



BE *bold.*

# FAU Financial Review

2016



# FAU Financial Review



- FAU, along with many academic institutions across the country, seeks to improve its ability to engage in long term financial planning.
- While financial statements are necessary and useful, they provide only a “snapshot” of the financial activities of the University at any one point in time. Budget spreadsheets prepared by various units within the University are similarly limited. Neither provide sufficient information necessary for long term financial planning.

# FAU Financial Review



The administration has contracted the services of a consultant to develop an analytical software tool based on a financial review model that will improve the University's financial planning capability going forward. The objectives of the model are:

- To identify the revenues, expenses and contribution margin for all courses and programs/majors as well as other major activities in the University.
- To quantify the level of cross-subsidization throughout the University.
- To provide University administrators with the capability to evaluate financial trends, resource allocations, pricing/discount strategies and staffing decisions.



- To link the results to performance based funding metrics.
- To provide a common methodology to support benchmarking.

These were the objectives Michael provided at our first meeting on November 20<sup>th</sup>.

BE *bold.*



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Further elaboration...

- The analyses conducted will be based on the revenue and expense data from the University's audited financial statement.
- The software tool will provide the flexible capability to conduct cost analysis incorporating multiple factors and accounting for multiple institutional perspectives.
- The reports generated will allow FAU to compare its financial metrics across a multiple institutional perspectives with those of other participating institutions.



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The bottom line or basis of the analysis is to determine the actual cost of educating a student by major or by program (i.e., cost-accounting for a university).

- The analytical tool will allow us to determine the cost of educating a student by considering the direct instructional costs for each student and course of each academic unit in the University.
- The analytical tool will allow us to also incorporate the indirect non-instructional costs of other units within the University, such as those related to student support services and infrastructure and all other areas needed to sustain the operations and development of the University.

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The reports generated with the analytical tool will inform discussions and decision-making in a number of areas.

1. Implementing the Strategic Plan of the University
2. Achieving sustainable performance on metrics established by the Board of Governors
3. Identifying efficiencies across academic, student-support, administrative, infrastructure and other units of the University.
4. Preparing the detailed financial reporting requirements necessary to satisfy the SACS five year Interim Report due in 2018 and the 2023 SACS reaffirmation.



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1. Inform decision-making focused on implementing the Strategic Plan of the University
  - By improving the ability to monitor how well financial allocations match targeted areas of the Plan
  - By providing information that could lead to modification of the plan in future years

BE *bold.*



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2. Inform decision-making focused on achieving sustainable performance metrics established by the Board of Governors
  - By improving the capacity for understanding how financial allocations to each unit are related to targeted performance metrics from one year to the next
  - By providing the ability to benchmark its financial allocations in targeted performance metrics with allocations of other institutions in the SUS

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3. Identify and drive efficiencies across academic, student-support, administrative, and infrastructure units of the University
  - By improving the ability to monitor how financial allocations are related to the productivity of academic units over time
  - By increasing the capacity to understand how financial allocations are related to human resources and capital resources in other units of the University

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4. Prepare for SACS five year Interim Report due in 2018 and the 2023 SACS reaffirmation
  - An important motivation for initiating the Financial Review and interest in developing a software tool to improve financial analysis is in anticipation of more detailed financial reporting requirements necessary for accreditation reaffirmation.

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Overall, the Financial Review and the analytical tool to be developed through the review process is intended to improve the University's ability to understand the cost of educating students in each major or program. The factors used to calculate this cost are numerous and varied, including both direct and indirect costs. It is hoped that the sophistication of the analysis and the quality of the reports generated will be useful for informing decision-making with regard to the challenges we face including the need to “live within our means”, to dedicate resources to strategic areas that will frame the ongoing identity of the University, to achieve sustainable performance metrics that are intrinsically tied to funding from the State of Florida, and to maintain SACS reaffirmation.



BE *bold.*

**Thank you**

**Questions?**

