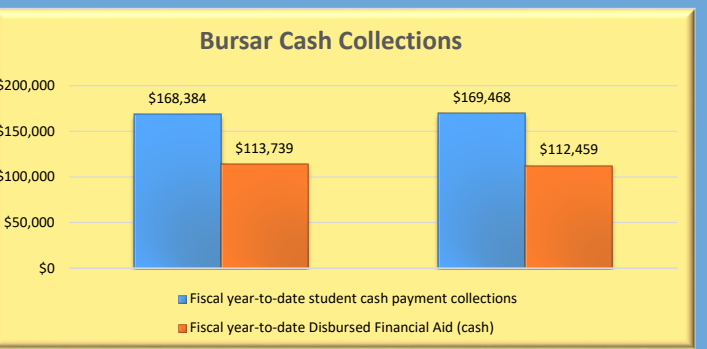
Operating Budgets



Capital Budgets



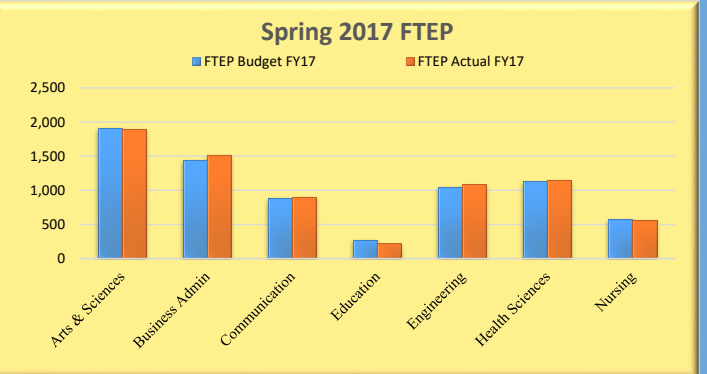
Bursar



Financial Aid

Financial Aid Awarding	FY17 Approved Budget	FY17 Total Committed
Continuing	\$70,714	\$69,177
Continuing EOP	3,750	2,809
Continuing Evans	620	721
Advanced Standing	2,100	2,215
Freshmen	28,550	35,283
Freshman EOP	1,250	1,120
Freshman Evans	300	231
Total	\$107,284	\$111,556

Actual Fall 2016 FTEP Compared to Budget



Financial Comments

Economic Comments

The highlight of the economic update was the Bureau of Labor Statistics Employment Report, which showed non-farm payrolls, rise by 235,000 in February versus 200,000 expected. Slack in the labor market continued its decline as the unemployment rate fell to 4.7%. Wage data, a key focus of the Fed, showed average hourly earnings increased by 0.2 percent in January, just short of 0.3 percent expected. Wages are up 2.8 percent year-over-year compared to 2.4 percent last year. The positive employment report reinforced the market's expectation that the Fed will announce a hike this Wednesday.

- The European Central Bank (ECB) held a monetary policy meeting last Thursday and expectedly reported no changes to its stance. The central bank revised its growth and inflation forecasts up slightly and noted that the balance of risks had improved.
- Elsewhere, economic news was not as bullish for growth. China lowered its annual economic growth target to approximately 6.5 percent, the slowest pace in a quarter century, compared to 6.7 percent last year. The Brazilian economy remains depressed, as it showed contraction for the second consecutive year in 2016 with GDP slowing 2.5 percent. Meanwhile, Greece is still not out of the woods: GDP shrank 1.2 percent in Q4 2016, marking the worst quarterly performance for the embattled country since the heart of its debt crisis in the summer of 2015.

