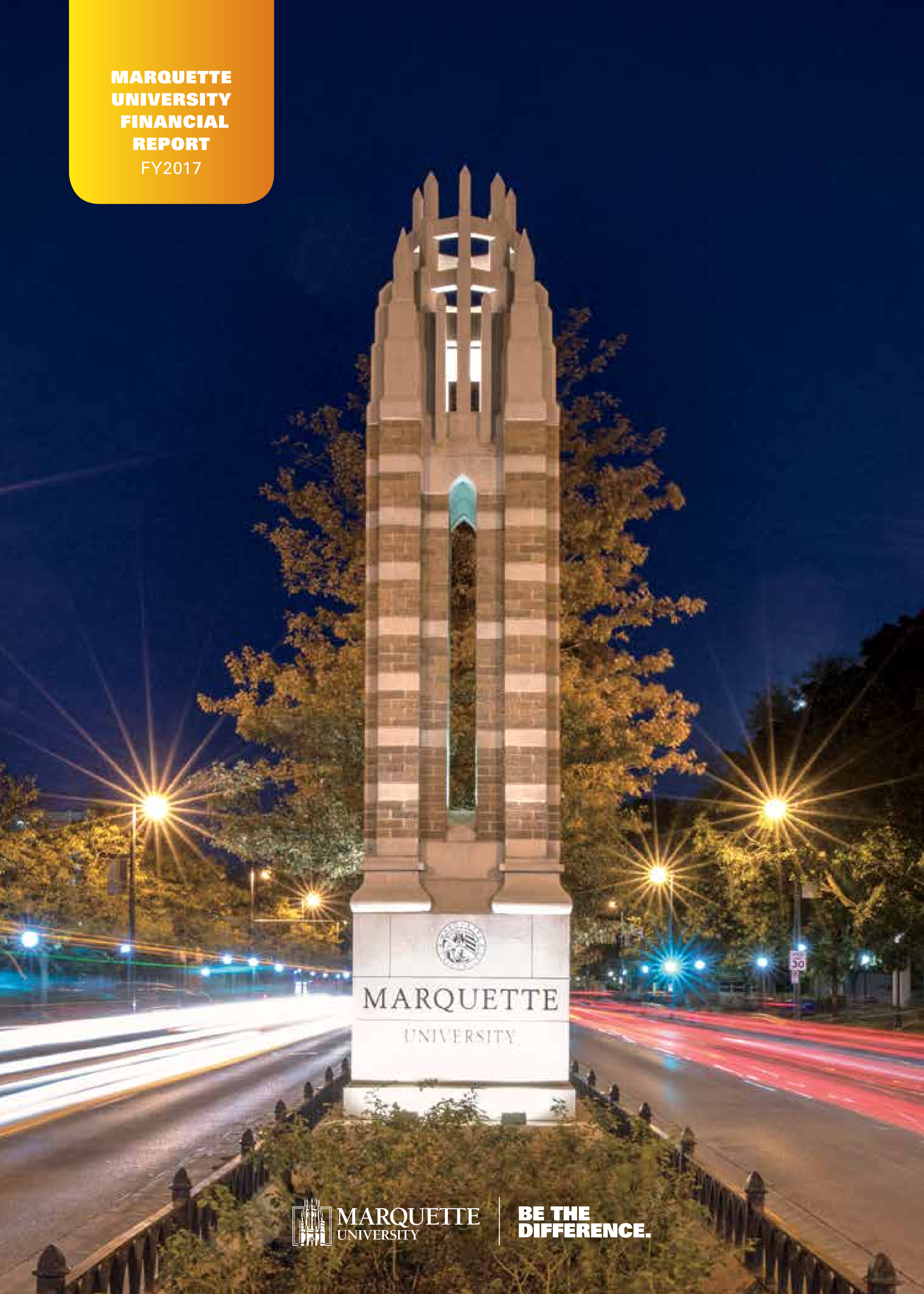
MARQUETTE UNIVERSITY FINANCIAL REPORT
FY2017



MARQUETTE UNIVERSITY | BE THE DIFFERENCE.

MARQUETTE UNIVERSITY FINANCIAL REPORT
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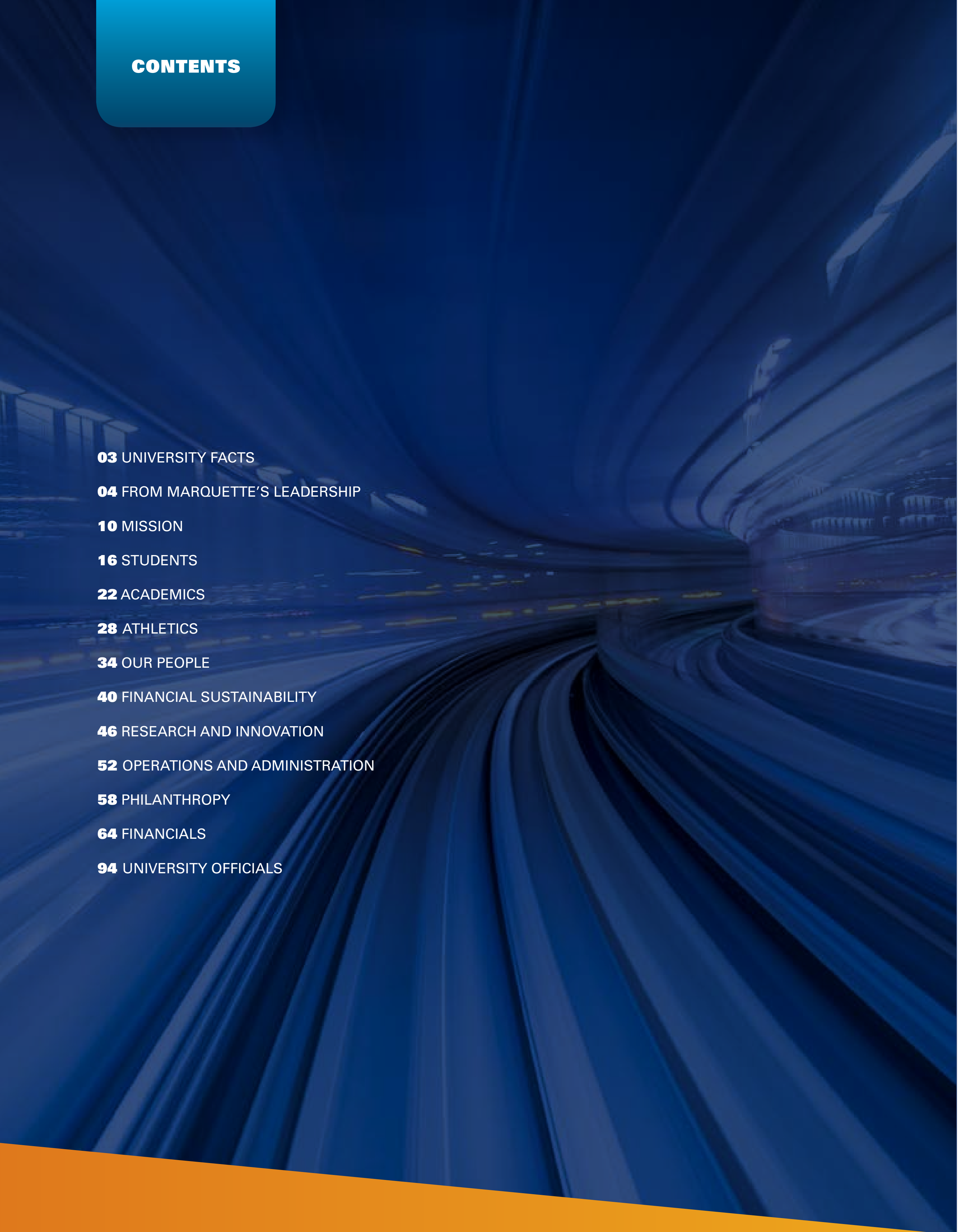
WHAT'S NEXT IS WHAT'S HAPPENING NOW.

Through a visionary strategic plan that sets in motion a clear strategy for the future, an ambitious campus master plan that serves as a road map for capital projects, and a series of initiatives designed to take the university to the next level, Marquette University is poised to go *Beyond Boundaries*.

Grounded by the university's mission, vision and values, Marquette's strategic plan calls the entire university community to think and act differently. To be successful, Marquette must practice responsible fiscal stewardship through a culture of investment and innovative revenue growth.

This financial report provides not only a snapshot in time of Marquette's financial health, but also a glimpse forward — how the university invests in itself today is the foundation for how it will go *Beyond Boundaries* in the future.



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UNIVERSITY FACTS

BE THE DIFFERENCE.

Marquette University is a Catholic, Jesuit university located near the heart of downtown Milwaukee, Wisconsin, that offers a comprehensive range of majors in 11 nationally and internationally recognized colleges and schools.

A Marquette education offers students a virtually unlimited number of paths and destinations, and prepares them for the world by asking them to think critically about it.

Along the way, we ask one thing of every student: Be The Difference.

COLLEGES AND SCHOOLS

Helen Way Klingler College of Arts and Sciences

College of Business Administration

J. William and Mary Diederich College of Communication

College of Education

Opus College of Engineering

College of Health Sciences

College of Nursing

School of Dentistry

Graduate School

Graduate School of Management

Law School

STUDENTS

11,294 total enrollment

8,238 undergraduate

3,056 graduate and professional

ACADEMICS

Undergraduate programs: 80 majors and 78 minors and pre-professional programs in dentistry, law and medicine

Postgraduate programs: 66 doctoral and master's degree programs,18 graduate certificate programs, and professional degrees in dentistry and law

FACULTY AND STAFF

1,205 faculty and academic positions

1,606 exempt and non-exempt staff

ATHLETICS

16 NCAA Division I athletics teams

Competes in the BIG EAST Conference

FROM LEADERSHIP

A MESSAGE FROM

Dr. Michael R. Lovell,
President

Insights into a university's mission might seem out of place in a financial report. For another university that might be true. Given Marquette's distinctive and significant investments in its mission, however, I would argue that writing about our mission absolutely belongs on these pages.

Marquette is among the six universities that are part of the newly formed Jesuits' USA Midwest Province under the direction of the Provincial Brian Paulson, S.J. Father Paulson visited Marquette shortly after becoming the provincial in 2017. Among the many insights and perspectives he shared and questions he asked were ones about the university mission's effectiveness, and also about effectively building Marquette's Ignatian apostolic community — the work of faculty, staff and students together. Our collaborative work makes Marquette a crucial participant in the mission of the church and the Society of Jesus. It is this work that ultimately provides more than a distinctive and valuable higher education experience at Marquette. It also makes a difference in the world far beyond our campus and our city of Milwaukee.

One example of Marquette as an Ignatian apostolic community came on the Thursday of the mid-semester break. We served as the local gathering place for Project Homeless Connect, an annual nationwide event in which community organizations come together to provide a broad range of free services — employment information, housing assessments, dentistry, haircuts, clothing and meals — for our area's homeless men and women. Over the course of the day, about 475 homeless individuals were served in our Alumni Memorial Union. Helping them were about 300 volunteers coordinated by our Office of Campus Ministry, and they included faculty, staff and nearly 100 students who, as I mentioned, were on their mid-semester break.

There are remarkable people here at Marquette doing amazing work that extends far beyond classrooms to build the Ignatian apostolic community. You'll find more information about them and their work on the report pages that follow. Yes, much of the information is financial. There is a great deal, though, that is inspired by our mission and built on our commitment to serve the greater glory of God.

Thank you for your continuing interest in Marquette University.

Dr. Michael R. Lovell
President
Marquette University

There are remarkable people here at Marquette doing amazing work that extends far beyond classrooms to build the Ignatian apostolic community. ... There is a great deal that is inspired by our mission and built on our commitment to serve the greater glory of God.

FROM LEADERSHIP

Dr. Daniel J. Myers
Provost, Executive
Vice President for Academic Affairs
and Corporate Vice President

Through the tenets of our mission — excellence, faith, leadership and service — we will take seriously our responsibility as an institution of higher education and stay true to our Catholic, Jesuit tradition of developing women and men for and with others.

A MESSAGE FROM

Dr. Daniel J. Myers,

Provost, Executive Vice President for Academic Affairs and Corporate Vice President

As Marquette University provost, I am deeply committed to ensuring that our teaching, research, scholarship, faculty relations, and student services and experiences are not only of the highest caliber, but that they also remain rooted in our Catholic, Jesuit mission. To do so successfully, we must be excellent stewards of our resources.

I'm delighted to help introduce our inaugural financial report, which lays out in a transparent and engaging fashion just some of the ways Marquette University invests in its students and faculty — as well as the returns on those investments.

Whether it's a revenue-producing engineering lab that predicts a quarter of the nation's natural gas usage, or a nearly $3 million endowment portfolio actively managed by elite finance students, or a burgeoning pharmaceutical startup with its roots in faculty neuroscience research, there are many examples of how we advance teaching, research and scholarship at Marquette.

The university's strategic plan, *Beyond Boundaries*, is an ambitious charge — one that asks every member of the Marquette community to think differently and act differently so that, together, we can do more.

We will not do this in isolation. Through the tenets of our mission — excellence, faith, leadership and service — we will take seriously our responsibility as an institution of higher education and stay true to our Catholic, Jesuit tradition of developing women and men for and with others.

I'm proud to be a part of the Marquette community and to serve its students and faculty, and I hope you enjoy learning a bit more about our story.

Rev. Nicholas Santos, S.J., assistant professor of marketing, College of Business Administration

Currently under construction on the northwest side of campus, the Rev. Robert A. Wild, S.J., Commons is Marquette's first new residence hall in more than 50 years.

FROM LEADERSHIP

A MESSAGE FROM

Dave Lawlor,

Executive Vice President for Operations, Chief Operating Officer and Treasurer

Dave Lawlor
Executive Vice President for Operations, Chief Operating Officer and Treasurer

Marquette's inaugural financial report highlights — through a financial lens — just a few of the many things we do each day to Be The Difference. Over the next decade, we have an incredible opportunity to take the next step in our Ignatian journey. President Michael R. Lovell has called us all to take on the challenge to be the most accomplished and innovative Catholic, Jesuit university in the world. To do so requires us to deepen our roots, drawing daily on everything that has made us great.

There are any number of pressures on institutions of higher learning today, and many of these pressures are financial. Core to Marquette's mission is a commitment to affordability for all, which calls us to carefully balance that mission with our financial stewardship.

The university's strategic plan, *Beyond Boundaries*, helps ground us in our mission, while also providing a framework that informs all we do to be good stewards of our resources. In FY2017 we launched the implementation plan for *Beyond Boundaries*, which outlines how, by 2026, we will grow our student body; add new graduate programs; dramatically accelerate research; further diversify our student population by recruiting additional international students; partner with community colleges in the region and across the country; pay keen attention to operational efficiencies; and constantly watch for unique partnership opportunities. This truly is an amazing foundation upon which to build our future.

President Lovell has called us all to take on the challenge to be the most accomplished and innovative Catholic, Jesuit university in the world. To do so requires us to deepen our roots, drawing daily on everything that has made us great.

FY2017 was a very good year for Marquette University — we have much to be proud of. In the coming pages, you'll note that our net assets exceeded $1 billion for the first time in our 136-year history. We have a balanced budget. Our endowment approached $650 million. Our campus master plan is coming to life with substantial progress on a new residence hall facility. The university's investment in research is starting to pay dividends. Five programs across multiple disciplines are ranked in the top 15 nationally.

We are excited for our future. Marquette's Board of Trustees and the senior leadership team are committed to the transformation we are called to, and we look forward to sharing our continued successes.

Holly Schapker©

OUR GUIDING LIGHT

The Marquette University mission is rooted in a rich history of Catholic, Jesuit education that emphasizes the search for truth, the discovery and sharing of knowledge, the fostering of personal and professional excellence, the promotion of a life of faith, and the development of leadership expressed in service to others. The tenets of our mission — excellence, faith, leadership and service — guide all that we do, providing the framework for our approach to stewardship as we organize and administer resources to support the pursuit of these ideals.

Ignatius portrait courtesy of hollyschapker.com

FOR THE GREATER GLORY OF GOD

St. Ignatius of Loyola, founder of the Society of Jesus

OPENING DOORS

Marquette was founded in 1881 by the Most Rev. John Martin Henni, the first Catholic bishop of Milwaukee, in the rich Jesuit tradition of building universities in the heart of cities in order to provide the disadvantaged, particularly immigrants and first-generation citizens, with an opportunity to seek higher education. To this day, Marquette honors this commitment to its Jesuit foundation by continuing to keep its doors open to all.

Beloved coach's legacy carries on Marquette's commitment to first-generation students

"To be able to attend an inspiring school like Marquette is a once-in-a-lifetime gift."

Alexa Feela, junior

IN FY2017 MARQUETTE PROVIDED FINANCIAL ASSISTANCE TO 1,638 FIRST-GENERATION COLLEGE STUDENTS.

$854,395

in donor-established scholarship funding

$20,540,850

in institutional scholarship aid

$10,572,340

in institutional grants

Rick Majerus was an assistant coach on Marquette's 1977 national title team.

Marquette's strong commitment to assisting first-generation college students harkens back to its origins as an institution founded to provide higher education to Milwaukee's growing immigrant population.

Today, when approximately 20 percent of our incoming students each year are the first in their families to attend college, this commitment is reflected through both institutional aid and donor assistance, often in the form of endowed scholarships.

This year, a number of students received assistance from the largest scholarship gift in the history of Marquette's Helen Way Klingler College of Arts and Sciences: a generous $1 million from the family foundation of first-generation alumnus Rick Majerus, the beloved NCAA men's basketball coach, who died in 2012.

