



2021 Higher Education Virtual Conference

February 16, 2021

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

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New normal - Projecting Before, During, and After a Pandemic

A private institution panel

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Session and Learning Objectives

- **Learn from experiences shared by higher education leaders during the pandemic and how it applies to your institution**
- **Identify strategies for budgeting and communication in higher education and how it has been impacted by the COVID-19 pandemic**



Introductions



Patricia Langer, Associate Vice
President for Finance
Macalester College



Tish Gade-Jones, Vice President for
Finance and Administration
Nebraska Wesleyan University



Mitchell Wein, Senior VP for
Finance/Chief Administrative Officer
Haverford College



Pre-pandemic pressures

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“Current State”

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Impact of COVID-19 on forecast development

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Strategy for developing your model and communication

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Distance Learning

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Student assistance and impact on budget process

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Shift in capital investment

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Silver linings...

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Questions and Answers



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Data and Analytics: Private Colleges

Matthew Lang: Principal, Data and Analytics

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Session and Learning Objectives

In this session, participants will learn how the spectrum of data and analytics offerings is impacting higher education.

We will illustrate potential use-cases for data and analytics in higher education while providing examples of how institutions have executed on select use-cases.

By the end of this session, you will be able to identify tangible action items for participants to jump start their data and analytics initiatives at their college or university.



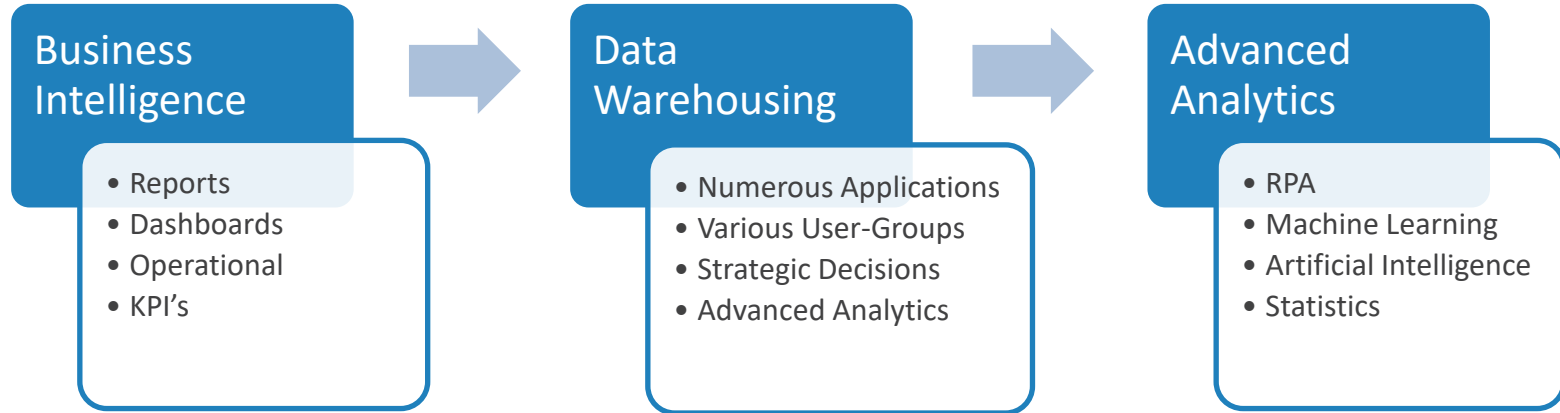
Agenda

- **Introduction**
- **Data and Analytics: What is it?**
- **Challenges to Expect**
- **Data Readiness Evaluations**
- **Potential Use-Cases in Private Colleges**
- **Use-Case Demonstrations**
- **Next Steps**





Data and Analytics: What is it?



