

HIGHER EDUCATION FINANCE

THINGS YOUR CFO WANTS YOU TO KNOW



OVERVIEW

- Complexity of Higher Education Business
 - Many shareholders
 - Various issues
 - Flexibility a must
- Internal Controls
- Basic Accounting Terms
- Budgeting
- Finances
- Ethics



Many Shareholders exist in Higher Education

- Students
- Faculty
- Staff
- Trustees
- Donors
- Alumni
- Parents
- Affiliated Organizations
- Public



Higher Education administration is like running a small city

- Academics
- Housing/Meals Issues
- Utilities/Repairs
- Security
- Personnel
- Grounds
- Technology
- Campus Events
- Communications
- Public Relations



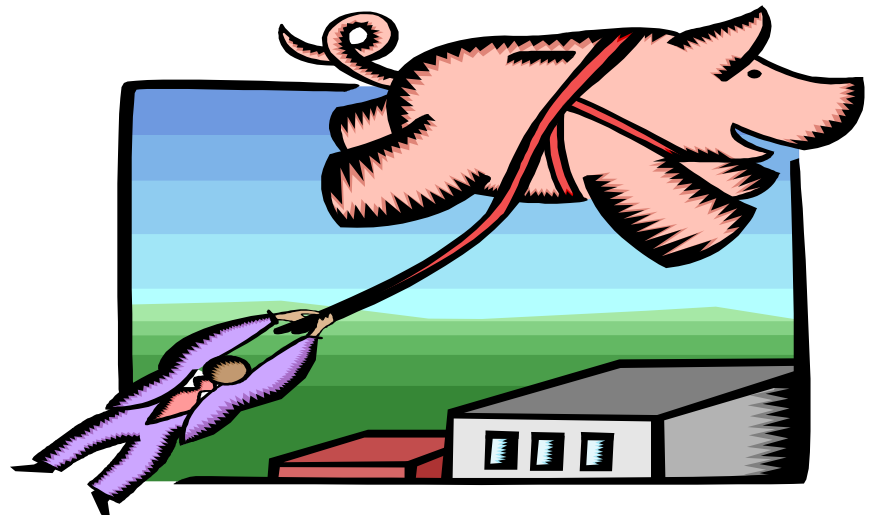
FLEXIBILITY A MUST!

A good manager is able to adjust and deal with a variety of demands.



Internal Controls

- Accounting controls put in place to prevent errors
 - both unintended (mistakes) and intended (fraud)
- As a manager, it's your responsibility to work with the accounting staff to develop, document and uphold controls



Accounting Terms

- Public
- Private (For Profit; Not for Profit)
 - Unrestricted – Tuition/Fees, etc
 - Usually the budget
 - Temporarily Restricted – Gifts, Grants
 - Given for a specific purpose
 - Carryover from year to year
 - Permanently Restricted – Endowments
 - Held in perpetuity – income used for scholarships, etc.
 - Loss in value can greatly affect budget



Expense Categories

- **Educational & General (E&G)**

- Instructional
 - Faculty/Departments
- Academic Support
 - Library
 - VP Academic Affairs
 - Registrar
- Student Services
 - Admissions
 - Athletics
- Institutional Support
 - Purchasing
 - Business Office
 - President's Office
 - Public Relations
- Physical Plant

- **Auxiliary enterprises**

- Housing
- Foodservice
- Post Office
- Bookstore



BUDGETING

- BUDGET IS SINGLE MOST IMPORTANT FINANCIAL TOOL IN HIGHER EDUCATION
- MUST BE REALISTIC
- MUST LEAVE ROOM FOR CONTIGENCIES
- MUST HAVE A GOOD SYSTEM IN PLACE TO MEASURE ACTUAL RESULTS
 - Learn to read and understand budget reports

- Managers must learn to balance the needs and desires of all the shareholders with the financial resources available.

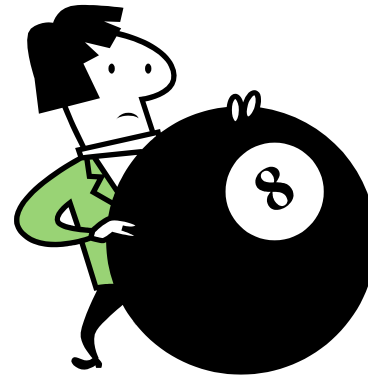


- A **great** manager can balance ideas and plans with good fiscal reasoning.