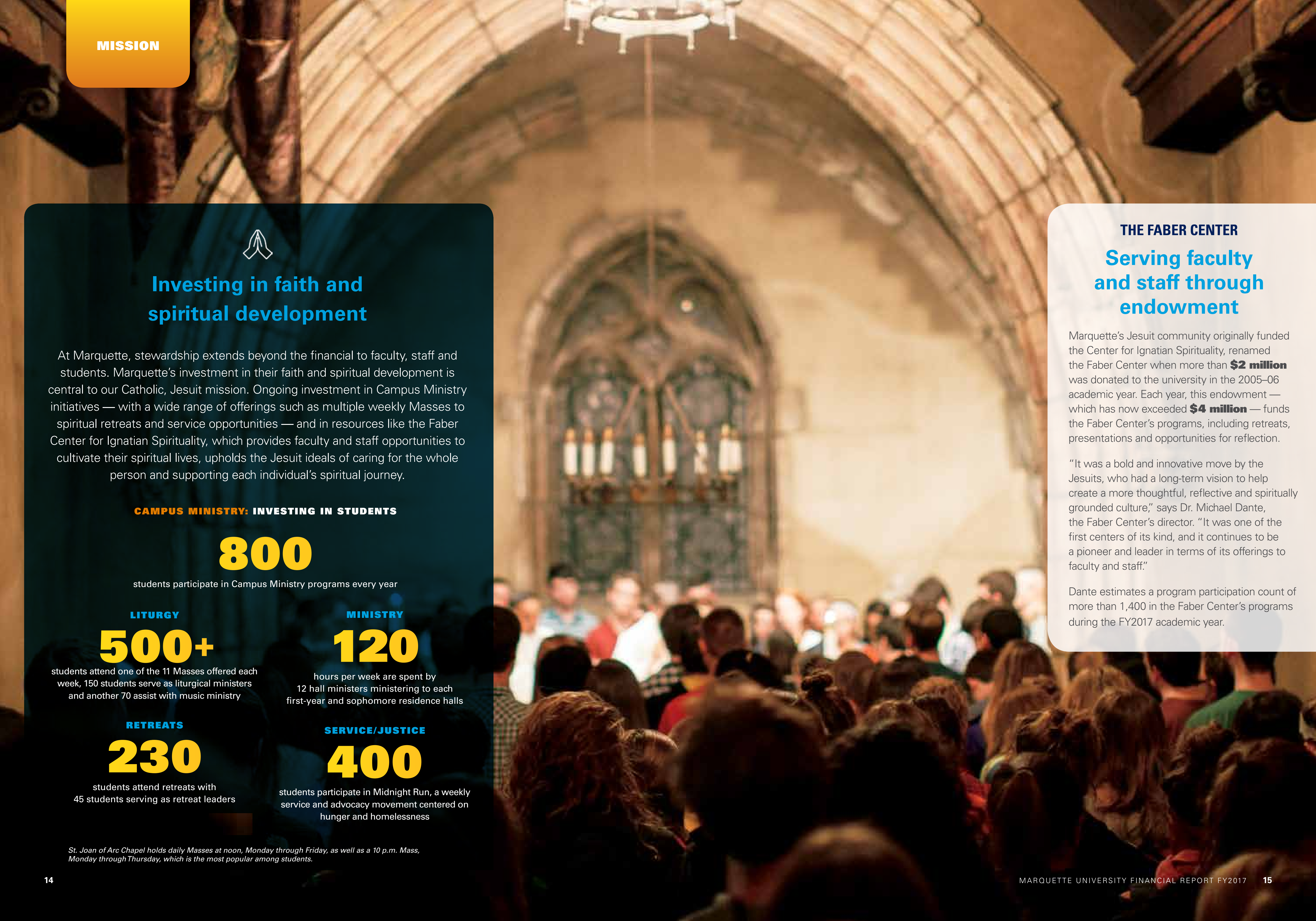
Majerus established the Majerus Family Foundation to honor his parents, who never attended college but deeply valued education and ensured that their three children all earned college degrees. Majerus himself embraced the Jesuit ideal of being a person for others, and he consistently gave of himself to help his players reach their highest potential as both athletes and students. The foundation works to create and expand opportunities for individuals from all walks of life through increased access to athletics, education, medical research and social justice.

The gift established an endowed, need-based scholarship that Jodi Majerus, the foundation's executive director, says is exactly the "right fit" for honoring her brother and parents because it creates a partnership with Marquette to help make higher education affordable and accessible while underscoring the Majerus family's core beliefs.

To date, nine students have benefited from the scholarship, including junior Alexa Feela, who is studying social welfare and justice, and psychology. "What I love about Marquette are the amazing opportunities," says Feela, who spent her most recent semester studying abroad in Cape Town, South Africa. "To be able to attend an inspiring school like Marquette is a once-in-a-lifetime gift."

$1,257,190

THE VALUE OF THE ENDOWED SCHOLARSHIP FUND AT THE END OF FY2017, WHICH WAS STARTED WITH A $1 MILLION GIFT BY THE FAMILY FOUNDATION OF FIRST-GENERATION ALUMNUS RICK MAJERUS



Investing in faith and spiritual development

At Marquette, stewardship extends beyond the financial to faculty, staff and students. Marquette's investment in their faith and spiritual development is central to our Catholic, Jesuit mission. Ongoing investment in Campus Ministry initiatives — with a wide range of offerings such as multiple weekly Masses to spiritual retreats and service opportunities — and in resources like the Faber Center for Ignatian Spirituality, which provides faculty and staff opportunities to cultivate their spiritual lives, upholds the Jesuit ideals of caring for the whole person and supporting each individual's spiritual journey.

CAMPUS MINISTRY: INVESTING IN STUDENTS

800

students participate in Campus Ministry programs every year

LITURGY

500+

students attend one of the 11 Masses offered each week, 150 students serve as liturgical ministers and another 70 assist with music ministry

MINISTRY

120

hours per week are spent by 12 hall ministers ministering to each first-year and sophomore residence halls

RETREATS

230

students attend retreats with 45 students serving as retreat leaders

SERVICE/JUSTICE

400

students participate in Midnight Run, a weekly service and advocacy movement centered on hunger and homelessness

St. Joan of Arc Chapel holds daily Masses at noon, Monday through Friday, as well as a 10 p.m. Mass, Monday through Thursday, which is the most popular among students.

THE FABER CENTER

Serving faculty and staff through endowment

Marquette's Jesuit community originally funded the Center for Ignatian Spirituality, renamed the Faber Center when more than **$2 million** was donated to the university in the 2005–06 academic year. Each year, this endowment — which has now exceeded **$4 million** — funds the Faber Center's programs, including retreats, presentations and opportunities for reflection.

"It was a bold and innovative move by the Jesuits, who had a long-term vision to help create a more thoughtful, reflective and spiritually grounded culture," says Dr. Michael Dante, the Faber Center's director. "It was one of the first centers of its kind, and it continues to be a pioneer and leader in terms of its offerings to faculty and staff."

Dante estimates a program participation count of more than 1,400 in the Faber Center's programs during the FY2017 academic year.

History students from the Klingler College of Arts and Sciences

HIGH PERFORMANCE

Marquette provides a high-value, transformational educational experience to a diverse group of students. We are proud that *U.S. News & World Report* in 2017 ranked us at No. 50 in its list of Best Value Schools, and that of the 57 private schools that made the top 100 in its list of national universities, only one school ranked ahead of Marquette had lower tuition and fees.

Our consistent outperformance of the *U.S. News* annual predictions for nationally ranked universities' graduation rates further demonstrates a commitment to student success and achievement. In 2017 Marquette outperformed the predicted graduation rate by eight percentage points.

THE PURSUIT OF EXCELLENCE IN ALL THINGS

From Marquette's mission statement

COMMITMENT TO DIVERSITY

The university each year provides more than $90 million in scholarship and grant support to attract a broad student population. The proportion of students of color has nearly doubled since 2005, increasing from 15 percent that fall to 29 percent in fall 2016. Hispanic/Latino students showed the largest increase, growing from 6 percent to 13 percent of the student population in that same period.

Paving the way to Wall Street

"The AIM program gave me hands-on experience in research and analysis of equities and fixed-income securities that's difficult to learn from a book."

Rocio Diaz, Bus Ad '14

MARQUETTE PROGRAM DRAWS TOP-PERFORMING STUDENTS

300+
to date have participated in the AIM program

30+
percentage points higher than average global CFA exam pass rates for Marquette students

Connecting education to the real world through applied or experiential learning is paramount in today's competitive marketplace. With its nationally acclaimed Applied Investment Management program, Marquette is delivering on the promise to position students for career success.

The AIM program began with 12 students in 2005; to date, more than 300 students have participated in this highly competitive program. Accepting a select group of finance majors who apply their junior year, AIM is the first undergraduate program to have been recognized as a Chartered Financial Analyst Program partner, and its students have consistently bested the average global CFA exam pass rate by more than 30 percentage points.

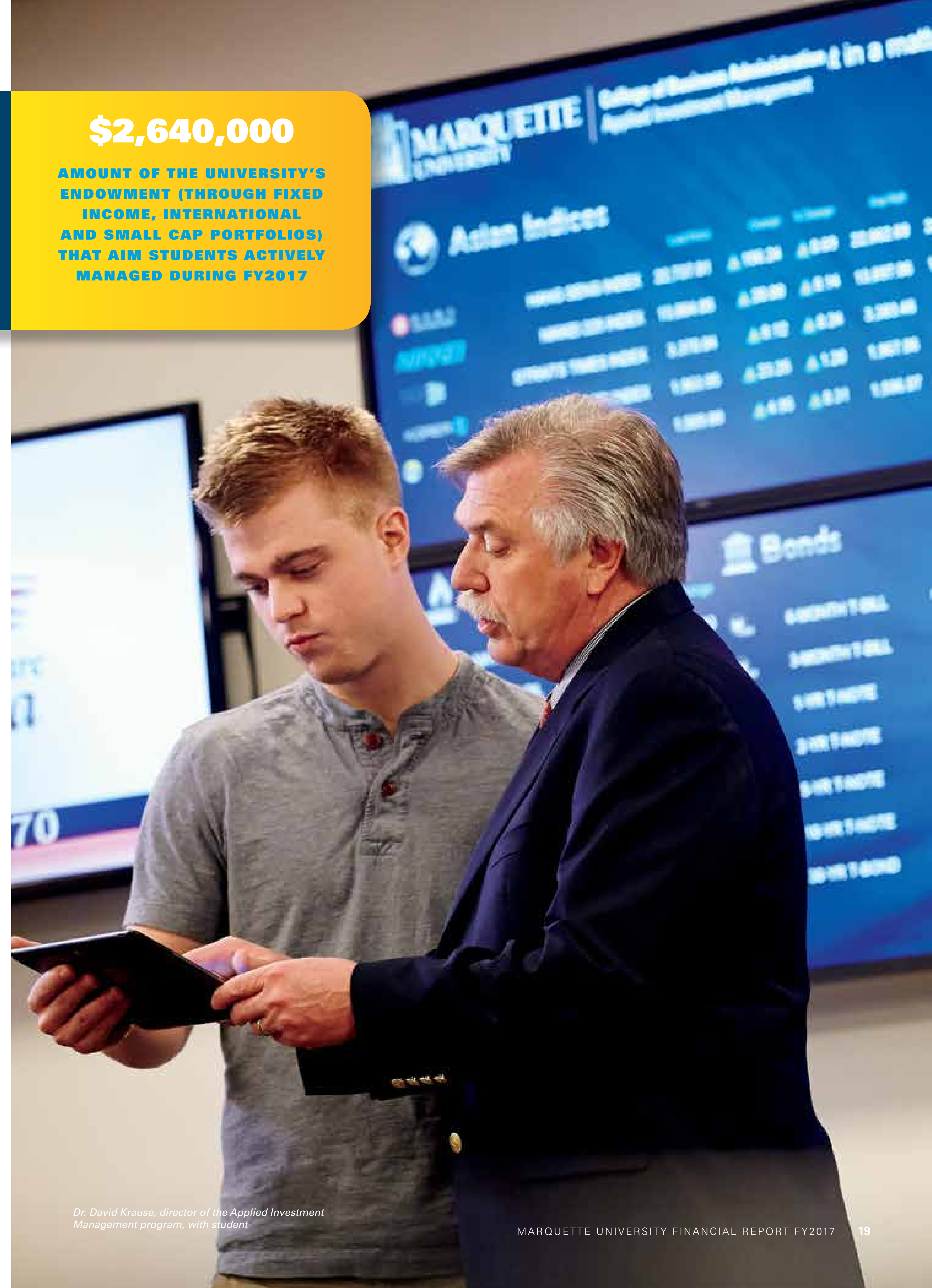
Both tracks — Investments, and Private Equity and Banking — link theory with practice, engage leading industry experts and forge industry connections for students. Uniquely, the program's emphasis on ethics helps students apply Marquette's Jesuit-based values with modern business practices.

AIM students are also hands-on when it comes to actively managing domestic and international equity and fixed-income portfolios. The students even manage a portion of the university's endowment in two equity portfolios, as well as a fixed-income fund. At the close of the fiscal year, all three funds were outperforming or tracking closely with their benchmarks.

"The AIM program gave me hands-on experience in research and analysis of equities and fixed-income securities that's difficult to learn from a book," says Rocio Diaz, Bus Ad '14, a research analyst at Northwest Passage Capital Advisors in Milwaukee. She adds that the financial professionals brought in to speak to her class weekly "opened my eyes to the opportunities in the real world and helped me recognize my areas of interest, which served me well in finding a valuable internship and later a full-time position."

$2,640,000

AMOUNT OF THE UNIVERSITY'S ENDOWMENT (THROUGH FIXED INCOME, INTERNATIONAL AND SMALL CAP PORTFOLIOS) THAT AIM STUDENTS ACTIVELY MANAGED DURING FY2017



Dr. David Krause, director of the Applied Investment Management program, with student

Giving back and paying it forward

As we deliver an education with real value and support student success, our Catholic, Jesuit ideals encourage students to Be The Difference. Through the Center for Community Service, we engage students in discerning their roles in the struggle for a more just society and provide a wide variety of service opportunities.

TIME AND TREASURE

85%

of Marquette students, at graduation, reported having participated in community service while at Marquette

30

years of Senior Challenge, in which graduating students support a university fund of their choice

10%

increase of student donors for FY2017

Each year during Homecoming, the Marquette community "stuffs the truck" for Milwaukee's Hunger Task Force.

A student teacher in the College of Education

SPARKING NEW PROGRAMS

As rapid changes in the global economy prompt discourse about the direction and value of higher education, Marquette is investing in the kind of academic innovation that adds value for students and revenue to our bottom line. FY2017 saw the creation of the New Program Incubator, which aims to diversify and expand the university's portfolio of revenue-generating graduate programs.

Loans from the Provost's Fund finance new incubator-approved programs — or initiatives to reinvigorate existing programs — until tuition revenue covers expenses. Once the loan is repaid, the college or department housing the program receives a portion of the program's operating surplus.

In less than one year, the incubator has approved two new programs that leverage its resources to meet the needs of the marketplace.

GO FORTH AND SET THE WORLD ON FIRE.

St. Ignatius of Loyola

THE GREATER GOOD

At Marquette, academic pursuits — new and established alike — have one thing in common: They seek to change the world. By applying scholarship beyond the borders of our campus, students and faculty actively work to address the issues affecting our community and our world.

Constructive conversations in "Milwaukee's public square"

Eckstein Hall's appellate courtroom has been renamed the Lubar Center.

> *"It is possible to share passionate views in a dispassionate setting that receives all reasoned views reasonably expressed."*
>
> Joseph D. Kearney
> Dean, Marquette University Law School

$5,500,000

from prominent local philanthropists Sheldon and Marianne Lubar to create the Lubar Center for Public Policy Research and Civic Education

Marquette places a high priority on advancing public discourse, and the Marquette University Law School often leads the charge.

Throughout the past decade, the Law School has embarked on a host of initiatives in the areas of public policy research and civic education. The school's home, Eckstein Hall, has in the past seven years become a hub for discussion around society's most challenging issues by hosting scholarly lecturers, candidates for public office, policy experts, business leaders, journalists and an acclaimed lunchtime interview series, "On the Issues with Mike Gousha." The *Milwaukee Journal Sentinel* dubbed Eckstein Hall "Milwaukee's public square."

This past April, a $5.5 million gift from prominent local philanthropists Sheldon and Marianne Lubar created the Lubar Center for Public Policy Research and Civic Education. The gift establishes an endowment and builds on a fund the Lubars founded in 2010 with a gift of $1.5 million to support public policy initiatives, including journalism fellowships, research projects and strategic partnerships with media organizations to examine topics of public importance.

Eckstein Hall's appellate courtroom, where many of the public events already occur, has been renamed the Lubar Center.

"The Lubar Center will allow us to expand our public policy work to include new efforts focused on the Milwaukee metropolitan region, as well as issues of statewide importance, including water quality, public libraries, the workforce and the future of rural Wisconsin," says Dr. Charles Franklin, professor of law and public policy, and director of the Marquette Law School Poll, the largest independent polling project in Wisconsin state history. "The Lubar Center will not only produce research on public policy issues but also provide opportunities for public presentation and discussion of that research, bringing community audiences into contact with leading thinkers and researchers on a wide range of issues."

Dr. Ronald Brown, director of GASDAY, and doctoral student Maral Fakoor

CLIENT SERVICE IN THE CLASSROOM

Forecasting the nation's natural gas usage

For the past 25 years, students in the Opus College of Engineering have had the opportunity to work at GasDay, an on-campus business that provides its clients with the most accurate usage forecasts in the natural gas industry.

35

utilities in 26 states rely on GasDay

20%

of the nation's residential, commercial and industrial natural gas usage is forecasted by Marquette students

$5M

in revenue, of the self-funded business, has been brought in during the past five years — enough to support a payroll that this spring comprised 27 undergraduates and six graduate students

Dental students practice their hand skills on high-tech manikins in the Preclinical Simulation Laboratory.

