



**SACS**  **COC**™

SOUTHERN ASSOCIATION OF COLLEGES AND SCHOOLS  
COMMISSION ON COLLEGES

**CS-065, FINANCE TRAINING-PRIVATE  
INSTITUTIONS**

**MONDAY, DEC. 4, 10:30-11:30 GRAND 12**

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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
- Things change over time

**HANDOUTS WILL BE ON-LINE, FOR NOW...**



# QUESTIONS?



Stop me, or



Ask at end, or



Send me an email  
until 12-15 with CS-  
65 in the subject



Handouts & presentations will  
be at [www.sacscoc.org](http://www.sacscoc.org) , staff  
directory, Donna Barrett,  
homepage (after the  
conference)



# TOPICS

Finance Standards

Writing a Clear Report

Why be an Evaluator

# CR 13.1 RESOURCES & BASE

Sound Financial Resources

Demonstrated Stable Base

Financial Documents (see CR 13.2)

# 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)

## CR 13.2 PRIVATE AUDIT ISSUES

- “w/o donor restriction” = unrestricted for SACSCOC
- UNAEF – statement of financial position? Footnote?  
Investment in plant, net (dep & debt)?
- Restricted by Time & Purpose
- Restricted in Perpetuity, understand your footnote
- Unrestricted Operating Measure

*IF YOU DON'T PROVIDE, PEERS WILL TRY TO FIGURE IT OUT*



# CR 13.2 AUDIT ISSUES CONTINUED

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

*Spirit: External Verification*

# IN A PERFECT ~~WORLD~~ AUDIT

- UNAEP identified, trended over multiple years BONUS IF ON STATEMENT OF POSITION
- At least one year of comparative data - FULL statement of activities (not just comp. totals)
- Accounts Payable broken out trade versus plant
- Debt broken out-operational versus plant
- Clear operating measure (without donor restriction and total)
- Capital releases considered non-operational
- Clear operational releases in unrestricted operational income
- Depreciation included in operational expenses
- Interest expense included in operational expenses
- Endowment spending per policy in operational revenue w/o restriction
- Gains/Losses (excess of endowment spend, sale of assets, etc.) non-operational
- Restricted and unrestricted cash in separate line items



## 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.
- NOT THE SAME as auditor’s liquidity footnote, though it may point out some unavailable resources to UNAEP
  - *Spirit: Available Operational Resources*

The background image shows a close-up, slightly angled view of an audit worksheet. The worksheet is a grid with rows and columns. Each cell contains a circled number, likely representing a net position number. Some cells have black dots, possibly indicating errors or specific data points. A black pen is visible in the lower right corner, pointing towards the grid. The overall scene is brightly lit, with a white background.

PLEASE...

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Work from audited statement of net position numbers

# UNAEP - IS IT REALLY AVAILABLE?

Work off the audited statement of net position (balance sheet)

## 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, refinance of plant

- Accounts Payable – plant

- Construction Loans – if LOC be sure to indicate plant, best if note specific project

**LOC ARE USUALLY OPERATIONAL, DO NOT INCLUDE IN PLANT DEBT**



# UNAEP — IS IT REALLY AVAILABLE

EVALUATORS MAY BACK OUT FROM UNAEP

- Artwork (held as investment)
- Horses (held as investment)
- Investment Land
- Intangibles
- Debt Service Reserves
- Anything not readily available to meet obligations
  
- HINT: Auditor's Liquidity footnote may be a clue



**BUT I DON'T WANT TO LOOK BAD...**



# 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*





# 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, Net Assets w/o Donor Restriction, UNAEF, Current ratio, Auditor's Liquidity footnote, Composite Financial Index, Unrestricted Cash, Accounts Payable, Various financial ratios, DOE score, Endowment, etc.*

# 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?



# § 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

*Possible trends: Operational outcomes w/o restriction, operational outcomes total, operational cash flows, various revenue streams, enrollment, net tuition, net tuition per FTE, Budget versus Actual, etc.*



THERE IS NO ONE WAY TO DO THIS

DO NOT SAY DONNA BARRETT SAID...

DO NOT USE THIS IN YOUR COMPLIANCE  
CERTIFICATION

# 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

Warning, Probation, Probation for Good Cause

*Think about whether financial distress has risen to a level that undermines the overall stability and/or resources of the institution*

## S 13.4 CONTROL OF FINANCES

SPIRIT: EXTERNAL VERIFICATION OF  
INTERNAL CONTROLS

WHAT'S NOT ACCEPTABLE

Internal Audit Reports – not enough alone, OFTEN creates more problems

# S 13.4 CONTROL OF FINANCES

## IDEAS FOR DOCUMENTATION

- LACK OF FINANCIAL STATEMENT / CONTROL FINDINGS IN FEDERAL AWARDS AUDIT (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.