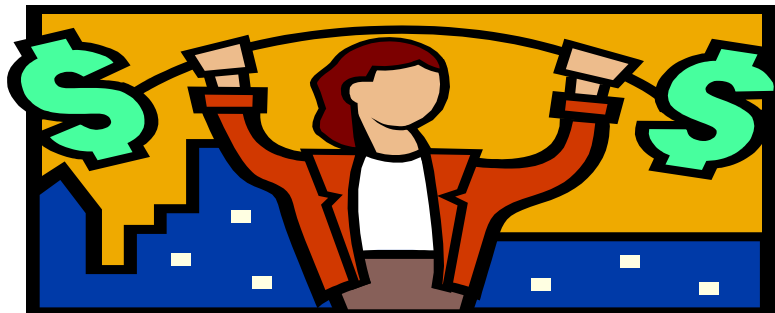
BUDGET “BUSTERS”

- UNREALISTIC BUDGETING
- DECREASED ENROLLMENT
- UTILITY COSTS
- FAILURE TO CONTROL VARIABLE EXPENSES
- FAILURE TO RECOGNIZE AND REACT TO BUDGET VARIANCES



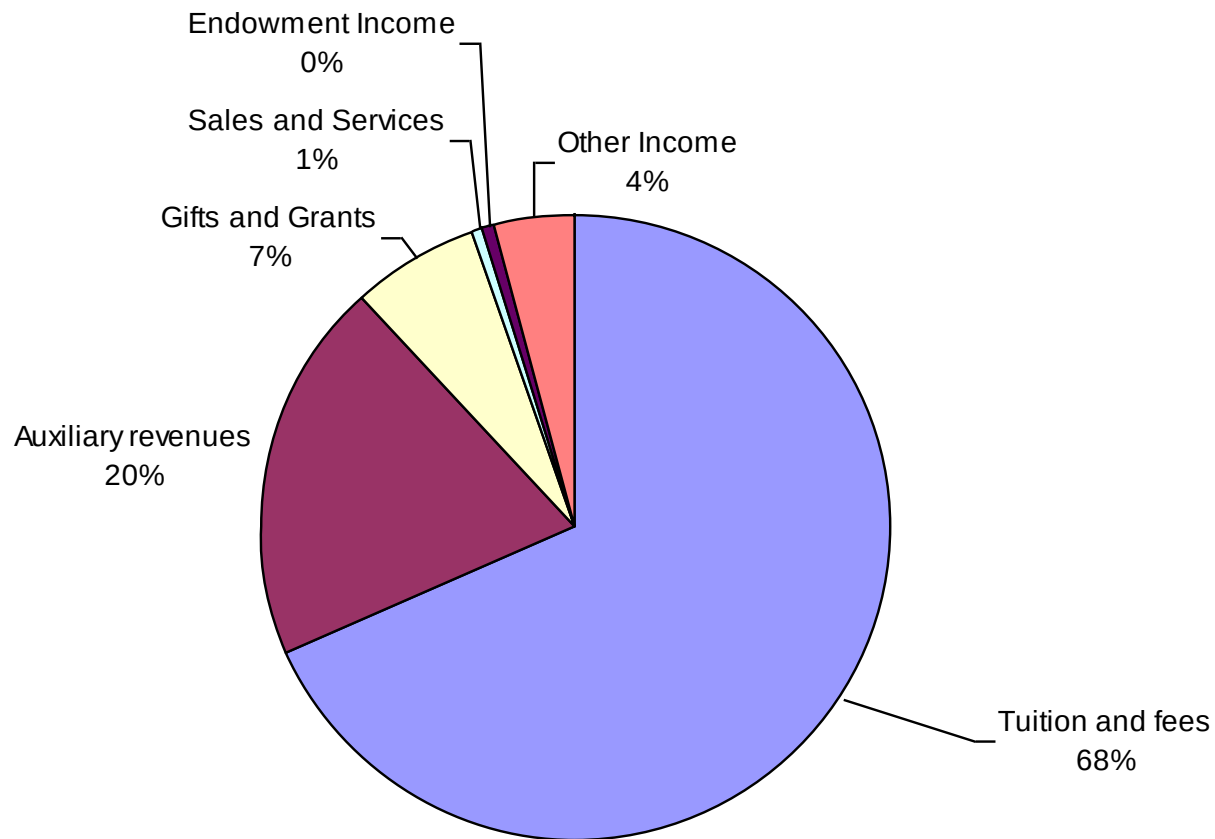
Higher Education = Limited Resources

- Must meet fixed obligations – salaries, benefits, utilities, etc.
- Also want to be able to take advantage of new opportunities
- Good fiscal planning and stewardship allows you to do both.



