

**MARQUETTE UNIVERSITY
TAX DEFERRED ANNUITY PLAN**

**FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE
YEARS ENDED December 31, 2016 and 2015**

**MARQUETTE UNIVERSITY
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*Note: Other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 as amended, have been omitted because they are not applicable.



COLEMAN & WILLIAMS, LTD.
A Professional Services Firm

INDEPENDENT AUDITORS' REPORT

To the Participants and Administrator of the
Marquette University Tax Deferred Annuity Plan:

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Marquette University Tax Deferred Annuity Plan (the "Plan"), which comprise the statements of net assets available for benefits as of December 31, 2016 and 2015, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 3, which was certified by TIAA-CREF, the "Trustee" of the Plan, except for comparing the information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of and for the years ended December 31, 2016 and 2015, that the information provided to the plan administrator by the trustee is complete and accurate.



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Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter

The supplemental schedule as listed in the accompanying table of contents, as of or for the year ended December 31, 2016 is required by the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, as amended, and is presented for the purpose of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on this supplemental schedule.

Report on Form and Content in Compliance With DOL Rules and Regulations

The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, as amended.

Coleman & Williams, Ltd.

Milwaukee, Wisconsin
September 5, 2016

MARQUETTE UNIVERSITY TAX DEFERRED ANNUITY PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31,	
	2016	2015
ASSETS		
Investments	\$ 91,247,962	\$ 117,816,045
Net assets available for benefits	<u><u>\$ 91,247,962</u></u>	<u><u>\$ 117,816,045</u></u>

See notes to financial statements

**MARQUETTE UNIVERSITY
TAX DEFERRED ANNUITY PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILBLE FOR BENEFITS**

	Years Ended December 31,	
	2016	2015
ADDITIONS		
Additions to net assets attributed to:		
Investment income		
Net (depreciation)/appreciation in fair value of investment	\$ 4,784,040	\$ 533,361
Other investment income	822,259	1,845,729
Revenue Credit	50,713	64,255
Total investment income	5,657,012	2,443,345
Contributions:		
Employee	1,142,351	4,228,651
Rollovers	1,588,235	5,043,557
Total contributions	2,730,586	9,272,208
Total additions	8,387,598	11,715,553
DEDUCTIONS		
Deductions from net assets attributed to:		
Distributions and withdrawals	7,448,906	5,103,190
Annuity Settlement Option	159,317	425,140
Fees	514,905	593,677
Total deductions	8,123,128	6,122,007
PLAN TRANSFERS		
Net Transfer in / (out)	(26,832,553)	11,070
Total Plan Transfers	(26,832,553)	11,070
Net increase / decrease	(26,568,083)	5,604,616
Net assets available for benefits, beginning of year	117,816,045	112,211,429
Net assets available for benefits, end of year	<u>\$ 91,247,962</u>	<u>\$ 117,816,045</u>

See notes to financial statements

**MARQUETTE UNIVERSITY
TAX DEFERRED ANNUITY PLAN
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 – DESCRIPTION OF THE PLAN

The following description of Marquette University Tax Deferred Annuity Plan (the “Plan”) provides only general information. Participants should refer to the Plan documents provided to all participants for a more complete description of the Plan’s provisions.

GENERAL

The Plan is a 403(b) retirement plan covering employees of Marquette University (“the University”). Employees are eligible to participate in the plan following their date of hire.

CONTRIBUTIONS

Employees are eligible to contribute to the plan on the first day of the month of their date of hire.

Participating employees may make voluntary contributions up to \$18,000 as defined by the Plan. In addition, catch-up contributions are available to participants who are age 50 or older at the end of the plan year.

INVESTMENT OPTIONS

Participants may direct the investment of their account balances in whole percentages to any of the defined investment options. Participants may change their investment options at any time.

PAYMENT OF BENEFITS

At retirement, death or termination, participants or their beneficiaries are entitled to receive partial distributions, installment payments, or lump sum benefits equal to their vested account balances.

VESTING

Participants have at all times, a fully vested and non-forfeitable interest in all before-tax and after-tax contributions in accordance with the provisions of the Plan.

**MARQUETTE UNIVERSITY
TAX DEFERRED ANNUITY PLAN
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 – DESCRIPTION OF THE PLAN (CONTINUED)

FORFEITED ACCOUNTS

At December 31, 2016 and 2015 forfeited nonvested accounts totaled \$0 and \$0 respectively.

PARTICIPANT LOANS

Marquette University allows employees to borrow against their basic retirement plan accumulations (TIAA-CREF Retirement Annuities or Group Retirement Annuities). TIAA-CREF imposes no charges or penalties on the loan. The minimum loan amount is \$1,000. The maximum is the lesser of \$50,000 or 45 percent of the participant's combined TIAA and CREF accumulations. At least 110 percent of the loan must be kept as collateral in the Retirement Loan Certificate. The loan must be repaid in full within five years, or ten years if it's used to purchase a principal residence. The interest rate is variable, indexed to the Moody's corporate bond yield average. Interest remains the same for the first year, and thereafter can be adjusted each year if Moody's rate changes by at least one half of one percent.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of the Plan have been prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

INCOME RECOGNITION

Interest income is recorded as earned on the accrual basis. Dividends are recorded on the ex-dividend date.