Challenges to Expect

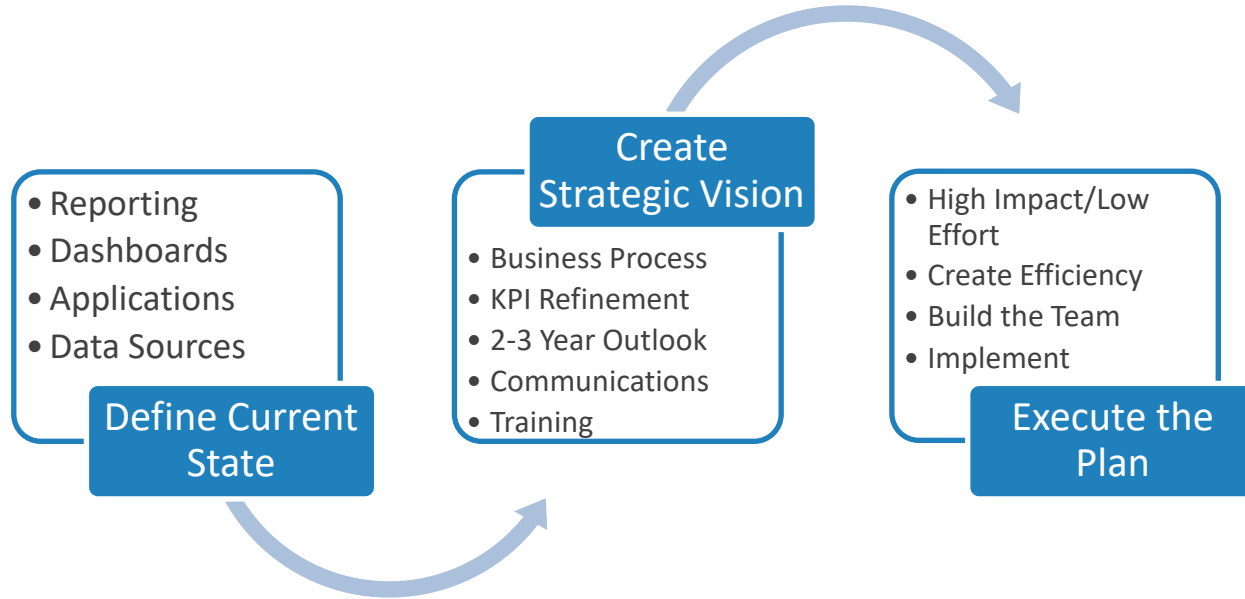
- 1. Institutional Research**
- 2. Data Advocacy**
- 3. Legacy Systems**
- 4. Numerous Stakeholders**
- 5. Internal Bandwidth**



OWN IT!!



Data Readiness Evaluations



Data and Analytics Use-Cases in Private Colleges

- **Leadership Dashboard**
- **Early Warning Indicator Systems**
- **Probability Modeling**
- **Mergers and Acquisitions**
- **Continuous Alumni/Student Engagement**
- **Student Financial Aid Compliance**
- **Financial Aid Matrix**





College Leadership Dashboard

Major Filter

Athlete
FilterProximity
to Campus

Date Filter

Graduation
Rate% of
Students
on AidStudent to
Faculty
RatioCost Per
Student% of
Students
Living on
CampusClassroom
Utilization
Rate

Student Enrollment by Dept: % of Grand Total

Dept. Name

2018

2019

2020

Total

Department One

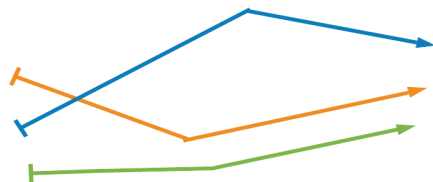
Department Two

Department Three

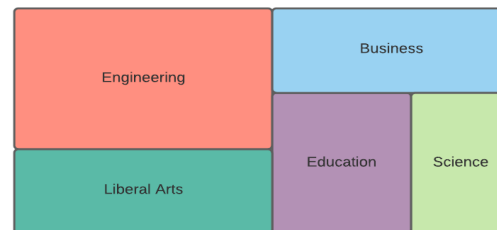
Department Four



Student Attendance Rate Trending Over Time (Year, Quarter, and Month over 4 Year Period '18-'21)



Tree Map Illustrating Graduation Rate by Department with Drill Down to Major





Financial Aid Matrix:

Adjusted Gross Income by High School GPA

Adj. Gross Inc.	(1) 0 - 1.99	(2) 2.0 - 2.99	(3) 3.0 - 3.49	(4) 3.5 - 3.9	(5) >= 4.0	(Blank)	Other	Total
(1) <= 0		211	371	498	177	1	133	1391
(2) \$1 - \$24,999	25	318	304	355	91	60	27	1180
(3) \$25,000 - \$49,999	12	386	441	618	209	76	27	1769
(4) \$50,000 - \$74,999	4	288	533	817	306	59	25	2032
(5) \$75,000 - \$99,999	3	242	427	763	338	31	27	1831
(6) \$100,000 - \$124,999		135	265	477	243	16	16	1152
(7) >= \$125,000	2	176	317	590	319	19	30	1453
Total	46	1756	2658	4118	1683	262	285	10808

Students	Avg. AGI	Avg. Aid	Avg. Inst. Aid	Avg. GPA	Avg. Distance	Avg. SAT	Avg. ACT
10.81K	\$71.71K	\$22.5K	7.24K	3.48	380.20	1,056	23

Award Year

All

Candidacy Stage

All

Academic Program

All

Distance from Campus (Miles)

0.00 9,657.81

Ethnicity

All

Gender

All

Royal Source

All

Athlete

All

Retained

All



Next Steps

- 1. Find Your Advocates**
- 2. Start Small, Think Big**
- 3. Enable Your Peers**
- 4. Catalog Data Sources**
- 5. Prioritize Use-Cases**
- 6. Build a Roadmap**



Thank you!

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FASB Accounting and Regulatory Update

February 16, 2021

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Session Objectives

- **Discuss current trends and regulatory matters in higher education**
- **Review recent accounting standards issued by FASB and discuss technical requirements of the standards impacting private higher education institutions**



POLL

Which of the following items are most top of mind for your organization?

- A. Navigating regulatory and operational changes.**
- B. Maintaining and building donor relationships in this virtual environment.**
- C. Impact of upcoming lease standard.**
- D. All of the above and more!**





Donor Advised Funds

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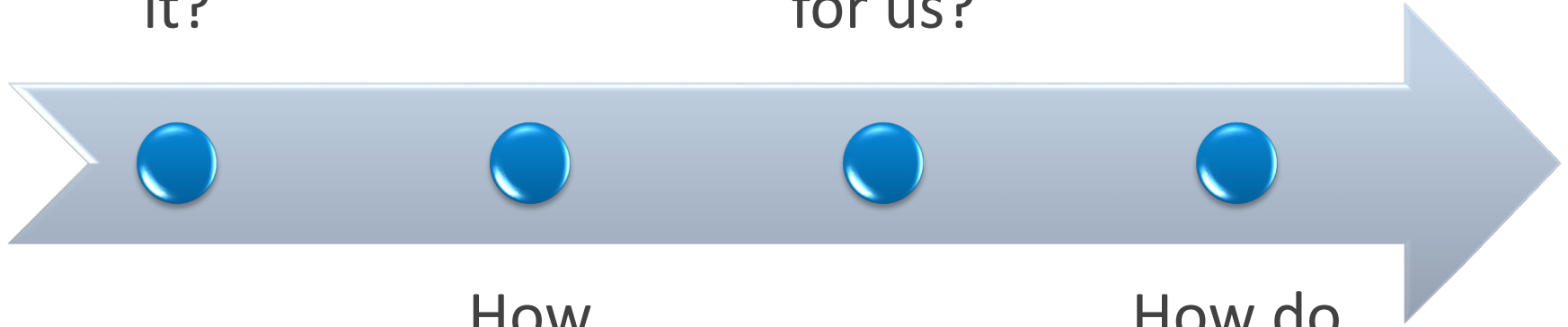
Donor Advised Funds

What is
it?

Is it right
for us?

How
does it
work?

How do
you
account
for it?

