SOUND STEWARDSHIP FOR A STRONG FUTURE

As the entire higher education sector experiences increased macroeconomic pressures, efforts to control costs and increase operating efficiency helped keep a Marquette education affordable for students and their families while helping the university achieve positive financial results in fiscal year 2013. At the same time, the university community devoted considerable attention to planning for the future. Approved by the Board of Trustees in May 2013, Marquette’s new strategic plan, Beyond Boundaries, will help it navigate future challenges and build on current conditions, including nationally ranked academic programs, ongoing cost-efficiency initiatives, continued donor support, a strong credit rating (A2) and a conservative approach to operations.

Supporting excellence through philanthropy

Nearly 28,000 alumni, parents and friends invested in Marquette in FY 2013, an increase of 3 percent over the previous year’s donor base. These supporters were responsible for more than $44 million in new gifts and pledges to the university. In addition to 30 newly endowed scholarships, the university received three gifts larger than $1 million, the largest being $8.3 million for the J. William and Mary Diederich College of Communication to fund the new O’Brien Fellowship in Public Service Journalism.

Marquette provided $109 million to undergraduate and graduate students in scholarships and grants in FY 2013, a 6 percent increase over the previous fiscal year. Of that total, $18 million was funded through the generosity of benefactors, which was unchanged from FY 2012. Among our full-time undergraduates, 98 percent receive some form of financial aid, including loans, student employment, and scholarships and grants.

Prudent financial stewardship

In a highly competitive educational climate, Marquette achieved positive fiscal results. The university continues to have a strong balance sheet, and its growing endowment reached a market value of $458 million, an 11.5 percent increase from FY 2012, outperforming its benchmark policy index by 2 percent.

Efficiency measures helped the university find cost savings, resulting in overall net operating income of $22.7 million and unrestricted net operating income of $776,000. To continue offering students and their families outstanding value, Marquette will maintain its focus on pursuing educational excellence while controlling costs and working to expand philanthropic giving, in keeping with two of the strategic plan’s six core themes, “Enhancement of Organizational Effectiveness” and “Sustainability of Valuable Resources.”
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2013

(dollars in thousands)

Assets:

- Cash and cash equivalents $41,692
- Collateral held under securities lending agreement 20,186
- Unexpected bond proceeds 37,945
- Contributions receivable 62,897
- Accounts receivable 12,277
- Student loans receivable 41,899
- Investments 481,158
- Funds held in trust by others 21,086
- Net property, buildings and equipment 498,853
- All other assets 8,912

Total assets $1,226,905

Liabilities:

- Accounts payable and accrued liabilities $33,789
- Payable under securities lending agreement 20,186
- Deferred income and deposits 27,821
- Refundable federal loan grants 35,749
- Notes and bonds payable 243,946
- All other liabilities 16,276

Total liabilities $377,767

Net assets:

- Unrestricted $202,547
- Temporarily restricted 308,578
- Permanently restricted 338,013

Total net assets $849,138

Total liabilities and net assets $1,226,905

TOTAL OPERATING REVENUES
(dollars in thousands)

Net tuition and fees: 59% $228,808
Other income: 9% $35,220
Investment and endowment income: 5% $19,754
Contributions: 11% $43,907
Grants: 6% $23,440
Room and board: 10% $40,027

Total: $391,156

TOTAL OPERATING EXPENDITURES
(dollars in thousands)

Compensation: 64% $235,146
Depreciation: 9% $32,652
Interest: 2% $8,724
Other operating expenditures: 25% $92,862

Total: $368,484
CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended June 30, 2013

(dollars in thousands)

<table>
<thead>
<tr>
<th>Operating revenues:</th>
<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>$228,808</td>
<td>-</td>
<td>-</td>
<td>$228,808</td>
</tr>
<tr>
<td>Government and private grants</td>
<td>23,440</td>
<td>-</td>
<td>-</td>
<td>23,440</td>
</tr>
<tr>
<td>Contributions</td>
<td>4,298</td>
<td>16,806</td>
<td>22,803</td>
<td>43,907</td>
</tr>
<tr>
<td>Investment income</td>
<td>240</td>
<td>333</td>
<td>(164)</td>
<td>409</td>
</tr>
<tr>
<td>Endowment income used in operations</td>
<td>4,855</td>
<td>14,193</td>
<td>297</td>
<td>19,345</td>
</tr>
<tr>
<td>Auxiliary and all other</td>
<td>75,247</td>
<td>-</td>
<td>-</td>
<td>75,247</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td><strong>$336,888</strong></td>
<td><strong>31,332</strong></td>
<td><strong>22,936</strong></td>
<td><strong>$391,156</strong></td>
</tr>
</tbody>
</table>