Service in practice

As Wisconsin's only dental school, the Marquette University School of Dentistry has a longstanding commitment to serve uninsured, underinsured and low-income patients as it trains the next generation of dentists. At its clinics on campus, on the north and south sides of Milwaukee, and throughout rural Wisconsin, supervised Marquette dental students provide low-cost care on a sliding fee scale.

25,801
patients served statewide

107,069
patient visits statewide

$17M
estimated worth of dental care services

43%
of patients served fall below the federal poverty level

The Marquette women's volleyball team

HEIGHTENED EXPERIENCE

Marquette University's 16 Division I athletics programs grow the school's brand awareness, foster alumni engagement and contribute to a richer collegiate experience for all students. The program is one of the most efficient in its peer group: Among all Division I non-football schools, Marquette ranked in the 96th percentile for the revenue self-sufficiency of its athletics programs in 2017.

This year eight postseason NCAA tournament appearances triggered a 54-percent increase in conference revenue via performance incentives.

Marquette student-athletes also perform well academically — their mean grade point average is 3.17. Further, they demonstrate the Jesuit commitment to be women and men for and with others. In FY2017, Marquette's 320 student-athletes completed 4,521 hours of service.

IF WINNING WEREN'T IMPORTANT, NOBODY WOULD KEEP SCORE.

Al McGuire
Legendary Marquette men's basketball coach

BLUE & GOLD FUND

The Blue & Gold Fund administers increasingly important athletics scholarships to Marquette student-athletes.

Since the fund's inception in the mid-1990s, it has provided more than $52 million in scholarship support — today it covers 85 percent of Marquette's athletics scholarship funding. In FY2017, more than 4,800 donors provided $5.1 million in Blue & Gold Fund scholarship support.

"To compete at the highest level across all sports on a consistent basis, a healthy and successful Blue & Gold Fund is critical," says Bill Scholl, vice president and director of intercollegiate athletics. "It greatly impacts our ability to attract, recruit and welcome to campus the highest-caliber student-athletes."

Sophomore standout is a model student-athlete

MEN'S HOOPS GETS A NEW HOME

In April 2017, Marquette University signed a seven-year agreement to play its men's basketball home games at the Milwaukee Bucks' brand-new, state-of-the-art sports and entertainment arena, beginning with the 2018–19 season.

In a dramatic video posted to YouTube in April 2016, four-star recruit Markus Howard announced his decision to play basketball at Marquette University. Then a high school junior, Howard also confirmed that he would reclassify as a 2016 recruit and join the Golden Eagles that very fall.

With Howard's announcement, Marquette prepared to welcome a student-athlete with proven ability to "take us to the next level athletically, while also embracing the rigors of a high-quality Marquette education," says Bill Scholl,vice president and director of intercollegiate athletics.

A Chandler, Arizona, native, Howard led his state's age group in scoring as a Perry High School sophomore and then transferred to Findlay Prep, a Nevada boarding school for student-athletes, where he became that team's top scorer. A 4.0 student at Findlay, Howard was eager to graduate early and begin his college basketball career with Head Coach Steve Wojciechowski and Associate Head Coach Stan Johnson, who had recruited Howard for two years for his former employer, Arizona State University.

Howard says more than 20 schools recruited him and scholarship offers came in from 12. The Marquette program's strong reputation played a role in his decision, and his athletics scholarship that covers tuition, books, meals and housing, he says, takes away financial pressure and "makes it easy for me to focus on basketball."

His focus, skill and hard work in his rookie year helped Marquette return to the NCAA Tournament for the first time since 2013. Howard led the Golden Eagles with 13.2 points per game, led the nation in three-point shooting with a 54.7 percent average — setting Marquette's new single-season record — and was selected for the BIG EAST All-Freshman Team.

Accustomed to balancing his time between the court and the books throughout high school, Howard is in the Diederich College of Communication and excelling academically. He is interested in eventually pursuing sports broadcasting. "I'm very fortunate to be at this university," he says. "I take a lot of great classes, I have great professors and I'm really learning a lot."

Markus Howard

The Marquette women's lacrosse team trains and competes in the new seasonal dome at Valley Fields.

Seasonal dome is a game changer

Marquette invested $3.6 million in donor and athletics department funds to build a seasonal dome at its Valley Fields athletics facilities, providing a climate-controlled competition and training space for its intercollegiate, club and intramural teams during inclement weather months. The dome encloses a full synthetic turf field to create a new space for men's and women's lacrosse training and competition, as well as indoor training space for field sports that will help student-athletes develop more fully toward their potential. The dome's construction reflects the university's commitment to its athletics programs and student-athletes and adds a competitive advantage to student-athlete recruiting.

$3.6M
cost to build the seasonal dome

13.5
acres that make up Valley Fields

Marquette employees compete in the annual Homecoming bed races that take place on campus.

INVESTING IN THE BEST

Delivering a world-class and transformative Catholic, Jesuit education requires world-class faculty and staff who bring skill, talent and a commitment to our mission. Our people are, hands down, our greatest asset, so Marquette invests heavily in their success, health and well-being, rooted in the Jesuit commitment of *cura personalis*, or "care for the whole person."

Our workplace culture demands employees at all levels to take ownership of their work and career direction. Marquette supports their growth through professional development opportunities, as well as formal and informal mentorship programs.

CURA PERSONALIS

Latin for "care for the whole person," a tenet of Jesuit spirituality

INVESTMENT IN COMPENSATION AND BENEFITS

This fiscal year totaled $253,952,901.* The university's benefits include vacation and holidays; health, dental, vision, life and disability insurance; a tuition remission program; paid leave; and sabbaticals. Holistic care for employees also includes health and fitness programming, spiritual and mental health support, and community-building initiatives such as free and discounted admission to lectures, art exhibitions and athletics events.

**Salaries: $198,214,352; benefits: $55,738,549*

BEST PLACE TO WORK

Marquette was the only higher education organization in its category (250+ employees) in the 2016 *Milwaukee Business Journal* Best Places to Work awards.

Tuition remission helps attract and retain talent

"This benefit also enables us to attract and retain top talent, which is essential to our success as an institution."

Cas Castro
Vice President, Human Resources

$9,232,033

total for this fiscal year's tuition remission spending

Tuition remission is regularly cited by employees as a top benefit of working at Marquette University. This fiscal year, the university's tuition remission spending totaled $9,232,033. This substantial investment keeps Marquette competitive as an employer and greatly assists employees and their families with one of today's largest expenses, the cost of higher education.

"Investing in the development of our employees is something we very much believe in," says Cas Castro, vice president for human resources. "Education gives them an opportunity to advance their careers. It enriches their employment experience, and it enriches their lives. This benefit also enables us to attract and retain top talent, which is essential to our success as an institution."

Alandria Gladney, a patient access supervisor for the Marquette University School of Dentistry, says Marquette's tuition remission was a significant factor in the family's planning for her oldest child's college education. Today, Gladney's daughter, Adiya Ingram, 19, is a sophomore studying biochemistry at Xavier University in Cincinnati as part of a Faculty and Staff Children Exchange program sponsored by 27 Jesuit colleges and universities, including Marquette.

"Considering the cost of college, let alone a private college, the fact that her tuition has been covered is a tremendous benefit," Gladney says. She estimates that the total annual cost for Ingram to attend Xavier is $50,000, and says the FACHEX program covers $37,000.

Gladney, who has worked for the School of Dentistry for more than 14 years, says she and her husband, John, have also taken advantage of tuition remission by working toward their master's degrees.

"When I was looking for employment 14-plus years ago, rate of pay and career advancement opportunities were probably the most important considerations for me, as my daughter was still very young," she says. "But after doing some soul searching, I realized that at some point I would probably want to further my education, so the tuition benefit actually became a more important factor in my decision to work at Marquette."

438

NUMBER OF INDIVIDUALS WHO WERE ABLE TO TAKE ADVANTAGE OF TUITION REMISSION IN FY2017

Alandria Gladney holds a photo of her daughter, Adiya Ingram, who is currently studying at Xavier University.

Engaged employees

Each year our faculty and staff have an opportunity to Be The Difference — both on campus and in the greater Milwaukee community — by participating in the Marquette Community Campaign. Those who contribute may choose to direct funds to the United Way of Greater Milwaukee and Waukesha County, the United Performing Arts Fund of Milwaukee, or to Marquette University initiatives.

COMMUNITY CAMPAIGN

30%

of the university's faculty and staff made contributions

$331,773

total funds raised

83%

of funds collected were directed to Marquette, 13 percent to the United Way and 4 percent to UPAF

Each year we celebrate our people at the annual faculty and staff luncheon.

"COLLECTIVELY, THESE 12 INITIATIVES WILL YIELD, IN A FAIRLY LINEAR MANNER, OVER $90 MILLION RECURRING PER YEAR TO THE BOTTOM LINE BY 2026. WE WILL BE INVESTING OVER $100 MILLION OVER THE NEXT DECADE — IN FACULTY, STAFF AND STUDENTS, ACADEMIC PROGRAMS AND ACADEMIC SUPPORT — TO IMPLEMENT THESE INITIATIVES."

Dave Lawlor, Executive Vice President for Operations

SUPPORTING THE STRATEGIC PLAN

To help operationalize Marquette's strategic plan, *Beyond Boundaries*, university leaders this year identified 12 mission-centric, enterprise-wide initiatives designed to heighten the university's academic stature and position Marquette for sustained financial health so that it can systematically deliver on the strategic plan.

This set of initiatives leverages the university's core competencies and growth opportunities in the areas of enrollment and recruitment, graduate education, residential optimization, research, operational efficiency, fundraising, online learning, and asset monetization.

WE ALL HAVE THE DUTY TO DO GOOD.

Pope Francis

12 INITIATIVES TO SUPPORT THE STRATEGIC PLAN

- First-year Recruitment
- Graduate Program Growth
- Transfer Recruitment
- International Recruitment
- Enrollment Initiatives
- Research Growth
- Asset Monetization
- Housing Optimization
- Annual Fund Growth
- Online Programs
- Discount Reduction
- Operational Efficiencies

New distance-learning program is a model for doing business differently

"A constraint in Milwaukee is the competitive need to find space in clinical sites for nursing students. In Pleasant Prairie, we can capitalize on some of the southeast Wisconsin and northern Illinois sites."

Patricia Schroeder
Clinical Assistant Professor
and Director of Strategic Initiatives,
College of Nursing

Achieving strategic growth often takes the right partner. To create a distance-learning option for one of its programs, the College of Nursing joined forces with Orbis Education, a leading manager of hybrid, accelerated degree programs for fast-growing health care professions.

The college sought to expand its direct entry program — a master's program in nursing for college graduates with non-nursing majors — and create a new format that would attract and accommodate more students. The goal was to increase revenue and also help meet a marketplace need.

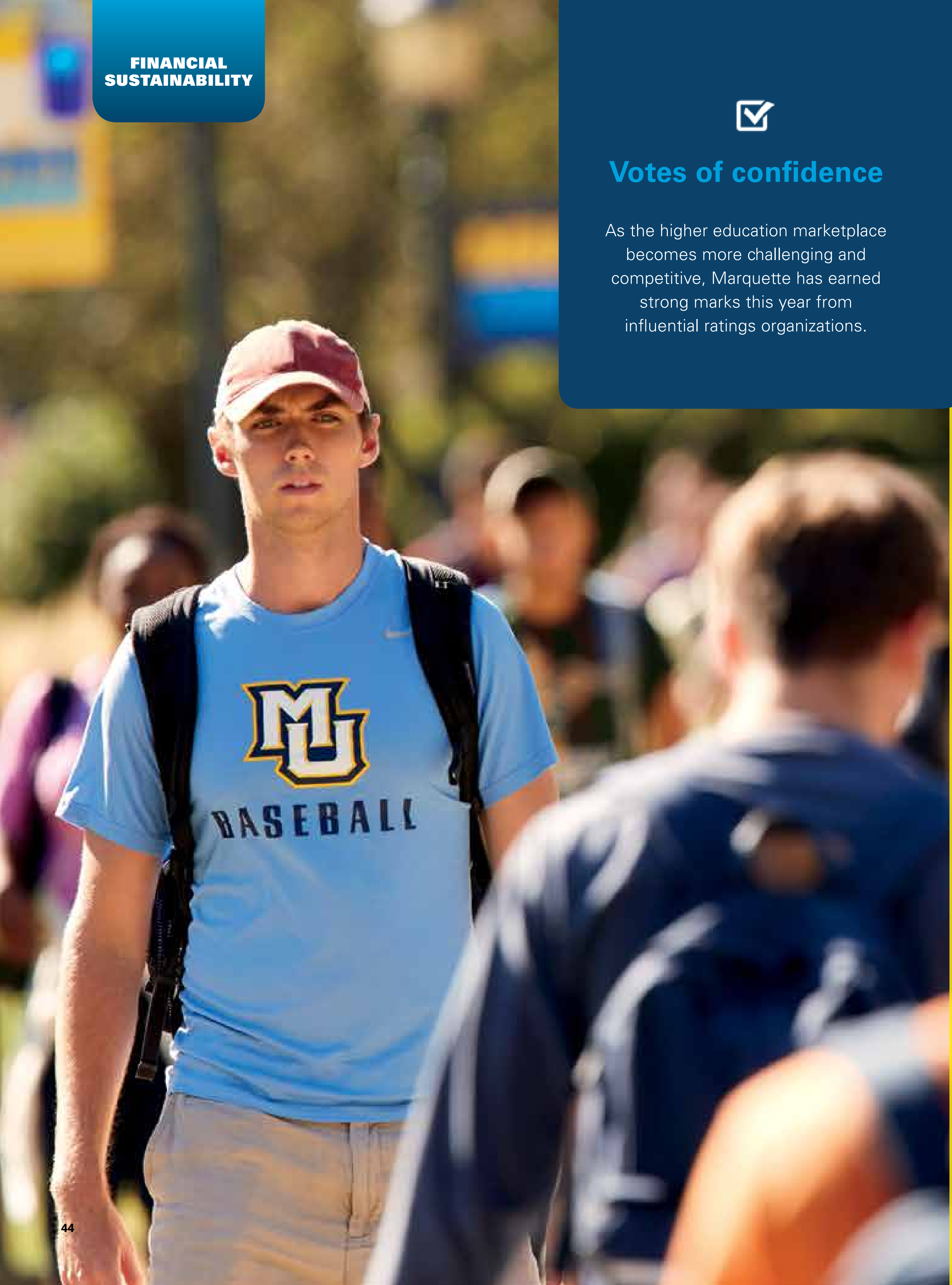
"We are in the midst of a nursing shortage," says Dr. Janet Wessel Krejci, dean of the College of Nursing, noting that the outlook is concerning as the patient population ages. "These kinds of students, who have another degree but often see nursing as a calling, are a great possible area of growth. What's more, these students bring different skills and life experience into the field."

With expertise in online education models, Orbis collaborated with the college to recreate the didactic courses from its on-campus program in an online format. For pre-clinical, hands-on training, the college established a simulation lab at a facility in fast-growing Pleasant Prairie, Wisconsin, approximately midway between Milwaukee and Chicago, where it also leases space for a skills lab, two offices and classrooms for proctored exams.

"Market analysis suggested there was a need in this area, and it also provides more accessibility to clinical sites," says Patricia Schroeder, clinical assistant professor and director of strategic initiatives for the College of Nursing, of the decision to locate in Pleasant Prairie. "A constraint in Milwaukee is the competitive need to find space in clinical sites for nursing students. In Pleasant Prairie, we can capitalize on some of the southeast Wisconsin and northern Illinois sites."

Like its on-campus equivalent, the new 18- to 21-month program's tuition is $50,000. Its first cohort of 13 students entered in fall 2016, a 24-student cohort began this past January and 51 students were admitted to start the program in August 2017.

Students leave the Marquette University College of Nursing Pleasant Prairie facility.



Votes of confidence

As the higher education marketplace becomes more challenging and competitive, Marquette has earned strong marks this year from influential ratings organizations.

FINANCIAL HEALTH

MOODY'S INVESTORS SERVICE

A2

AN A2 ("STABLE") RATING, WHICH REFLECTS

- an established market position with growing net tuition revenue
- moderate financial leverage
- adequate balance sheet reserves
- strong philanthropic support

ACADEMICS

U.S. NEWS & WORLD REPORT, AMERICA'S BEST COLLEGES

No. 86

OVERALL UNIVERSITY RANKING

No. 7
Dispute Resolution, Law School

No. 9
Real Estate, College of Business Administration

No. 10
Legal Writing, Law School

No. 12
Supply Chain Management, College of Business Administration

No. 15
Physical Therapy, College of Health Sciences

VALUE

U.S. NEWS & WORLD REPORT, AMERICA'S BEST COLLEGES

No. 50

BEST VALUE SCHOOLS

KIPLINGER'S PERSONAL FINANCE

2017 LIST

OF BEST VALUES IN PRIVATE COLLEGES

Students in the Diederich College of Communication broadcast control room.

ACCELERATING RESEARCH

On a mission to expand research funding and advance its position as a leading research institution, Marquette continues to invest in discovery and entrepreneurship. One of the goals of Marquette's strategic plan, *Beyond Boundaries*, is to augment the university's research structure as a strategy for compounded growth, as capacity to execute projects is a major factor in attracting grant funding.

Further, the campus master plan calls for a significant capital investment in research and development infrastructure over the coming decade.

In FY2017, 124 different individuals received 210 extramural awards from federal, state, foundation and corporate sources, totaling $29,493,372.

LIVE WITH ONE FOOT RAISED.

St. Ignatius of Loyola

STRATEGIC INNOVATION FUND

This fiscal year, the Office of Research and Innovation's Strategic Innovation Fund financed $2,955,000 in projects that align with the university's strategic plan. Broken down, the university provided $1 million in operating funds, while the SIF expensed $722,000 in capital and $1,233,000 in donor funds.

