

# CACUBO

**COLLEGE AND UNIVERSITY BUSINESS OFFICE  
PROCEDURES AND PROCESSES  
AN INTRODUCTORY OVERVIEW**

**SESSION ONE – GENERAL ACCOUNTING AND  
FINANCIAL REPORTING**

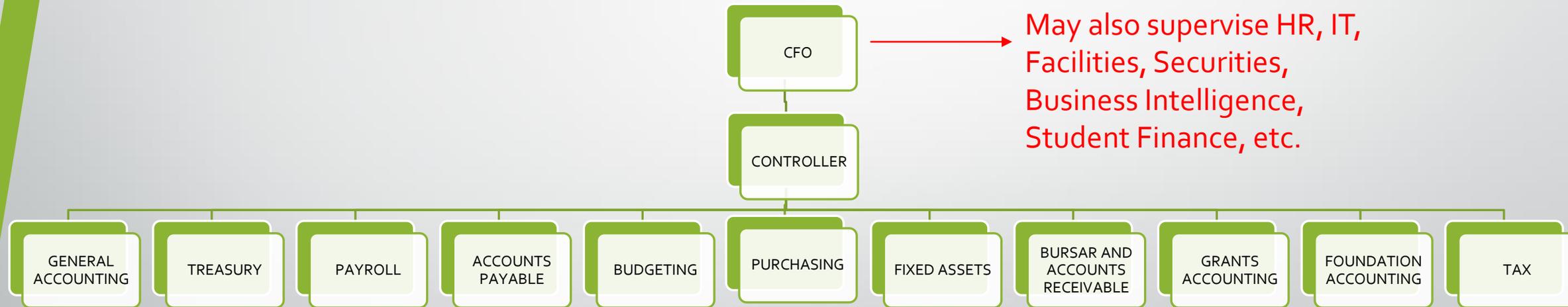
# INTRODUCTION TO SPEAKERS

Marty Mickey, CFO & Treasurer, National  
Louis University

Nancy Combs, Associate Vice President  
for Finance and Assistant Treasurer,  
Grinnell College



## ***TYPICAL COLLEGE/UNIVERSITY BUSINESS OFFICE COMPOSITION***



# GENERAL ACCOUNTING

- Manage chart of accounts
- Manage general ledger and everything that feeds into the ledger:
  - Manage feeds from other ERP systems
  - Manage feeds from transactional systems such as Point of Sales in Auxiliary operations
- Journal entries and accruals (Cash vs. Accruals)
- Monthly closes and reporting
- Manage audits
- Financial Reporting - NACUBO FARM

# FUND ACCOUNTING

## Fund accounting

- Self-balancing set of accounts
- Separate accounts maintained on the general ledger for each fund group
- Accounts for the diversity of resources and uses of funds
- Tracks the flow of resources

## Net asset classifications

- Net assets without restrictions (Unrestricted)
- Net assets with restrictions
  - Temporary in nature – purpose and/or time (Temporarily Restricted)
  - Permanent in nature (Permanently Restricted)

# WITH/WITHOUT RESTRICTIONS

## ***Net Assets***

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for board-designated endowment.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated purpose for which the resource was restricted has been fulfilled or both.

# WITH/WITHOUT RESTRICTIONS



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## ***Net Assets With Donor Restrictions***

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for educational purposes	\$ 1,416,270	\$ 1,855,975
Subject to the passage of time	77,521	78,963
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Scholarships	1,131,519	762,437
Other	1,837,157	1,464,343
Underwater endowments	(4,099)	(81,794)
	<u>2,964,577</u>	<u>2,144,986</u>
Subject to endowment spending policy and appropriation		
Scholarships	7,132,615	6,915,255
Other	6,383,030	6,116,699
	<u>13,515,645</u>	<u>13,031,954</u>
Total endowments	<u>16,480,222</u>	<u>15,176,940</u>
Total net assets with donor restrictions	<u>\$ 17,974,013</u>	<u>\$ 17,111,878</u>

## ***Net Assets Released From Restrictions***

The following net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors:

	<u>2023</u>	<u>2022</u>
Educational purposes	<u>\$ 1,181,665</u>	<u>\$ 910,189</u>

# FUND GROUPS

## Current

### Unrestricted and restricted

- Instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant, scholarships, debt service, loan fund matching grants
- Auxiliary enterprises

## Loan

### Loan

- Federal Perkins Loan Program
- Institutional loan programs

## Endowment

### Endowment

- Board designated
- Donor restricted



# FUND GROUPS – CONT.

## Plant

### **Plant**

- Unexpended
- Retirement of indebtedness
- Renewal and replacement
- Investment in plan

## Agency

### **Agency (FASB) or Fiduciary Activities (GASB)**

- Student organizations
- Individual students
- Faculty members
- Certain government grants (Pell)

# TYPICAL CHART OF ACCOUNTS



XXXX - XXXXX - XXXXX - XX - XX - XX  
Fund                      Org.                      Account                      Program                      Activity                      Location  
(FOAPAL)

Example: 1001-010741-400006-60-AL-CH

Where: 1001 = Unrestricted  
010741 = Finance  
400006 = Staff Salary  
60 = General Administrative  
AL = Administrative Labor  
CH = Chicago Campus



