MARQUETTE UNIVERSITY FINANCIAL PERFORMANCE

All Dollar Amounts in Thousands

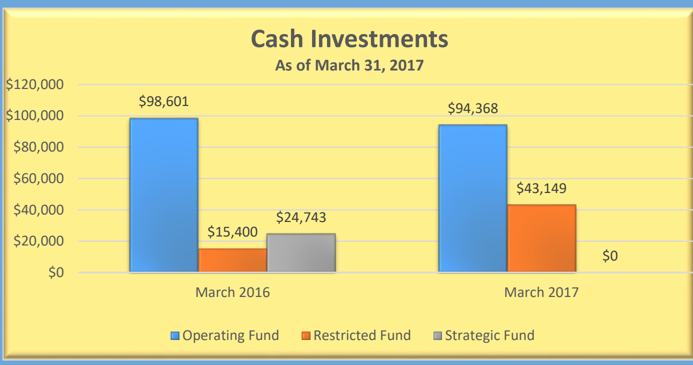
Dashboard for March 2017

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

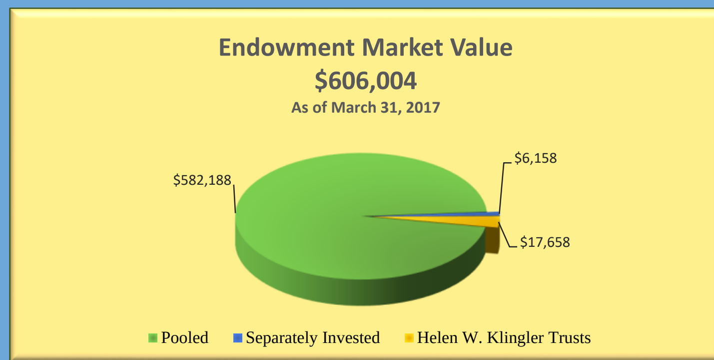
Click on any chart to see trends and explanations of that data. For more information, or to ask a question or provide feedback, click on the Ask a Question box, found at the top right corner of each trend page.

To review the analysis of this information, as well as higher ed and economic influences, visit the **Treasurer's Comments.**

