Getting the Right Numbers to the Right People at the Right Time

Jan M. Haas, Senior Partner
www.cfocolleague.com
jan@cfocolleague.com
267-278-4650
Without question – the CFO is the key numbers leader for an institution. It’s essential to what are the right numbers and what numbers should go to what people in a timely manner.

Explore the art and science of numbers management with a distinguished expert and take your leadership to another level.
Agenda

• Knowing the right (and essential) numbers to know and get right
• Understanding the importance of financial information distribution – the board, president, and team
• Seeing why often time is of the essence – setting up systems that work
Knowing the right (and essential) numbers to know and get right

“The Right Stuff”
The Right Stuff

“Data is like garbage. You’d better know what you are going to do with it before you collect it.” —Mark Twain, writer and humorist

“Most of the world will make decisions by either guessing or using their gut. They will be either lucky or wrong.” —Suhail Doshi, CEO and Founder of Mixpanel, Inc. and Founder of Mighty

“There are many things of which a wise man might wish to be ignorant.” —Ralph Waldo Emerson
The Right Stuff

Accuracy is the foundation of trust and credibility

Inaccurate data can lead to poor decision-making

Legal and regulatory compliance depend on accuracy
The Right Stuff

- Net Tuition Revenue
- Debt Burden
- Surplus
- Accounts Payable
- DOE Financial Responsibility Score
- Composite Financial Index (CFI)
- Debt covenants
- Cash Flow
- 5-year budget and forecast
- Your Key Metrics
Financial and Operational Benchmarks

Commitment to Healthy Financial Operations

1. Annual traditional net tuition per (NTR) student $\geq$ $14,000
2. First time freshman traditional tuition discount $\leq$ 50%
3. Advancing NTR per student three years forward for first time freshmen should be greater than current NTR for Seniors (micro price inflation)
4. Non-student revenues (donations and unrestricted investment returns primarily) $\geq$ 12% of operating revenue (Student revenues include net tuition, fees and auxiliary revenues)
5. Endowment value $\geq$ 150% of the annual operating budget
6. Traditional student to faculty ratio $\geq$ 15:1 with $\leq$ 15% of traditional classes having 9 or fewer students
7. Faculty: $\leq$ 10% Instructor, $\geq$ 40% Asst. Professor, $\leq$ 30% Associate, $\leq$ 20% Professor
8. Overall faculty load assigned to non-teaching appointments (release time) $\leq$ 5%
9. Non-traditional NTR $\geq$ 40% of overall NTR
10. Non-traditional net contribution $\geq$ 40% of NT revenues after facility and overhead costs
Question

What are the three ratios used to derive the Department of Education Financial Responsibility Score (DOE FRS)?
The Right Stuff

**Composite Financial Index (CFI)**
- Primary Reserve
- Net Income
- Return on Net Assets
- Viability

**Department of Education Financial Responsibility Score (DOE FRS)**
- Primary Reserve
- Equity
- Net Income
<table>
<thead>
<tr>
<th>RATIO</th>
<th>2021 - 22</th>
<th>Projected</th>
<th>Forecast</th>
<th>Forecast</th>
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<tbody>
<tr>
<td>Primary Reserve Ratio:</td>
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<tr>
<td>Expendable Net Assets</td>
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<td>Total Expenses</td>
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<td>Net Income Ratio:</td>
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<tr>
<td>Change in unrestricted net assets</td>
<td>0.007</td>
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<td>Total unrestricted income</td>
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<td>Return on Net Assets Ratio:</td>
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<td>Change in net assets</td>
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<td>Viability Ratio:</td>
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<td>Total Liquidity</td>
<td>175%</td>
<td>170%</td>
<td>132%</td>
<td>128%</td>
<td>131%</td>
<td>134%</td>
<td>143%</td>
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<td>Debt Service Coverage Ratio:</td>
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<td>Net Revenues</td>
<td>1.93</td>
<td>2.09</td>
<td>0.96</td>
<td>0.40</td>
<td>3.36</td>
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<td>Maximum annual debt service</td>
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<td>CFI</td>
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<td>DOE</td>
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<td>2.4</td>
<td>2.2</td>
<td>2.8</td>
<td>2.0</td>
<td>1.9</td>
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The Right Stuff

Primary Reserve
- Expendable Net Assets
- Total Expenses

Equity
- Modified Net Assets
- Modified Assets

Net Income
- Change in Net Assets without Donor Restriction
- Total Unrestricted Revenue
Understanding the importance of financial information distribution

– the Board, President, and Team
Financial Information Distribution

“The result of information overload is usually distraction, and it dilutes your focus and takes you off your game.” – Zig Ziglar

“We’re not in a world of information overload, we’re in a world of filter failure.” – Michael Lazerow

“There is no such thing as information overload, just bad design. If something is cluttered and/or confusing, fix your design.” – Edward Tufte
Financial Information Distribution

Too much data can be counterproductive

Know your audience

Tailor the distribution consistent with the audience
Question

Can you name seven (7) audiences you may have for financial information distribution.
Financial Information Distribution

- Board of Trustees
- Cabinet/Leadership
- Students/Parents
- General Public
- President
- Faculty/Staff
- Alumni
- Accreditation
- Auditor
- Bank
Financial Information Distribution

- Stakeholder Communication
- Effective communication with stakeholders
- Transparency and accountability
Seeing why often time is of the essence

Setting up systems that work
“Poor planning on your part does not necessitate an emergency on mine.”
Time is of the Essence

- Month end close
- FYE Projection
- Develop a calendar
- Systemization
Time is of the Essence

**MAY MEETING**
- FYE Projections
- Faculty Salaries
- Staff Salaries

**MARCH MEETING**
- Budget
- Student Placement Data
- Satisfaction Survey Results

**OCTOBER MEETING**
- Audit
- Student Enrollment
- Student Quality
- Student Diversity
- Faculty/Staff Diversity
- Retention

**DECEMBER MEETING**
- Strategic Indicators
- Financial Ratios
Financial Information Distribution

- Set clear reporting deadlines and stick to them
- Automate routine reporting tasks to save time
- Regularly review and optimize reporting processes
<table>
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<tr>
<th>Services</th>
<th>CFO Coaching/Mentorship</th>
<th>Best Practices</th>
<th>Turnarounds</th>
<th>Accreditation</th>
<th>Dining Program Optimization</th>
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<td>Marginal Revenue Analysis</td>
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<td>Administrative/Financial Services Assessment</td>
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<tr>
<td>Interim CFO</td>
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<tr>
<td>Accounting, Analysis, and Audit Support</td>
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</tbody>
</table>
Free!

- COMP4cast® and instructions
- Program Development Analysis
- Thirty (30) Benchmarks

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- Email “subscribe” to jan@cfocolleague.com
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Content & Photo

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Two Column Layout

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Comparison Layout

Comparison Headline

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Comparison Headline

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Three Column Layout

Column Headline

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Comparison Headline

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Column Headline

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Question

What are some of the oversight difficulties we might experience with scenario planning?