Marquette Financial News

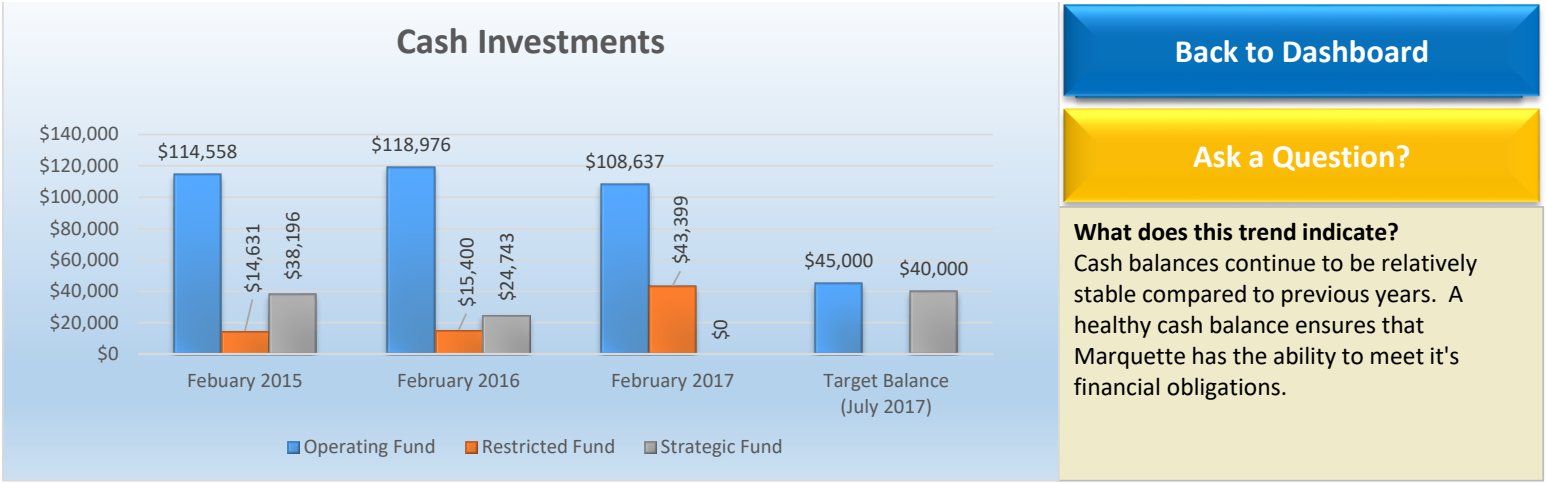
1. At the February Board meeting, the Board of Trustees approved the FY18 Capital Budget of \$108.1 million. The budget includes the following items:

- \$21.1 million for debt repayment, vehicles, equipment, networks and technology improvements
- \$83 million was approved for new facilities and building improvements
- \$4 million for safety, security and mandates

2. The Board of Trustees also approved the expansion of the new housing and dining complex to include 2 additional floors adding 140 more undergraduate beds. The complex is expected to be open in time for fall of 2018. The approval provides the university with flexibility to grow enrollment and move forward in advancing the campus master by freeing up space now occupied by older housing.

February Financial Highlights

1. Cash reserves continue to be in line with recent trends at \$152 million. The annualized yield was 0.64%, which outperformed the weighted index benchmark by 31 basis points.
2. As of February 28, the endowment reached a new high-water mark of \$601.3 million. The 1.6% return for February represents a monthly underperformance of 0.1% when compared to the 1.7% increase of the Approved Policy Index. All assets classes outperformed their respective benchmarks during the month except for International Equities.
3. The FY17 projected revenues are \$362.4 million with corresponding expenses of \$360.9. million are expected to provide an operating income of \$1.5 million for FY17.
4. Through February student aid funds committed are \$111.5 million or \$4.3 million over approved budget due to increased enrollment.
5. Cash collections continue to be up for the month. In-school receivables were down approximately \$2.5 million compared to this time last year. There were 52 students ineligible to register for the Spring term due to delinquent balances totaling about \$328 thousand.



Cash Investments

What Comprises Marquette's Cash Investments?

Operating Funds, Restricted Funds, Strategic Funds.

February Results

The cash management balance for the month totaled \$152.0 million, and is down from the previous month's total of \$160.4 milli on. This decreased is normal as the majority of cash inflows from tuition have been collected and we begin to draw down cash to fund o peration. Relative to February 2016, the cash balance is lower by \$7.1 million. The annualized yield for the cash management investment was 0.64%, which outperformed the weighted index benchmark by 31 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.