**MARQUETTE UNIVERSITY
TAX DEFERRED ANNUITY PLAN
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

INVESTMENT VALUATION

The Plan's investments are stated at fair value. Mutual funds are stated at fair value as determined by quoted market prices, which represents the net asset value of shares held by the plan at year end.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Accounting principles generally accepted in the United States of America define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting principles generally accepted in the United States of America also establish a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

- Level 1:* Observable inputs such as quoted prices in active markets;
- Level 2:* Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3:* Unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

Accounting principles generally accepted in the United States of America require the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

**MARQUETTE UNIVERSITY
TAX DEFERRED ANNUITY PLAN
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Following is a description of the valuation methodologies used for assets measured at fair value:

Money Market Funds – Valued at the Net Asset Value (NAV) as of the close of business of the New York Stock Exchange (NYSE), normally 4:00 p.m. Eastern Standard Time.

Mutual Funds – Valued at the Net Asset Value (NAV) as of the close of business of the New York Stock Exchange (NYSE), normally 4:00 p.m. Eastern Standard Time.

Equity Funds and Fixed Income Funds – Primarily valued using market quotations or prices obtained from independent pricing sources that employ various pricing methods to value the investments including matrix pricing. Each Account determines its unit value each day.

Real Estate Funds - Value is principally derived from the market value of the underlying real estate holdings or other real estate-related investments. Real estate holdings are valued principally using external appraisals, which are estimates of property values based on a professional's opinion.

Guaranteed Investment Contract – Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NET APPRECIATION/ (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS

Net appreciation/ (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year. Net realized and unrealized appreciation/ (depreciation) is recorded in the accompanying statement of changes in net assets available for benefits as net appreciation/ (depreciation) in fair value of investments.

Brokerage fees are added to the acquisition costs of assets purchased and subtracted from the proceeds of assets sold.

**MARQUETTE UNIVERSITY
TAX DEFERRED ANNUITY PLAN
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADMINISTRATIVE EXPENSES

Certain expenses incurred in connection with the general administration of the Plan are paid by the Plan and are recorded in the accompanying statement of changes in net assets available for benefits as other expenses.

PAYMENT OF BENEFITS

Benefits are recorded when paid.

DATE OF MANAGEMENT’S REVIEW

Management has evaluated subsequent events through September 5, 2017 the date the financial statements were available to be issued.

NOTE 3 - INVESTMENTS

The Trustee of the Plan executed all investment transactions and certified the assets of the plan as of December 31, 2016 and 2015. All investment information disclosed in the accompanying financial statements and supplemental schedule, including investments held at December 31, 2016 and 2015, net appreciation/(depreciation) in fair value of investments, investment income and investment expenses for the years then ended, was obtained or derived from the information supplied to the Plan administrator and certified as complete and accurate by the Trustee.

Investments that represent 5% or more of the fair value of the Plan’s net assets as of December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
TIAA Traditional Benefit Responsive	\$ 32,027,270	\$ 30,611,091
TIAA Traditional Non Benefit Responsive	10,949,496	10,689,421
TIAA Real Estate	6,827,566	6,907,484
CREF Stock R2	19,991,858	21,020,777
CREF Growth R2	4,965,038	5,706,433

MARQUETTE UNIVERSITY
TAX DEFERRED ANNUITY PLAN
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 3 – INVESTMENTS (CONTINUED)

During 2016 and 2015, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated/ (depreciated) in value by as follows:

	<u>2016</u>	<u>2015</u>
Money Market Funds	\$ 976	9
Real Estate Funds	355,498	493,981
Fixed Income Funds	226,226	(109,358)
Mutual Funds	297,506	(78,971)
Equity Funds	2,616,179	(2,363,580)
Plan Loan Funds	0	343
Guaranteed Investment Contract	1,287,655	1,360,085
	<u>\$ 4,784,040</u>	<u>\$ (697,491)</u>

MARQUETTE UNIVERSITY
TAX DEFERRED ANNUITY PLAN
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 4 – FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2016 and 2015:

Assets at Fair Value as of December 31, 2016				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Money Market Funds	\$ 1,578,138	\$ -	\$ -	\$ 1,578,138
Real Estate Funds	6,827,566	-	-	6,827,566
Fixed Income Funds	4,151,184	-	-	4,151,184
Mutual Funds	3,130,376	-	-	3,130,376
Equity Funds	32,582,470	-	-	32,582,470
Plan Loan Funds	-	-	1,450	1,450
Guaranteed Investment Contract	-	-	42,976,778	42,976,778
Total assets at fair value	<u>\$48,269,734</u>	<u>\$ -</u>	<u>\$42,978,228</u>	<u>\$ 91,247,962</u>

Assets at Fair Value as of December 31, 2015				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Money Market Funds	\$ 1,533,066	\$ -	\$ -	\$ 1,533,066
Real Estate Funds	6,907,484	-	-	6,907,484
Fixed Income Funds	6,906,887	-	-	6,906,887
Mutual Funds	12,155,092	-	-	12,155,092
Equity Funds	49,010,959	-	-	49,010,959
Plan Loan Funds	-	-	2,021	2,021
Guaranteed Investment Contract	-	-	41,300,536	41,300,536
Total assets at fair value	<u>\$76,513,488</u>	<u>\$ -</u>	<u>\$41,302,557</u>	<u>\$ 117,816,045</u>

**MARQUETTE UNIVERSITY
TAX DEFERRED ANNUITY PLAN
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth a summary of changes in the fair value of the plan's level 3 assets for the year ended.