Net assets released from restrictions | 32,372 | (32,372) | - | - |

Total revenues and net assets released from restrictions | 369,260 | (1,040) | 22,936 | 391,156 |

Expenses:

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction</td>
<td>$109,971</td>
<td>-</td>
<td>-</td>
<td>109,971</td>
</tr>
<tr>
<td>Academic support</td>
<td>42,880</td>
<td>-</td>
<td>-</td>
<td>42,880</td>
</tr>
<tr>
<td>Research and grants</td>
<td>22,374</td>
<td>-</td>
<td>-</td>
<td>22,374</td>
</tr>
<tr>
<td>Libraries</td>
<td>19,709</td>
<td>-</td>
<td>-</td>
<td>19,709</td>
</tr>
<tr>
<td>Student services</td>
<td>53,013</td>
<td>-</td>
<td>-</td>
<td>53,013</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>42,754</td>
<td>-</td>
<td>-</td>
<td>42,754</td>
</tr>
<tr>
<td>Institutional support</td>
<td>73,562</td>
<td>-</td>
<td>-</td>
<td>73,562</td>
</tr>
<tr>
<td>Public service</td>
<td>4,221</td>
<td>-</td>
<td>-</td>
<td>4,221</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>$368,484</strong></td>
<td>-</td>
<td>-</td>
<td><strong>$368,484</strong></td>
</tr>
</tbody>
</table>

Operating income | 776 | (1,040) | 22,936 | 22,672 |

Nonoperating income (loss) | 6,257 | 8,231 | (1) | 14,487 |

Changes in net assets | 7,033 | 7,191 | 22,935 | 37,159 |

Net assets, beginning of year | 195,514 | 301,387 | 315,078 | 811,979 |

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

ANNUALIZED RETURNS

as of 6/30/2013

<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>20.6%</td>
<td>18.5%</td>
<td>7.0%</td>
<td>7.3%</td>
</tr>
<tr>
<td>MU endowment (Net)</td>
<td>11.5%</td>
<td>11.2%</td>
<td>4.3%</td>
<td>7.3%</td>
</tr>
<tr>
<td>Policy Index</td>
<td>9.5%</td>
<td>8.2%</td>
<td>1.7%</td>
<td>6.3%</td>
</tr>
<tr>
<td>+/- Relative to Policy Index</td>
<td>2.0%</td>
<td>3.0%</td>
<td>2.6%</td>
<td>1.0%</td>
</tr>
</tbody>
</table>
MARQUETTE UNIVERSITY BOARD OF TRUSTEES
As of January 2014

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

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Global Power Group, Kohler Co.

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Rector, Blessed Peter Faber Jesuit
Community, Boston College

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

James F. Janz
Bus Ad ’62, Law ’64, Managing Director,
Joseph and Vera Zilber Family Foundation

Rev. Timothy R. Lannon, S.J.
President, Creighton University

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

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Bus Ad ’78, Grad ’80, Managing Director of Fixed Income Capital
Markets, Robert W. Baird & Co.

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Arts ’64, Retired Senior Partner, Latham & Watkins

Kelly McShane
Arts ’68, Retired School Psychologist

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Grad ’81, Retired President, Council for Opportunity in Education

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Professor of Education, Boston College

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Bus Ad ’87, Chief Executive Officer,
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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 Lotsoff Capital Management

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

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

Owen J. Sullivan
Arts ’79, Retired CEO of Right
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Bus Ad ’76, Chief Executive Officer,
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Interim President, Marquette University

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U.S. Court of Appeals for the Fourth Circuit

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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

Steven W. Frieder
Arts ’95, Secretary

John C. Lamb
Arts ’74, Grad ’76, Treasurer

Cynthia M. Bauer
Arts ’79, Law ’83, Assistant Secretary

Mary L. (Mel) Austin
Assistant Treasurer