From lab to marketplace

"(Promentis' success is) an important example of the return on investment in government-funded research at the university level."

Dr. William E. Cullinan
Dean, College of Health Sciences

$26,000,000

amount raised by Promentis Pharmaceuticals, Inc. after its third round of equity investment

A pharmaceutical company co-founded 10 years ago by two Marquette professors continues to attract investors compelled by its promising research targeting central nervous system (CNS) disorders.

Promentis Pharmaceuticals, Inc. completed its third round of equity investment this spring, raising $26 million. A portion will be used to advance the company's lead compound — a small molecule that regulates the release of a key neurotransmitter affecting brain function — through its second phase of clinical trials.

Drs. David Baker and John Mantsch, professors in the Biomedical Sciences Department, founded Promentis in 2007 to transfer their findings from the lab to the commercial market. Winning Marquette's Kohler Center for Entrepreneurship Business Plan Competition secured them seed funding from Marquette's Golden Angels Network and other sources. They assembled a team of industry leaders and set out down the long, expensive and unpredictable path that is therapeutic discovery.

The compound entering trial is a novel, small molecule designed to activate a CNS target that addresses glutamatergic dysfunction and oxidative stress, both of which have been shown to contribute to impaired cortical function linked to multiple CNS disorders.

Dr. William E. Cullinan, dean of the College of Health Sciences, has cited Promentis' success as "an important example of the return on investment in government-funded research at the university level."

MORE RESEARCH AND INNOVATION

CAREER streak

FY2017 continued a five-year streak for Marquette's junior faculty: Annually since 2013, a Marquette professor has won a prestigious CAREER grant from the National Science Foundation — awards given to researchers to fund promising projects early in their careers.

This year, Dr. Jier Huang, assistant professor of chemistry, received **$555,636** in CAREER grant funding to conduct a five-year study of using a specific type of porous metal organic framework as a catalyst in solar energy conversion.

Founders of Promentis Pharmaceuticals, Inc. and professors in the Biomedical Sciences Department, Dr. John Mantsch (top) and Dr. David Baker

The 707 Hub is an open, street-level maker space and ideation workshop for student, faculty, staff and alumni entrepreneurs and innovators.

707HUB

Open for business

In March 2017 Marquette opened the 707 Hub, converting a lacrosse locker room into a new space where students can turn their business ideas into reality.

Initiated by students and fully funded by the university, the 707 Hub (named for the building in which it is housed) is designed for interdisciplinary collaboration. It houses the Kohler Center for Entrepreneurship and the Social Innovation Initiative, with both programs' resources and expertise available to students, faculty and staff from every college and department.

$528,000

capital the university invested to create the 707 Hub

25

number of student startup businesses and social ventures already using the space

Rendering of the BioDiscovery District

Rendering of the Recreation and Wellness Center

Rendering of Innovation Alley

TRANSFORMING THE CAMPUS

In January 2017 President Michael R. Lovell unveiled Marquette's $600 million plan to transform the campus' physical landscape over the next eight to 10 years. The campus master plan sets priorities based on the six key themes in *Beyond Boundaries*, Marquette's strategic plan, and positions Marquette to leverage significant growth opportunities to advance its position as a 21st-century leader in higher education, a hive of innovation and discovery, and an invaluable community partner.

The master plan reflects the input of hundreds of faculty, staff and students who participated in a collaborative and transparent development process. Critically, it carries forward Marquette's longstanding identity as a student-centered community of faith, learning and discovery that is well-connected with the surrounding community.

FIND GOD IN ALL THINGS.

St. Ignatius of Loyola

THE $600 MILLION BUDGET COMPRISES FIVE KEY BUILDING PROJECTS:

- A $108 million residence hall
- A recreation and wellness center
- Innovation Alley, a state-of-the-art, cross-disciplinary learning and maker space that will bridge Engineering Hall with a new building for the business school
- A BioDiscovery District, which will bring together the university's life and health sciences disciplines
- An athletic performance research center

Building a new home for students

An architectural rendering of the Rev. Robert A. Wild, S.J., Commons, Marquette's new residence hall currently under construction

$108,000,000

cost to build the new residence hall, named after former Marquette President Robert A. Wild, S.J.

890

number of students who can occupy the new residence hall

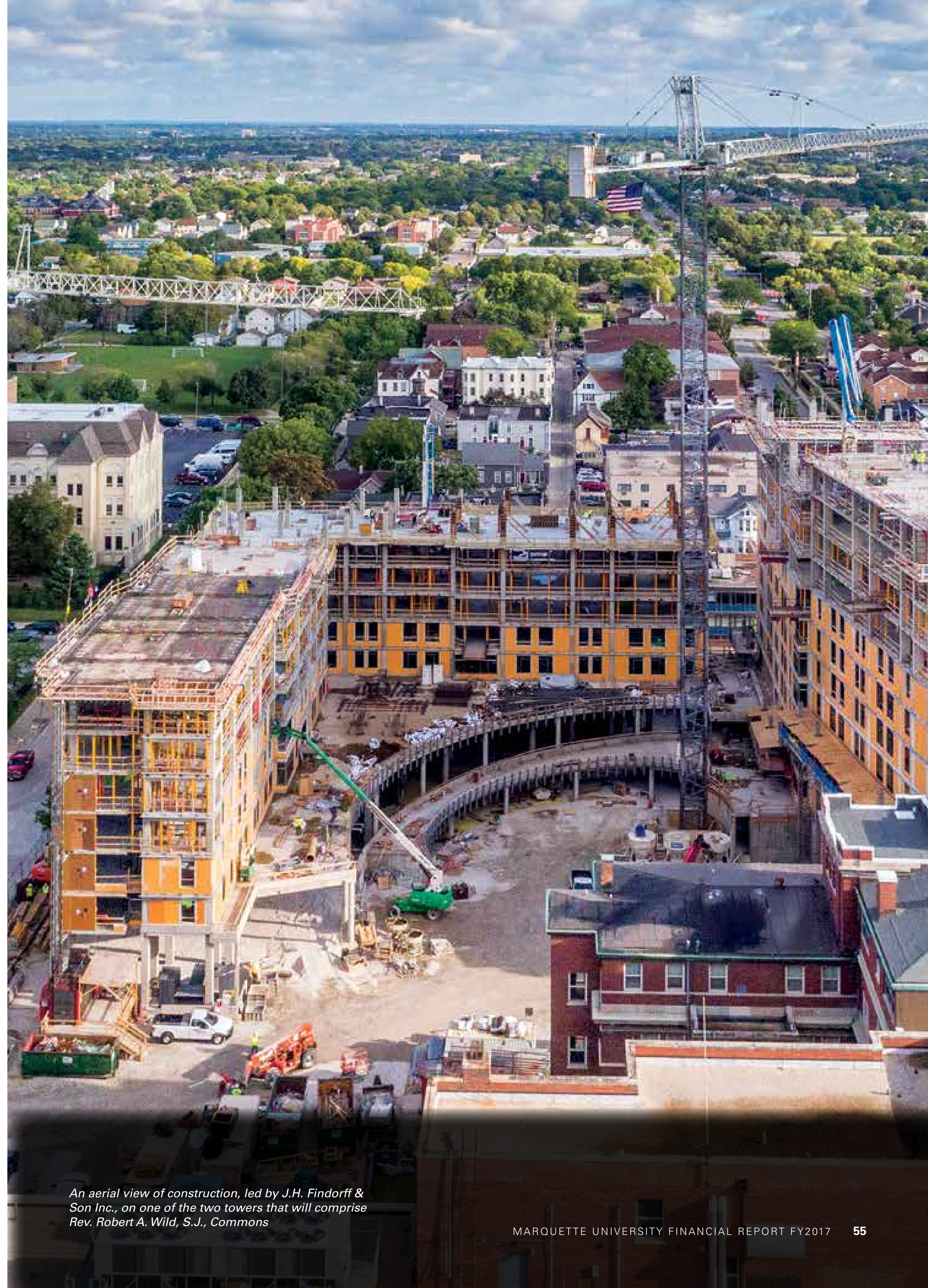
Marquette broke ground in November 2016 on the first major construction project in the campus master plan, a $108 million, 890-bed residence hall that is the first student housing facility constructed by Marquette in more than 50 years. Funded by a combination of capital expenditures, philanthropic support and corporate investment, the two-tower building features a student-centric design and will be named for former Marquette President Robert A. Wild, S.J.

Building the new facility gives the university the flexibility to close an outdated first-year residence hall that is 67 years old. The campus master plan includes careful evaluation of the condition of campus buildings and their maintenance and operational costs compared to the cost of building replacement with new construction.

The Rev. Robert A. Wild, S.J., Commons will house freshmen and sophomores, and its design features pod- and suite-like settings, community spaces throughout the building, smart classrooms, study lounges and a large dining facility managed by food and hospitality management company Sodexo.

The new dining hall replaces an existing one in McCormick Hall and may enable the closure of other existing dining halls. It will be open longer hours, with more seats and more food options than other campus dining halls.

In January 2017 Marquette alumni Ray and Kay Eckstein challenged the university to raise $10 million for Wild Commons — they are matching that amount.



An aerial view of construction, led by J.H. Findorff & Son Inc., on one of the two towers that will comprise Rev. Robert A. Wild, S.J., Commons

Marquette Police Department protects and serves campus and Near West Side communities

Marquette's urban setting is an integral part of the Jesuit college experience, and the university invests significant resources to promote safety and security on campus and in the contiguous neighborhoods that make up Milwaukee's Near West Side. In May 2015 the university's Department of Public Safety officially became a commissioned police department and began training its private security officers as sworn police officers who can make arrests, cite drivers for traffic violations and do criminal background checks.

28% REDUCTION IN PERSONAL ROBBERIES

53% REDUCTION IN PROPERTY BURGLARIES

7% REDUCTION IN PROPERTY THEFTS (INCLUDING RETAIL)

43 SWORN POLICE OFFICERS

13 COMMAND STAFF

2 DETECTIVES

1 POLICE DOG

CRIMES REPORTED	2015	2016	% Change
PERSONAL CRIMES			
ROBBERY	25	18	-28%
THEFT FROM PERSON	5	7	+40%
AGGRAVATED ASSAULT	7	8	+14%
PROPERTY CRIMES			
BURGLARY	43	20	-53%
THEFTS (INCLUDING RETAIL)	256	238	-7%

Meet Officer Nattie

MUPD's newest officer is Nattie, who serves as a community outreach dog for the department. She lives full time at the MUPD headquarters and helps build relationships with students and community members, and comforts crime victims.

A gift from a generous benefactor, a statue of Saint Teresa of Calcutta—who worked tirelessly for social justice—stands in front of the Schroeder Health Sciences and Education Complex.

The prospects today for alumni, friends and corporate partners to advance Marquette University's mission are some of the most varied, intriguing and potentially high-impact opportunities in our history. Philanthropy plays a role in everything we are working to achieve as a Catholic, Jesuit university in a burgeoning economic region that continues to wrestle with social justice. From our role in driving Milwaukee's economic growth and preparing its future workforce to our longstanding commitment to deliver an education that enables students to Be The Difference, Marquette's interconnected initiatives offer donors myriad ways to make a meaningful impact.

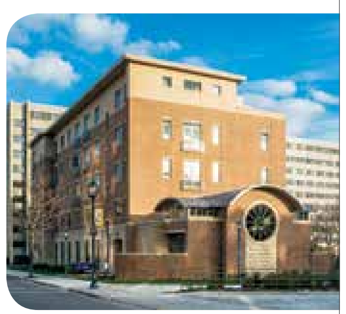
IF YOU CAN'T FEED A HUNDRED PEOPLE, THEN FEED JUST ONE.

Saint Teresa of Calcutta

Paragons of philanthropy

Eckstein Hall

Wild Commons, opening 2018



O'Brien Jesuit Residence

As alumni, close friends and significant benefactors of Marquette University, Ray, Law '49, and Kay, Sp '49, Eckstein have generously directed a substantial share of their philanthropy to the alma mater where they met, courted and received a transformative education.

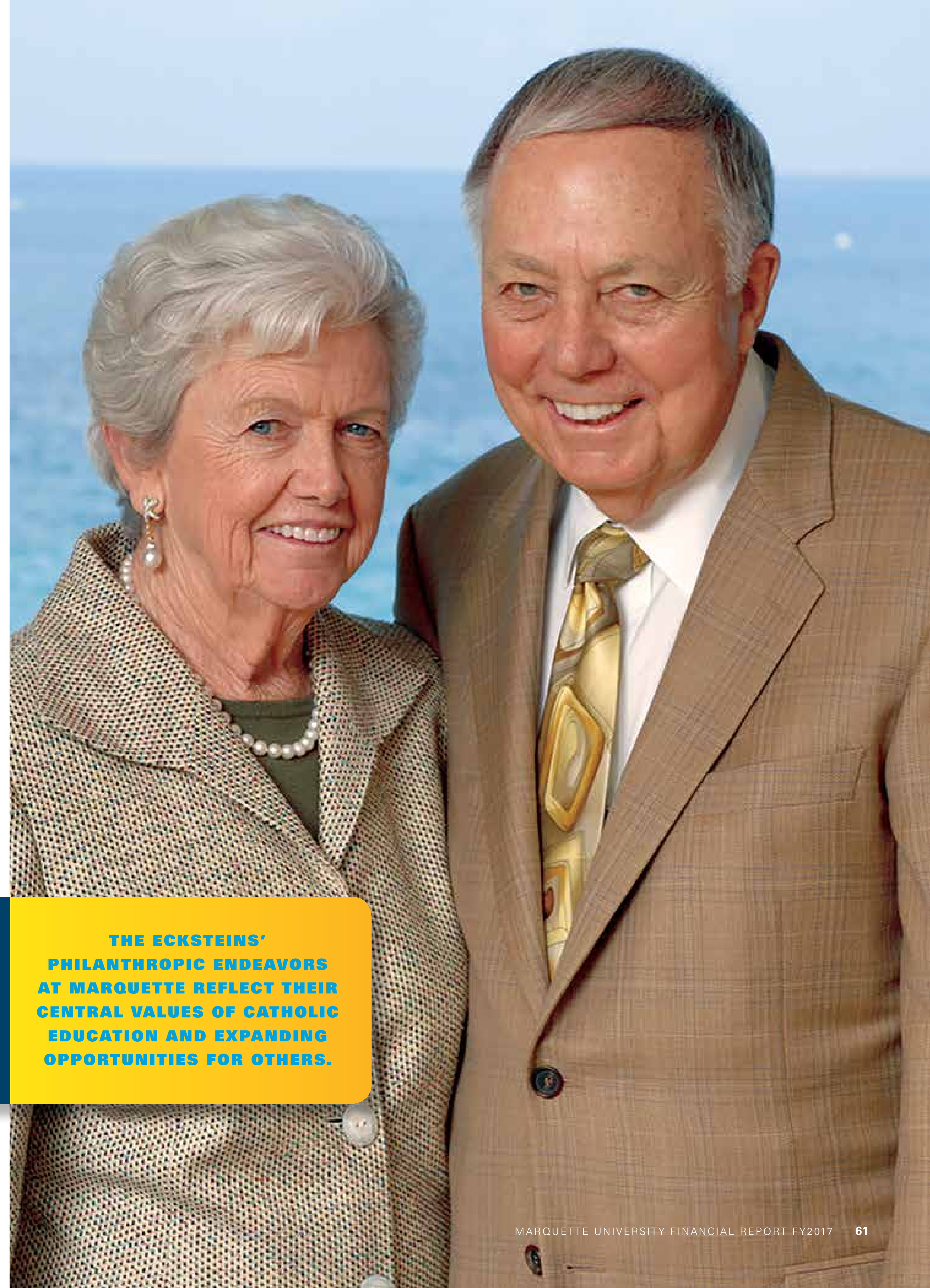
The impact of the Ecksteins' giving on campus includes major gifts originating with a landmark contribution in 2007 toward the Law School's new building, ultimately named Eckstein Hall; a significant contribution to the new Dr. E. J. O'Brien Jesuit Residence in 2014; and a $10 million matching challenge toward construction of a new residence hall to be named for former Marquette President Robert A. Wild, S.J.

The Ecksteins were married for 70 years, until Kay Eckstein passed away this past June. Their primary residence was in Cassville, Wisconsin, Ray's hometown, where Ray first practiced law and ultimately started a river transportation business that flourished.