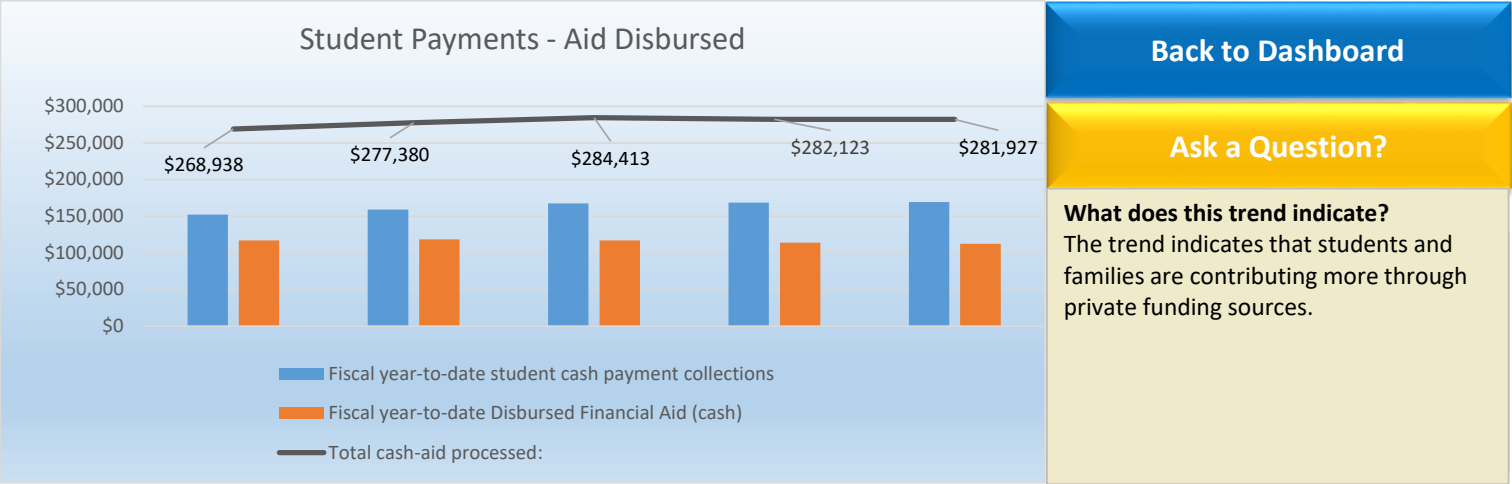
What Internal Influences Affect Marquette's Cash Investments?

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 requi re 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. Funding 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](#).



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.).

February 2017

Cash collections continue to be up for the month. In-school receivables were down approximately \$2.5 million compared to this time last year. There were 52 students ineligible to register for the Spring term due to delinquent balances totalling about \$328 thousand. These accounts have been transferred to University Accounting Services for billing and collection.

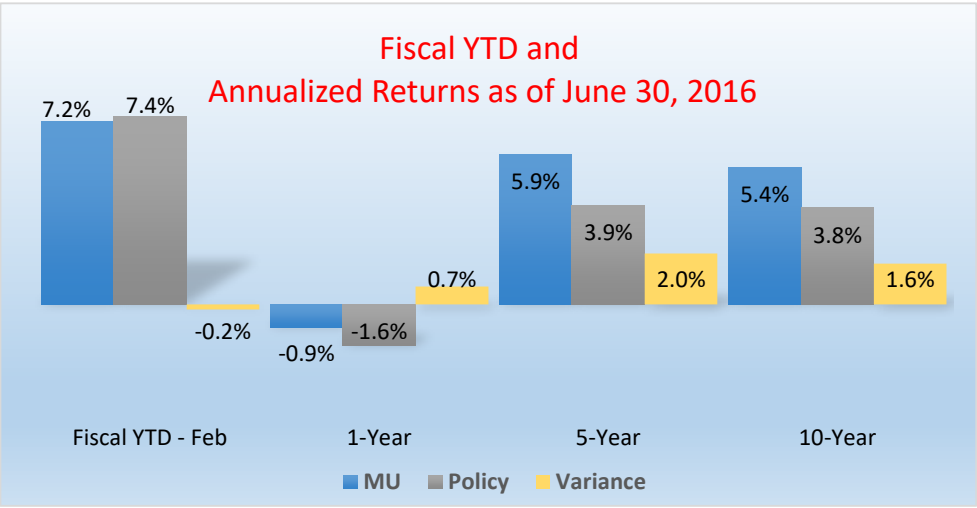
How are Billing, Receivables and Cash Collections Managed?

