CFO Colleague

Booth 206

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

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

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)?


Let's Make A Deal
1
2
3

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

Example College

CFO Colleague

RATIOS	weight / strength	Actual 2021 - 22	Projected 2022 - 23	/- - - - - - F o r e c a s t - - - - - / 2023 - 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28
Primary Reserve Ratio: Expendable Net Assets / Total Expenses	35% / 55% / 0.133	0.311	0.224	0.219	0.129	0.256	0.208	0.174
Net Income Ratio: Change in unrestricted net assets / Total unrestricted income	10% / 15% / 0.007	0.007	0.034	-0.031	-0.069	0.136	-0.040	-0.030
Return on Net Assets Ratio: Change in net assets / Total net assets	20% / 30% / 0.020	0.062	0.055	0.013	-0.018	-0.024	-0.024	-0.018
Viability Ratio Expendable Net Assets / Long-Term Debt	35% / 0% / 0.417	0.617	0.451	0.333	0.208	0.439	0.389	0.356
Liquidity Ratio Total Liquidity / Long-term indebtedness		175%	170%	132%	128%	131%	134%	143%
Debt Service Coverage Ratio Net Revenues / Maximum annual debt service		1.93	2.09	0.96	0.40	3.36	0.86	1.72
CFI		2.1	2.0	0.6	-0.7	1.8	0.1	0.2
DOE		2.7	2.9	2.4	2.2	2.8	2.0	1.9

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 counter productive

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	Auditor
President	Faculty/ Staff	Alumni	Accreditation	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

