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CONSULTING

Implementation Plan Financial Review Model

Delaware County
Community College



XAVIER
UNIVERSITY



ST. JOHN'S
UNIVERSITY

TU TENNESSEE TECH
UNIVERSITY

KING'S COLLEGE
WILKES-BARRE, PENNSYLVANIA

Creighton
UNIVERSITY



COLLEGE OF
MOUNT SAINT VINCENT



SAINT JOSEPH'S
UNIVERSITY

Roger Williams University



Widener University

Widener Leadership Works

SEATTLE UNIVERSITY



Compassionate Care. Innovative Medicine.



LOYOLA
UNIVERSITY MARYLAND



DELAWARE VALLEY
UNIVERSITY



FIU FLORIDA
INTERNATIONAL
UNIVERSITY



UNIVERSITY OF THE
DISTRICT OF
COLUMBIA
1851



BUTLER
UNIVERSITY



DREXEL UNIVERSITY

Finance, Treasurer
& CFO

THE UNIVERSITY OF
SCRANTON
A JESUIT UNIVERSITY



The University
of the Arts

WILKES
UNIVERSITY



CABRINI
COLLEGE



UNIVERSITY of ALASKA ANCHORAGE

THE NEW SCHOOL



Delaware State
University

MAKING OUR MARK ON THE WORLD



DREXEL UNIVERSITY

College of
Medicine

“Although virtually all universities have accounting systems...these systems...obscure the different revenue sources on which universities rely, the true costs of core functions such as teaching and research, the cross-subsidies of some functions by others, administrative growth or shrinkage, and differences among disciplines. Without this information, institutional managers simply cannot make wise decisions.”

E. Capaldi & C. Abbey

“Performance and Costs in Higher Education: A Proposal for Better Data”
Change, March/April 2011 pp. 8-15

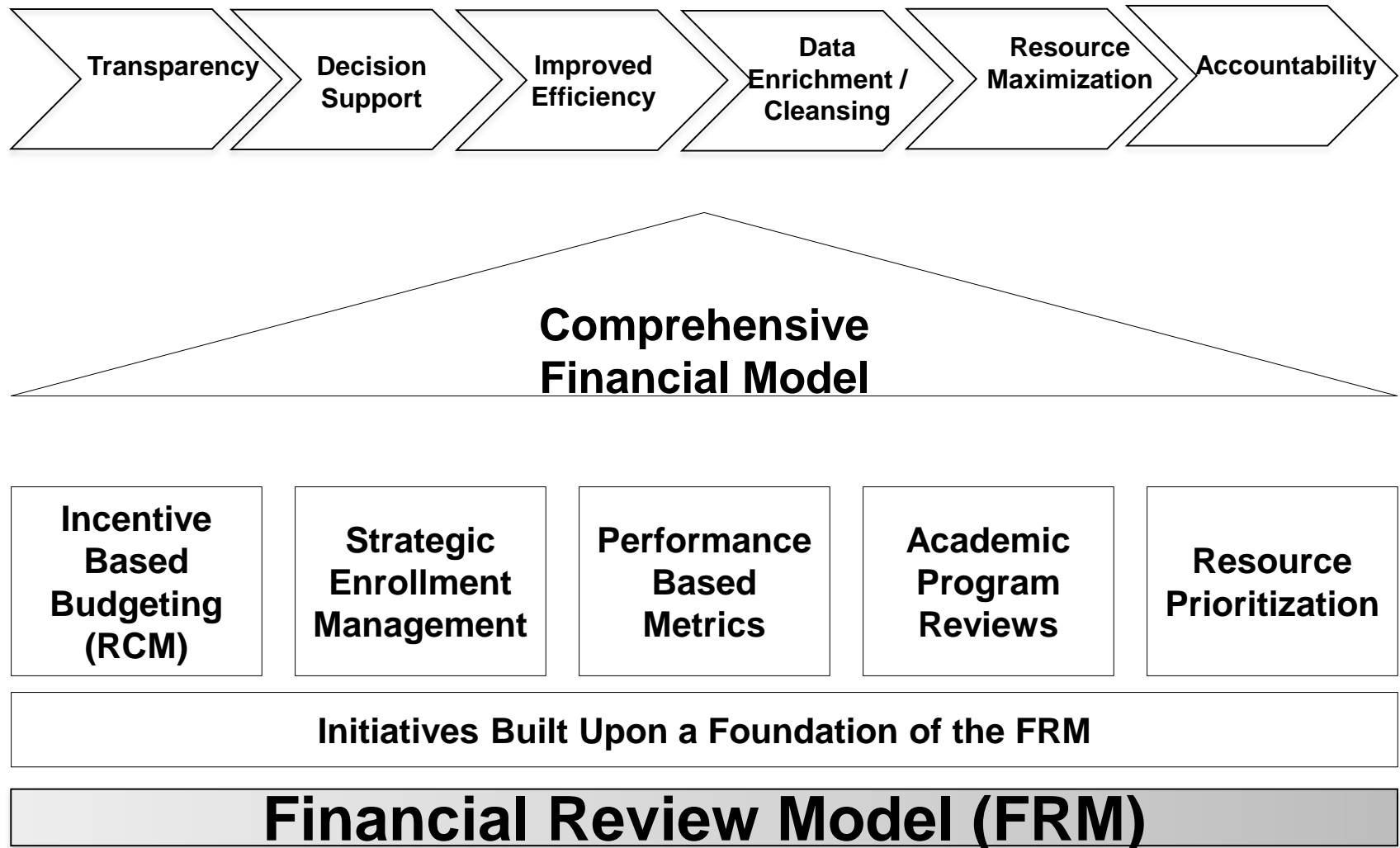
Objectives of the Financial Review Model