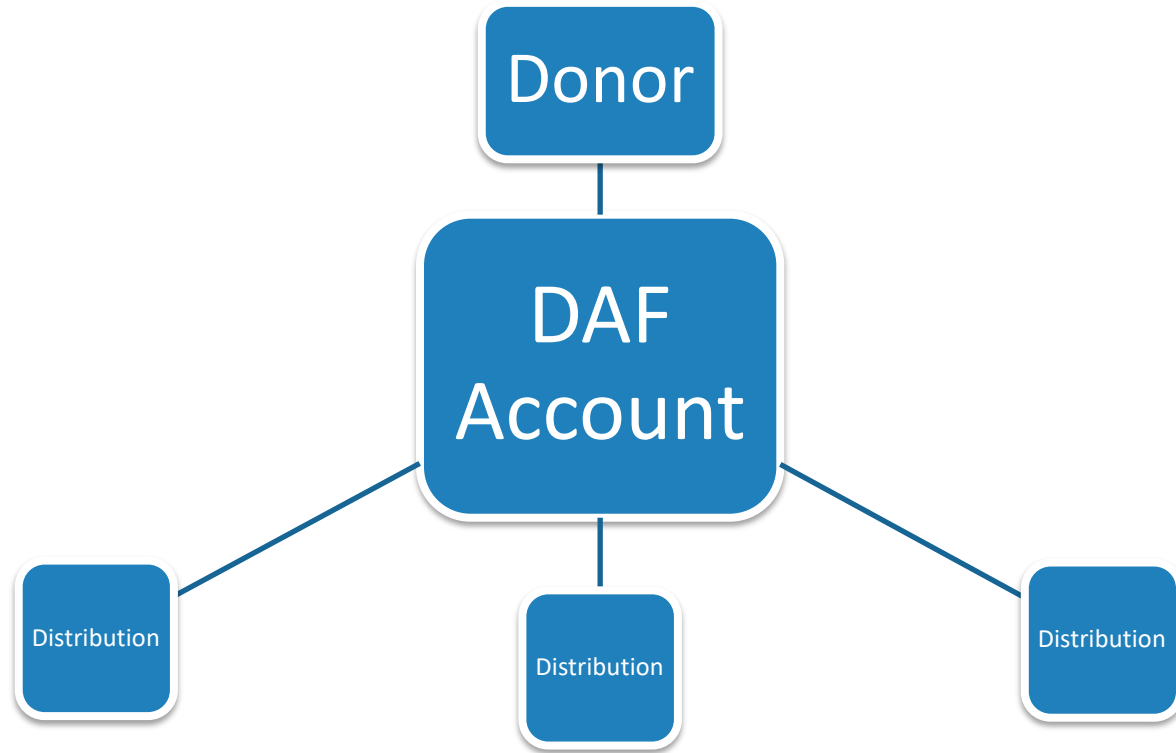


Donor Advised Funds

Financial account that holds charitable contributions for donors that is managed by a charitable 501(c)3 sponsoring nonprofit



Donor Advised Funds



Donor Advised Funds



- **Pros**

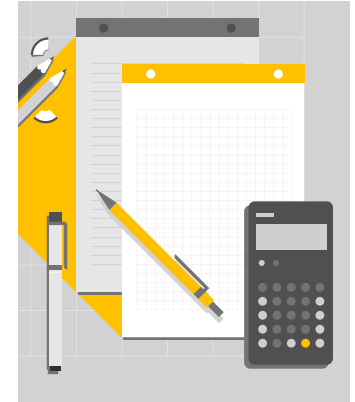
- Attractive to Donors
- Ease & experience with non-cash assets
- Insight from a Financial Manager

- **Cons**

- Time gap between donation & benefit
- Transparency around account fees
- Other traditional giving from the donor lessens

Donor Advised Funds

- **Sponsor Org receives funds from Donor into DAF**
- **No donor restriction on funds**
- **Sponsor Org granted complete variance power**
- **Contributions and investment asset recognized at time of funds received**
- **Award expense and reduction of investment asset when distribution occurs**



Donor Advised Funds



**Can a Donor use DAF
distribution to fulfill
a pledge?**



Income Share Arrangements

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Income Share Arrangements (ISA)



What is an ISA?