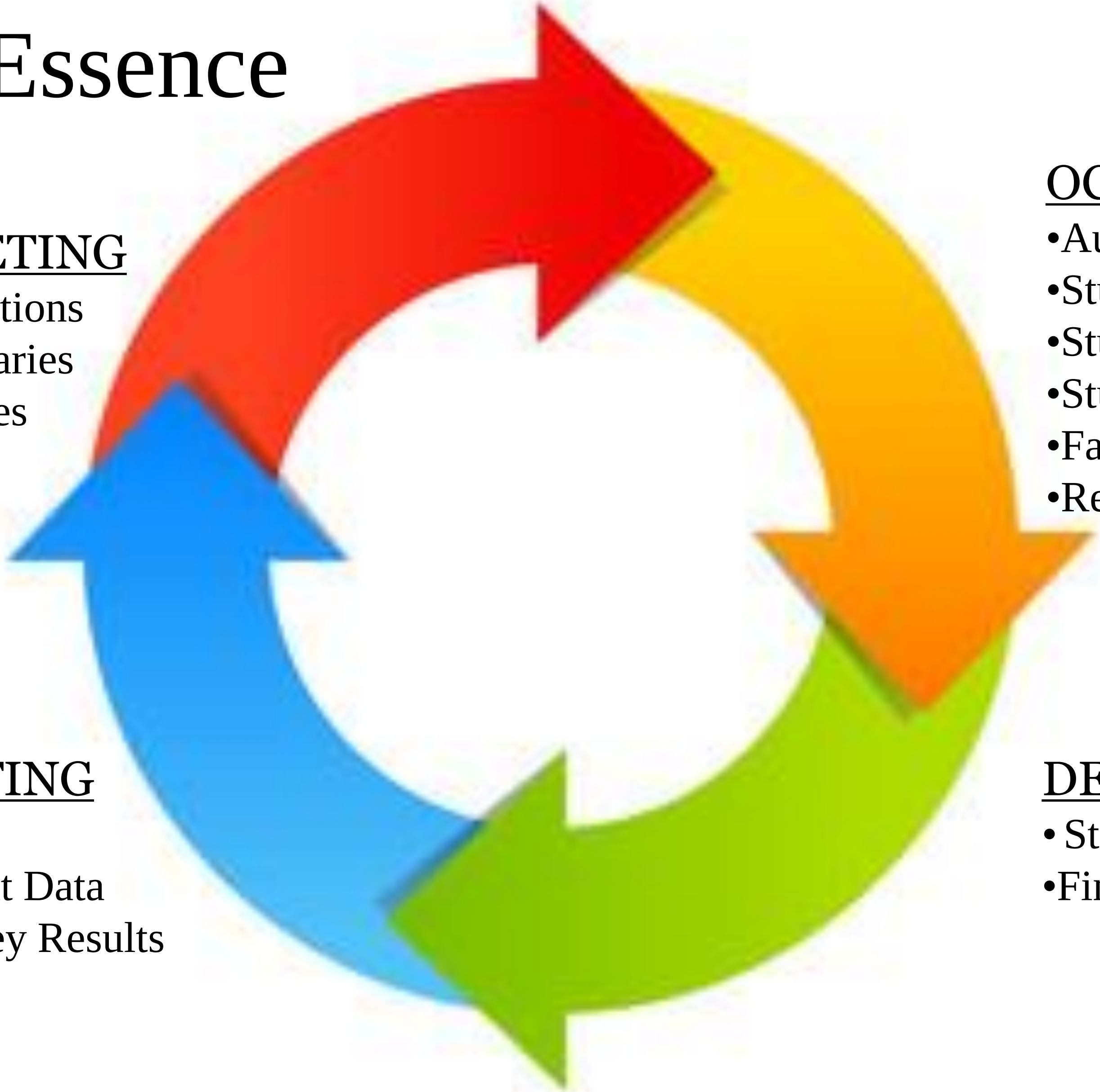
Time is of the Essence

“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

OCTOBER MEEETING
- Audit
- Student Enrollment
- Student Quality
- Student Diversity
- Faculty/Staff Diversity
- Retention

DECEMBER MEETING