- Identify the revenues, expenses and contribution margin for all subjects and programs / majors as well as other major activities at the University
- Quantify the level of cross-subsidization throughout the University Provide academic and College administrators with a tool to evaluate financial trends, resource allocations, pricing /discount strategies and staffing decisions
- Establish a framework for regular update and review through internal resources
- Common methodology to support benchmarking

The Financial Review 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

Coordination and Linking of Initiatives



Common Questions to be Answered

Program/Subject Surplus and Deficit

- Which programs, departments and activities require a subsidy and which generate a surplus?
- How can we allocate resources appropriately?
- Which programs and departments are becoming less financially sustainable?

Program Growth/Strategic Enrollment Management

- What programs can be grown without adding additional costs?
- What are the interdependencies of adding to particular programs?
- Capacity Analysis

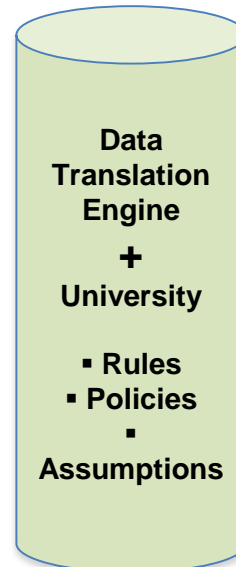
Targeted Tuition Discounting

- Is the demand for programs tied in to the discounting strategy?
- Are we making the best use of discounting dollars?
- Can we use discounting to “fill-in” programs that are under capacity?

Transform Financial Data Into Information About Revenues and Expenses

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

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$96,797,580	\$ 251,226,703	\$
Federal Grants and Contracts	73,691,576	
State and Local Grants and Contracts	6,528,178	
Nongovernmental Grants and Contracts	11,053,453	
Sales and Services of Educational Departments	438,946	
Sales and Services of Auxiliary Enterprises	101,809,515	
Sales and Services of Component Units		2,578,877
Gifts and Donations		35,492,206
Interest on Loans and Notes Receivable	43,279	
Other Operating Revenues	17,716,973	7,175,108
Total Operating Revenues	462,508,623	45,246,191
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	470,438,146	
Services and Supplies	159,132,639	17,791,929
Utilities and Communications	15,977,665	157,165
Scholarships, Fellowships, and Waivers	87,936,402	
Depreciation	39,586,091	665,505
Other Operating Expenses		6,911,738
Total Operating Expenses	773,070,943	25,526,337
Operating Income (Loss)	(310,562,320)	19,719,854
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	173,819,413	
Federal and State Student Financial Aid Investment Income	107,919,392	
Other Nonoperating Revenues	13,314,091	21,617,493
Gain on Disposal of Capital Assets	10,557,659	
Interest on Capital Asset-Related Debt	180,464	
Other Nonoperating Expenses	(7,110,940)	(1,484,745)
	(240,477)	
Net Nonoperating Revenues	298,439,602	20,132,748
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(12,122,718)	39,852,602
State Capital Appropriations	59,413,278	
Capital Grants, Contracts, Donations, and Fees	4,122,866	
Other Expenses		(860,406)
Change in Net Position	51,413,426	38,992,194
At Position, Beginning of Year	887,680,750	232,535,097
At Position, End of Year	\$ 939,094,176	\$ 271,527,291