**Terminology Differences Exist Between Institutions**

# PROGRAM AND FUNCTION LISTING



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10 = Instruction

20 = Research

30 = Public Services

40 = Academic Support

50 = Student Services

60 = Institutional

61 = Development

70 = Physical Plant

71 = Depreciation

80 = Student Financial Support

90 = Auxiliary Services

# STATEMENT OF NET ASSETS



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	2023	2022
<b>Assets</b>		
Cash and cash equivalents	XXXX	XXXX
Student accounts receivable, net	XXXX	XXXX
Pledges receivable, net	XXXX	XXXX
Grants and federal awards receivable	XXXX	XXXX
Inventories, prepayments, and other	XXXX	XXXX
Investments	XXXX	XXXX
Perkins loans receivable, net	XXXX	XXXX
Right of use asset - Operating leases	XXXX	XXXX
Right of use asset - Finance leases	XXXX	XXXX
Land, buildings, and equipment, net of accumulated depreciation	XXXX	XXXX
Total assets	\$ -	\$ -
<b>Liabilities</b>		
Deferred revenue	XXXX	XXXX
Accounts payable and accrued expenses	XXXX	XXXX
Grants and fees collected in advance	XXXX	XXXX
Advance from federal government, Perkins Loan Program	XXXX	XXXX
Deferred leases payable	XXXX	XXXX
Lease liability - operating leases	XXXX	XXXX
Lease liability - finance leases	XXXX	XXXX
Bonds	XXXX	XXXX
Total liabilities	-	-
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	XXXX	XXXX
Designated by the Board for endowment	XXXX	XXXX
Invested in property and equipment, net of related debt	XXXX	XXXX
	-	-
With donor restrictions		
Perpetual in nature	XXXX	XXXX
Purpose restriction	XXXX	XXXX
Time restricted for future periods	XXXX	XXXX
Underwater endowments	XXXX	XXXX
	-	-
Total net assets	-	-
Total liabilities and net assets	\$ -	\$ -

- Classified
- Current vs. Non-Current
- Discussion of each line item
- GASB has a Statement of Net Position

# STATEMENT OF CHANGES IN NET ASSETS – Example I



	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Gains, and Other Support</b>			
Tuition and fees, net	\$ -	\$ -	-
Gifts	-	-	-
Grants and contracts	-	-	-
Sales and services of educational activities	-	-	-
Investment return designated for operations	-	-	-
Sales and services of auxiliary enterprises	-	-	-
Miscellaneous income	-	-	-
Net assets released from restrictions	-	-	-
<b>Total revenue, gains, and other support</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses</b>			
Salaries and wages	-	-	-
Fringe benefits	-	-	-
<b>Total compensation</b>	<b>-</b>	<b>-</b>	<b>-</b>
Occupancy	-	-	-
Utilities	-	-	-
Supplies and services	-	-	-
Student relief expenditures	-	-	-
Interest	-	-	-
Depreciation	-	-	-
<b>Total expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Assets Before Other Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Activities</b>			
Nonoperating investment gain (loss)	-	-	-
Gain on interest rate swap valuation	-	-	-
<b>Change in Net Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets, Beginning of Year</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets, End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

## Operating Activities:

- Normal operating transactions
- Investment returns equal to the institution's spending policy
- Restricted contributions used in the year received
- Net assets released from restrictions

## Non-Operating/Other Activities:

- Investment returns above or below institution's spending policy
- Changes in interest rate swaps or derivative transactions
- Unusual or infrequent items

# STATEMENT OF CHANGES IN NET ASSETS-Example II



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	Without Donor Restriction	With Donor Restriction	Total
<b>OPERATING ACTIVITIES</b>			
Revenue, Gains, and Other Support:			
Tuition and Fees, Net of Discount of \$xxx			\$ -
Government Grants and Contracts			-
Private Gifts and Grants			-
Net Investment Return			-
Auxiliary Income			-
Other			-
Net Operating Revenues	-	-	-
Endowment Spending Distribution			-
Net Assets Released from Restrictions			-
Net Resources Funding Operations	-	-	-
Expenses and Losses:			
Instruction		-	-
Academic Support		-	-
Student Services		-	-
Institutional Support		-	-
Auxiliary Enterprises		-	-
Total Operating Expenses	-	-	-
Change in Net Assets from Operating Activities	-	-	-
<b>NONOPERATING ACTIVITIES</b>			
Private Gifts and Grants			-
Net Investment Return			-
Endowment Spending Distribution			-
Net Assets Released from Restrictions			-
Change in Value of Split Interest Agreements			-
Loss on Disposal of Property and Equipment			-
Other			-
Postretirement Benefit Plan Related Changes, Other than Net Periodic Postretirement Benefit Cost			-
Change in Net Assets from Nonoperating Activities	-	-	-
<b>TOTAL CHANGE IN NET ASSETS</b>	-	-	-
Net Assets - Beginning of Year			-
<b>NET ASSETS - END OF YEAR</b>	\$ -	\$ -	\$ -

Expenses are shown functionally-natural classification is in the footnotes

Endowment distribution shown as revenue in operating and expense in non-operating

# STATEMENT OF FUNCTIONAL EXPENSES



	Program Services					Total Program Services	Institutional Support	Fundraising	Total Expenses
	Instruction	Sponsored Programs	Academic Support	Student Services	Auxiliary Enterprises				
Salaries and wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fringe benefits	-	-	-	-	-	-	-	-	-
Occupancy	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-
Supplies and services	-	-	-	-	-	-	-	-	-
Student relief expenditures	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Utilization of program code in the chart of accounts helps with the assimilation of this data.



- External financial statements – coordination of external audit:
  - Common Schedule for external audit for a June 30 Year-End:
    - Interim Phase – Usually in the spring
      - Student Financial Aid and University control testing
      - Audit of 403(b) Plan financial statements
    - Final Phase – Usually in August/September
      - Audits of account balances and financial statements
    - Preparation of Report on Form 990
  - Users of financial statements:
    - Governmental authorities
    - Banks
    - Funders/Donors
- Internal financial statements

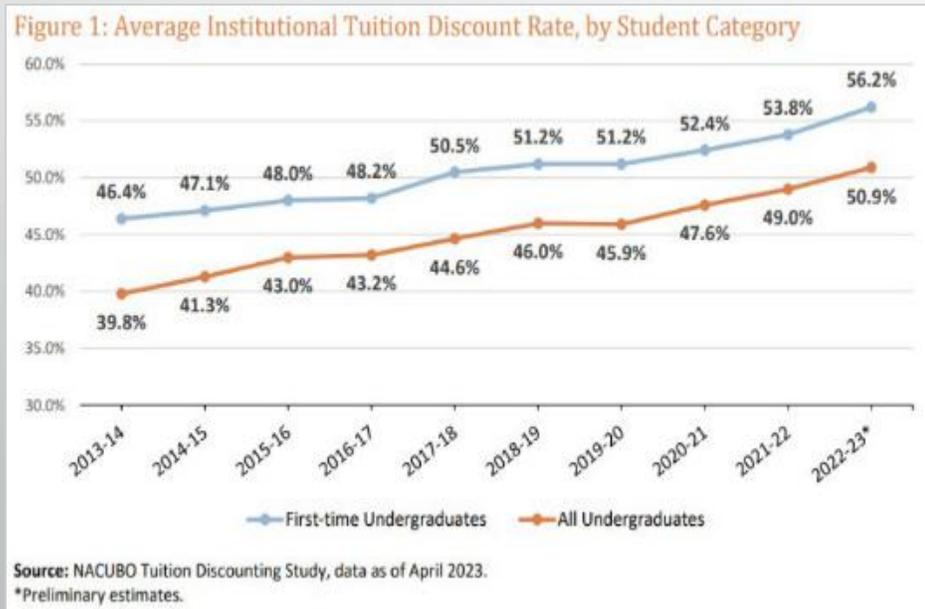
# FASB VS. GASB

- Recognition:
  - Pell grant recognition – GASB runs through financial statements
  - Gift pledges – GASB does not recognize
  - GASB: Time restricted gifts are deferred
  