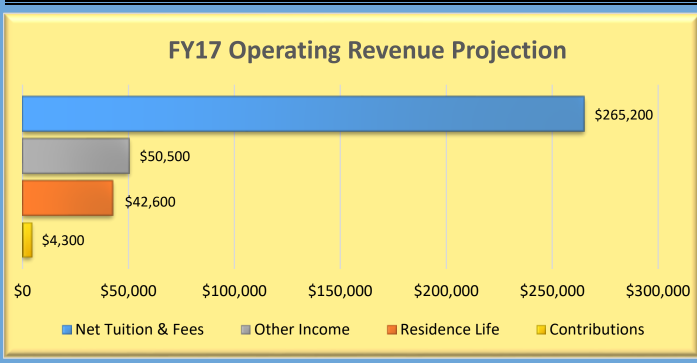
Cash Investments

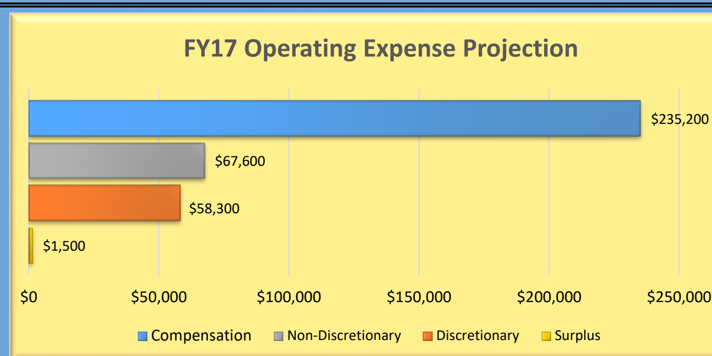


Endowment

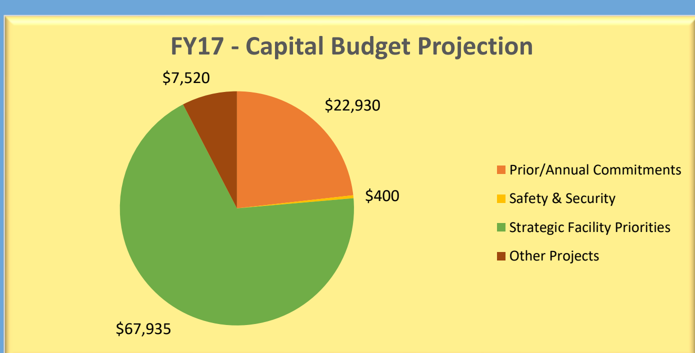


Operating Budgets

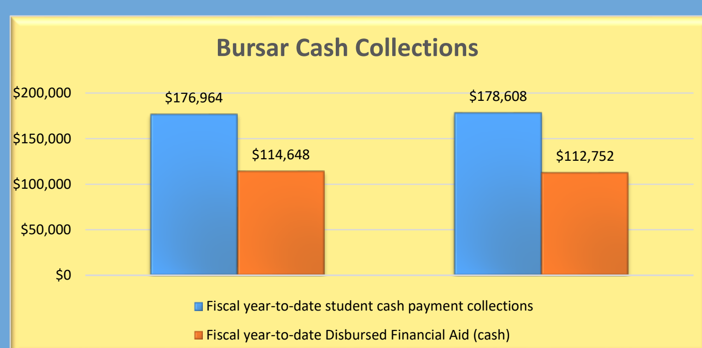




Capital Budgets



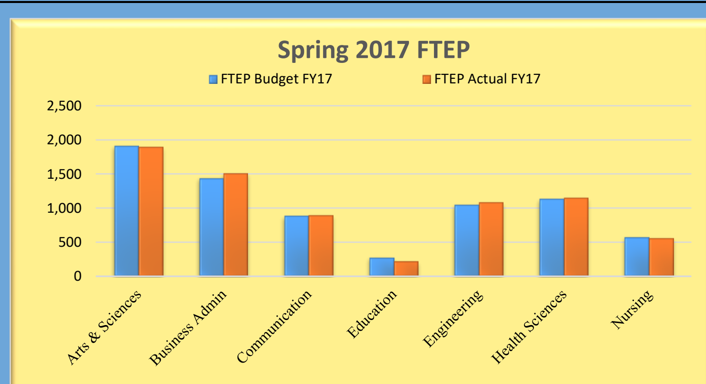
Bursar



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

Despite flat week-over-week changes in interest rates, inter-week rate volatility was considerable as political risks, both foreign and domestic, intensified. The market turned its attention to the initial presidential election in France which occurred on Sunday. Since no candidate received a simple majority, centrist Emmanuel Macron and nationalist Marine Le Pen will advance to the runoff election scheduled for May 7. Current polls overwhelmingly suggest Macron will be the next president of France and investors have reacted very positively to this scenario. Though the prospects for a Le Pen victory are low, the recent populist fervor in the West suggests an upset remains possible. The level of disruption to the European Union should Le Pen prevail is completely unpredictable. Markets participants clearly expect a Le Pen victory would deal a significant blow to French economic growth and Euro-zone stability.

• In the US, Congress has until April 28 to pass a continuing resolution to prevent a government shutdown. Internal squabbling within the Republican Party lately has left investors split on the outcome as members of Congress in the Freedom Caucus are expected to oppose the spending bill. The Trump Administration has said they are “pushing to get a deal done” as a government shutdown would likely be seen as another political failure. Perceived failures by the Trump Administration to enact its agenda, including stimulative economic measures, could put elements of the equity rally at risk. Any unwinding would likely result in interest rate volatility.

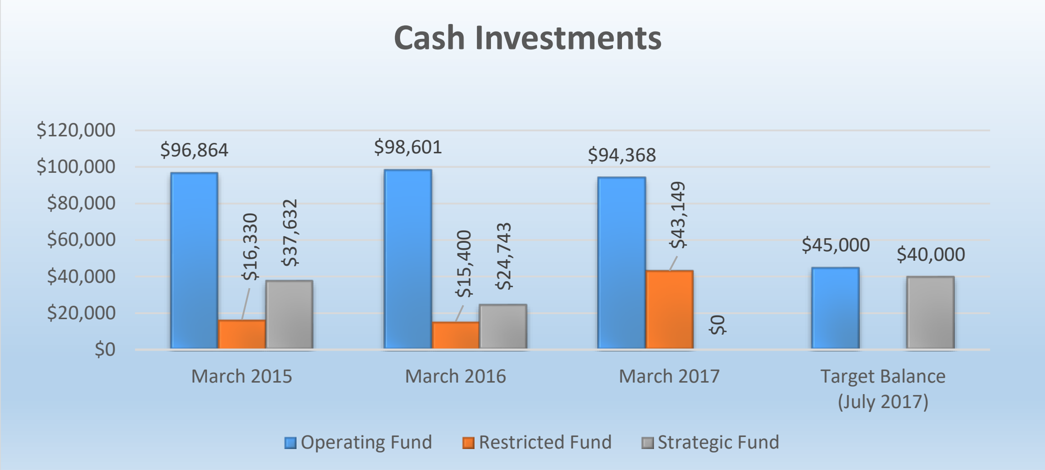
• Economic data, specifically inflation data, has come in weaker than expected. CPI YoY printed at 2.4 percent versus expectations of 2.6 percent and dropped by 0.3 percent for the month. The shift in trend is concerning but it has not pushed the Federal Reserve off its intention to hike rates two more times this year. Dallas Fed President Kaplan recently said, “I still think the median of three rate increases this year, we’ve already done one, is still a good baseline. If the economy develops a little more slowly then we can do less than that, if the economy is a little stronger we can do more,” suggesting room is left open for a growth boost from fiscal policy. Though it was prior to the inflation data release, Fed Chair Yellen noted the economy is “pretty healthy” and that she expects it will “continue to grow at a moderate pace.” Despite the Fedspeak about staying on track, market participants are a bit skeptical the Fed will raise rates two more times this year with the probability of a second hike at slightly over 50 percent.

