



**CS-59, FINANCE TRAINING-PRIVATE INSTITUTIONS** Donna Barrett  
 Director, Institutional Finance  
 December 2019

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**DISCLAIMER**

- General comments, not institution specific
- Not your assigned SACSCOC staff member
- Not your committee member
- Not a SACSCOC Board Member (no vote)
- For members
- No one "right" way to do this

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**TOPICS**

- Finance Standards
- Case Study Analysis
- Writing a Clear Report
- Why be an Evaluator

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**CR 13.1 RESOURCES & BASE**

Sound Financial Resources  
Demonstrated Stable Base  
Financial Documents (see CR 13.2)

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**CR 13.2 FINANCIAL DOCUMENTS**

Audited Financial Statements  
And Statement of Unrestricted Net Assets w/o plant  
And Annual Budget  
And Sound Planning  
And Sound Fiscal Procedures  
And Proof of Board Approval

NO MANAGEMENT LETTER (removed December 2017)

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**CR 13.2 PRIVATE AUDIT ISSUES**

-NEW FASB – get it right  
-“w/o donor restriction” same as unrestricted for SACSCOC  
-UNAEP – balance sheet? Footnote? Investment in plant, net (dep & debt)?  
-Temporary & Permanent if possible, understand your footnote  
-Unrestricted Operating Measure  
*IF YOU DON'T PROVIDE, PEERS WILL FIGURE IT OUT*

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### CR 13.2 AUDIT ISSUES CONTINUED

- “for the most recent year”
- “an audit”
- One year of data is not enough
- Dollars and English

*Spirit: External Verification*

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### IN A PERFECT WORLD-AUDIT



- UNAEP identified, trended over multiple years
- At least one year of comparative data - full statement of activities
- Accounts Payable broken out trade versus plant
- Debt broken out-operational versus plant
- Clear unrestricted operating measure
- Capital releases considered non-operational
- Clear operational releases in unrestricted operational income
- Depreciation included in operational
- Interest expense included in operational
- Endowment spending per policy operational
- Gains/Losses (excess of endowment spend, sale of assets, etc.) non-operational

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### CR 13.2 UNAEP

- A statement of “position” which represents “change” in UNAEP, must be multi-year
- Exclusive of plant- and plant-related debt
- No prescribed format
- May be prepared by auditor or institution
- May be chart in narrative, footnote, on face of balance sheet, MD&A, etc.

*Spirit: Available Operational Resources*

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### UNAEP - IS IT REALLY AVAILABLE?

Work off the statement of financial position

#### PLANT ASSETS

- Include plant, net of depreciation
- Include debt proceeds held for capital expansion

#### PLANT-RELATED DEBT

- Bonds and related swaps
- Notes for construction, renovation, refi of plant
- Accounts Payable – plant
- Construction Loans – if LOC be sure to indicate plant

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### UNAEP — IS IT REALLY AVAILABLE

EVALUATORS MAY BACK OUT FROM UNAEP

- Artwork
- Horses
- Investment Land
- Intangibles
- Debt Service Reserves
- Anything not readily available to meet obligations

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### CR 13.2 ANNUAL BUDGET

- Sound planning with PROOF
- Sound fiscal procedures
  - Balanced
  - Contingency
  - Amendment Process
  - Ability to react
- Approved by board with PROOF

*Spirit: Deliberate financial planning w/controls*

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**CR 13.1 RESOURCES & BASE**

Sound Financial Resources

Demonstrated Stable Base

-Rely on Financial Statements

-Multi-year trends demonstrate stability

-MD&A can supplement data

-No prescribed format

*Possible trends: Total net assets, Unrestricted Net Assets, UNAEP, Current ratio, Composite Financial Index, Unrestricted Cash, Accounts Payable, Various financial ratios, DOE score, etc.*

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**CR 13.1 RESOURCES & BASE**

*SPIRIT*

Is the institution stable over time?

Is this institution, overall, a sustainable entity?

Does the institution have a sufficient resource base to support its mission and programs?

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**S 13.3 FINANCIAL RESPONSIBILITY**

Is the institution living within revenues available to operations?

Is the institution living within cash flows available to operations?

Are financial behaviors sustainable?

Externally documented historical, not projections

what happened to "recent history"?