A contract in which the student receives educational funding in exchange for a portion of post-graduate salary

Alternative to student loans



How does it work?

Income share

Salary floor

Payment cap

Term



Income Share Arrangements (ISA)

- **Why should an institution consider an ISA program?**
 - Accessibility for students
 - Increase enrollment without raising discount rate
 - Can help with retention and completion goals
 - Can isolate target student populations



Income Share Arrangements (ISA)

Example – In exchange for \$10,000 to cover tuition, a student agrees to pay 10% of their monthly income for 24 months. The payment cap is \$20,000 (2x amount received) and salary floor is \$30,000 (minimum income threshold to begin paying back).

	Scenario #1	Scenario #2	Scenario #3
Salary (assumes FT)	\$25,000	\$50,000	\$75,000
Monthly payments	\$-0-	\$417	\$625
Total payments	\$-0-	\$10,000	\$15,000





Financial Responsibility Ratio

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POLL – Financial Responsibility Ratio

In regard to the new Financial Responsibility Regulations for the latest reporting cycle, what was the biggest challenge?

- A. Getting the additional requirements in the report.**
- B. Handling the changes with the new lease standard.**
- C. Interpreting the results.**
- D. Nothing - this was easy!**



Financial Responsibility Ratio

- a) **Calculation of the 3 Ratios**
- b) **Calculation of the 3 ratios strength factor**
- c) **$a \times b$ for each of the 3 ratios**
- d) **Add weighted scores calculated in c for each of the 3 ratios = Composite Score**



Financial Responsibility Ratio

RATIO	Ratio	Strength Factor	Weight	Composite Scores
Primary Reserve Ratio	0.1000	1.0000	40%	0.4000
Equity Ratio	0.9308	3.0000	40%	1.2000
Net Income Ratio	0.0170	1.8495	20%	0.3699
				<u>1.9699</u>
Round the composite score to one digit after the decimal point to determine the final score				
TOTAL Composite Score - Rounded				<u>2.0</u> PASS



Financial Responsibility Ratio



- **Results on scale of -1.0 to 3.0**
 - Pass (1.5-3.0), Zone (1.0-1.4), Fail (-1.0-0.9)
- **Zone Participation Requirements**
- **Consequences for Failing – Changes**





Reference Rate Reform

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Reference Rate Reform

- **Accounting Standards Update (ASU) No.'s 2020-04 & 2021-01**
- **London Interbank Offering Rate (LIBOR) to be discontinued 12/31/21**
- **Affects contracts & transactions referencing LIBOR**



Reference Rate Reform

Example contracts & modification guidance provided on:

- **Debt**
- **Receivables**
- **Leases**
- **Derivative & Hedging (with some exceptions)**
 - Additional guidance and options for specific types of hedging activity



Reference Rate Reform



- **Effective for all entities as of March 12, 2020 through December 31, 2022**
 - Calendar year 2020
 - Fiscal year 2020-2021
- **Don't delay – take inventory now for contracts affected!**
- **Communicate early and often with affected parties.**





FASB Accounting Standards Update

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Lease Accounting (Topic 842)

- **Effective dates**
 - Institutions with conduit debt (public business entities) – fiscal 2021
 - All other entities – fiscal 2023 (early adoption permitted)



Lease Accounting (Topic 842)



- **What have we learned?**
 - Don't underestimate the time and resources required
 - Assess completeness of lease population
 - Consider embedded leases
 - Not all necessary info will be included in the lease agreements
 - Determining the discount rate



Other FASB Standards



ASU 2019-03, Not-for-Profit
Entities (Topic 958): Updating the
Definition of Collections

Effective fiscal 2021 for all entities



ASU 2020-03, Codification
Improvements to Financial
Instruments

Effective fiscal 2021 (already
effective for public business entities)

Other FASB Standards



ASU 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities

Issued June 3, 2020, effective immediately



ASU 2020-07, Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

Effective fiscal 2022 for all entities



Thank you!

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