Marquette Financial News

1. The new Wild Commons housing project is currently proceeding at a pace that will allow students to occupy the complex for the fall of 2018. A $10 million challenge gift has been received.

March Financial Highlights

1. Cash reserves continue to be in line with recent trends at $137.5 million. The annualized yield was 0.67%, which outperformed the weighted index benchmark by 26 basis points.
2. As of March 31st, the endowment reached a new high-water mark of $601.3 million. The .7% return for March represents a monthly underperformance of 0.2% when compared to the 0.5% 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 $362.6 million with corresponding expenses of $361.1 million are expected to provide an operating income of $1,5 million for FY17.
4. Year-to-date capital expenses are $34.6 million compared to the budget of $98.8 million. The majority of expenses are for



Back to Dashboard

Ask a Question?

What does this trend indicate?
Cash balances continue to be relatively stable compared to previous years. A healthy cash balance ensures that Marquette has the ability to meet it's financial obligations.

Cash Investments

What Comprises Marquette's Cash Investments?

Operating Funds, Restricted Funds, Strategic Funds.

March Results

The cash management balance for the month totaled $137.5 million, and is down from the previous month's total of $152.0 million. This decreased is normal as we continue to draw down cash to fund operation. Relative to March 2016, the cash balance is lower by $1.2 million. The annualized yield for the cash management investment was 0.67%, which outperformed the weighted index benchmark by 26 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.

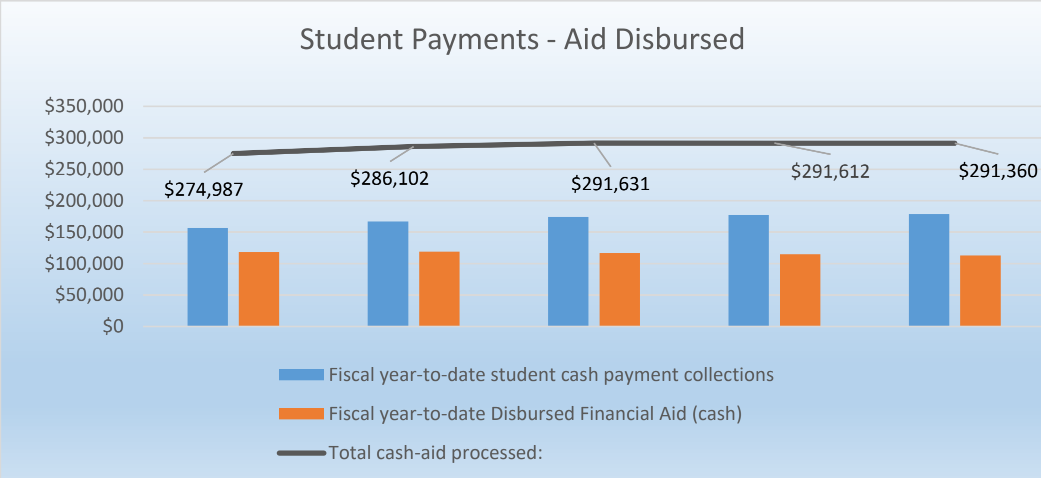
What Internal Influences Affect Marquette's Cash Investments?

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. 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.



Back to Dashboard

Ask a Question?

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.).