- Display:
  - GASB requires classified balance sheet whereas FASB does not
  - GASB presents a capital assets net of debt asset class



# National Association of College and University Business Officers (NACUBO)

- FARM – Financial Accounting and Reporting Manual
- NACUBO-Teachers Insurance and Annuity Association of America (TIAA) study of endowments
- Tuition discounting study
- Student financial services benchmarking study



## Advisory Reports

- [Advisory 21-01 Defining an Operating Measure for Independent Colleges and Universities](#)
- [Advisory 20-01 Fiduciary Activities and Defined Contribution Plans](#)
- [Advisory 19-05 Composite Financial Index Ratios Post FASB ASU 2016-14](#)
- [Advisory 19-04 Financial Responsibility Standards \(Publicly Available\)](#)
- [Advisory 19-03 Revenue Recognition \(Topic 606\) Disclosures](#)
- [Advisory 19-02 Revenue Recognition \(Topic 606\) Education and Residential Contracts](#)
- [Advisory 19-01 FASB ASC 606, Revenue From Contracts with Customers: Tuition Revenue](#)
- [Advisory 18-02 Implementing FASB ASU 2016-14, Not-for-Profit Entities](#)
- [Advisory 11-02 Credit Quality Disclosures](#)
- [Advisory 11-02 Defining an Operating Measure for Independent Colleges and Universities](#)
- [Advisory 00-08 Expense Cross-walk: Public Institutions](#)
- [Advisory 98-01 Financial Responsibility: Title IV, Private Institutions](#)
- [Advisory 98-02 Financial Responsibility: Title IV, Public Institutions Exempt AT](#)
- [Advisory 97-01 Institutional Aid: Discounting: Private Institutions](#)
- [Advisory 00-05 Institutional Aid: Discounting: Public Institutions](#)
- [Advisory 03-03 Sarbanes-Oxley](#)
- [Advisory 11-01 Variable Uncommitted Cost Sharing](#)

## OTHER RESOURCES

- American Institute of Certified Public Accountants (AICPA) – not-for-profit membership
- EDUCAUSE
- Association of Governing Boards of Universities and Colleges (AGB)
- Moody's, S&P
- Inside Higher Ed
- National Association of State Boards of Accountancy (NASBA)
- Department of Education
  - "Dear Colleague Letters"

# SYSTEMS – ERP AND OTHERWISE

- Internal versus external systems and agreements
- Insourcing and outsourcing
- IT budgetary blackhole and things to consider when managing costs
- Passwords, social engineering and risk aversion versus costs and compliance
- Security controls

# INTERFACES WITH OTHER DEPARTMENTS



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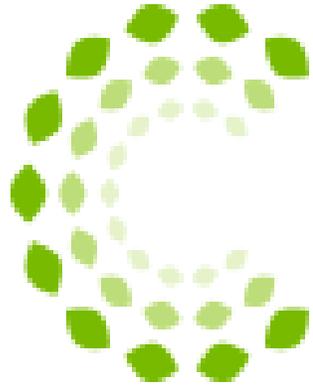
- Student Finance
- Enrollment/Admissions – Tracking of enrollments – lead/application/start ratios
- Provost Office – Cost studies, New Programs, Faculty policies
- Colleges/Faculty/Deans – faculty load and work on grants
- Budget heads – Budget to actual spend
- Advancement Office - Gift accounting and tracking
- Institutional Research – Statistics, margins, IPEDS
- Registrar – Student records
- Auxiliaries – Room and Board and point of sale receipts and auxiliary
- Athletics – Revenues and Expenses, Compliance with Policies
- Internal Audit
- General Counsel
- External parties – taxing agencies, granting agencies, vendors, other institutions
- Risk Management - insurance, occupational health, renewal paperwork
- Capital projects, construction and facilities

# QUESTIONS



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# CACUBO

**COLLEGE AND UNIVERSITY ACCOUNTING AND  
BUSINESS OFFICE PROCEDURES**

**AN OVERVIEW**

**SESSION TWO – BUDGET OFFICE, FIXED ASSETS,  
BURSAR, TREASURY and PAYROLL**

# INTRODUCTION TO SPEAKERS

Marty Mickey, CFO & Treasurer, National  
Louis University

Nancy Combs, Associate Vice President  
for Finance and Assistant Treasurer,  
Grinnell College



## BUDGET OFFICE

- Monthly budget to actual review process
- Budget planning
- Tuition and fee setting
- Revenue and enrollment modeling
- Expense reviews
- Zero Based vs. SALY budgeting
- Annual budget preparation and reviews
- Budget presentation to the board

# TYPICAL BUDGET CALENDAR



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- **January 2024:**
  - Meetings held to determine tuition rate recommendations for FY 2024
  - Enrollment department meets to come up with new student submission for next year.
  -
- **Thursday, February 8 – Financial Affairs Committee Meeting** – Obtain approval for tuition and fee recommendations for FY 2024-2025.
- **Friday, February 23** – FY 2024-2025 budget model created and expense budget worksheets and guidance provided to budget heads
- **Wednesday, March 13** – Board of Trustees Meeting – Any additional FY 2024-2025 tuition pricing recommendations reviewed and approved
- **Friday, March 22** – Expense budget worksheets due back from budget heads
- **Monday, March 25– Friday, April 12** – Preparation of budget review materials for budget meetings to be held April 18, 19 and 22
- **April 18, 19, 22** – Budget meetings with budget heads
- 
- **From Budget Meetings Until May 10** – Refinement of budget based on comments from budget meetings
- **Tuesday, May 14** – Executive Committee meeting of the Board of Trustees meeting – Preliminary budget provided and approved
- **Thursday, June 13** – Update presentation of the budget to the Board of Trustees