- Strategic Indicators
- Financial Ratios

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

Financial Information Distribution

Set clear reporting deadlines and stick to them

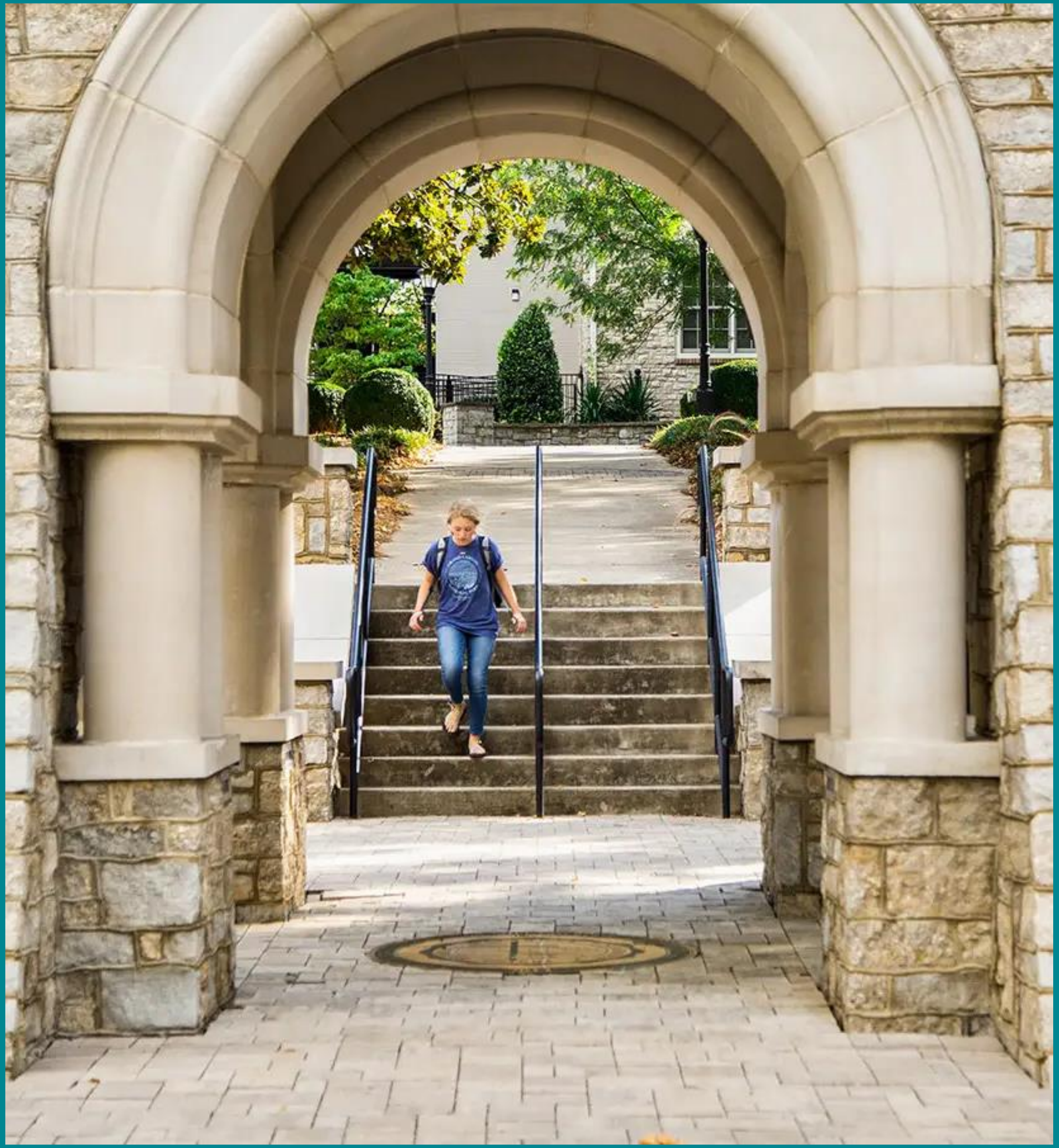
Automate routine reporting tasks to save time