March 2017

Cash collections continue to be up and in-school receivables are down compared to this time last year. We did see an increase in the number of students with large balances past due this month. Additional follow up and communication was made with these students. Receivables were reviewed from the first offering of the J-Session this past fall semester. Of the approximately $300,000 in tuition charges that were assessed for this session only $17,000 remains outstanding.

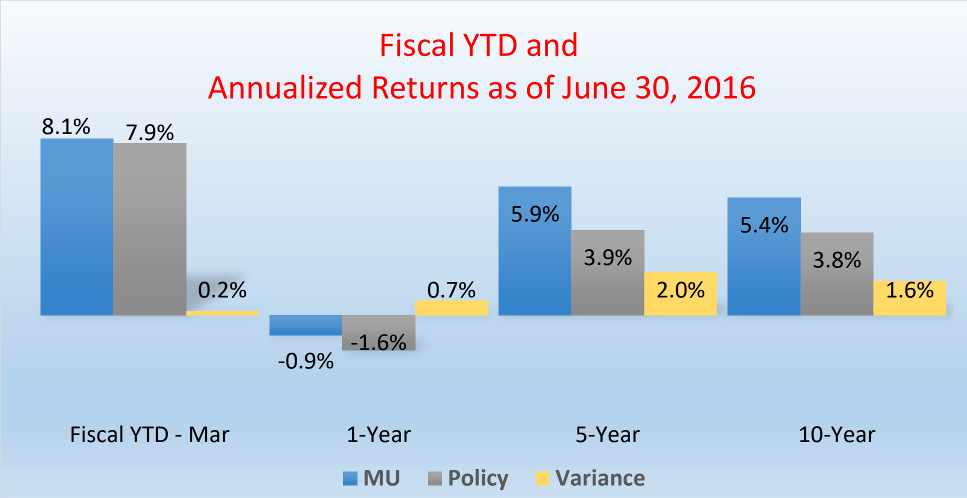
How are Billing, Receivables and Cash Collections Managed?

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 0.7% return for March represents a monthly outperformance of 0.2% when compared to the 0.5% increase of the Approved Policy Index. All assets classes outperformed their respective benchmarks during the month.

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?

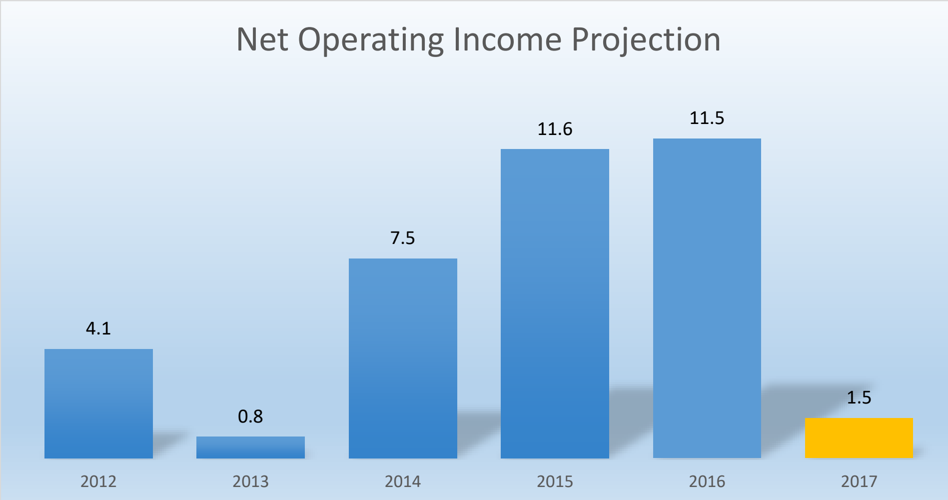
The Endowment Office attempts to partner with the highest quality external investment managers in a manner that is consistent with the Board of Trustee approved Investment Policy.

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.



Back to Dashboard

Ask a Question?

What does this trend indicate?
The current trend indicates that the university is becoming more financially solvent by maintaining it's 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 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 $362.6 million with corresponding expenses of $361.1 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 $6.3 million lower than the budget due to lower net tuition revenues, contributions, and other income. Gross tuition will be over budget by approximately $2.5 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 $3.5 million. Law School discount is expected to be over budget by $1.8 million and Intercollegiate Athletic scholarships are projected to be over budget by $0.8 million. Therefore total net tuition revenue is projected to be $266.3 million which is lower than budget by $1.0 million. Residence life is projected to fall short of budget by $0.8 million, unrestricted contributions are expected to be lower than budget by $2.1 million. All other revenues are also expected to be lower than budget by $2.4 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 $235.2 million, $3.7 million higher than budget. Within compensation are two categories: salary and fringe benefits. Salaries are projected to be $3.4 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 $0.3 million higher than budget due to higher social security and TIAA expenses.