# TYPICAL SUPPORT TO PROVIDE FOR BUDGET SUBMISSIONS

## Some Typical Reminders for Budget Submissions:

- Budget heads should provide detailed support for expenses. Any non-labor expenses over \$XXXXXX should be accompanied by a summary of what makes up those expenses.
- All new initiatives should be tracked separately in your submission
- Budget heads should provide benchmarks and/or faculty and student numbers by discipline to justify the numbers of employees you have in each area.
- Calculations should be provided to support the amount of adjunct and overload expenses budgeted.
- Temporary funding may exist for a project or a grant.

# BUDGET VARIANCE REPORTS – Example I

- Some institutions send out budget reports on a periodic (monthly) basis and ask budget heads to review their budget spend and explain variances
- Provides Full Year Budget, To Date Budget, To Date Actual and Variance
- Set variance criteria whereby expenses over a certain threshold should be explained.
- Identifies errors in accounting and holds budget heads accountable for their spend
- In example below, variances of over \$10,000 and over 10% need to be explained.

Budget Head	Fund Code	Org.	Organization Title	Acct. Code	Account Title	Prg. Code	Activity Code	Current Year FY'24 Budget	Current YTD Budget	Current YTD Actuals	Variance Fav (Unfav.)	Variance %	Comments
Chantson	1001	010911	Institutional Advancement	400023	Catering Events and Meetings	61		57,000.00	28,500.00	5,422.00	23,078.00	81%	Events in December (Lunch N Learns) were canceled.
Chantson	1001	010911	Institutional Advancement	400038	Promotional Events and Materials	61		32,600.00	16,300.02	0.00	16,300.02	100%	Timing, will likely spend in this half of the FY.
Chantson	1001	010911	Institutional Advancement	400042	Direct Mail Campaigns	61		90,000.00	45,000.00	48,472.47	(3,472.47)	-8%	
Chantson	1001	010911	Institutional Advancement	400141	Outside Services	61		104,000.00	52,000.02	80,031.47	(28,031.45)	-54%	Roughly \$6,700 bill from XYZ was unbudgeted but anticipating being under or at budget.
Chantson	1001	010911	Institutional Advancement	400249	AU Professional Development	61		0.00	0.00	410.00	(410.00)	-100%	



# BUDGET VARIANCE REPORTS-

## Example II

- Prepared three times a year for Finance Committee
- Narrative report with a discussion of the major variances
- Gives the committee a picture throughout the year of what things look like financially
- Each year a “Bridge Report” is provided to the Finance Committee and the Audit Committee:
  - Reconciles between actual operating budget results reviewed by Finance and the audited financial statements reviewed by Audit
  - Provides transparency amongst the two committees

### QUESTION

Do you present the budget and actual results to the campus community? How transparent is your institution?

# SAMPLE NEW PROGRAM BUDGET MODEL



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Proposed Program - XYZ Program	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Upfront Program Development Cost</b>	(150,000)					
<b>Revenues:</b>						
New Students For Full Year		40	40	40	50	50
FTE New Students (Assumes Students Are Added Ratably During Year)		20	20	20	25	25
Continuing Students (Assumes 80% Retention)		-	32	58	78	102
Total FTE Students Served During Year		20	52	78	103	127
Semester Hour Credits/Year/FTE Student (Approx. 6/term for 4 Terms)		24	24	24	24	24
Total Semester Hours		480	1,248	1,862	2,474	3,059
Revenue/Quarter Hour or Revenue/Semester/Hour		800	800	800	800	800
Total Revenue		384,000	998,400	1,489,920	1,979,136	2,447,309
Scholarships (Assumed at 10%/Year)		(38,400)	(99,840)	(148,992)	(197,914)	(244,731)
Net Revenue		345,600	898,560	1,340,928	1,781,222	2,202,578
<b>Expenses:</b>						
Number of Full Time Faculty		1	1	2	2	3
Full-Time Faculty Cost		80,000	80,000	160,000	160,000	240,000
Fringe Benefits		23,200	23,200	46,400	46,400	69,600
<b>Other Teaching:</b>						
Semester Hours To Be Taught		480	1,248	1,862	2,474	3,059
Assumed Semester Hours/Class (Use Class Size of 10)		30	30	30	30	30
Classes To Be Taught for the Year		16.0	41.6	62.1	82.5	102.0
Classes Taught in Load		(7.0)	(7.0)	(14.0)	(14.0)	(21.0)
Classes Taught as Overload/Adjunct		9.0	34.6	48.1	68.5	81.0
Adjunct/Overload Rate With Fringe/Class		3,815	3,815	3,815	3,815	3,815
Adjunct/Overload Class Costs		34,335	131,999	183,425	261,190	308,905
Total Instructional Costs		137,535	235,199	389,825	467,590	618,505
Travel & Other Costs (Assumed at \$250/Student)		5,000	13,000	19,400	25,770	31,866
Upfront Promotional Costs/Student (Assumed at \$1,000/New Student)		40,000	40,000	40,000	50,000	50,000
<b>Enrollment Costs:</b>						
Total New Students		40	40	40	50	50
Cost/Student		2,000	2,000	2,000	2,000	2,000
Total		80,000	80,000	80,000	100,000	100,000
<b>Advising/Career Services/Student Finance/Registrar Cost:</b>						
Total Students		25	25	25	25	25
Cost/Student		250	250	250	250	250
Total		6,250	6,250	6,250	6,250	6,250
Library Costs, Facility Costs, Indirect Costs (Assumed at \$0)		-	-	-	-	-
Total Costs		268,785	374,449	535,475	649,610	806,621
Margin	(150,000)	76,815	524,111	805,453	1,131,612	1,395,957