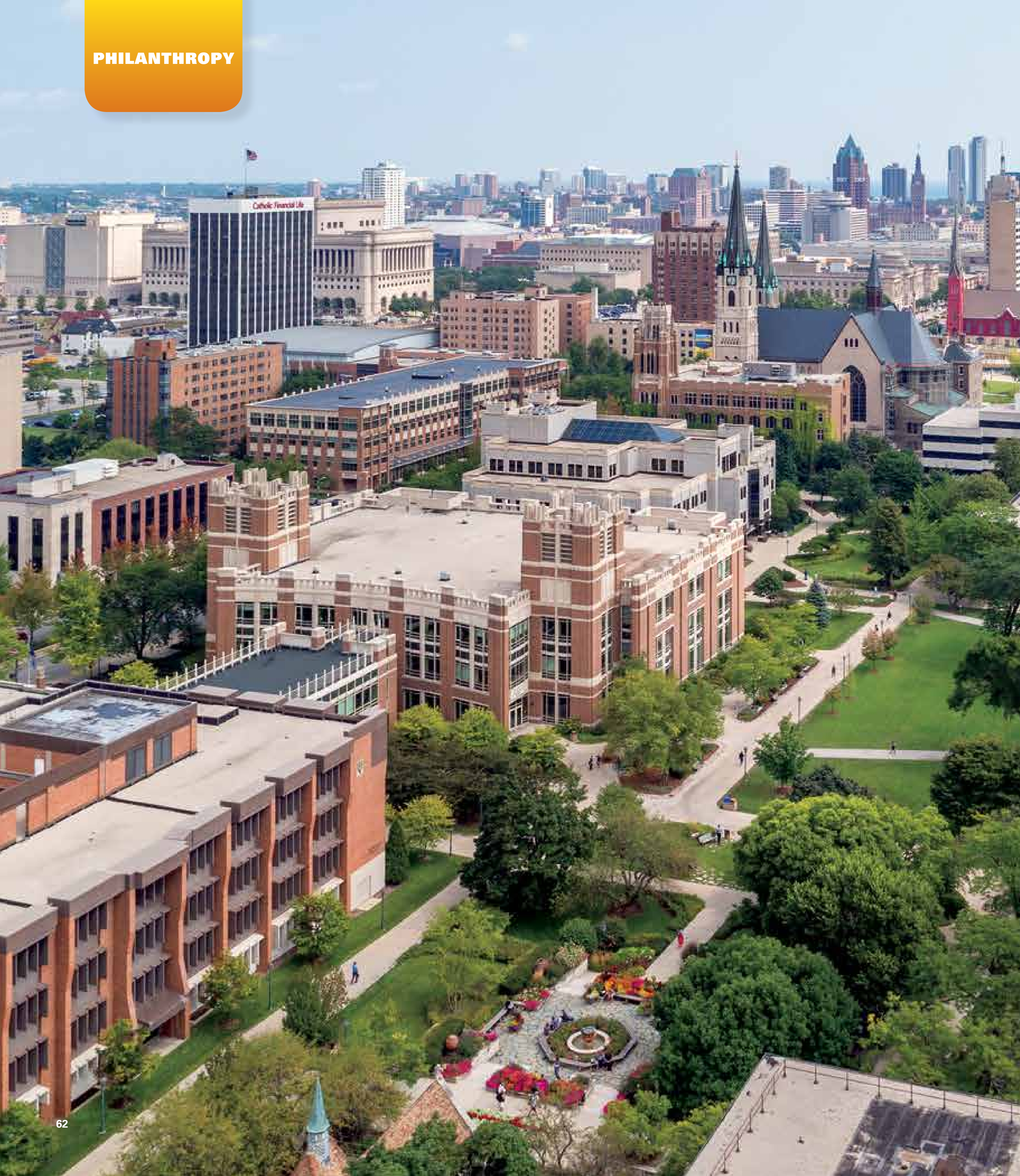
Of the Ecksteins' decision to support the Law School with the largest gift in Marquette history, Wild says, "It was a very major surprise, and obviously a very good moment. We had been talking and meeting with them, letting them know what we wanted to do with the Law School, but they came forward on their own initiative to make that splendid gift."

It was a catalyst, he says, for the university's ability to raise the rest of the funds to build the new building, which has become a competitive advantage for the Law School.

Wild called the Ecksteins "great people who want to do good. They do not want or need a lot of hoopla and shouting about their generosity. They were willing to put their name on various things as a way to encourage others to give as well. They've really blessed us in their giving."



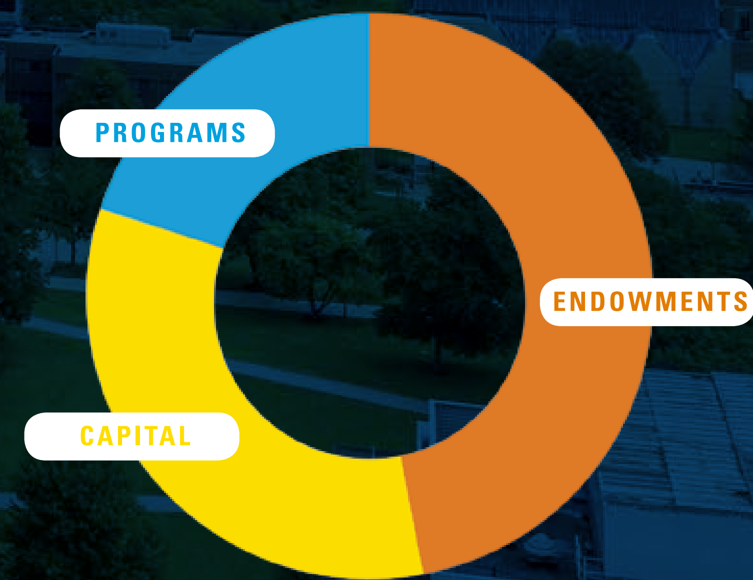
THE ECKSTEINS' PHILANTHROPIC ENDEAVORS AT MARQUETTE REFLECT THEIR CENTRAL VALUES OF CATHOLIC EDUCATION AND EXPANDING OPPORTUNITIES FOR OTHERS.



A culture of philanthropy

In FY2017 the University Advancement team inspired leading investors and donors in meaningful ways to shape the future of Marquette. This revitalized culture of philanthropy is central to fulfilling the vision set forth in Marquette's strategic and master plans. Combined with the energy of President Michael R. Lovell and regional economic momentum, Marquette's focus on philanthropic engagement responds to the call for innovation in higher education and for Marquette's leadership in advancing Milwaukee and its surrounding communities.

THE UNIVERSITY'S FUNDRAISING IS FOCUSED ON IMPACT IN THREE BROAD CATEGORIES:

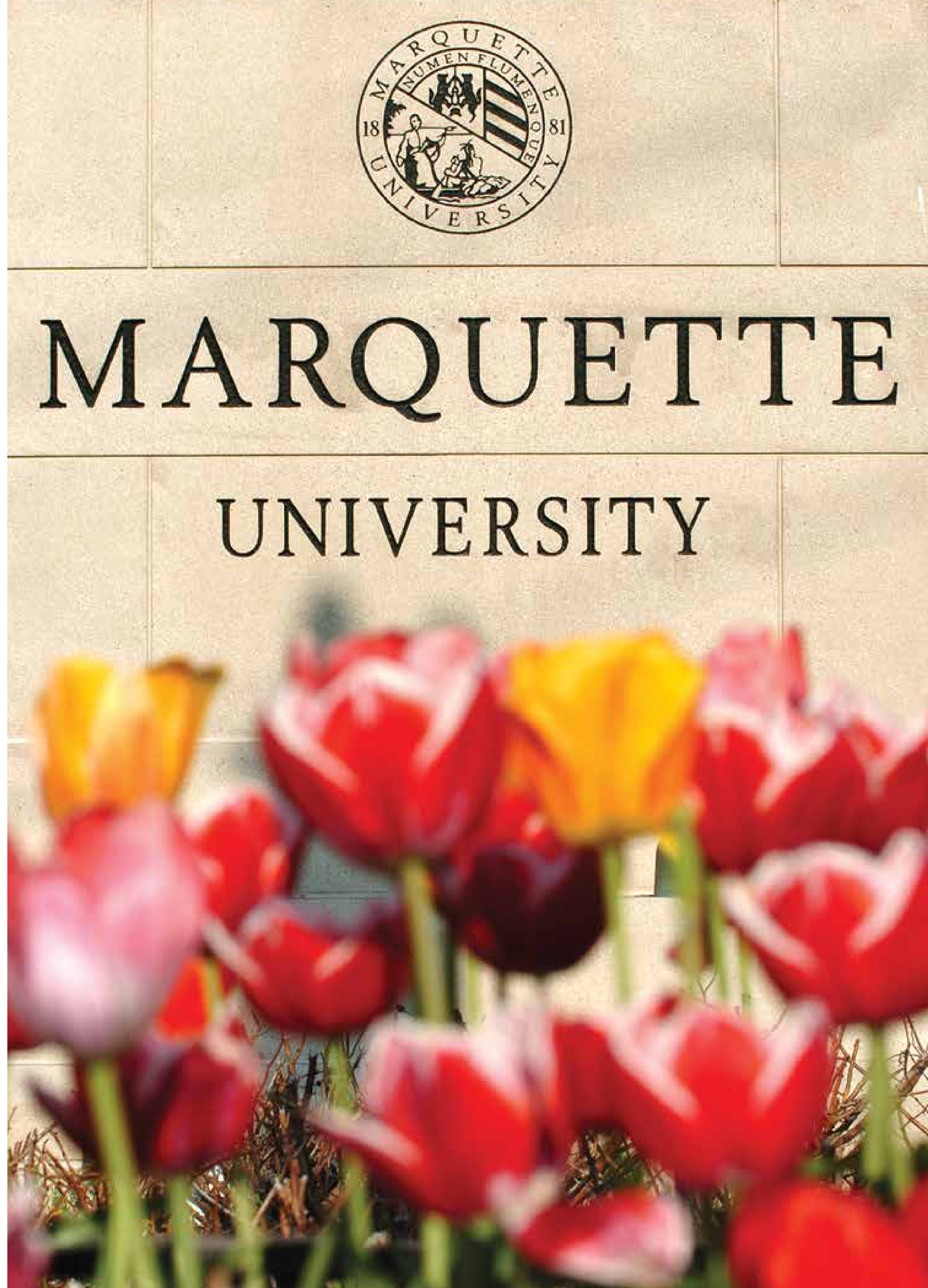


Challenge accepted

An inspired community of Marquette University donors exceeded a **$3 million** fundraising challenge issued in February 2017 by Marcus Lemonis, Arts '95. Lemonis, star of television's *The Profit* and chairman and CEO of Camping World and Good Sam, issued the challenge to launch a student-run business program in the College of Business Administration. The 2,769 donors raised **$1,792,748** in just two months, which Lemonis matched up to **$1.5 million**. The business program, called the Marcus Lemonis Pay The Profit Forward Program, will provide seed funding for student business ideas.

Management's Discussion and Analysis

The objective of Management's Discussion and Analysis (MD&A) is to give readers an overview of the financial position and operating activities of Marquette University for the year ended June 30, 2017, with selected comparative information for the year ended June 30, 2016. The MD&A includes highly summarized data and should, therefore, be read in conjunction with the accompanying consolidated financial statements and notes.



Net assets

For the first time in the history of the university, Marquette's consolidated net assets exceed $1.0 billion. This increase is a result of the impact from investment performance coupled with positive operating performance as well as philanthropic support.

Marquette University nonoperating activities resulted in a net increase of $36.6 million to the consolidated net assets. Nonoperating activities include endowment gains in excess of amounts designated for current operations.

University operating performance

The university's operating results are presented in the Statements of Activities. Marquette's operating activities for fiscal 2017 include all revenues and expenses that support the university's education and research efforts.

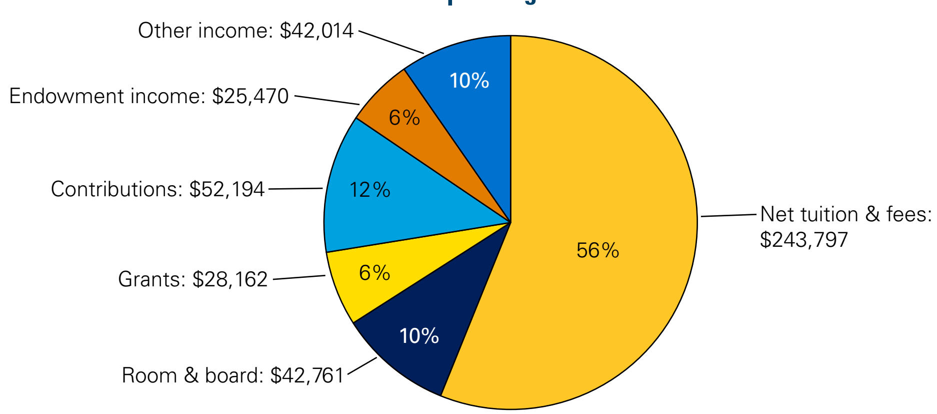
The $30.4 million university operating income for fiscal year 2017 was similar to the prior year.

The fiscal 2017 operating revenue increase is primarily due to contribution revenue. The most significant increase was in temporarily restricted contributions supporting capital projects and scholarships. The "Philanthropy" section details some large contributions received during fiscal year 2017. The administration anticipates future revenue growth as a result of implementing Marquette 12 (M12) initiatives.

Total operating revenues for the university increased $15.6 million to $434.4 million in fiscal 2017. The university's major revenue components are summarized below:

- Net tuition and fees reflect gross tuition and fees net of student financial aid provided by the university. Gross tuition and fees ($383.0 million) increased $11.2 million, or 3%, over the prior year, reflecting modest rate increases and enrollment growth in certain programs. Student financial aid ($139.2 million) increased $13.4 million, or 11%, in fiscal 2017.
- Room and board revenue, which increased approximately 2% in fiscal 2017, represents 10% of university revenue and totaled $42.7 million.
- Grants and contracts revenue represents 6% of university revenue. Additional details are provided within the "Research and Innovation" section.
- Contributions increased $11.7 million or 29% over the prior fiscal year.
- Investment return designated for current operations consists of endowment income designated for use in current operations and returns on other invested funds. The endowment performance is described in detail in the "Endowment" section of the MD&A.
- Other income increased $3.0 million over the prior fiscal year.

Total Operating Revenues

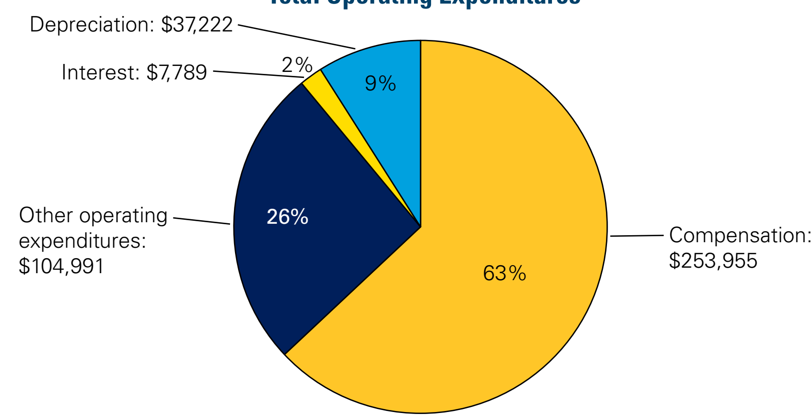


Total: $434,398

Operating expenses for the university increased $15.9 million to $404.0 million in fiscal 2017. The major components of university operating expenses are summarized below:

- Compensation totaled $254.0 million and represents 63% of total fiscal 2017 operating expenses. Compensation increased $13.6 million over the prior year.
- Interest of $7.8 million represents 2% of the total operating expenses in fiscal 2017. Interest expenses remained virtually unchanged from the prior year.
- Depreciation expenses of $37.2 million represent 9% of total operating expenses in fiscal 2017. Depreciation expenses decreased slightly from the prior year.
- Other operating expenses represent 26% of university operating expenses in fiscal 2017 and include various discretionary and nondiscretionary expenses, most notably supplies, repairs and maintenance, travel expenses, and administrative costs. Other operating expenses remained virtually unchanged from the prior year.

Total Operating Expenditures

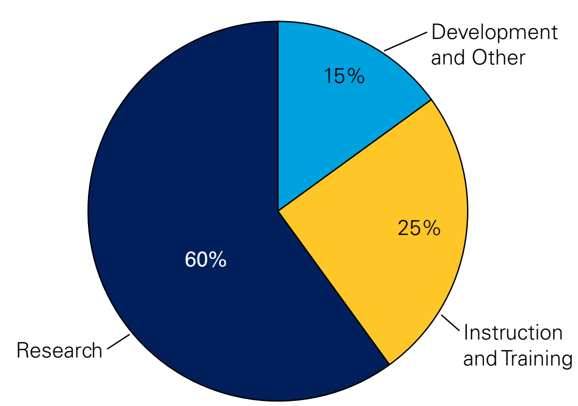


Total: $403,957

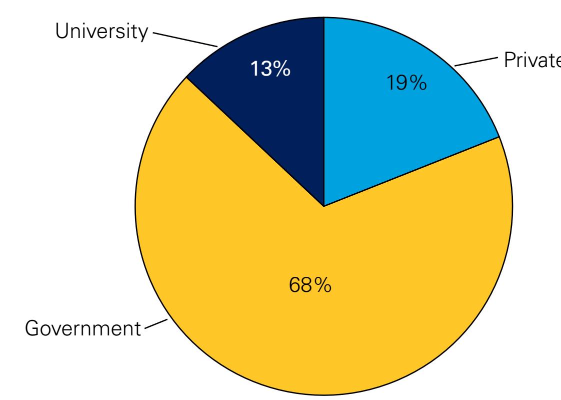
Research and grants

Research and grant expenses totaled $26.0 million. The following graphs show a breakout by purpose and funding source:

Grant Purpose



Grant Funding Source



Contributions

The generosity of alumni and friends in fiscal 2017 helped Marquette remain at the forefront of academics and research. In fiscal 2017, Marquette recorded $52.2 million in contributions revenue, including pledges, an $11.7 million or a 29% increase from fiscal 2016. Contributions revenue reported within the consolidated financial statements is calculated based on generally accepted accounting principles (GAAP). As is widespread practice, University Advancement reports fundraising according to the guidelines established by the Council for Advancement and Support of Education (CASE). CASE guidelines represent the philanthropy reporting standard for colleges and universities. Under CASE guidelines, philanthropic giving totaled $91.1 million in fiscal 2017.