<i>Level 3 Assets</i>	
<i>Year Ended December 31, 2016</i>	
	<i>Guaranteed Investment Contract</i>
Balance, beginning of year	\$ 41,302,557
Realized gains	570,235
Unrealized gains	717,420
Purchases, sales, issuances and settlements (net)	388,016
Balance, end of year	\$ 42,978,228

**Quantitative Information about Significant Unobservable Inputs Used in
Level 3 Fair Value Measurements**

The following table represents the Plan's level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the range of values for those inputs.

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values
TIAA Traditional Non Benefit Responsive	\$32,027,269	Discounted Cash Flow	Discount Rate Duration (Years)	3%-5% 10 Years
TIAA Traditional Benefit Responsive 2	\$10,949,496	Discounted Cash Flow	Discount Rate Duration (Years)	3%-5% 10 Years
TIAA Traditional Non Benefit Responsive 2	13	Discounted Cash Flow	Discount Rate Duration (Years)	3%-5% 10 Years
Plan Loan Fund	\$1,450	Discounted Cash Flow	Discount Rate Duration (Years)	

**MARQUETTE UNIVERSITY
TAX DEFERRED ANNUITY PLAN
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 5 – INVESTMENT CONTRACT WITH INSURANCE COMPANY

In 2002, the plan entered into a benefit-responsive investment contract with Teachers Insurance and Annuity Association of America (TIAA). The contract is included in the financial statements at contract value as reported to the Marquette University by TIAA. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expense.

Average Yields:	<u>2016</u>	<u>2015</u>
Based on actual earnings	3.8%	3.7%
Based on interest rates credited to participant	3.0%	3.0%

NOTE 6 – INVESTMENT CONTRACT WITH INSURANCE COMPANY

The Revenue Credit represents the return of a portion of the fees that were above what was considered a ‘reasonable’ amount needed to cover plan administrative and record-keeping expenses. The credit was allocated to participants on a percentage basis based on the account balance in the plan and applied proportionally across the investment options within each account.

NOTE 7– TAX STATUS

The Internal Revenue Service (IRS) is yet to establish a process for issuing determination and opinion letters for 403(b) plans. Therefore, the Plan Administrator is not required to request a determination. However, the Plan administrator believes the Plan, as amended effective January 1, 2009, is being operated in compliance with Internal Revenue Code (IRC) section 403(b).

NOTE 8 – PARTY-IN-INTEREST TRANSACTIONS

Certain plan investments are shares of funds managed by TIAA. TIAA is the trustee of the Plan as defined by the plan and therefore, these transactions qualify as party-in-interest transactions. These transactions are not considered prohibited transactions under 29 CFR 408(b) of the ERISA regulations. Fees paid by the Plan for fund management services amounted to \$514,905 and \$593,677 for the years ended December 31, 2016 and 2015 respectively.

**MARQUETTE UNIVERSITY
TAX DEFERRED ANNUITY PLAN
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 9 – RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

NOTE 10 –RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

As of December 31, 2016 and 2105, fees per the financial statements and the form 5500 were \$514,905 and \$593,677, respectively.

SUPPLEMENTAL SCHEDULE

MARQUETTE UNIVERSITY TAX DEFERRED ANNUITY PLAN
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

PLAN #001, EIN: 39-0806251

December 31, 2016

Identity of Issue/Description of Investment	Units		Market Value
*TIAA-CREF			
TIAA Traditional Benefit Responsive	0	Shares	\$ 32,027,269
TIAA Traditional Non Benefit Responsive	0	Shares	10,949,496
TIAA Traditional Benefit Responsive 2	0	Shares	13
Plan Loan Default Fund	0	Shares	1,450
TIAA Real Estate	17890.2498	Shares	6,827,566
CREF Stock R2	50621.8337	Shares	19,991,858
CREF Money Market R2	61769.5498	Shares	1,578,138
CREF Social Choice R2	15150.7185	Shares	3,130,376
CREF Bond Market R2	26623.4538	Shares	3,136,304
CREF Global Equities R2	27875.9494	Shares	4,046,018
CREF Growth R2	35277.5139	Shares	4,965,038
CREF Equity Index R2	19680.9043	Shares	3,579,555
CREF Inflation-Linked Bond R2	14911.7892	Shares	1,014,880
Total investments			<u><u>\$ 91,247,962</u></u>

* Party-in-interest

Note: Cost information is not required for participant-directed investments and is therefore, not included.