# MARGINS BY COLLEGE, BY PROGRAM, BY FACULTY MEMBER



- A key to measuring the profitability of colleges, programs and faculty is to perform ongoing margin analyses of each.
- An important question in these analyses is to understand what to include and not include in terms of expenses. The inclusion of indirect expenses in calculating a fully loaded margin is often met with opposition
- Some schools measure profitability on just direct expenses only to avoid confusion.
- Another question to grapple with is what to do with the margins and what profitability measure requires action.
- The allocation of revenue of general education classes is always an issue.
- Many ways to do this – margin based on student’s program, margin based on the program itself irrespective of the student, margin by faculty

# PROGRAM REVIEW SCORECARDS

- Periodic review of each program.
- Contains information such as the following on each program:
  - Enrollment (New and Total)
  - Student Demographic Information
  - Persistence Rates
  - Graduation Rates
  - Employment Outcomes
  - Student Satisfaction
  - Coursework Modality
  - Margin Information

# ASSISTANCE WITH IPEDS REPORTING



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**IPEDS** Integrated Postsecondary Education Data System Data Tools | Help Desk 1 866-558-0658

[Start over](#) [Save session](#) [Help](#) [MAIN MENU](#)

### Look up an institution [Data Release Info](#)

**1. Select Institutions**

**My Comparison Institution** - None Selected [i](#) [ADD](#)

**How would you like to select institutions to include in your data file/report?**

[By Names or UnitIDs](#)  [By Groups](#)  [By Variables](#)  [By Uploading a File](#)

Enter either an institution name or UnitID (or a comma separated list of UnitIDs) in the text box below. As you begin typing, a list of matching institutions will appear. You can select a single institution by clicking on it from the list, or, if you want all institutions on the list, click "Select".

**Institution Name**

 [Select](#)

[Institution Profile](#) | [Reported Data](#) | [Data Feedback Reports](#) [Expand All](#) | [Collapse All](#) | [Print](#) | [Download PDF](#)

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- [Retention and Graduation](#)
- [Outcome Measures](#)
- [Finance](#)
- [Human Resources](#)
- [Academic Libraries](#)

## FIXED ASSETS

- Financing
  - Tracking of deferred maintenance
  - Depreciation accounting
  - Retirements
- 
- Publics have an issue to deal with in this area in that some publics did not record depreciation 20+ years ago. This could impact the amount of write-offs when a retirement occurs.
- 
- Limits exist on the % of private use on assets funded with public debt

# FIXED ASSETS



- Tracking individual projects
- Year end reminders
  - Capitalized interest
  - Accrue construction related payables, including retainages
- Prevailing wage requirements on construction projects.
- Some legislatures will have capital bills that institutions can try to tap into in order to provide funding for capital projects
- Net assets restricted for plant projects:
  - Contributions are released when the project is placed in service
  - If project has phases, management needs to document approach for releasing related contributions



## TREASURY

- Cashflow management
- Banking relationships
- Public versus private financing
- Bonds and bond compliance
- Relations with credit ratings agencies – public vs. private debt
- Interest rate hedging
- Investment and endowment accounting (will cover in next session)

# DEBT COMPLIANCE REPORTING REQUIREMENTS

- Debt Compliance – some common debt compliance measurements:
  - Liquidity Ratio – Unrestricted cash and investments as a % of debt
  - Debt Service Coverage Ratio – Income before interest and depreciation divided by debt service (principal and debt

# BURSAR AND ACCOUNTS RECEIVABLE



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- Often part of Student Finance Department
- Collections processes
- Determination of when to turn receivables over to collection agencies and when to write off A/R
- When to enforce financial holds and prevent future enrollment
- Applying payments
- Utilization of collection intermediaries
- Assessing fees for convenience of paying by credit card
- 1098-T
- Deregistration and hard vs. soft drops

## QUESTION

Do you use  
transcript  
holds?

# PAYROLL

- Variance in reporting relationships
- Interface with Human Resources
- Size and employee groupings (faculty, student, hourly, administrative)
- Adjunct vs. Faculty In-Load vs. Faculty Overload
- Types of Overload/Adjunct - Teaching and Non-Teaching
- Collective Bargaining Agreements
- Outsource vs. Insourced
- W-2, reporting and regulatory requirements
- International payroll and students – 1042S
- Out of state nexus – a particular issue for on-line faculty in other states. We are set up to pay employees in 25 states.

## QUESTION

How many of you deal with the complexities of a union?

# FACULTY LOAD



- Faculty are usually provided a contract at the start of each academic year which calls for them to complete a certain level of teaching, scholarly work and research.
- The measure of each can vary by college and institution.
- Once the faculty completes the service called for by this contract, they are usually paid for overload for work they complete on top of this service.

# FACULTY LOAD EXAMPLE



- Institution has an annual service requirement of 27 units for its faculty
- One example of how load may be fulfilled:
  - 6 units - Scholarly work and research
  - 21 units – Teaching of seven 3 SH courses in load
- Once the above service is fulfilled, any additional work is considered overload
- What is scholarly work and research?
  - University academic committee work, faculty senate representation, research, surveys, etc.

# FACULTY CONTRACT EXAMPLE



# CACUBO

We are pleased to affirm your faculty appointment for the 2022-23 academic year. The appointment will be under the following terms and conditions:

Payment Period:	July 1, 2022 – June 30, 2023
Current Academic Rank/Title:	Associate Professor
Type (Track):	Tenured, Tenure Track
2021-22 Base Salary:	65673.18
21-22 Promotion/Tenure Increase:	
2022-23 Annual Base Salary:	65673.18
22-23 Teaching Load:	21SH
22-23 Research Load (tenure track only):	3SH
22-23 Load Terms:	FA, WI, SP
PCS#:	F99675

Your primary assignment will be in the [redacted] and your home campus is the [redacted]. The Dean, in collaboration with your Department/Program Chair, will assign your duties and responsibilities. You are expected to fulfill your faculty role and responsibilities acting at all times in good faith for the best interests of the University. Faculty members are expected to maintain appropriate professional decorum and to use appropriate channels for raising issues or disagreements with colleagues or administrators. By signing this letter, you acknowledge access to, and compliance with applicable [redacted] University policies and procedures including those in the Faculty Guidebook available at [http://www.\[redacted\]u/HRpolicies](http://www.[redacted]u/HRpolicies) and [http://www.\[redacted\]u/FacultyGuidebook](http://www.[redacted]u/FacultyGuidebook). The policies and Guidebook are subject to change with notice sent to your [redacted] e-mail account. It is each faculty member's responsibility to access the [redacted] e-mail system. Further, you are also expected to participate in important University and college activities including, but not limited to, implementation of the strategic plan, Commencement, Connections, and other activities that advance the priorities of the University and College.