A normal bridging from GAAP to CASE totals displaying customary adjustments is provided below:

(dollars in thousands)

Per GAAP	$52.2
Accrual basis adjustments	(1.9)
Grants	5.4
Revocable planned gifts	21.3
Conditional gifts	14.1
Per CASE	$91.1

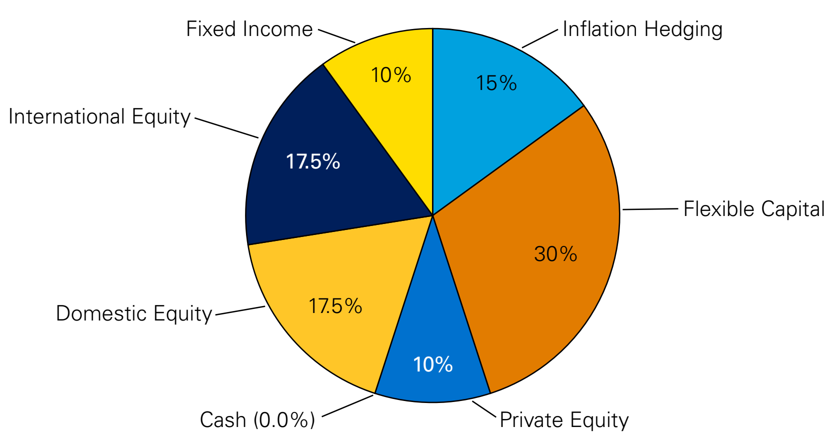
University philanthropic efforts will continue to pursue support for our students, programs, research and capital priorities. Marquette has embarked on a comprehensive fundraising campaign. See "Philanthropy" section for details.

Additional information on GAAP reporting of contributions revenue and contributions receivable is provided in Notes 2 and 7 of the consolidated financial statements, respectively.

Endowments

The endowment fund's investment objective is to preserve purchasing power, while providing a continuing and stable funding source to support the overall mission of Marquette University. To accomplish this objective, the fund seeks to generate a total return that will exceed its annual spendable amount, all expenses associated with managing the fund and eroding effects of inflation. The fund is managed on a total return basis.

To achieve this investment objective, the fund is allocated among several asset classes with a bias toward equity and equity-like investments. The fund is diversified both by and within asset classes. The purpose of diversification is to provide reasonable assurance that no single security, or class of securities, will have a disproportionate impact on the performance of the total fund. As a result, the risk level associated with the portfolio investment is reduced. The following chart displays the endowment targeted asset allocation:



For the first time in university history, endowment investments exceeded $600 million. Endowment performance is summarized in the table below:

ENDOWMENT PERFORMANCE SUMMARY

		FISCAL YEAR ENDING				
	5-YEAR ANNUALIZED	2017	2016	2015	2014	2013
Market Value (in millions)		$625.80	$550.10	$551.60	$531.70	$457.80
Endowment	8.10%	11.70%	–0.90%	3.70%	15.10%	11.50%
Policy Index	6.60%	10.60%	–1.60%	1.00%	14.80%	9.50%
S&P 500 Index	14.60%	17.90%	4.00%	7.40%	24.60%	20.60%
MSCI AC World ex USA (Net)	7.20%	20.50%	–10.20%	–5.30%	21.80%	13.60%
Barclays Capital Agg. Bond Index	2.20%	–0.30%	6.00%	1.90%	4.40%	–0.70%

Additional information on endowments and endowment income can be found in Note 5 of the consolidated financial statements.

Capital spending and debt

Marquette University installed a seasonal air-supported structure over a portion of its Valley Fields facility, enclosing the synthetic turf field adjacent to the stadium. The seasonal dome provides practice and training facilities for intercollegiate athletes, as well as club and intramural participants during colder months of the year.

In November 2016, the university broke ground on Wild Commons. See the "Operations and Administration" section for more details.

The university holds ratings of Aa2 with Moody's. In fiscal 2017, Marquette issued $81.9 million in WHEFA Series 2016A bonds. The proceeds were used to refinance existing debt as well as to fund the Wild Commons construction. The WHEFA Series 2016A bonds were issued at a premium of $15.1 million. The proceeds used to refund debt were placed in an irrevocable escrow account with a trustee to meet the principal and interest payments of the WHEFA Series 2007A&B bonds. The refunding meets the legal requirements for defeasance of the bond liability; therefore, neither the escrow nor the bonds are included in the consolidated balance sheets. The refunding resulted in a nonoperating loss on extinguishment of debt of $1.9 million, which represents the write-off of the unamortized bond issue costs and discount on bonds payable and the escrow funding requirements for principal and interest payments in excess of the face value of the Series 2007A&B refunded bonds.

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016 | With Independant Auditor's Report Thereon

KPMG LLP
Suite 1050
833 East Michigan Street
Milwaukee, WI 53202-5337

September 8, 2017

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Marquette University, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Marquette University as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Consolidated Statements of Financial Position

JUNE 30, 2017 AND 2016

(Dollars in thousands)

	2017	2016
ASSETS		
Cash and cash equivalents	$69,183	75,858
Collateral held under securities lending agreement	22,632	26,817
Unexpended bond proceeds	45,961	—
Contributions receivable, net	35,752	33,228
Accounts receivable, net	13,427	12,604
Prepaid expenses and deferred charges	5,616	4,900
Student loans receivable, net	41,076	40,464
Investments	669,012	582,668
Funds held in trust by others	13,426	14,826
Other assets	1,320	1,307
Net property, buildings, and equipment	536,565	524,790
TOTAL ASSETS	**$1,453,970**	**1,317,462**
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued liabilities	$51,986	34,810
Payables under securities lending agreement	22,632	26,832
Student credits and other advance payments	8,141	7,769
Deferred revenue and deposits	41,685	32,744
Payable to beneficiaries under split-interest agreements	2,502	2,948
Refundable federal loan grants	40,730	39,802
Postretirement benefits payable	4,474	4,396
Notes and bonds payable, net	240,834	194,201
TOTAL LIABILITIES	**412,984**	**343,502**
NET ASSETS:		
Unrestricted	234,405	225,487
Temporarily restricted	376,525	342,353
Permanently restricted	430,056	406,120
TOTAL NET ASSETS	**1,040,986**	**973,960**
TOTAL LIABILITIES AND NET ASSETS	**$1,453,970**	**1,317,462**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Activities

YEAR ENDED JUNE 30, 2017

(Dollars in thousands)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
OPERATING REVENUES:				
Student tuition and fees — gross	$383,039	—	—	383,039
Less tuition discounts	(139,242)	—	—	(139,242)
NET TUITION AND FEES	**243,797**	**—**	**—**	**243,797**
Government and private grants	28,162	—	—	28,162
Contributions	3,393	26,047	22,754	52,194
Auxiliary enterprises	50,292	—	—	50,292
Sales by educational departments	10,175	—	—	10,175
Investment income (loss)	921	928	(90)	1,759
Endowment income used in operations	5,714	19,447	309	25,470
Other income	22,549	—	—	22,549
TOTAL OPERATING REVENUES	**365,003**	**46,422**	**22,973**	**434,398**
Net assets released from restrictions	40,546	(40,546)	—	—
TOTAL OPERATING REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS	**405,549**	**5,876**	**22,973**	**434,398**
OPERATING EXPENSES:				
Instruction	119,136	—	—	119,136
Academic support	47,311	—	—	47,311
Research and grants	25,983	—	—	25,983
Libraries	17,685	—	—	17,685
Student services	58,495	—	—	58,495
Auxiliary enterprises	44,470	—	—	44,470
Institutional support	85,874	—	—	85,874
Public services	5,003	—	—	5,003
TOTAL OPERATING EXPENSES	**403,957**	**—**	**—**	**403,957**
OPERATING INCOME	**1,592**	**5,876**	**22,973**	**30,441**
NONOPERATING ACTIVITIES:				
Endowment gain in excess of amounts designated for current operations, net	11,172	30,397	430	41,999
Other, net	(3,846)	(2,101)	533	(5,414)
TOTAL NONOPERATING ACTIVITIES, NET	**7,326**	**28,296**	**963**	**36,585**
CHANGE IN NET ASSETS	**8,918**	**34,172**	**23,936**	**67,026**
Net assets, beginning of year	225,487	342,353	406,120	973,960
Net assets, end of year	$234,405	376,525	430,056	1,040,986

See accompanying notes to consolidated financial statements.

Consolidated Statement of Activities

YEAR ENDED JUNE 30, 2016

(Dollars in thousands)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
OPERATING REVENUES:				
Student tuition and fees — gross	$371,831	—	—	371,831
Less tuition discounts	(125,839)	—	—	(125,839)
NET TUITION AND FEES	**245,992**	**—**	**—**	**245,992**
Government and private grants	27,445	—	—	27,445
Contributions	5,597	13,656	21,203	40,456
Auxiliary enterprises	49,421	—	—	49,421
Sales by educational departments	10,190	—	—	10,190
Investment income	624	607	35	1,266
Endowment income used in operations	5,700	18,540	267	24,507
Other income	19,546	—	—	19,546
TOTAL OPERATING REVENUES	**364,515**	**32,803**	**21,505**	**418,823**
Net assets released from restrictions	35,543	(35,543)	—	—
TOTAL OPERATING REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS	**400,058**	**(2,740)**	**21,505**	**418,823**
OPERATING EXPENSES:				
Instruction	117,144	—	—	117,144
Academic support	43,864	—	—	43,864
Research and grants	25,213	—	—	25,213
Libraries	18,620	—	—	18,620
Student services	56,613	—	—	56,613
Auxiliary enterprises	45,543	—	—	45,543
Institutional support	76,226	—	—	76,226
Public services	4,859	—	—	4,859
TOTAL OPERATING EXPENSES	**388,082**	**—**	**—**	**388,082**
OPERATING INCOME	**11,976**	**(2,740)**	**21,505**	**30,741**
NONOPERATING ACTIVITIES:				
Endowment gain less than amounts designated for current operations, net	(14,095)	(14,923)	(67)	(29,085)
Other, net	(1,285)	(901)	108	(2,078)
TOTAL NONOPERATING ACTIVITIES, NET	**(15,380)**	**(15,824)**	**41**	**(31,163)**
CHANGE IN NET ASSETS	**(3,404)**	**(18,564)**	**21,546**	**(422)**
Net assets, beginning of year	228,891	360,917	384,574	974,382
Net assets, end of year	$225,487	342,353	406,120	973,960

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

YEARS ENDED JUNE 30, 2017 AND 2016

(Dollars in thousands)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$67,026	(422)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	37,222	37,868
Discount amortization	(859)	(487)
Net realized and unrealized (appreciation) depreciation on investments	(62,421)	9,877
Bad debt expense	2,746	2,275
Contributions for major capital projects including gifts in kind	(8,517)	(3,359)
Contributions restricted for long-term endowments	(22,754)	(14,828)
Permanently restricted endowment income used in operations	(309)	(267)
Gain on sale of property, buildings, and equipment	107	139
Changes in assets and liabilities:		
Accounts receivable	(1,281)	(1,119)
Contributions receivable	(1,142)	4,123
Funds held in trust by others	1,400	4,031
Other assets, net	(878)	4,911
Payables and other liabilities	12,693	(2,521)
Deferred revenue and deposits	78	(840)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**23,111**	**39,381**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, buildings, and equipment	(44,200)	(42,216)
Proceeds from sale of property, buildings, and equipment	34	44
Student loan repayments	7,256	7,677
Student loans issued	(7,873)	(7,891)
(Decrease) increase in payables under securities lending agreement	(4,200)	2,017
Decrease (increase) in cash collateral held under securities lending agreement	4,185	(2,002)
Purchase of investments	(600,254)	(334,099)
Proceeds from the sale of investments	530,370	333,791
NET CASH USED IN INVESTING ACTIVITIES	**(114,682)**	**(42,679)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions received for major capital projects	16,927	3,148
Contributions restricted for long-term endowments	19,089	20,814
Permanently restricted endowment income used in operations	309	267
Increase in refundable federal loan grants	928	(745)
Issuance of notes and bonds payable	96,989	—
Repayment of notes and bonds payable	(49,346)	(6,347)
NET CASH PROVIDED BY FINANCING ACTIVITIES	**84,896**	**17,137**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(6,675)**	**13,839**
Cash and cash equivalents, beginning of year	75,858	62,019
Cash and cash equivalents, end of year	$69,183	75,858

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

JUNE 30, 2017 AND 2016 | (DOLLARS IN THOUSANDS)

(1) ORGANIZATION

Marquette University (the University) is an independent, coeducational, not-for-profit institution of higher learning and research located in Milwaukee, Wisconsin, formally opened in 1881 and conducted under the auspices of the Society of Jesus. Through its eleven separate colleges and schools, the University offers bachelor's degree programs, master's degree programs, doctoral degree programs, and post-baccalaureate first professional degree programs.

The consolidated financial statements include Flora Real Properties LLC (Flora). Flora is fully controlled by the University through 100% ownership. Flora operates commercial real estate activities in the University campus area.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PRESENTATION

The consolidated financial statements of the University have been prepared, in all material respects, on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP).

Net assets of the University, and changes therein, are classified and reported as follows:

UNRESTRICTED NET ASSETS are not subject to donor-imposed restrictions. All revenues, gains, and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenses are reported in the unrestricted class of net assets since the use of restricted contributions in accordance with donors' stipulations results in the net assets being released from restriction.

TEMPORARILY RESTRICTED NET ASSETS are subject to donor-imposed restrictions that will be met either by actions of the University, the passage of time, or both. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions of property and equipment are recorded at fair value at the date of donation. In the absence of donor stipulations detailing how long the contributed assets must be used, the University has adopted a policy of implying a time restriction on contributions of such assets that expire over the assets' useful lives. As a result, all contributions of property and equipment, and assets contributed to acquire property and equipment, are recorded as temporarily restricted net assets.

PERMANENTLY RESTRICTED NET ASSETS are subject to donor-imposed restrictions to be maintained permanently by the University. Items that are included are gifts and contributions for which donors stipulate that the corpus be held in perpetuity and the income from those assets be made available for scholarships or program operations and annuity or life income gifts for which the ultimate purpose is permanently restricted.

(B) USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses during the reporting period as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(C) CASH AND CASH EQUIVALENTS

Cash on deposit for operations and all highly liquid financial instruments with original maturities of three months or less are classified as cash equivalents, except those amounts held by investment managers, which are classified as investments. The fair value of cash equivalents is estimated to be the same as book value due to the short maturity of these instruments.

(D) UNEXPENDED BOND PROCEEDS
Unexpended bond proceeds represent the amount of unspent revenue bond proceeds that remain available for their specified purpose and are reported at fair value based upon market quotes. These amounts are maintained in a trust and invested by the trustee primarily in short-term U.S. government securities. Under the terms of the trust, proceeds are not released to the University until expenditures related to the specific purpose of the bond indenture are incurred.

(E) PREPAID EXPENSES AND DEFERRED CHARGES
Prepaid expenses and deferred charges consist of prepaid insurance, maintenance and other costs associated with future periods.

(F) INVESTMENTS
Investments are reported at fair value based on market quotes with unrealized gains and losses thereon included in the consolidated statements of activities. When a ready market for the investments does not exist, the net asset value is used as a practical expedient in estimating fair value, based on information provided by fund managers or general partners. The estimated values are reviewed and evaluated by the University. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed.

(G) FUNDS HELD IN TRUST BY OTHERS
Funds held in trust by others represent amounts held by third-party trustees for the benefit of the University under trust agreements created by donors. Amounts held in trust are stated at fair value. These agreements stipulate the length of the trust and the intended purpose of the funds.

(H) STUDENT LOANS RECEIVABLE, NET
The University makes uncollateralized loans to students based on financial need. Student loans receivable consist of both federal and institutional loans.

At June 30, student loans consisted of the following:

(dollars in thousands)

	2017	2016
Federal government loan programs	$39,867	39,285
Institutional loan programs	1,296	1,281
SUBTOTAL	**41,163**	**40,566**
LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS:		
Beginning of year	(102)	(87)
Increases	(47)	(81)
Write-offs	62	66
END OF YEAR	**(87)**	**(102)**
STUDENT LOANS RECEIVABLE, NET	**$41,076**	**40,464**

The University participates in the Perkins, Health Professionals Student, Nursing Student, Nurse Faculty, ARRA-Nurse Faculty, and Loans for Disadvantaged Student federal revolving loan programs. The availability of funds for loans under the programs is dependent on reimbursements to the pool from repayments on outstanding loans. At June 30, 2017 and 2016, the U.S. government had provided 88% of the funds for the federal student loan programs, and the University provided the remaining 12%. The initial receipt of U.S. government funds is recorded as refundable federal loan grants on the consolidated statements of financial position. A portion of the student loan may be canceled if the student meets certain criteria. The University will either be reimbursed by the U.S. government for its portion of the canceled loan or will reduce the refundable federal loan liability.

At June 30, 2017 and 2016, the following amounts were past due under student loan programs:

(dollars in thousands)

JUNE 30	1–240 DAYS	241 DAYS TO 2 YEARS	OVER 2 YEARS	TOTAL
2017	$1,162	742	1,578	3,482
2016	1,334	834	1,560	3,728

The University records an allowance for uncollectible accounts for its portion of the student loans when, in management's judgment, it is probable a portion of the loan will not be collected. Allowances for doubtful accounts are established based on prior collections. Institutional loan balances are written off only when they are deemed to be permanently uncollectible.

(I) PROPERTY, BUILDINGS, AND EQUIPMENT
Property, buildings, and equipment are recorded at cost at date of acquisition or fair value at date of donation including, where appropriate, capitalized interest. Property and equipment under capital leases are initially valued and recorded on the present value of minimum lease payments. The University depreciates buildings, building improvements, land improvements, equipment, and library contents over the estimated useful lives of the assets (25 to 50, 10 to 20, 10 to 20, 5 to 7, and 20 years, respectively) using the straight-line method. Leasehold improvements are amortized over the shorter of the expected useful life of the asset or term of the related lease. Major renewals and improvements that extend the useful life of an asset are capitalized, while repairs and maintenance costs are expensed as incurred. Depreciation is not calculated on land, art collections, rare books and construction in progress. The University reviews each grouping of assets with separately identifiable cash flows for possible impairment whenever circumstances indicate that the carrying amount may not be recoverable. Measurement of an impairment loss for long-lived assets that the University expects to hold and use is based on the fair value of the asset. Properties that are expected to be disposed are reported at the lower of the carrying amount or estimated fair value less cost to sell. For properties intended for disposal, the useful life is adjusted to reflect the expected remaining period of service.