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](#).



Back to Dashboard

Ask a Question?

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 1.6% return for February represents a monthly underperformance of 0.1% when compared to the 1.7% increase of the Approved Policy Index. All assets classes outperformed their respective benchmarks during the month except for International Equities.

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?

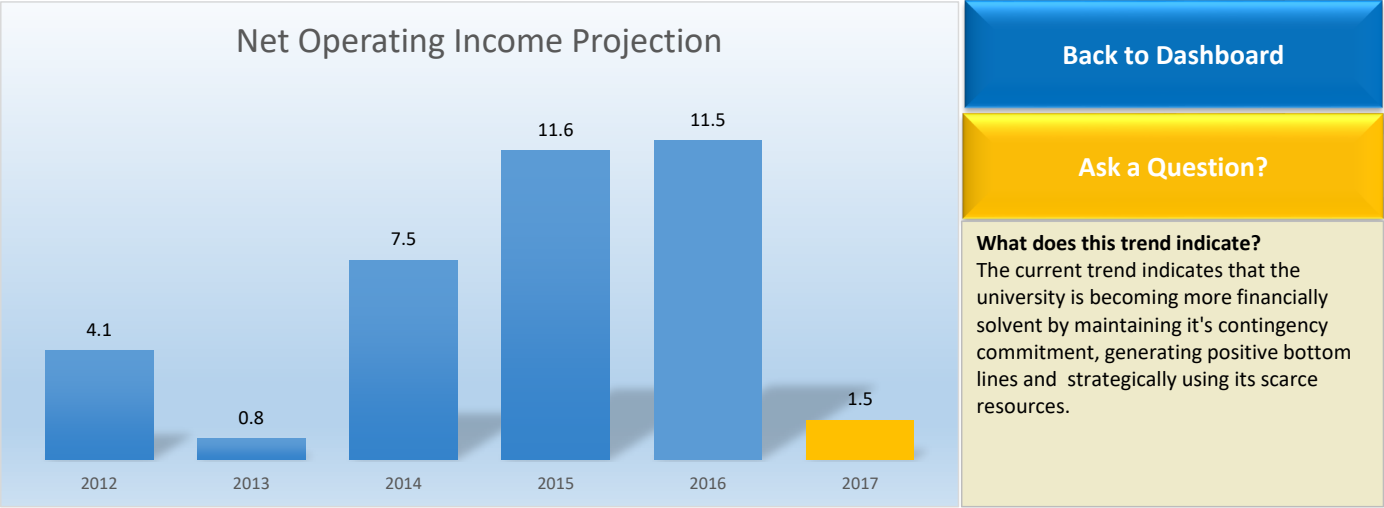
The Endowment Office attempts to partner with the highest quality external investment managers in a manner that is consistent with the Board of Trustee approved Investment Policy.

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](#).



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 FY17, the approved budget was \$368.9 million which included a \$10.0 million contingency. The contingency fund protects the university in case of revenue shortfalls or unexpected expenses. If the fund is not needed in a given year, then the funds are either used to increase the quasi endowment or for strategic capital purchases.

Current Results

The FY17 projected revenues are \$362.5 million with corresponding expenses of \$361.0 million are expected to provide an operating income of \$1.5 million for FY17. Any profit will be shared according to Law School, Dental School and RCM agreements. More detail on the various components of this projection are below.

FY17 Revenues

Projected revenues are \$6.4 million lower than the budget due to lower net tuition revenues, contributions, and other income. Gross tuition will be over budget by approximately \$2.3 million. This increase is due to several programs being greater than budget – undergraduate – 29 students, Law – 27, and Direct Entry Nursing – 52. (Please note for the Direct Entry Nursing, Marquette shares the revenue with the online provider, Orbis so we only keep 30% of the revenue.)