This appointment may be terminated by [redacted] earlier than the Payment Period if [redacted] in its sole discretion, determines that it is in the best interest of [redacted] for your appointment to end. Reasons include, but are not limited to, neglect of duties or willful or intentional misconduct, including but not limited to non-compliance with [redacted] policies and practices, egregious or ongoing performance problems, lack of enrollment, reorganization, or reduction-in-force. If your appointment is terminated, you will be paid through your last day of employment.

Please indicate your acceptance of these terms and conditions of appointment by signing electronically below and clicking Send in the SignNow application. Your response must be submitted by July 8, 2022. Please retain a copy for your records. If you have technical issues with or questions about SignNow, send an email to [Provosts.Office@\[redacted\]u](mailto:Provosts.Office@[redacted]u) and a staff member will assist you. If you notice any discrepancies in the information provided in this Letter of Appointment, please note them in writing by sending an email to [Provosts.Office@\[redacted\]u](mailto:Provosts.Office@[redacted]u). A member of the Provost Office staff will respond.

[redacted signature]  
[redacted signature]  
Provost and Vice President for Academic Affairs

Accepted Signature: [redacted signature]  
[redacted] Employee Number: N00363123

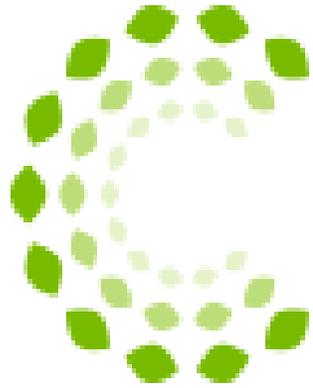
Date: 06/29/2022

# QUESTIONS



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# CACUBO

**COLLEGE AND UNIVERSITY ACCOUNTING AND  
BUSINESS OFFICE PROCEDURES**

**AN OVERVIEW**

**SESSION THREE – ENDOWMENT, GRANTS  
ACCOUNTING, ACCOUNTS PAYABLE AND PURCHASING**

# INTRODUCTION TO SPEAKERS

Marty Mickey, CFO & Treasurer, National  
Louis University

Nancy Combs, Associate Vice President  
for Finance and Assistant Treasurer,  
Grinnell College

# GRANTS ACCOUNTING

- Relationship with pre-award and grant writers
- Review for compliance with University policies
- Relationship with Principal Investigators (PI's)
- Tracking and reporting of spend
- Communication with funders
- Accounting for contracts, agreements, service arrangements, etc.
- Indirect cost agreements

# GRANTS ACCOUNTING

- With and without donor restrictions
- Differences in which revenue is recognized (see next slide)
- Advancement accounting vs. Business office accounting (see upcoming slide)
- Difference between a grant and a service contract (deliverables)
- Release time for faculty
- Indirect cost rates
- Reporting to funders
- Schedule of Expenditures of Federal Awards
- Major programs
- 200 CFR provides general guidance on allowable expenditures

# GRANT REVENUE RECOGNITION



- On grants, revenue is usually not recognized until the restriction of the grant is fulfilled which eliminates any right of recourse by the funder.
- As a result, when grant monies are received, such revenue is usually deferred until the spending/research called for by the grant is completed.
- At that time, the revenue is recognized.
- Earnings on cash received in advance must be reinvested and spent on the project from which the funding was received.



# RECONCILIATION OF ADVANCEMENT OFFICE RECORDS TO FINANCIAL STATEMENTS

- Some advancement offices may measure how successful they are based on the amount of grants that are awarded to them.
- If that is the case, such will differ from when the grants are recognized on the financial statements which is dependent on spending.
- As a result, a reconciliation of the two often must be completed.

# FACULTY RELEASE TIME TO WORK ON A GRANT



- Faculty may have a portion of their teaching load bought out by working on a grant. When this occurs, they fill their load that much quicker and can then overload for extra teaching that much quicker.
- Below is an example of how much would be charged to a grant for a hypothetical employee working on a grant:
  - Faculty's pay = \$90,000 of faculty salary and \$22,500 of fringe expense
  - If service requirement for faculty is 27 units they are able to have 3 of those units (or the equivalent of one 3 SH course) bought out by a grant, then:
    - 3/27 of their pay would be charged to a grant or
    - \$10,000 of faculty salary and \$2,500 of fringe would be charged to a grant
  - This then reduces the amount of salary that is charged to this faculty member's home department.

# FOUNDATION AND INVESTMENT ACCOUNTING

- Public versus private differences and similarities
  - Public institutions often have separate foundations whereas endowments in privates are often part of the institution.
- Investments – CIO, OCIO, others
- Endowment investing versus operating assets versus intermediate length investing
- Spend rates and reporting to donors
- UPMIFA (Prudent Management of Institutional Funds Act)

# TYPES OF ENDOWMENT FUNDS

## Permanent

- Historic gift value may not be spent
- Income may or may not be restricted by donor for a specific purpose

## Term endowment

- Upon passage of time principal may be spent

## Quasi-endowment

- Internally (“board”) designated
- Not donor restricted
- As known as “funds functioning as endowment”

# DONOR RESTRICTIONS



## Net assets with donor restriction – permanent in nature

- Must be maintained in perpetuity
- Donor-imposed restrictions neither expire with the passage of time nor can be removed by the institution meeting certain requirements

## Net assets with donor restrictions – temporary in nature

- Donor-imposed restrictions which limit the use by the institution:
  - To later periods of time or after specified times; or
  - To specified purposes (i.e., endowment earnings restricted for scholarships)
  - Certain endowment funds have no purpose restriction on the earnings
  - Some endowments require income to be held in perpetuity
- Time restrictions – Uniform Prudent Management of Institutional Funds Act (UPMIFA)
  - Applies to all donor restricted endowment funds

# ENDOWMENT PAYOUT CALCULATION



The key inputs of Endowment Payout Formulas include:

- **Spending Rate** – the percentage of the Endowment Market Value withdrawn annually
- **Endowment Market Value** – may be a single point (e.g., beginning of the fiscal year) or the average over a specified period (e.g., 12-quarter rolling average)
- **Smoothing Period** – the time period used to calculate the average Endowment Market Value
- **Growth Rate** – the percentage increase in the annual payout, may be *fixed percentage* (e.g., 4.0%) or *indexed* (typically to a measure of inflation – CPI-U, HEPI – or a measure of inflation *plus* a spread – CPI-U + 1.00%)
- **Floor** – minimum annual endowment payout, typically expressed as a percent of the endowment market value (either a single point or an average of a specified period)
- **Cap** – maximum annual endowment payout, typically expressed as a percent of the endowment market value (either a single point or an average of a specified period)
- **Collar** – combination of a cap and a floor on the annual endowment payout

# ENDOWMENT PAYOUT CALCULATION



## METHODS

- *Market value*-The most common formula and links annual payout directly to the endowment's market value.
- *Constant growth*-Provides more predictable future support but there is potential for a disconnect between the annual payout and changes in the endowment value.
- *Hybrid*-This method blends the asset preservation of the market value formula and the predictable support of the constant growth formula.

### "Hybrid Formula" mechanics

#### Constant Growth Component

{Constant Growth Weight % x (Prior Year Distribution x [1 + Constant Growth Rate])}

+

{Market Value Weight % x (Endowment Market Value x Market Value Spending Rate)}

#### Market Value Component



# UNITIZED ENDOWMENT POOL

- System for tracking the value of individuals funds (gifts) within the endowment investment pool.
- Each fund owns individual units in the unitized pool.
- New funds/gifts buy units in the pool based upon the current unit value.
- The units represent the fund's share of the pool and form the basis for allocating endowment pool earnings.
- Gifts, distributions, transfers impact units.
- Net earnings impact unit price.



## UNITIZED ENDOWMENT POOL

	Initial Contribution	Initial Units	Initial Unit Price
Endowment A:	100,000.00	100.00	1,000.00
Endowment B:	100,000.00	100.00	1,000.00
Endowment C:	100,000.00	100.00	1,000.00
Endowment D:	100,000.00	100.00	1,000.00
Total in Pool:	400,000.00	400.00	

Units=Market  
Value/Unit Price

	Market Value	Units	Unit Price	Total Value After Income Distribution
Endowment A:	100,000.00	100.00	1,100.00	110,000.00
Endowment B:	100,000.00	100.00	1,100.00	110,000.00
Endowment C:	100,000.00	100.00	1,100.00	110,000.00
Endowment D:	100,000.00	100.00	1,100.00	110,000.00
Gains in Market:	40,000.00			
Total:	440,000.00	400.00	1,100.00	440,000.00

Taking the new Market Value divided by the  
Number of Units Owned by the Pool=New Unit  
Price ( $\$440,000/400=\$1,100$ ).



## UNITIZED ENDOWMENT POOL

The following period, a new endowment is added to the pool, also valued at \$100,000 (Endowment E). Because the Unit Price is higher now (\$1,100 per unit), \$100,000 will only buy 91 units ( $\$100,000/1,100$ ). The total in the pool is now 491 units.

	Market Value	Units	Unit Price
Endowment A:	110,000.00	100.00	1,100.00
Endowment B:	110,000.00	100.00	1,100.00
Endowment C:	110,000.00	100.00	1,100.00
Endowment D:	110,000.00	100.00	1,100.00
Endowment E:	100,000.00	90.91	1,100.00
Total:	540,000.00	490.91	1,100.00

ALL EXAMPLES COURTESY OF  
FUNDRIVER.



## UNITIZED ENDOWMENT POOL

When it is time to allocate income again, let's say the market earned another \$40,000. This will increase the unit price to \$1,181.

	Market Value	Units	Unit Price	Total Value After Income Distribution
Endowment A:	110,000.00	100.00	1,181.48	118,148.15
Endowment B:	110,000.00	100.00	1,181.48	118,148.15
Endowment C:	110,000.00	100.00	1,181.48	118,148.15
Endowment D:	110,000.00	100.00	1,181.48	118,148.15
Endowment E:	100,000.00	90.91	1,181.48	107,407.41
Gains in Market:	40,000.00			
<b>Total:</b>	<b>580,000.00</b>	<b>490.91</b>	<b>1,181.48</b>	<b>580,000.00</b>

Taking the new Market Value divided by the Number of Units Owned by the Pool=New Unit Price  
( $\$580,000/491.91=\$1,181.48$ ).

# UNDERWATER ENDOWMENT FUNDS



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- If the market value is less than the historic gift value, then the amount of “underwater” funds **must be disclosed in the financial statements**
  - Must be calculated on fund-by-fund basis, not in the aggregate
- Include amount by which endowment funds are underwater within net assets with donor restrictions

# ENDOWMENT FOOTNOTE



The University's endowment consists of 40 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University's governing body has interpreted the State of Illinois Prudent Management of Institutional Funds Act (Illinois UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as donor restricted net assets (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor restricted 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 donor-restricted endowment funds is classified as donor restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by Illinois UPMIFA. In accordance with Illinois UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the University and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the University
7. Investment policies of the University

The composition of net assets by type of endowment fund at June 30, 2023 were:

	2023		
	Without Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 16,480,222	\$ 16,480,222
Board-designated endowment funds	42,769,667		42,769,667
Total endowment funds	\$ 42,769,667	\$ 16,480,222	\$ 59,249,889

# ENDOWMENT FOOTNOTE



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(cont.)

Changes in endowment net assets for the years ended June 30, 2023 were:

	2023		
	Without Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 30,561,508	\$ 15,176,940	\$ 45,738,448
Investment gain	3,386,222	1,351,978	4,738,200
Contributions	10,044,397	483,691	10,528,088
Appropriation of endowment assets for expenditure	(1,222,460)	(532,387)	(1,754,847)
Endowment net assets, end of year	<u>\$ 42,769,667</u>	<u>\$ 16,480,222</u>	<u>\$ 59,249,889</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the University is required to retain as a fund of perpetual duration pursuant to donor stipulation or Illinois UPMIFA. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. At June 30, 2023, funds with original gift values of \$100,000, fair values of \$95,901, and deficiencies of \$4,099 were reported in net assets with donor restrictions. At June 30, 2022, funds with original gift values of \$2,697,467, fair values of \$2,615,673, and deficiencies of \$81,794 were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred after investment of contributions with donor restrictions and continued appropriation for certain purposes that was deemed prudent by the governing body.