Property, buildings, and equipment include the following at June 30, 2017 and 2016:

(dollars in thousands)

	2017	2016
Land and improvements	$57,235	56,579
Buildings and improvements	677,369	666,141
Construction in progress	27,292	2,968
Furniture, fixtures, and equipment	138,278	133,009
Library contents	120,399	118,931
Intangible assets	8,864	4,843
Less accumulated depreciation	(492,872)	(457,681)
NET PROPERTY, BUILDINGS, AND EQUIPMENT	**$536,565**	**524,790**

Construction in progress includes the following as of June 30, 2017 and 2016:

(dollars in thousands)

	2017	2016
Freshman/Sophomore Housing	$19,471	—
Dental School Expansion	42	803
Other renovation and construction projects	7,779	2,165
TOTAL CONSTRUCTION IN PROGRESS	**$27,292**	**2,968**

(J) ASSET RETIREMENT OBLIGATIONS

The University records all known asset retirement obligations for which the liability's fair value can be reasonably estimated, primarily asbestos removal. The determination of the asset retirement obligation is based upon a number of assumptions that incorporate the University's knowledge of facilities, the asset lives, the estimated timeframes for periodic renovations, the current cost for remediation of asbestos, and the current technology at hand to accomplish the remediation work. These assumptions used to determine the asset retirement obligation may be imprecise or be subject to changes in the future. Any change in the assumptions can impact the value of the determined liability and impact future net activities of the University.

(K) STUDENT TUITION AND FEES

Student tuition and fees are recorded as revenues during the year the related academic services are rendered. Student deposits and advance payments for tuition related to the next semester have been deferred and will be reported as unrestricted revenue in the year in which the academic services are rendered.

Student tuition and fees are reported net of tuition discounts.

(L) AUXILIARY ENTERPRISES

Auxiliary enterprises include revenues and expenses of the University for room and board, parking services, commercial property rentals and gift shops.

(M) CONTRIBUTIONS

Contributions, including unconditional promises to give (pledges), are recorded as operating revenue. Gifts, excluding artwork, are recognized in the appropriate category of net assets in the period received. Temporarily restricted contributions and restricted investment income whose restrictions are met in the same reporting period are reported as temporarily restricted revenues and as net assets released from restrictions in the consolidated statements of activities. Contributions are recorded at their estimated fair value at the date the gift is received. Contributions receivable due beyond one year are stated at estimated net present value, net of an allowance, and recorded as temporarily restricted net assets until cash payments are received and donor restrictions are fulfilled. Allowances and revisions to previous year contributions based on donor amendments or clarifications of intent are reflected within the consolidated statements of activities as a nonoperating item. Contributions with donor-imposed conditions are not recognized unless it is reasonably expected that the conditions can be met.

(N) OPERATING INCOME

Operating results (change in unrestricted net assets from operating activity) in the consolidated statements of activities reflect all transactions that change unrestricted net assets, except for activity associated with endowment investments and certain other nonrecurring transactions, including loss on defeasance. In accordance with the University's endowment distribution policy as described in note 5, only the portion of total investment return distributed under this policy to meet operating needs is included in operating revenue. Operating investment income consists of dividends, interest, and realized gains and losses on unrestricted nonendowed investments.

The University's primary programs are instruction, research, and public service. Academic support, student services, and auxiliary enterprises are considered integral to the delivery of these programs. Fundraising costs are not material to the University's total program costs. Costs related to the operation and maintenance of physical plant, including depreciation of plant assets, are allocated to operating programs and supporting activities based upon periodic facility usage surveys. Interest expense on external debt is allocated to the activities that have most directly benefited from the debt proceeds.

(O) INCOME TAXES

The University is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and Section 71.26(1)(a) of the Wisconsin statutes and is generally not subject to federal and state income taxes. However, the University is subject to income taxes on any income that is derived from a trade or business regularly carried on and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the consolidated financial statements taken as a whole.

The University has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 740, Income Taxes, related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement of a tax position taken or expected to be taken in a tax return. The interpretation requires that the entity account for and disclose in the consolidated financial statements the impact of a tax position if that position will more likely than not be sustained upon examination based on the technical merits of the position. The University has evaluated the financial statement impact of tax positions taken or expected to be taken and determined it has no uncertain tax position that would require tax assets or liabilities to be recorded in accordance with accounting guidance at June 30, 2017 or 2016.

As of June 30, 2017, the university has a federal tax credit carryforward of $1,115 which expires between fiscal years 2034 and 2036.

(P) ART COLLECTION

The University has various collections of fine arts and rare books in museums, libraries, and on loan. The University does not assign or record a value to art works and other collections received as gifts or purchased with contributions restricted for that purpose. Valuations for some collections are updated periodically, and as such, the total value of all fine arts may vary with appraisals and/or auction prices. Accordingly, the value of fine art and other collections has been excluded from the statements of financial position. Proceeds, if any, from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. The art and other collections are subject to a requirement that proceeds from their sales be used to acquire other items for collections. Fine arts are included in insurance coverage for the University property and a separate policy is also secured for fine art of high value and where appraised values are listed. As of June 30, 2017, the specific policy covering highly valued works provides for insured coverage of $82,000 aggregate limit (subject to policy sublimits- including $3,000 for the Joan of Arc Chapel) for any one loss or any one occurrence and includes some appraised items from the library collections.

(Q) RECLASSIFICATION

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

(3) INVESTMENTS

Cost and estimated fair values of investments as of June 30, 2017 and 2016 were as follows:

(dollars in thousands)

	2017		2016	
	COST	FAIR VALUE	COST	FAIR VALUE
Money funds and other	$58,492	58,649	27,837	27,860
Federal, state, and local agencies securities	33,519	34,157	30,033	30,429
Nongovernment bonds and notes	16,052	17,291	15,431	15,961
Asset and mortgage-backed securities	1,972	1,974	2,384	2,411
Foreign bonds and notes	2,706	3,203	3,940	4,135
Common and preferred stocks	27,326	37,443	24,353	30,966
Mutual funds — bonds	3,068	3,843	3,101	3,127
Mutual funds — equity	77,572	88,442	88,926	91,982
Investments measured at net asset value	304,462	424,010	288,488	375,797
TOTAL INVESTMENTS	**$525,169**	**669,012**	**484,493**	**582,668**

The University's investments at fair value are categorized as of June 30, 2017 and 2016 as follows:

(dollars in thousands)

	2017	2016
Investments permanently restricted by donors	$382,514	361,991
Investments functioning as endowment	223,495	166,029
TOTAL INVESTMENTS SUBJECT TO ENDOWMENT SPENDING POLICY	**606,009**	**528,020**
Long-term cash management investments	32,388	24,614
Trust and other investments	30,615	30,034
TOTAL INVESTMENTS	**$669,012**	**582,668**

"Investments functioning as endowment" are investments not permanently restricted by donors, but are designated by the University for endowment purposes.

Investment returns as of June 30, 2017 and 2016 comprise the following:

(dollars in thousands)

	2017			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Interest and dividends	$2,054	4,782	(29)	6,807
Gain on investments, net	15,753	45,990	678	62,421
RETURN ON INVESTMENTS	**$17,807**	**50,772**	**649**	**69,228**
Return on investments are classified on the consolidated statement of activities as follows:				
Investment income (loss)	$921	928	(90)	1,759
Endowment income used in operations	5,714	19,447	309	25,470
Endowment gain in excess of amounts designated for current operations, net	11,172	30,397	430	41,999
RETURN ON INVESTMENTS	**$17,807**	**50,772**	**649**	**69,228**

Return on investments is net of investment fees of $2,086.

(dollars in thousands)

	2016			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Interest and dividends	$1,856	4,615	94	6,565
(Loss) gain on investments, net	(9,627)	(391)	141	(9,877)
RETURN ON INVESTMENTS	**$(7,771)**	**4,224**	**235**	**(3,312)**
Return on investments are classified on the consolidated statement of activities as follows:				
Investment income	$624	607	35	1,266
Endowment income used in operations	5,700	18,540	267	24,507
Endowment gain less than amounts designated for current operations, net	(14,095)	(14,923)	(67)	(29,085)
RETURN ON INVESTMENTS	**$(7,771)**	**4,224**	**235**	**(3,312)**

Return on investments is net of investment fees of $2,325.

The University participates in a securities lending arrangement with BMO Harris Bank Securities Lending (BMO) whereby certain marketable securities owned by the University and included in the pooled endowment are loaned to designated counterparties (borrowers) in exchange for acceptable collateral, which is typically cash or short maturity U.S. Treasury securities. The University may recall securities loaned on short notice. The borrower must post collateral that has a market value of at least 102% of the value of the securities loaned. The collateral is held in custody by BMO and pooled with collateral maintained for other participants in this program. BMO indemnifies the University against loss on the securities loaned as a result of the borrower's default. The University receives lending fees and continues to earn interest and dividends on the loaned securities.

As of June 30, 2017 and 2016, the University had loaned securities with a market value of $22,138 and $26,267, respectively, that were secured by collateral with a market value of approximately $22,632 and $26,832, respectively. The collateral received in connection with the security lending program and the obligation to return such collateral are reported as an asset and liability, respectively, in the consolidated financial statements.

(4) FAIR VALUE MEASUREMENTS

The fair value of the University's financial instruments is determined using the valuation methods and assumptions as set forth below. While the University believes that its valuation methods are appropriate and consistent with those of 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 at the reporting date.

Fair values of cash and cash equivalents are based on observable market quotation prices provided by investment managers and the custodian bank at the reporting date.

Funds held in collateral under the securities lending agreement are recorded at fair market value based on quoted market prices provided by the custodian bank. The custodian banks use a variety of pricing sources to determine market valuations. Observable market quoted prices and specific pricing services or indexes are used to value investments. The securities portfolio is highly liquid, generally allowing the portfolio to be priced through pricing services.

Unexpended bond proceeds are invested in various securities based on expected risk, returns and maturities that mirror the anticipated timing of construction project payment needs. Fair values of unexpended bond proceeds securities are based on prices provided by the trustee bank. Unexpended bond proceeds include cash equivalents and fixed income securities where their fair values are based on observable market quotation prices. The trustee bank uses a variety of pricing sources to determine market valuations of fixed maturity securities. The specific pricing services or indexes for each sector of the market are based upon the provider's expertise. The fixed maturity securities are highly liquid, allowing the portfolio to be priced through pricing services.

Investments include money funds, federal, state, local agency, nongovernment, asset and mortgage-backed and foreign fixed income securities, stocks, mutual funds, commingled funds, real estate, multistrategy hedge funds and private equity partnerships. Investments are based on valuations provided by external investment managers and the custodian banks. Valuations provided by external investment managers and the custodian bank include observable market quotation prices, observable inputs other than quoted prices such as price services or indexes, estimates, appraisals, assumptions and other methods that are reviewed by management. ASC Topic 820, *Fair Value Measurement*, allows the University to estimate the fair value of an investment using the net asset value per share of the investment as a practical expedient, if that net asset value per share is determined in accordance with ASC Topic 946, *Financial Services-Investment Companies.* Real estate, multi-strategy hedge funds, commingled funds and private equity partnerships are valued using net asset value; however, it is possible that the redemption rights of certain investments may be restricted by the funds in the future in accordance with the underlying fund agreements. Changes in market conditions and the economic environment may impact the net asset value of the funds and consequently the fair value of the University's interests in the funds.

Funds held in trust by others are based on quoted market prices provided by its investment managers and custodian bank. Both the investment managers and the custodian banks use a variety of pricing sources to determine market valuations. Each designate specific pricing services or indexes for each sector of the market based upon the provider's expertise. The securities portfolio is highly liquid, generally allowing the portfolio to be priced through pricing services.

Payables under the securities lending agreement are based on quoted market prices provided by the custodian bank. The custodian banks use a variety of pricing sources to determine market valuations. Observable market quoted prices and specific pricing services or indexes are used to value investments. The securities portfolio is highly liquid, generally allowing the portfolio to be priced through pricing services.

ASC Topic 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Observable inputs such as quoted prices in active markets that the University has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices in active markets such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs where there is little or no market data and requires the reporting entity to develop its own assumptions and includes funds held in trust by others.

The University's policy is to reflect transfers between levels at the end of the year in which a change in circumstances results in the transfer. The following table presents the University's financial instruments at fair value as of June 30, 2017. The categorization of financial instruments within the hierarchy is based on price transparency and does not necessarily correspond to the perceived risk of the instruments.

The following table presents the University's financial instruments at fair value as of June 30, 2017. The categorization of financial instruments within the hierarchy is based on price transparency and does not necessarily correspond to the perceived risk of the instruments.

(dollars in thousands)

	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
June 30, 2017:				
ASSETS				
Recurring:				
Cash and cash equivalents	$69,183	69,183	—	—
Collateral held under securities lending agreement	22,632	—	22,632	—
Investments:				
Money funds and other	58,649	—	58,649	—
Federal, state, and local agency securities	34,157	—	34,157	—
Nongovernment bonds and notes	17,291	—	17,291	—
Asset and mortgage-backed securities	1,974	—	1,974	—
Foreign bonds and notes	3,203	—	3,203	—
Common and preferred stocks	37,443	37,443	—	—
Mutual funds — bonds	3,843	3,843	—	—
Mutual funds — equity	88,442	88,442	—	—
Investments measured at net asset value	424,010	—	—	—
TOTAL INVESTMENTS	**669,012**	**129,728**	**115,274**	**—**
Funds held in trust by others	13,426	—	—	13,426
TOTAL ASSETS MEASURED AT FAIR VALUE ON RECURRING BASIS	**$774,253**	**198,911**	**137,906**	**13,426**
June 30, 2017:				
LIABILITIES				
Recurring:				
Payables under securities lending agreement	$22,632	—	22,632	—
TOTAL LIABILITIES MEASURED AT FAIR VALUE ON RECURRING BASIS	**$22,632**	**—**	**22,632**	**—**

The following table represents additional information for all Level 3 assets measured at fair value on a recurring basis for the fiscal year ended June 30, 2017:

	JUNE 30, 2017 FUNDS HELD IN TRUST BY OTHERS
Financial assets:	
Beginning balance	$14,826
Irrevocable trusts that matured	198
Unrealized losses, net	(1,598)
ENDING BALANCE	**$13,426**

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2017 are as follows:

(dollars in thousands)

FISCAL YEAR ENDED JUNE 30, 2017	NET ASSETS VALUE	UNFUNDED COMMITMENTS	REDEMPTION FREQUENCY	REDEMPTION NOTICE PERIOD
Commingled funds	$88,214	—	Daily, Monthly	1–10 days
Multi-strategy hedge funds	234,655	—	Quarterly, Annually, 2 years, 5 years	30–180 days
Private equity partnerships	76,071	29,728	Illiquid	
Real estate limited partnership and membership interests	9,573	—	Quarterly	90 days
	15,497	22,798	Illiquid	
	$424,010	**52,526**		

The following table presents the University's financial instruments at fair value as of June 30, 2016. The categorization of financial instruments within the hierarchy is based on price transparency and does not necessarily correspond to the perceived risk of the instruments.

(dollars in thousands)

	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
June 30, 2016:				
ASSETS				
Recurring:				
Cash and cash equivalents	$75,858	75,858	—	—
Collateral held under securities lending agreement	26,817	—	26,817	—
Investments:				
Money funds and other	27,860	—	27,860	—
Federal, state, and local agency securities	30,429	—	30,429	—
Nongovernment bonds and notes	15,961	—	15,961	—
Asset and mortgage-backed securities	2,411	—	2,411	—
Foreign bonds and notes	4,135	—	4,135	—
Common and preferred stocks	30,966	30,966	—	—
Mutual funds — bonds	3,127	3,127	—	—
Mutual funds — equity	91,982	91,982	—	—
Investments measured at net asset value	375,797	—	—	—
TOTAL INVESTMENTS	**582,668**	**126,075**	**80,796**	**–**
Funds held in trust by others	14,826	—	—	14,826
TOTAL ASSETS MEASURED AT FAIR VALUE ON RECURRING BASIS	**$700,169**	**201,933**	**107,613**	**14,826**
June 30, 2016:				
LIABILITIES				
Recurring:				
Payables under securities lending agreement	$26,832	—	26,832	—
TOTAL LIABILITIES MEASURED AT FAIR VALUE ON RECURRING BASIS	**$26,832**	**—**	**26,832**	**—**

The following table represents additional information for all Level 3 assets measured at fair value on a recurring basis for the fiscal year ended June 30, 2016:

(dollars in thousands)

	JUNE 30, 2016 FUNDS HELD IN TRUST BY OTHERS
Financial assets:	
Beginning balance	$18,857
Irrevocable trusts that matured	(3,405)
Unrealized losses, net	(626)
ENDING BALANCE	**$14,826**

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2016 are as follows:

(dollars in thousands)

FISCAL YEAR ENDED JUNE 30, 2016	NET ASSETS VALUE	UNFUNDED COMMITMENTS	REDEMPTION FREQUENCY	REDEMPTION NOTICE PERIOD
Commingled funds	$61,386	—	Daily, Monthly	1–10 days
Multi-strategy hedge funds	224,138	—	Quarterly, Annually, 2 years, 5 years	30–180 days
Private equity partnerships	63,783	34,208	Illiquid	
Real estate limited partnership and membership interests	9,024	—	Quarterly	90 days
	17,466	20,760	Illiquid	
	$375,797	**54,968**		

(5) ENDOWMENTS AND ENDOWMENT INCOME

(A) INTERPRETATION OF RELEVANT LAW GOVERNING ENDOWMENTS

The State of Wisconsin enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) on July 20, 2009. This law provides, among other things, expanded spending flexibility by allowing, subject to a standard of prudence, the University to spend from an endowment fund without regard to the book value of the corpus. The Board of Trustees (the Board) of the University has interpreted UPMIFA as allowing the University to appropriate for expenditure or accumulate so much of an endowment fund as the University determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift investment. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted or temporarily restricted in accordance with UPMIFA and donor stipulations. Absent donor stipulations, the Board may appropriate for expenditure, for the uses and purposes of the endowment fund, the net appreciation, realized and unrealized, in the fair value of the assets of the endowment established by UPMIFA.