Regularly review and optimize reporting processes

CFO Colleague

Budgeting & Forecasting (COMP4cast®)
Marginal Revenue Analysis
Administrative/Financial Services Assessment
Interim CFO
Accounting, Analysis, and Audit Support

CFO Coaching/Mentorship
Best Practices
Turnarounds
Accreditation
Dining Program Optimization



Free!

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

www.cfocolleague.com/downloads

- CFO Colleague Newsletter
- Email “subscribe” to jan@cfocolleague.com

CFO Colleague

Jan M. Haas, Senior Partner

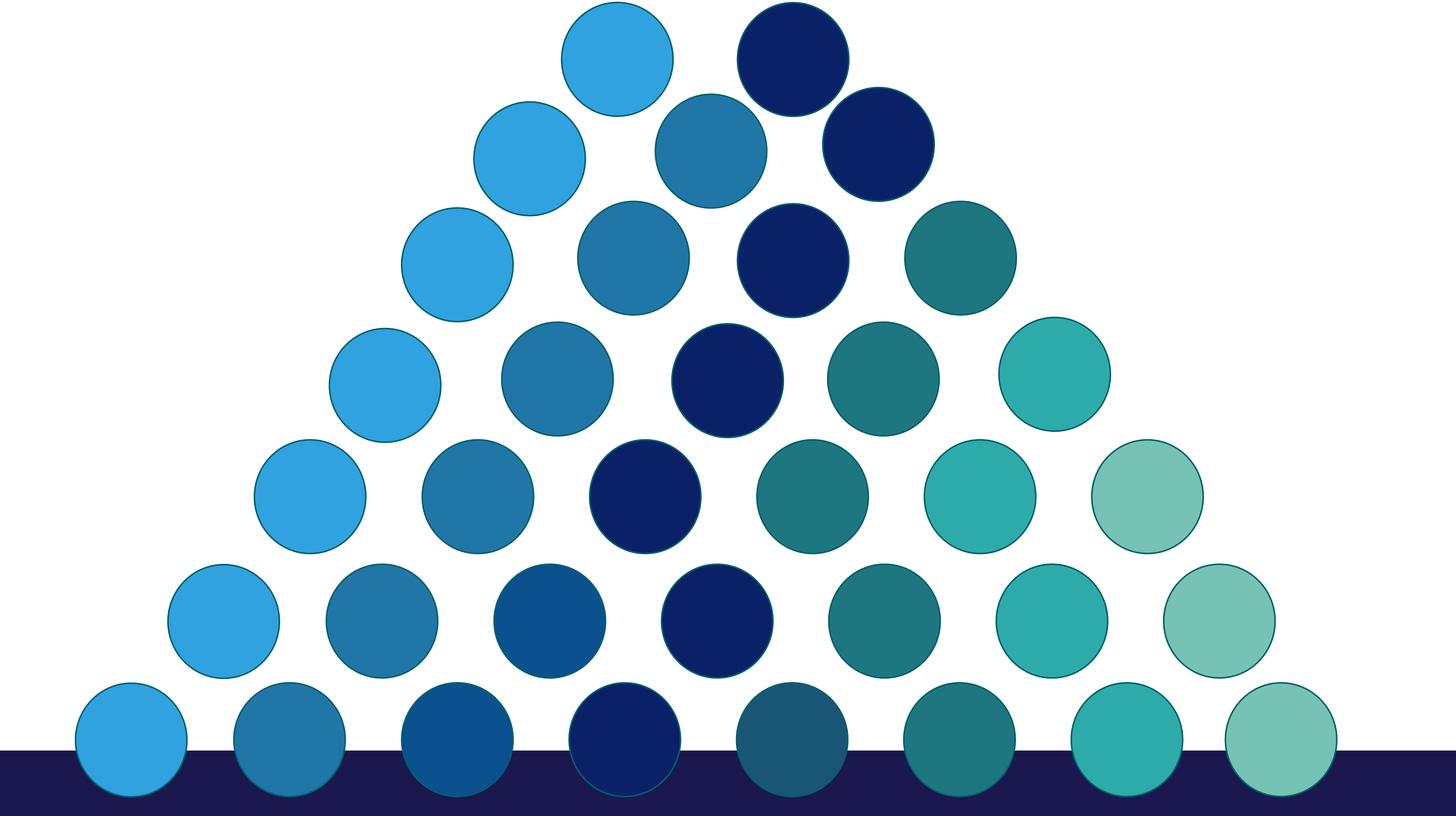
Call (267) 278-4650

Email jan@cfocolleague.com

www.cfocolleague.com

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

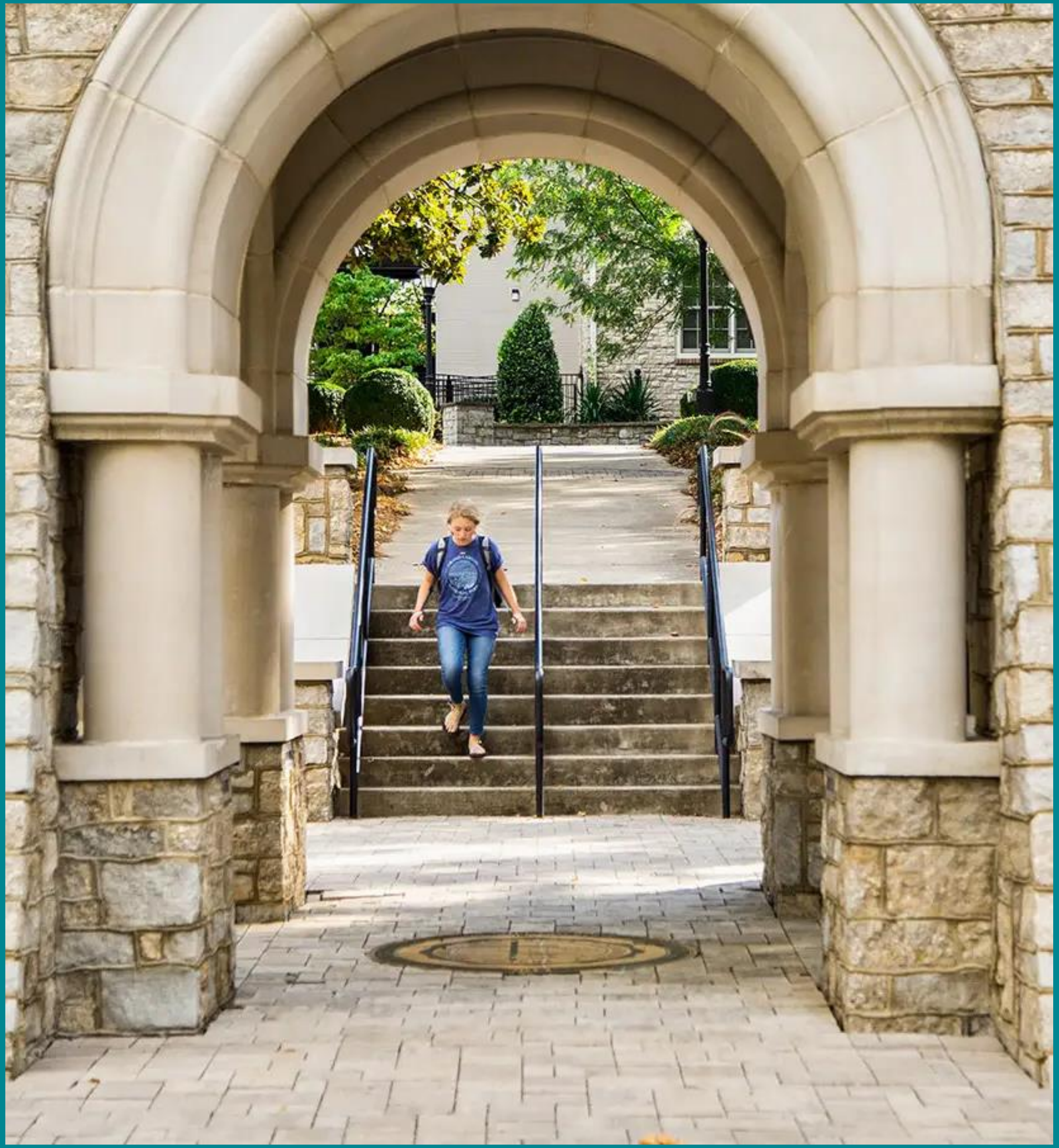
Thank you!



PRE-HEADER

Content & Photo

Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua. Ut enim ad minim veniam, quis nostrud exercitation ullamco laboris nisi ut aliquip ex ea commodo consequat. Duis aute irure dolor in reprehenderit in voluptate velit esse cillum dolore eu fugiat nulla pariatur.



PRE-HEADER

Content & Photo

Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua. Ut enim ad minim veniam, quis nostrud exercitation ullamco laboris nisi ut aliquip ex ea commodo consequat. Duis aute irure dolor in reprehenderit in voluptate velit esse cillum dolore eu fugiat nulla pariatur.

Two Column Layout

- Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua.
- Ut enim ad minim veniam, quis nostrud exercitation ullamco laboris nisi ut aliquip ex ea commodo consequat.
- Duis aute irure dolor in reprehenderit in voluptate velit esse cillum dolore eu fugiat nulla pariatur.

- Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua.
- Ut enim ad minim veniam, quis nostrud exercitation ullamco laboris nisi ut aliquip ex ea commodo consequat.
- Duis aute irure dolor in reprehenderit in voluptate velit esse cillum dolore eu fugiat nulla pariatur.

Comparison Layout

Comparison Headline

- Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua.

Comparison Headline

- Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua.

Three Column Layout

Column Headline

- Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua.

Comparison Headline

- Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua.

Column Headline

- Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua.

Question

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