*Possible trends: Operational outcomes, cash flows, revenue streams, enrollment, net tuition, net tuition per FTE, etc.*

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CASE EXAMPLE  
There is no one way to create this

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**CR 13.1 VERSUS S 13.3**  
13.1 Core requirement versus 13.3 standard  
13.1 Not reaffirmed versus 13.3 reaffirmation  
13.1 Sanction versus 13.3 no sanction required  
Probation versus Warning affects time  
  
*Think about whether financial distress has risen to a level that undermines the overall stability and/or resources of the institution*

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**S 13.4 CONTROL OF FINANCES**  
SPIRIT: EXTERNAL VERIFICATION OF  
INTERNAL CONTROLS  
  
WHAT'S NOT ACCEPTABLE  
Internal Audit Reports – not enough alone, may create more problems

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### S 13.4 CONTROL OF FINANCES

IDEAS FOR DOCUMENTATION

- LACK OF FINANCIAL STATEMENT / CONTROL FINDINGS IN FEDERAL AWARDS AUDIT (if at institutional level)(excludes title IV)
- AUDITOR'S REPORT ON INTERNAL CONTROL – are there significant deficiencies or material weaknesses
- EXTERNAL OPERATIONAL AUDITS for individual institution if available
- Management Letter – if still get something like it
- Policies & Procedures about: safeguard cash, control of expenditures, etc.

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### S 13.5 CONTROL SPONSORED RESEARCH & PROGRAMS

NOT Title IV

- Federal Awards Audits – other than Title IV
- Grants Policies (prove implementation)

*Spirit: If you take someone's money you have to follow their rules.*

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### S 13.6 FEDERAL & STATE RESPONSIBILITIES

- Audits of federal and state financial aid for individual institution
- Not for state or system unless institution clearly included
- Critical to address previous findings
- Perfection not required
- No PPA required, please
- No USDOE correspondence required, please
- Describe process and timing

*Spirit: Is your federal & state financial aid externally audited?*  
*Spirit: Are findings minor, isolated, new (not repeats?)*

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### S 13.7 PHYSICAL RESOURCES

- CR eliminated
- describe all sites, on and off campus
- "adequately serve" educational programs, support services, & mission-related activities
- include the library
- are there specific areas of concern (not unusual)
- are specific areas of concern being addressed?
- Risk? Maintenance? Inventory? (include examples)
- Is "technological infrastructure" sufficient particularly for DL (required)

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### S 13.8 INSTITUTIONAL ENVIRONMENT

- Safety plan
- Security function, in-house? Outsourced?
- Relationship to local law enforcement
- Crisis communications plan? Tested?
- How are alerts disseminated?
- Buildings reviewed for safety concerns
- On and off-campus
- REQUIRED:** Investigations by USDOE Office of Civil Rights re: sexual violence? (see RM)

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### S 12.6 STUDENT DEBT

Information and guidance to help student borrowers understand

- How to manage debt
- How to repay loans

THIS IS NOT A FEDERAL AWARDS STANDARD

Examples of documentation include:  
Student education – might be embedded in coursework, might be provided as information, etc.,

DO NOT DESCRIBE FEDERAL REQUIREMENTS FOR EXIT / ENTRANCE COUNSELING

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## A DOZEN FISHY BEHAVIORS

- Operational deficits
- Negative operational cash flows
- Deficit in UNAEF
- Prior year restatements, particularly frequent & favorable
- Including LOC with maturity less than 1 year in long-term debt
- Movement of plant assets into investments
- Revaluations supporting operational revenues (artwork, investments)
- Endowment borrowing (from or against), or draws above policy
- Changing lives on plant to reduce depreciation
- Increase in enrollment w/o corresponding increase tuition, net
- Land and real estate in endowment
- Pledges supporting operational revenues




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## BE A SACSCOC PEER EVALUATOR

[www.sacscoc.org/evalinfoform.asp](http://www.sacscoc.org/evalinfoform.asp)

Requires President's approval

- community service
- free education
- great networking
- peer review is self regulation

SUPPORT THE GREATER PURPOSE  
BE A PART OF THE WHOLE

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## BE CLEAR

What did you see?

What did you think?

Provide basis for compliance or not

Cite source of numbers

The best case is




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**BE TIMELY**

Respond to requests to serve promptly  
Stay for the whole visit  
Become part of the committee

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**BE REASONABLE**

No institution is perfect  
Does the institution meet the standard?

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**NEED MORE INFORMATION**

[www.sacscoc.org](http://www.sacscoc.org)  
SACSCOC *Resource Manual*, 2018 edition  
SACSCOC *Handbook for Institutions Seeking Reaffirmation*  
NACUBO publications – Strategic Financial Analysis  
SACUBO  
Your institution's Accreditation Liaison  
SACSCOC app

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