From time to time, the value of assets associated with a permanently restricted fund may fall below the historical cost. Deficiencies of this nature are reported in the unrestricted net assets and totaled $1,023 and $4,799 as of June 30, 2017 and 2016, respectively. These deficiencies resulted from unfavorable market conditions that occurred after the investment of permanently restricted contributions and from appropriations to certain programs. Subsequent gains that restore the market value of such funds to the historical cost will be classified as unrestricted net assets.

UPMIFA also impacts the adoption of FASB guidance, which provides direction on the net asset classification of donor-restricted endowment funds for not-for-profit organizations. The portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those funds are appropriated for expenditure. The amounts appropriated for expenditure are based on the University's endowment spending policy. The spending is approved by the Board through the University's annual budget approval process.

(B) ENDOWMENT SPENDING POLICY

The primary objective of the spending policy is to provide a steady cash flow stream while at the same time protecting the purchasing power of the endowment fund's principal. Adopting the target rate approach provides the University with a level-spending plan. Spending allotments will begin with the flat amount allocated to each individual endowment fund balance as of June 30, 2004 that may grow each year by an inflationary amount not to exceed 3%. Spending allotments will be increased by new gift additions to the individual endowment funds receiving spending authority equal to 5% of the new gift amount.

The cash required for spending, as determined above, may be drawn from both ordinary income earned (i.e., dividends and interest) and capital appreciation, both realized and unrealized of both current and prior years. Compliant with UPMIFA, the University will be allowed to prudently withdraw spendable funds even if an endowment's market value is less than its historical book value. Any "return" that is not required to meet spending shall be retained in the endowment funds and invested in accordance with the investment policy statement.

A risk control mechanism will be employed that keeps spending within a range of 4 — 6% of market value in order for the asset allocation policy to work with a minimum target rate of return of 8% (5% average spending and 3% inflation).

(C) ENDOWMENT INVESTMENT POLICY

The endowment fund's investment objective is to preserve its purchasing power while providing a continuing and stable funding source to support the overall mission of the University. To accomplish this objective, the endowment fund seeks to generate a total return that will exceed its annual spendable amount, all expenses associated with managing the endowment fund, and the eroding effects of inflation. It is the intention that any excess return (interest income, dividends, realized gains, and unrealized gains), above and beyond the amount approved for expenditure or distribution, will be reinvested in the endowment fund. The endowment fund will be managed on a total return basis, consistent with the applicable standard of conduct set forth in UPMIFA.

The endowment fund has a long-term investment horizon with relatively low liquidity needs. For this reason, the endowment fund can tolerate short- and intermediate-term volatility provided that long-term returns meet or exceed its investment objective. Consequently, the endowment fund may take advantage of less liquid investments, such as private equity, hedge funds, and other partnership vehicles, which typically offer higher risk-adjusted return potential as compensation for forfeiture of liquidity. To ensure adequate liquidity for distributions and to facilitate rebalancing, the University will conduct ongoing reviews of total fund liquidity.

To achieve its investment objective, the endowment fund will allocate among several asset classes with a bias toward equity and equity-like investments. An equity bias is desirable as it provides a viable long-term hedge against inflation and has historically outperformed fixed income over longer periods of time. Other asset classes may be added in an attempt to enhance returns, reduce volatility through diversification, and/or offer a broader investment opportunity set. Benchmarks are used for assessing the risk and return characteristics of the fund over longer periods, generally three to five years.

The following represents the endowment net assets composition by type of fund as of June 30, 2017:

(dollars in thousands)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Donor-restricted endowment funds	$(1,023)	99,543	430,056	528,576
Quasi-/board-designated endowment funds	118,651	—	—	118,651
TOTAL FUNDS	**$117,628**	**99,543**	**430,056**	**647,227**

The following represents the changes in endowment net assets for the year ended June 30, 2017:

(dollars in thousands)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment net assets, beginning of year	$106,086	70,282	406,120	582,488
Investment return:				
Investment income	—	—	(90)	(90)
Endowment income used for spending policy	5,714	19,447	309	25,470
Net realized and unrealized gains	11,794	29,261	963	42,018
TOTAL INVESTMENT RETURN	**17,508**	**48,708**	**1,182**	**67,398**
Appropriation of endowment assets for expenditure	(5,714)	(19,447)	—	(25,161)
Contributions	(252)	—	22,754	22,502
ENDOWMENT NET ASSETS, END OF YEAR	**$117,628**	**99,543**	**430,056**	**647,227**

The following represents the endowment net assets composition by type of fund as of June 30, 2016:

(dollars in thousands)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Donor-restricted endowment funds	$(4,799)	70,282	406,120	471,603
Quasi-/board-designated endowment funds	110,885	—	—	110,885
TOTAL FUNDS	**$106,086**	**70,282**	**406,120**	**582,488**

The following represents the changes in endowment net assets for the year ended June 30, 2016:

(dollars in thousands)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment net assets, beginning of year	$111,886	84,490	384,574	580,950
Investment return:				
Investment income	—	—	35	35
Endowment income used for spending policy	5,700	18,540	267	24,507
Net realized and unrealized gains (losses)	(13,524)	(14,208)	41	(27,691)
TOTAL INVESTMENT RETURN (LOSS)	**(7,824)**	**4,332**	**343**	**(3,149)**
Appropriation of endowment assets for expenditure	(5,700)	(18,540)	—	(24,240)
Contributions	7,724	—	21,203	28,927
ENDOWMENT NET ASSETS, END OF YEAR	**$106,086**	**70,282**	**406,120**	**582,488**

(6) IRREVOCABLE SPLIT-INTEREST AGREEMENTS

The University's split-interest agreements with donors consist of charitable gift annuities, pooled income funds, and charitable remainder trusts for which the University may or may not serve as trustee. Assets are invested and payments are made to beneficiaries in accordance with the respective agreements.

For those agreements where the University is the trustee, contribution revenue is recognized at the date the agreement is established, net of the liability that is recorded for the present value of the estimated future payments to be made to the beneficiaries. The present value of payments to beneficiaries is calculated using discount rates that range from 2.4% to 5.5%. Gains or losses resulting from changes in actuarial assumptions are recorded as changes in the respective net asset class in the consolidated statements of activities as incurred. Investments and other assets maintained in trusteeship by the University totaled $5,942 and $6,258 at June 30, 2017 and 2016, respectively.

The University is the beneficiary of seven trusts that, in accordance with the decedent's instructions, are managed and maintained by separate trustees not affiliated with the University. The University receives distributions from the trusts. The fair value of the trusts was $25,951 and $23,240 at June 30, 2017 and 2016, respectively.

For those agreements where the University does not serve as trustee, but is designated as an irrevocable beneficiary of the trust, temporarily or permanently restricted funds held in trust and revenue are recognized for the present value of the estimated future benefits due to the University over the life of the trust and when the trust is distributed. The present value calculation of the trust considers both the contribution revenue discount rate and, if applicable, the estimated life expectancy of the trust originator.

Irrevocable trusts for which the University is not the trustee totaled $13,426 and $14,826 at June 30, 2017 and 2016, respectively.

(7) CONTRIBUTIONS RECEIVABLE

Contributions receivable expected to be collected within one year are recorded at net realizable value. Contributions receivable expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using an appropriate risk-free rate of return ranging from 0.65% to 2.20% on the date the promise to give is received. Amortization of the discount is included in contribution revenues.

As of June 30, 2017 and 2016, the contributions receivable are due as follows:

(dollars in thousands)

	2017	2016
Less than one year	$9,231	10,219
Two to five years	25,939	19,020
Over five years	7,997	11,222
	43,167	40,461
Less unamortized discount	(5,127)	(5,554)
Allowance for uncollectible accounts	(2,288)	(1,679)
TOTAL CONTRIBUTIONS RECEIVABLE, NET	**$35,752**	**33,228**

The University has received certain conditional promises to give that are in the form of revocable trusts and bequests, which are not included in the consolidated financial statements. As of June 30, 2017 and 2016, the fair value of these conditional promises is approximately $106,124 and $69,168, respectively.

(8) NOTES AND BONDS PAYABLE

As of June 30, 2017 and 2016, notes and bonds payable net of unamortized deferred financing costs and premium or discount consisted of the following:

(dollars in thousands)

	2017	2016
Revenue Bonds, Series 2007A, payable with fixed interest rates ranging from 4.00% to 5.00%, maturing through 2018	$1,800	16,150
Revenue Bonds, Series 2007B, payable with fixed interest rates ranging from 4.50% to 5.00%, maturing through 2017	—	27,232
Revenue Bonds, Series 2008B1, payable with fixed interest rates ranging from 2.00% to 5.00%, maturing through 2030	16,474	17,485
Revenue Bonds, Series 2008B2, payable with fixed interest rates ranging from 2.25% to 5.00%, maturing through 2030	10,175	10,767
Revenue Bonds, Series 2008B3, payable with fixed interest rates ranging from 2.00% to 5.00%, maturing through 2030	18,348	19,399
Revenue Bonds, Series 2011A, payable with fixed interest rates ranging from 2.00% to 5.00%, maturing through 2020	10,927	13,409
Revenue Bonds, Series 2012, payable with fixed interest rates ranging from 2.00% to 5.00%, maturing through 2032	86,548	88,897
Revenue Bonds, Series 2016, payable with fixed interest rates ranging from 4.00% to 5.00%, maturing through 2047	95,880	—
Other long-term payables with variable interest rate, maturing through 2019	682	862
TOTAL NOTES AND BONDS PAYABLE	**$240,834**	**194,201**

Notes are issued under the Master Indenture and are equally and ratably secured by any lien created under the Master Indenture.

The notes and bonds payable are subject to various covenants. Management confirms the University is in compliance with all covenants as of and for the years ended June 30, 2017 and 2016.

Maturities of notes and bonds payable based on scheduled repayments at June 30, 2017 are as follows:

(dollars in thousands)

2018	$10,296
2019	10,518
2020	9,794
2021	10,154
2022	10,542
Thereafter	189,530
TOTAL NOTES AND BONDS PAYABLE	**$240,834**

As of June 30, 2017, the University has two secured letters of credit with banks under which it may borrow up to $3,101. There were no borrowings outstanding under these letters of credit as of June 30, 2017 and 2016.

Cash utilized for the payment of interest on notes and bonds payable was $9,498 and $9,091 during fiscal years 2017 and 2016, respectively.

(9) RETIREMENT PLAN

All eligible full-time personnel may elect to participate in a defined contribution individual annuity plan. Under the provisions of the plan, participants are required to contribute 5% of their annual wages to the plan. The University has neither administrative responsibilities nor any financial liabilities under this plan except to make contributions, currently limited to 8% of the annual wages of participants, up to defined limits. In addition, voluntary contributions by participants may be made subject to Internal Revenue Service limitations. Payments for contributions to this plan totaled $10,599 and $10,305 in fiscal years 2017 and 2016, respectively.

(10) SELF-FUNDED HEALTH AND DENTAL BENEFIT PLANS

The University has self-funded benefit plans covering all active and certain retired employees' health and dental costs. Under the plans, the University's losses are limited, through the use of excess loss insurance, to $300 per claim. Claims paid under the plans for fiscal years 2017 and 2016 totaled $25,153 and $23,901, respectively. The University has also contracted with a third party administrator to provide administrative services for the plans. Accrued liabilities include an estimate of the University's liability for claims incurred but not paid through June 30, 2017 and 2016.

(11) POSTRETIREMENT BENEFITS

The University provides retired employees access to certain healthcare and life insurance benefits. All University employees become eligible to access these benefits when their years of service plus age equal 70. Qualified retired employees under the age of 65 are eligible to participate in the University's healthcare plan. Retirees are expected to pay the full cost of their premiums, based on the claims experience associated with that defined group of retired employees. The University also pays group life insurance premiums for active or future retired employees hired prior to February 1, 1982 that provide for limited death benefits. The premiums paid are based on the group community rate associated with death claims filed for the entire population of employees and retirees participating in the program.

Summary information regarding the accounting for both plans for the years ended June 30, 2017 and 2016 is presented in the following:

(dollars in thousands)

	2017	2016
Change in benefit obligation:		
Benefit obligation, beginning of year	$4,396	3,992
Service cost	—	—
Interest cost	161	175
Actuarial (gain) loss	(18)	333
Benefits paid	(65)	(104)
BENEFIT OBLIGATION, END OF YEAR	**$4,474**	**4,396**
Change in plan assets:		
Fair value of plan assets, beginning of year	$—	—
Employer contributions	65	104
Actual benefits paid	(65)	(104)
FAIR VALUE OF PLAN ASSETS, END OF YEAR	**$—**	**—**
Change in postretirement benefits:		
Change in postretirement benefits other than net periodic benefit cost	$—	—
Prior service credits	—	—
Net loss	(142)	(124)
CHANGE IN POSTRETIREMENT BENEFITS	**$(142)**	**(124)**

	2017	2016
Measurement date	June 30	June 30
Weighted average assumptions for liability:		
Discount rate	3.75 %	3.75 %
Salary increase	3.50	3.50
Components of net periodic benefit cost:		
Service cost	$—	—
Interest cost	161	175
Amortization of:		
Unrecognized prior service cost	—	—
Unrecognized actuarial gain	—	(29)
NET PERIODIC COST	**$161**	**146**

The projected postretirement benefit payments for the fiscal years subsequent to June 30, 2017 are as follows:

(dollars in thousands)

2018	$259
2019	260
2020	262
2021	264
2022	266
2023–2027	1,342

(12) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of June 30, 2017 and 2016:

(dollars in thousands)

	2017	2016
Physical assets	$178,871	177,988
Academic support, instruction and student services	123,987	108,067
Contributions receivable, net	10,122	9,866
Scholarships	58,267	41,527
Life income and annuity funds	5,278	4,905
TOTAL TEMPORARILY RESTRICTED NET ASSETS	**$376,525**	**342,353**

(13) PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following as of June 30, 2017 and 2016, the income from which is expendable to support:

(dollars in thousands)

	2017	2016
Scholarships	$235,606	220,409
Academic support, instruction and student services	156,210	149,365
Contributions receivable, net	26,635	23,097
Life income and annuity funds	11,605	13,249
TOTAL PERMANENTLY RESTRICTED NET ASSETS	**$430,056**	**406,120**

(14) RELATED PARTIES

Members of the University's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the University. A conflict of interest is considered to exist when material financial interests or affiliations are in conflict with one's duty to the University. Members of the Board of Trustees and senior management are required to disclose financial interests and affiliations that may conflict with their duty to the University and to refrain from making decisions on behalf of the University when the employee's obligations to the University are in conflict with the employee's material financial interests. The University's transactions with related parties are considered to be in the normal course of business.

(15) COMMITMENTS AND CONTINGENCIES

The University is involved in various litigation arising in the normal course of operations. On the basis of information presently available and the advice of legal counsel, management is of the opinion that any liability, to the extent not provided for through reserves or otherwise, for pending litigation is not expected to be material in relation to the University's financial position or activities.

As of June 30, 2017, the University has outstanding commitments for the following construction projects:

(dollars in thousands)

Wild Commons	$79,498
Les Aspin Center	1,498
TOTAL CONSTRUCTION COMMITMENTS	**$80,996**

(16) TUITION DISCOUNTS

Tuition discounts, as reported in the consolidated statements of activities as a reduction of student tuition and fees, were funded in fiscal years 2017 and 2016 from the following revenue sources:

(dollars in thousands)

	2017	2016
Institutional revenue sources	$115,666	105,161
Gifts, grants, and endowment earnings	23,576	20,678
TOTAL TUITION DISCOUNT	**$139,242**	**125,839**

(17) NATURAL EXPENSES

The University's classification of unrestricted expenses in the consolidated statements of activities is classified by natural expenses as of June 30, 2017 and 2016 as follows:

(dollars in thousands)

	2017	2016
Salaries and fringe benefits	$253,955	240,397
Supplies	18,162	18,131
Telephone	632	766
Professional fees	11,044	12,509
Administrative expenses	12,503	12,988
Meal plans and promotional items	12,813	13,198
Repairs and maintenance	17,140	14,827
Travel	13,710	12,874
Advertising and public relations	2,488	1,735
Utilities	10,430	10,180
Insurance (property, liability, etc.)	4,337	3,392
Interest	7,789	7,572
Depreciation	37,222	37,868
Miscellaneous expense	1,732	1,645
TOTAL OPERATING EXPENSES	**$403,957**	**388,082**

(18) RESEARCH AND GRANT COSTS

The University receives grant and contract revenue from various government agencies and private sources for the support of research, training, and other sponsored programs. Revenues associated with the direct costs of these programs are recognized as the related costs are incurred. Indirect cost reimbursements from federal agencies are based on negotiated predetermined rates. Research and grant costs reported for fiscal years 2017 and 2016 comprise of the following:

(dollars in thousands)

	2017	2016
Sponsored research	$15,641	15,380
Teaching and training	6,454	5,616
Development and others	3,888	4,217
TOTAL RESEARCH AND GRANTS	**$25,983**	**25,213**

(19) SUBSEQUENT EVENTS

The University evaluated events after the consolidated statement of financial position date of June 30, 2017 through September 8, 2017, which was the date the consolidated financial statements were issued, noting no subsequent events requiring recording or disclosure in the consolidated financial statements or related notes to the consolidated financial statements.

BOARD OF TRUSTEES

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