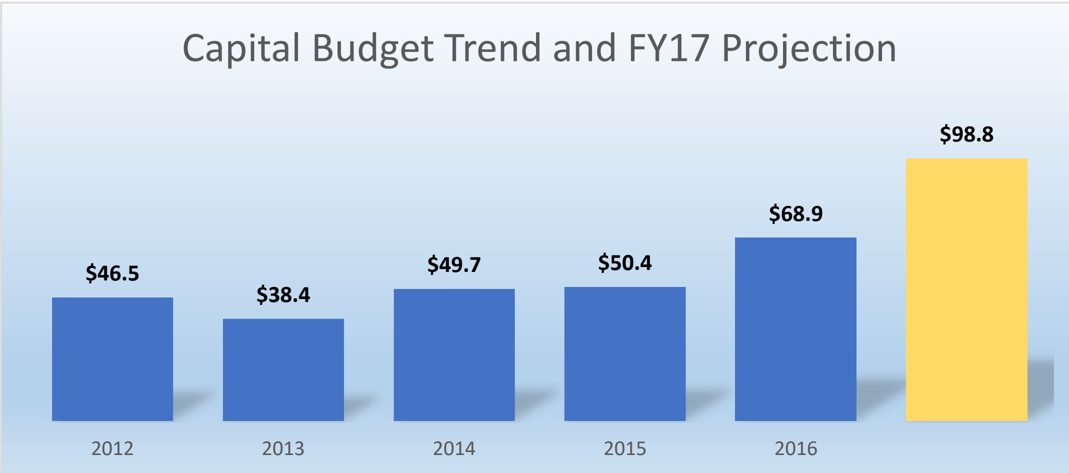
Discretionary Expenses
Discretionary operating budget deals with the general university activities and expenses of the university and totals $58.8 million. Discretionary budgets of the university account for approximately 15.4% percent of the total expense budget. This expense category includes, but 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.



Back to Dashboard

Ask a Question?

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. 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 $34.6 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 $6.3 million. Major project expenditures thru March include:

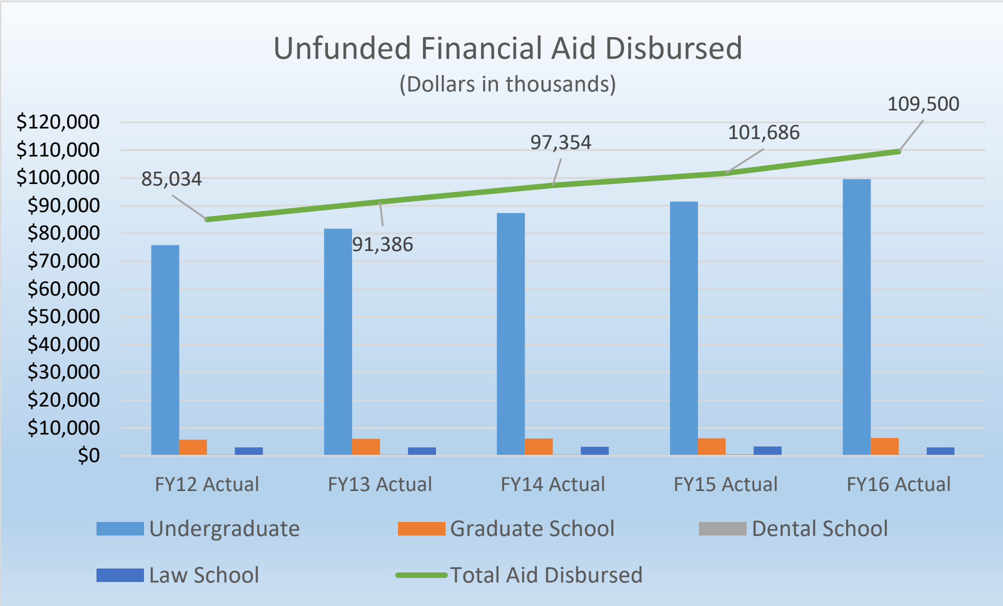
ARPC - $0.3 million
Lower division student housing - $6.4 million
Valley field dome - $3.6 million
Vehicle replacement program - $0.4 million
Les Aspin Center for Government - $0.1 million
Other non-reoccurring items - $1.3 million
Principal payments and library - $8.7 million

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.