DO NOT INCLUDE INTERNAL AUDIT INFORMATION





# S 13.5 CONTROL SPONSORED RESEARCH & PROGRAMS

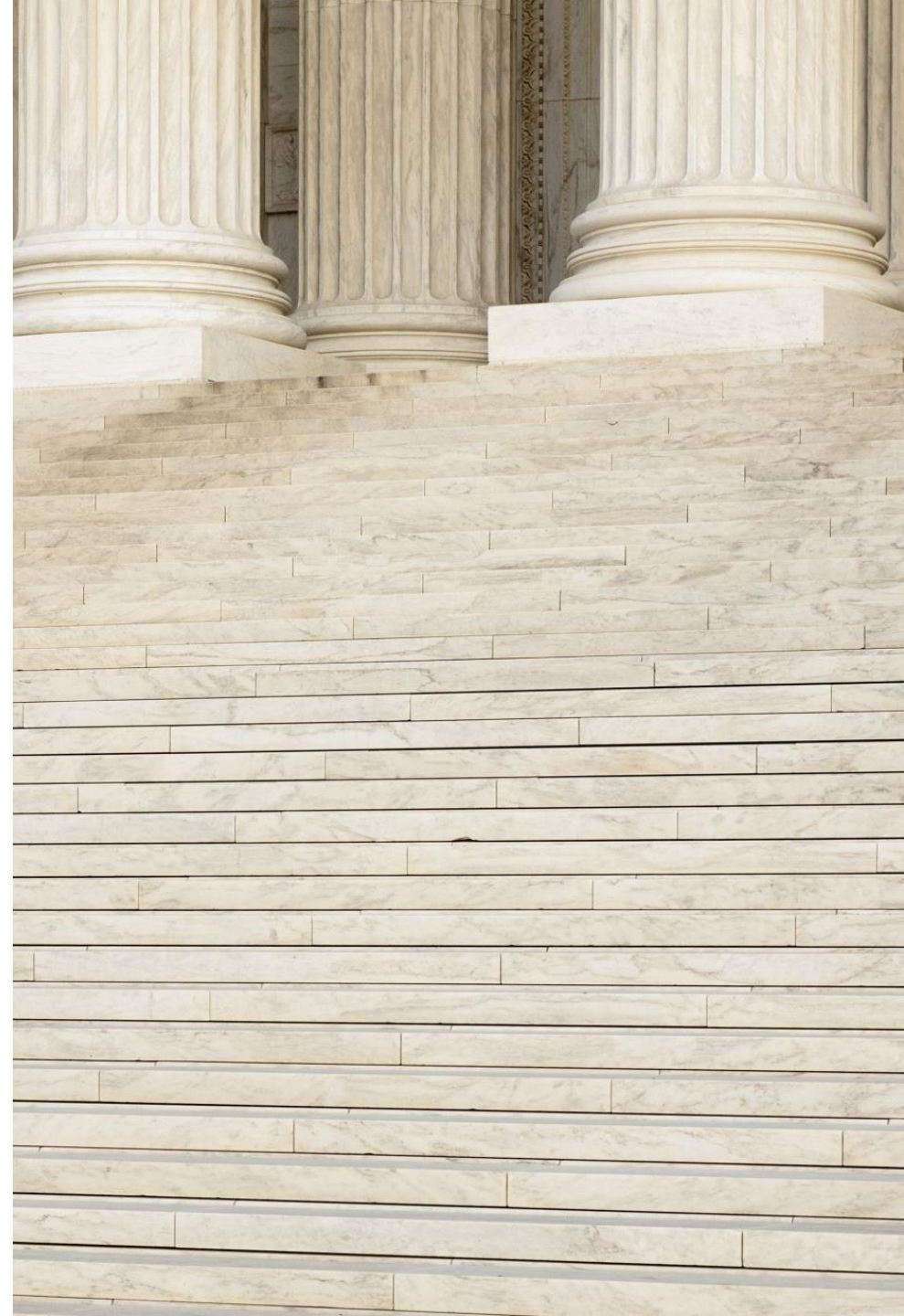
NOT Title IV

Federal Awards Audits – other than  
Title IV

Grants Policies

(prove implementation)

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





# § 13.6 FEDERAL & STATE RESPONSIBILITIES

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-Audits of federal and state financial aid for individual institution

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-Does not have to be for most recent year, can be prior year

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-Critical to address previous findings

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-Perfection not required

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-No PPA required, No ECAR, No IPEDs please

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-No USDOE correspondence required, unless relevant

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-Describe process and timing