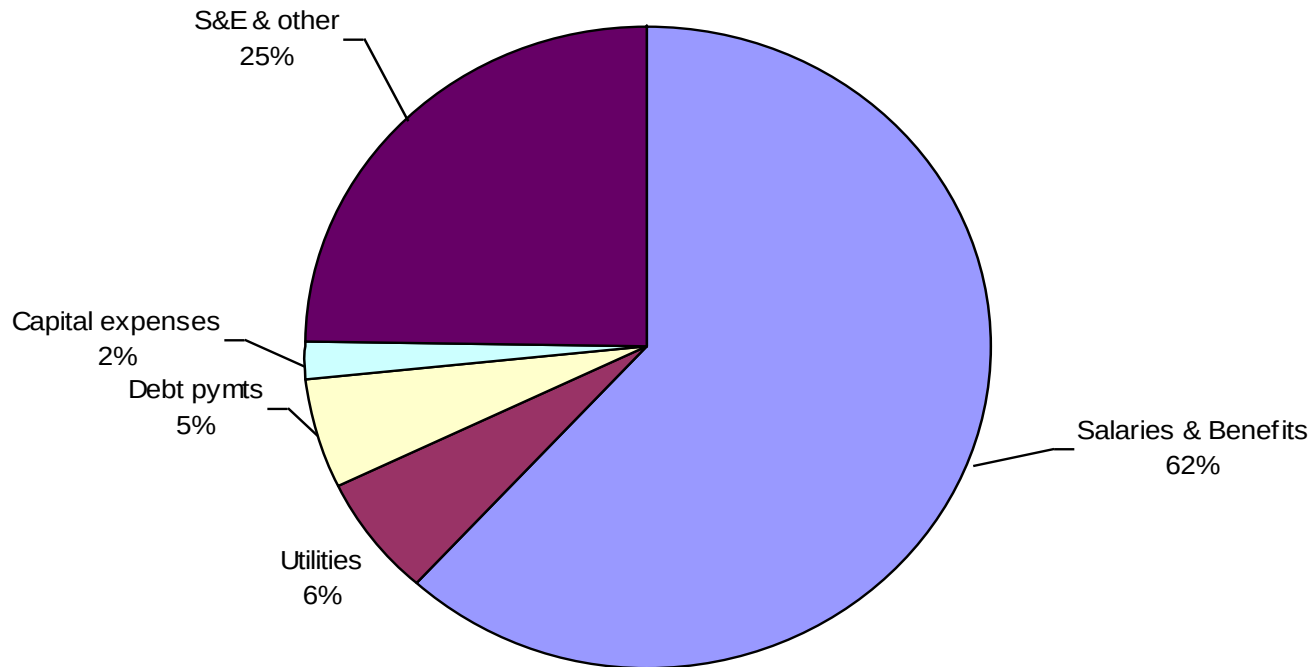
FINANCES

Where does the money come from?



FINANCES

Where does the money go?



ETHICS

- ETHICS – a system of moral principles
 - Not just related to religion
 - If so, only religious people would be ethical
 - Not just related to law
 - Many things that are unethical are not illegal

- You are in middle management at an institution of higher education. Part of your job requires that you represent the institution in all relations with a vendor with whom the institution does a lot of business. The vendor rewards large volume customers with all expense paid trip for two to Tahiti and your salesman tells you that have “won” the trip. No one else at the institution knows about the trip. You put in for a week’s vacation and head to the islands with your spouse.

- You have an employee whom you rely upon a great deal to get your job done. The employee is underpaid and has been requesting a raise. You've repeatedly asked your boss for the raise, but have been denied. Now, your employee has told you that she has another job offer and will leave right in the middle of an important project if her next paycheck doesn't reflect a raise. You sign off on the employee's paycheck so you add a few hours of overtime to the timesheet and figure you will just "work it out" later with your boss. After all, the employee really is underpaid and you must complete this project.

- Your institution requires that you get prior approval for meals with outside donors, etc. You've gotten prior approval for a meal at a local restaurant for you and the donor. Once approval is obtained, you just charge it on the institution's credit card with no more paperwork to be turned in. At the last minute, the donor has to cancel. You figure that the institution has already committed to buying your supper, and you were really looking forward to eating at that new steak house, so you and your spouse just go ahead with the meal anyway.

- **QUESTIONS YOU'D LIKE TO ASK YOUR CFO?**