This increase in gross tuition is offset by higher discounts. Undergraduate discount is expected to be over budget by \$2.6 million. Law School discount is expected to be over budget by \$1.6 million. Therefore total net tuition revenue is projected to be \$266.0 million which is lower than budget by \$0.3 million. Residence life is projected to fall short of budget by \$0.8 million, unrestricted contributions are expected to be lower than budget by \$2.0 million. All other revenues are also expected to be lower than budget by \$3.3 million collectively.

FY17 Expenses

Compensation

Compensation is the largest expense category for the university at 65.0% of operational expenses. Total compensation (salary and fringe) is projected to be \$234.8 million, \$3.4 million higher than budget. Within compensation are two categories: salary and fringe benefits. Salaries are projected to be \$2.4 million over budget due primarily to the new tenure buyout policy which was enacted this year with a cost to the university of \$3.5 million. The new tenure policy is partially offset by \$1.4 million in unfilled positions and vacant lines. Fringe benefits are projected to be \$1.0 million higher than budget due to higher social security and TIAA expenses.

Discretionary Expenses

Discretionary operating budget deals with the general university activities and expenses of the university and totals \$58.8 million. Discretionary budgets of the university account for approximately 15.4% percent of the total expense budget. This expense category includes, but is not limited to, supplies, travel, telephone, professional fees and advertising and is expected to be on budget.

Non-discretionary Expenses

The non-discretionary operating budget contains the contractual obligations of the university. The non-discretionary expenditure budget is \$67.5 million or 18.8%. This expense category includes, but is not limited to, contract maintenance, utilities, insurance, interest, and depreciation. Non-discretionary expenses are expected to be under budget by \$2.0 million. The lower expenses are expected for utility cost based on favorable trends and interest expenses due to the refunding of the 2007 debt which was completed in Fall of 2016. However, these savings are offset by higher depreciation expense and higher food costs for the larger freshman class.

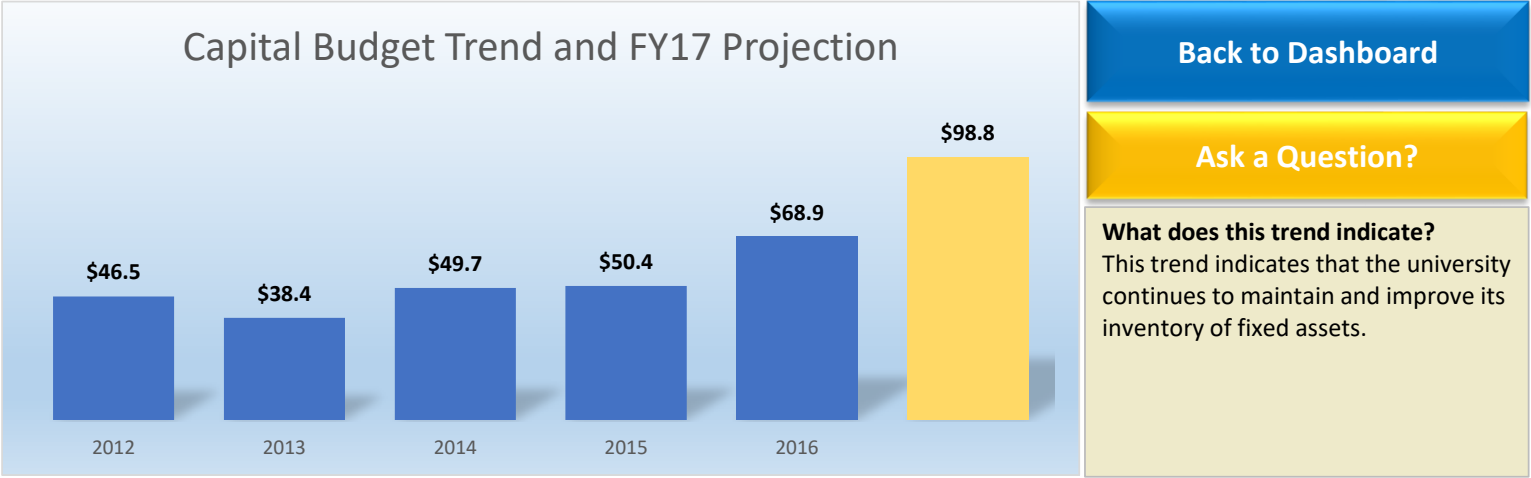
Is Marquette's Budget Fiscally Healthy?