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*Spirit: Is your INSTITUTION'S federal & state financial aid externally audited?*

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*Spirit: Are findings minor, isolated, new (not repeats?)*

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**COMMON OMISSION: STATE FINANCIAL AID AUDIT**

# NEW SUBSTANTIVE CHANGE REQUIREMENTS

Are not the  
same as 13.6

Don't create  
problems for  
your institution

# NOT SAME AS 13.6

## Conditions for SUBSTANTIVE CHANGE RESTRICTION and for an Institutional Contingency Teach-out Plan

This quick reference is designed as a summary only. It is not intended to replace a careful reading and understanding of policy. As a summary of select information, it provides an efficient reference to identify the conditions for SUBSTANTIVE CHANGE RESTRICTION and for an Institutional Contingency Teach-out Plan.

IF (Condition)	THEN (Consequence)	
<i>This is a summary only. Always consult policy for complete information.</i>	The institution is:	
	on Substantive Change Restriction	required to submit an Institutional Contingency Teach-out Plan
<b>SACSCOC PLACES THE INSTITUTION ON:</b>		
Warning	●	
Probation	●	●
Probation for Good Cause	●	●
<b>SACSCOC:</b>		
Acts to end an institution's accreditation		●
<b>U.S. DEPARTMENT OF EDUCATION (USDE) PLACES THE INSTITUTION:</b>		
Under provisional certification for participation in federal financial aid programs	●	
Under provisional certification for participation in federal financial aid programs —AND— directs the institution to submit a teach-out plan	●	●
On reimbursement for federal financial aid		●
On heightened cash monitoring for federal financial aid		●
On emergency action or an action to limit, suspend, or terminate the institution's participation in federal financial aid		●
<b>A STATE AUTHORITY:</b>		
Revokes an institution's authorization		●

Institution must notify SACSCOC if on

Provisional Certification

Through the SACSCOC Institutional Portal

**THINK ABOUT IT  
— PRACTICAL  
CONSIDERATION**

**SACSCOC does not  
make decisions based  
on USDE decisions**

**SACSCOC makes  
decisions based on  
SACSCOC standards**

# 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)

# S 13.8 INSTITUTIONAL ENVIRONMENT

Pandemic Preparations

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 Resource Manual)      COMMON OMISSION

## 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

# A DOZEN FISHY BEHAVIORS

Operational deficits without restriction, operational deficits total

Negative operational cash flows

Deficit in UNAEP

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)

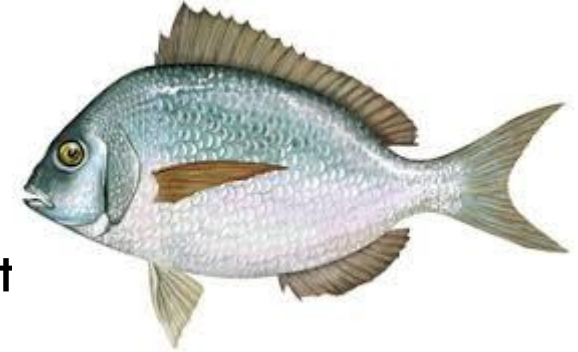
Endowment borrowing (from or against), or draws above policy

Not including depreciation as an operational expense

Increase in enrollment w/o corresponding increase tuition, net

Land and real estate in endowment

Pledges supporting operational revenues, in particular OLD and UNPAID





# STEP BACK AND LOOK BUDGET, INTERIM STATEMENTS & AUDIT

If the audited operating measure does not mirror the budgeted operating measure it perpetuates the inability of the board to read audited financial statements.

Further it perpetuates the inability of the board to hold management accountable for operational results.



# BE A SACSCOC PEER EVALUATOR

Your institution's Accreditation Liaison inputs your basic information in SACSCOC portal

Your President gets an email link to approve your participation

You get an email asking for more information

When reviewed you get a Welcome email

# WHY BE AN EVALUATOR?

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

SUPPORT THE GREATER PURPOSE

BE A PART OF THE WHOLE

# BE CLEAR WHEN REVIEWING

What did you see? Describe documents

What did you think?

Provide basis for compliance or not

Cite source of numbers



The best case is





# BE TIMELY

Respond to requests to serve promptly

Stay for the whole visit

Become part of the committee



# BE REASONABLE

No institution is perfect

Does the institution meet the standard?

# NEED MORE INFORMATION

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

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*SACSCOC Resource Manual, 2018 edition, edited 2020, edits to come 2023*

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*SACSCOC Handbook for Institutions Seeking Reaffirmation*

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NACUBO publications – Strategic Financial Analysis

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SACUBO

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Your institution's Accreditation Liaison