**College
Income Statement**

**Department
Income Statement**

**Program
Income Statement**

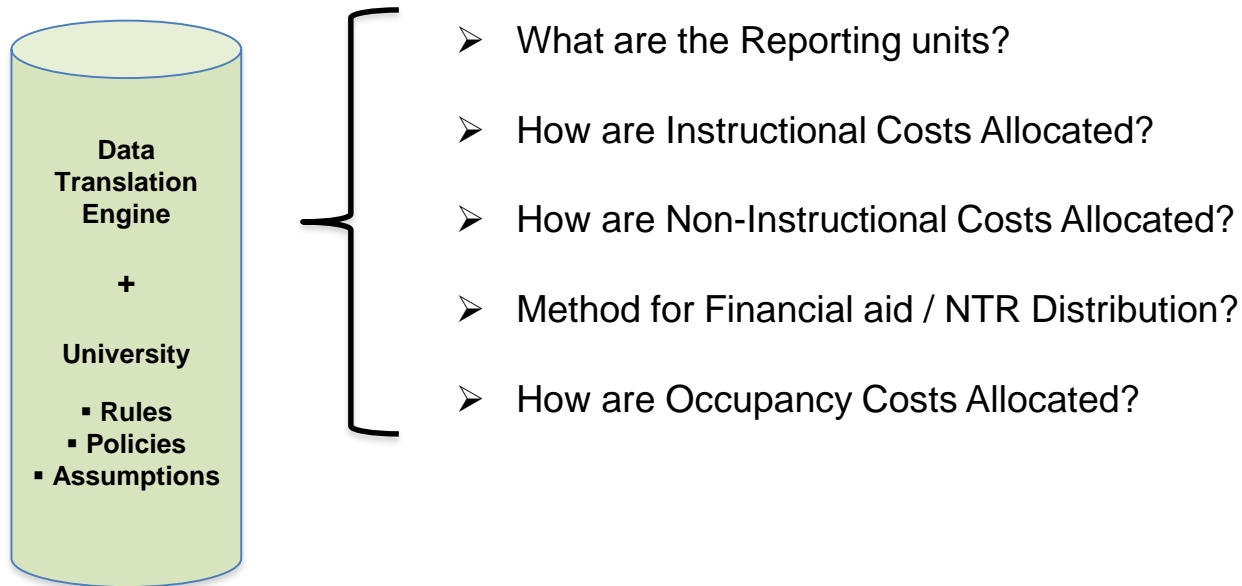
**Major
Income Statement**

**Course
Income Statement**

**Student
Income Statement**

Key Decisions to be Made in the Model

Some of the key decisions which will enable us to build the model:



What Is A Measurement 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:**

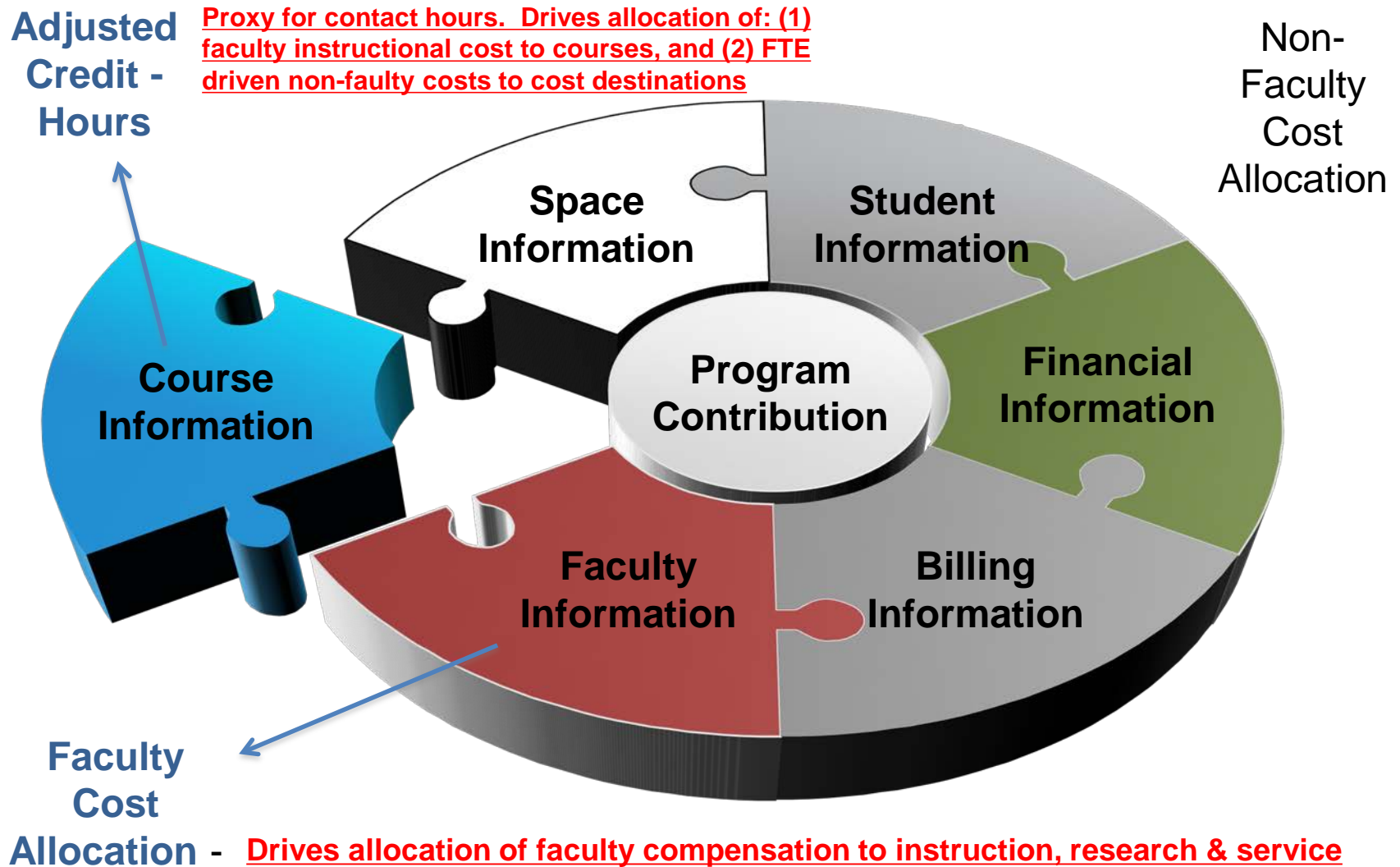
Academic Units

- ☐ College / Division
- ☐ Program
- ☐ Major
- ☐ Program
- ☐ Student
- ☐ Subject
- ☐ Course
- ☐ Section

Non-Academic Units

- ☐ Dining
- ☐ Student Housing
- ☐ Conferences
- ☐ Development
- ☐ Bookstore
- ☐ Athletics

Uses Data Across the College



Different Views of the Information

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?*

Different Views of the Data

FY14 Credit Hour Summary

Credit Hours by Teaching College

	AUX	CBA	CCOM	CLA&S	COE	COPHS	HIACH	JCFA	LRC	Grand Total
CBA	11	21,634	1,024	6,846	324	257	139	728	30	30,993
CCOM		463	8,057	4,874	306	50	62	447	18	14,277
CLA&S	45	1,857	1,199	33,408	765	523	611	1,178	231	39,817
COE		89	79	3,057	8,939	108	60	216	6	12,554
COPHS	3	494	150	8,817	195	25,849	288	537	11	36,344
JCFA	6	679	861	3,051	467	10	160	8,282	2	13,518
NDEG	1	325	138	553	102	17		22	12	1,170
XXXX		26	11	45	39	4		8		133
Grand Total	66	25,567	11,519	60,651	11,137	26,818	1,320	11,418	310	148,806

FY14 Direct Expense Summary

	AUX	CBA	CCOM	CLA&S	COE	COPHS	HIACH	JCFA	LRC	Grand Total
CBA	47	5,714,363	249,698	1,582,810	68,047	113,333	52,406	287,292	129	8,068,124
CCOM		124,205	2,281,984	1,132,821	84,004	37,852	36,603	175,845	77	3,873,390
CLA&S	193	475,890	313,167	10,071,109	199,538	350,323	212,465	506,714	990	12,130,388
COE		28,194	19,904	733,598	2,978,753	57,250	15,459	87,156	26	3,920,339
COPHS	13	122,250	35,888	1,950,501	40,982	9,905,264	168,705	227,266	47	12,450,918
JCFA	26	166,137	226,711	752,712	141,744	6,025	88,932	5,088,588	9	6,470,884
NDEG	4	106,103	34,607	138,236	36,055	7,013		7,020	51	329,089
XXXX		3,716	1,714	37,816	8,470	1,123		1,641		54,480
Grand Total	283	6,740,858	3,163,673	16,399,603	3,557,592	10,478,182	574,570	6,381,521	1,329	47,297,612