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 number of employees. 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.

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



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. On February 03, 2017 Marquette University entered into a purchase agreement to buy the property located on 313 N 13th St. for \$4.4million. The structure will be used to house Facility Services.

Year-to-Date Results

Year-to-date capital expenditures for the university are \$30.6 million compared to the budget of \$98.8 million. Annual capital projects include work on: façades, roofing, elevators, security systems, as well as other projects totaling \$5.1 million. Major project expenditures thru February include:

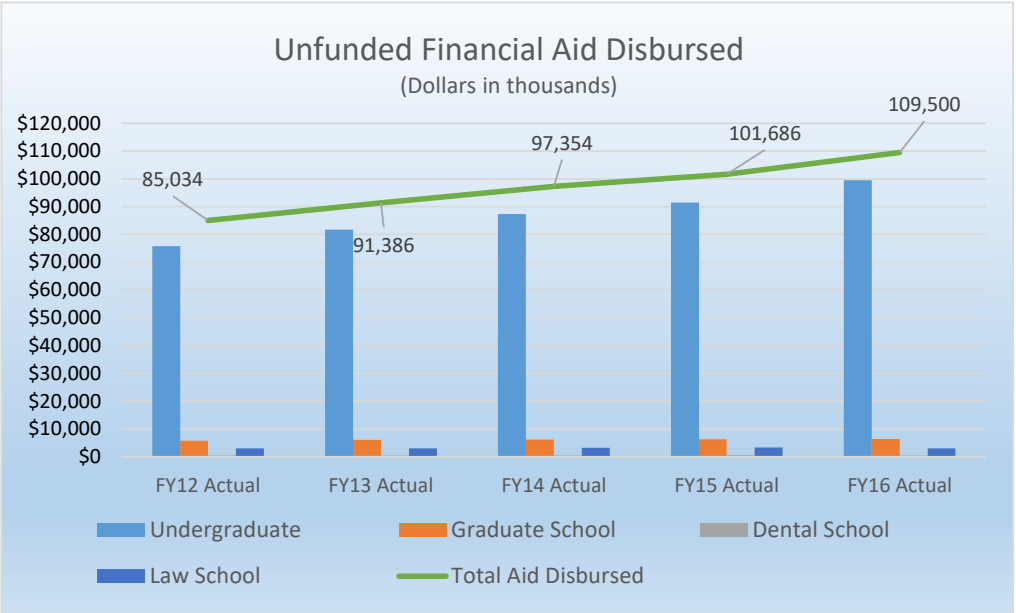
- | | |
|----------------------------------|-----------------|
| ARPC | - \$0.3 million |
| Lower division student housing | - \$4.4 million |
| Valley field dome | - \$3.6 million |
| Vehicle replacement program | - \$0.3 million |
| Less Aspin Center for Government | - \$0.1 million |
| Other non-reoccurring items | - \$1.1 million |
| Principal payments and library | - \$9.0 million |

What Comprises Marquette's FY17 Capital Budget?

The total university capital budget, approved by the Board of Trustees for fiscal year 2017, is \$98.8 million. This budget is composed of current year operating funds of \$28.8 million and debt, donor funds, or cash reserves of \$70.0 million. The breakdown is as follows:

- A) \$22.9 million or 23.1% for prior and annual commitments.
- B) \$67.9 million or 68.8% Academic Renovation, Athletic facility renovations, Facility Improvements, lower division housing, and property acquisitions.
- C) \$8.0 million or 8.1% to purchase equipment, and improve existing academic and student facilities, and provide technology upgrades.

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



Back to Dashboard

Ask a Question?

What does this trend indicate?

FY12-FY16 indicate financial aid disbursed in the categories identified. FY16 represents the budget.

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 \$109.5 million in discount directly from operations and uses approximately another \$17 million from endowment and restricted funds.

To Visit Marquette Central, [Click Here](#).