Florida Atlantic University
Steering Committee
Financial Review Model (FRM)
January 12, 2016
Meeting Agenda

• Overview / Update on the Project

• Communication Plan Development / Status Update

• Key Decisions to be Made in the Model
  • What are the Reporting Units to Use in the Model?
  • What are the Margins to Use in the Model?

• Other Issues

• Next Meeting
Project Governance Structure

Steering Committee:
- Establish overall scope, expectations and objective(s)
- Provide guidance and support
- Guide the communication plan and the roll-out of reporting
- Approve recommendations/assumptions proposed by working committee
- Ensure that the model output and methodology is relevant and valued

Working Committee:
- Provide input for the model leveraging data and university knowledge
- Assist in understanding the data and its linkage to colleges, students, etc
- Provide recommendations to the steering committee on assumptions, etc
- Review model output for reasonableness, completeness and accuracy
- Sign-off on final model before implementation
Overview of the Model

• Not a Measure of Quality

• Tool to Provide Financial Insight Grounded in the Financial Statements of the University

• Some Other Schools Look at Information – Part of 5 Pillars
  • Mission
  • Demand
  • Quality
  • Service
  • Cost Effectiveness
Transform Financial Data Into Information - Academic Example

### College Income Statement

**Income Statement**

- Revenue: Total Operating Revenues 482,509,823
- Expenses: Total Operating Expenses 773,080,845
- Income (Loss): Operating Income (Loss) (210,562,204)

### Department Income Statement

**Income Statement**

- Revenue: Total Operating Revenues 200,000,000
- Expenses: Total Operating Expenses 200,000,000
- Income (Loss): Operating Income (Loss) 0

### Program Income Statement

**Income Statement**

- Revenue: Total Operating Revenues 300,000,000
- Expenses: Total Operating Expenses 300,000,000
- Income (Loss): Operating Income (Loss) 0

### Major Income Statement

**Income Statement**

- Revenue: Total Operating Revenues 400,000,000
- Expenses: Total Operating Expenses 400,000,000
- Income (Loss): Operating Income (Loss) 0

### Course Income Statement

**Income Statement**

- Revenue: Total Operating Revenues 500,000,000
- Expenses: Total Operating Expenses 500,000,000
- Income (Loss): Operating Income (Loss) 0

### Student Income Statement

**Income Statement**

- Revenue: Total Operating Revenues 600,000,000
- Expenses: Total Operating Expenses 600,000,000
- Income (Loss): Operating Income (Loss) 0

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### Data Translation Engine + University

- Rules
- Policies
- Assumptions

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**A COMPONENT UNIT OF THE STATE OF FLORIDA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

For the Fiscal Year Ended June 30, 2013

<table>
<thead>
<tr>
<th>Category</th>
<th>University</th>
<th>Component Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student Tuition and Fees, Net of Scholarship</td>
<td>$251,226,703</td>
<td>$</td>
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<tr>
<td>Federal Grants and Contracts</td>
<td>73,691,576</td>
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<tr>
<td>State and Local Grants and Contracts</td>
<td>6,528,176</td>
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<tr>
<td>Nongovernmental Grants and Contracts</td>
<td>11,053,453</td>
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<tr>
<td>Sales and Services of Educational Departments</td>
<td>436,946</td>
<td></td>
</tr>
<tr>
<td>Sales and Services of Auxiliary Enterprises</td>
<td>181,809,515</td>
<td></td>
</tr>
<tr>
<td>Sales and Services of Component Units</td>
<td>2,579,877</td>
<td></td>
</tr>
<tr>
<td>Gifts and Donations</td>
<td>35,492,206</td>
<td></td>
</tr>
<tr>
<td>Interest on Loans and Notes Receivable</td>
<td>43,279</td>
<td></td>
</tr>
<tr>
<td>Other Operating Revenues</td>
<td>(17,716,973)</td>
<td>7,175,108</td>
</tr>
<tr>
<td>Total Operating Revenues</td>
<td>482,509,823</td>
<td>45,246,191</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation and Employee Benefits</td>
<td>470,438,146</td>
<td></td>
</tr>
<tr>
<td>Services and Supplies</td>
<td>159,132,639</td>
<td>17,791,928</td>
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<tr>
<td>Utilities and Communications</td>
<td>15,977,665</td>
<td>157,165</td>
</tr>
<tr>
<td>Scholarships, Fellowships, and Waivers</td>
<td>87,936,402</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>38,586,091</td>
<td>666,565</td>
</tr>
<tr>
<td>Other Operating Expenses</td>
<td>(25,900,603)</td>
<td>6,911,738</td>
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<tr>
<td>Total Operating Expenses</td>
<td>773,070,843</td>
<td>25,526,337</td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td>(210,562,204)</td>
<td>19,710,854</td>
</tr>
</tbody>
</table>

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**Notes**

- Transform Financial Data Into Information - Academic Example
- Data Translation Engine + University
- Rules
- Policies
- Assumptions
Different Views of Information

The Analysis is Done for Subjects and Student Majors

Subject Summary

• Revenues and Expenses of the Subject - Regardless of the Major of the Student Who Takes Classes in that Particular Subject.
  • *E.g., What are the Revenues and Expenses for teaching Undergraduate Accounting classes?*

Major Summary

• Revenues and Expenses of the Major - Regardless of Where the Students Take Their Classes
  • *E.g., What are the Revenues and Expenses for teaching Undergraduate Accounting Majors?*
Communication Plan Development

• What is the communication plan around the project and the model?
  • Are there specific groups that we should be providing updates or information to throughout the project?

• How is information distributed or communicated?

• Other communication questions / issues?
What are the Key Decisions to be Made in the Model?

• What are the Reporting Units in the Model? (1/12/16)
• What are the Margins to be Reported in the Model? (1/12/16)
• How are Faculty and Instructional Costs Allocated? (2/9/16)
• How are other Non-Instructional Costs Allocated? (2/9/16)
• How are Restricted Funds / Grants Handled? (2/9/16)
• How is Net Tuition Revenue Allocated in the Model? (3/8/16)
• How are Space Costs Allocated within the Model? (3/29/16)
Proposed 4 Margins for Reporting

+ Direct Revenues
- Direct Expenses
= Direct Margin (CM1)

+ / - College Revenues and Expenses
= Unit / College Margin (CM2)

+ / - Academic Support Revenues and Expenses
= Academic Margin (CM3)

+ / University Overhead Revenues and Expenses
= Net Margin (CM4)

Where do Allocated Space Costs Fit Within the Margins?
What Is A Reporting Unit in the Model?

Structure within the FRM Reporting Tool that accumulates revenues and expenses for purposes of measuring and reporting the net margin of an operating unit. **For example:**

<table>
<thead>
<tr>
<th>Academic Units</th>
<th>Non-Academic Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>College / Division</td>
<td>Dining</td>
</tr>
<tr>
<td>Department</td>
<td>Student Housing</td>
</tr>
<tr>
<td>Major</td>
<td>Conferences</td>
</tr>
<tr>
<td>Program</td>
<td>Development</td>
</tr>
<tr>
<td>Student</td>
<td>Bookstore</td>
</tr>
<tr>
<td>Subject</td>
<td>Athletics</td>
</tr>
<tr>
<td>Course</td>
<td>Parking</td>
</tr>
<tr>
<td>Section</td>
<td></td>
</tr>
</tbody>
</table>
Examples of Sample Reporting Unit Summaries and Margins
Other Issues
Next Meeting (2/9/16)