Credits by Student College

Contribution Margin by Individual Student and

123456 – John Doe / Accounting Major – History Minor (New Student, Resident, UG, Freshman, Athlete)		
Student	Category Description	Total
201115 ACCT 101 Sec A	Tuition	\$5,024.25
	Fees	129.00
	Financial Aid	-1,325.00
	Other Direct Subject Revenue	102.91
	Faculty Service Allocation	-756.69
	FT Faculty Instruction Allocation	<u>-2,029.50</u>
	Contribution Margin # 1	\$1,144.97
	Library	-59.55
	Space Allocation	-348.46
	Administration	-406.48
		\$330.48
201115 ENGL 201 Sec B	Tuition	\$5,024.25
	Fees	129.00
	Financial Aid	-1,325.00
	Other Direct Subject Revenue	202.02
	Faculty Service Allocation	-435.67
	PT Faculty Instruction Allocation	<u>-824.53</u>
	Contribution Margin # 1	\$2,770.07
	Library	-59.55
	Space Allocated	-404.35
	Administration	-406.48
		\$1,899.69
Net From Student		\$2,230.17

+ 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

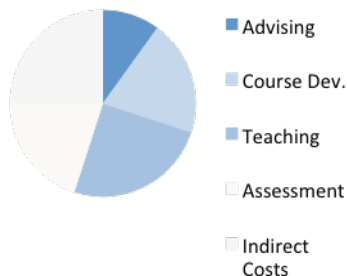
= Net Margin (CM4)

Allocation Process

- A complete cost structure project, requires you start with 100% of total annual spend

Step 1

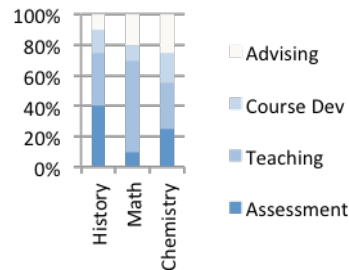
Create Direct Cost Buckets



- Categorize all direct costs into relevant activities

Step 2

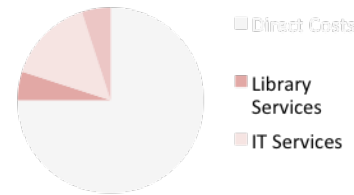
Allocate Direct Costs



- Allocate direct costs to programs using cost driver based allocation

Step 3

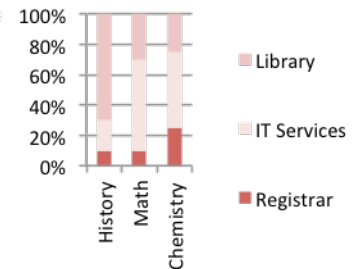
Create Indirect Cost Buckets



- Categorize all indirect costs into relevant activities

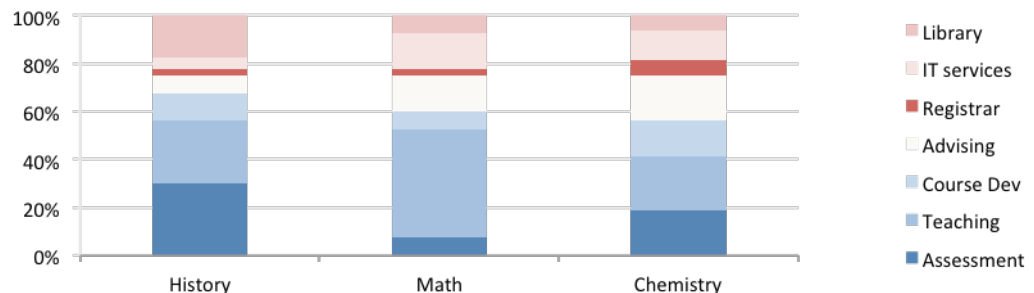
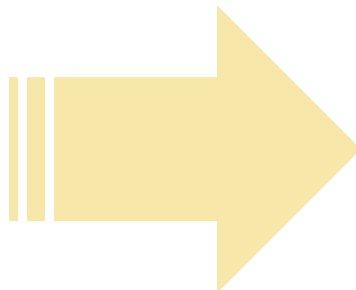
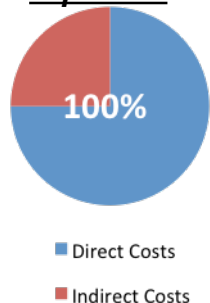
Step 4

Allocate Indirect Costs



- Allocate indirect costs to programs using cost driver based allocation

Total Spend



Project Governance Structure



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

Proposed Project Timeframe

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Project Begins	X							
Data Specs Completed	X							
Initial Data Received	X	X						
Work Group Meetings	X	X	X	X	X	X	X	
Steering Group Meetings	X	X	X	X	X	X	X	
Draft Results						X		
Meetings with the Deans / Review Individual Results						X		
Final Results							X	
Model Transferred to the University								X

Questions / Next Steps