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the University must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the University's policies, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark based on a diverse set of standard industry investment indices. Actual returns in a given year may vary depending on the fluctuations in the market.

# Contributed Assets

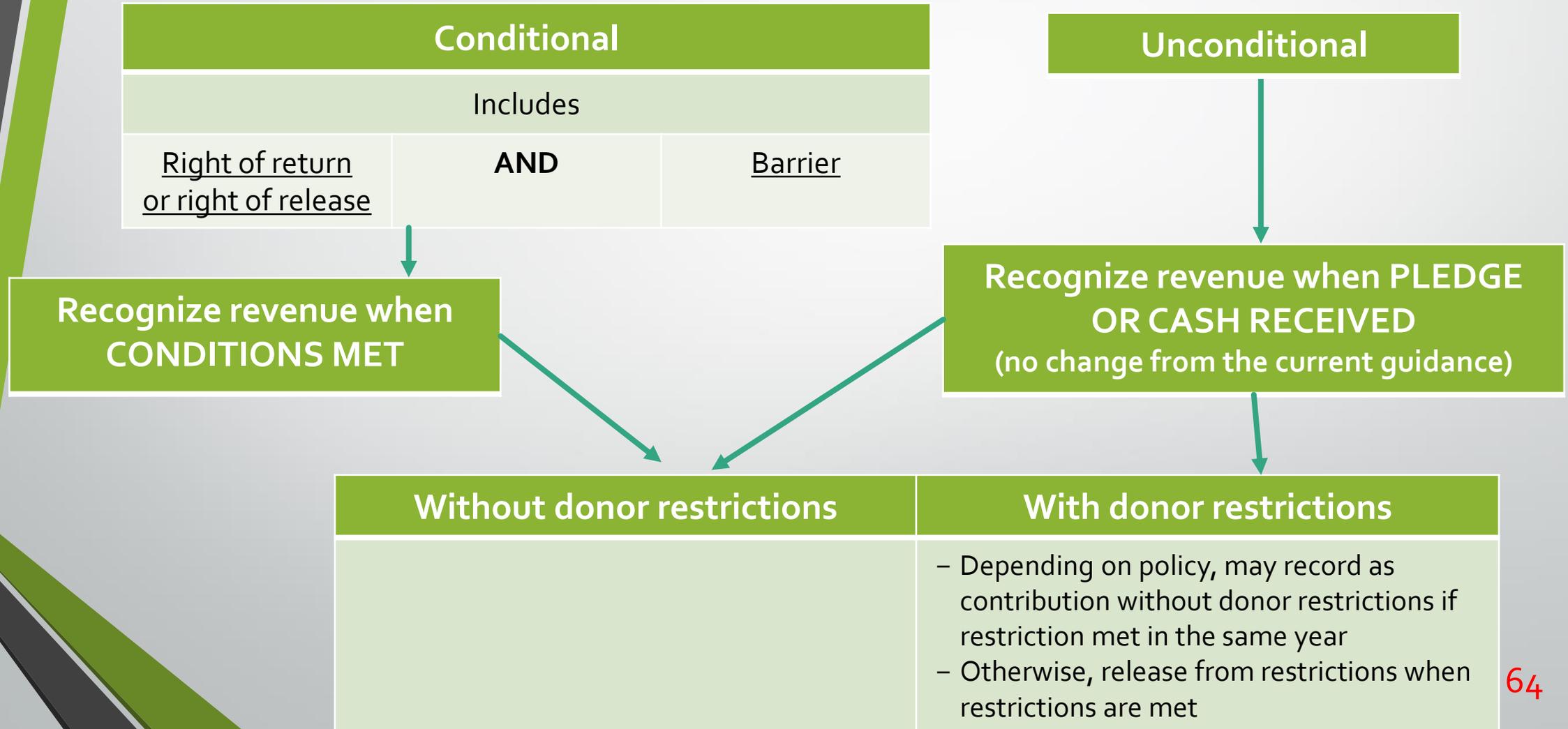
Nonfinancial  
contributed  
assets

- Property – land and buildings
- Art collections
- Contributed services
- Contributes facilities

Reporting  
considerations

- Fair value at the date of the gift
- ASU 2020-07 – additional disclosure requirements, including valuation techniques
- Nonfinancial contributions separately reported on the statement of activities

# Conditional and Unconditional contributions



# ACCOUNTS PAYABLE

- Proper approvals and approval thresholds
- Proper account input and entry
- Credit cards
- Filing of invoices:
  - Digital
  - Non-Digital
  - Alphabetical
  - By Vendor
- Payment by check vs. ACH
- 1099 and other reporting requirements
- Tax and financial aid implications may exist for international payments

## QUESTION

Do you have a policy on who is issued a credit card?

# PURCHASING

- Purchasing Policies:
  - Determination of which vendors are approved
  - Use of approved vendors
  - Bidding policies
  - Minority participation thresholds
- Take advantage of tax exemptions
- Centralized vs. Decentralized

## TAX

- Preparation of Report on Form 990
- UBIT
- Gift card tracking
- Executive compensation
- Retirement Plans
- Independent Contractor vs. Employee
- 1098-T
- 1099's



**WHO ARE OUR CONSTITUENTS?**

**WHO DO WE SERVE? WHO ARE WE RESPONSIBLE TO?**

**WHO DO WE INTERACT WITH?**

- Students
- Families
- Other departments
- Faculty and staff
- Alumni
- Donors
- Vendors
- Local community
- Board of Trustees
- Auditors
- Department of Education
- Rating Agencies
- Bankers
- NCAA
- IRS and state governments
- Other governmental authorities
- Attorneys
- Higher Learning Commission
- Peers

**FOOD FOR  
THOUGHT-  
BUSINESS OFFICE  
EMPLOYEES ARE  
INVOLVED WITH A  
WIDE VARIETY OF  
PEOPLE AND  
GROUPS.**

# QUESTIONS



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