Mary Peloquin-Dodd

The Business of Higher Education

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Auxiliary Services

Lecture I- Introduction to Higher Ed

- The Higher Education Business
  - Unique Sector Characteristics
  - Sector Size, Expenditures, and Correlation to GDP
  - Types of higher education institutions
- Current Business Challenges
  - Supply and Demand
  - Cost Structure, ROI and Affordability
  - Significant Stress: Mergers and Acquisitions and Closures
  - Complicated and Changing Regulations
- Higher Education Operations and Key Business Areas
- Assessing Financial Performance
- Becoming the CFO (a Small Group exercise) and Professional Skills
- The Future

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The Higher Education Business

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US Higher Education is Unique

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- A fragmented, diverse economic sector (public and private)
- A sizable component of the US economy and economic engine
- Diverse lines of business (education, professional training, new inventions, research (from basic science to commercialization), athletic entertainment, healthcare, parking, and more!)
- Global partnerships (foreign students and professionals)
- Complicated Regulatory Framework!

Number and Size - 2025

- Number of Institutions of Higher Education: It Depends!
  - In academic year 2024-25, the number of postsecondary institutions in the United States that were eligible to award federal student aid was 5,626.
  - The number that offered degrees was 3,802 institutions
    - Higher education is predominantly urban – some is suburban or rural
    - Very few are rural—
    - Most are coeducational (only 30 active women's colleges in the US in 2025, down from almost 300 in the 1960's)
    - 100 institutions are historically black colleges and universities (50 public, 50 private)

- US Department of Education: Integrated Postsecondary Education Data System (IPEDS)
  - Data on more than 5,760 schools in 2024-2025

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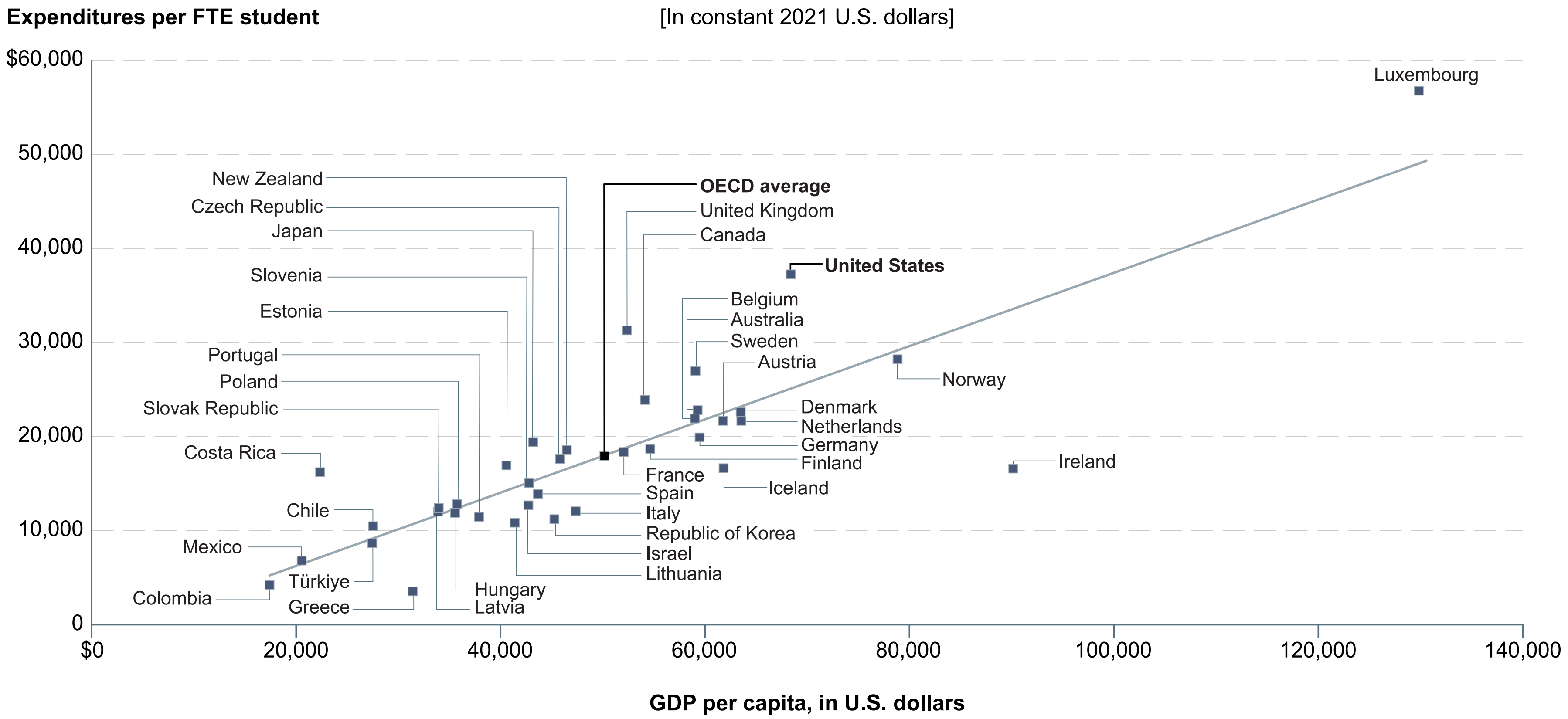
GDP Is Correlated With Postsecondary Education Expenses 2023



Types of Institutions

- Federal Chartered and Supported (Gallaudet and Howard)
- Military Academies
- State/Publicly Supported (All states and 5 US territories)
- Community Colleges
- Private, Non-Profit and Private For-Profit

Who Controls What Aspect of Higher Education

- Federal Government
  - Functions: Financial Aid, Civil Rights, Labor, and Educational Policies
  - US Department of Education
  - Other Government Agencies (sponsored research)
  - Accrediting agencies
- States
- Local Taxing Districts and Counties
- Private Colleges and Universities

Who Controls What Aspect of Higher Education: Federal Government

- In the US, higher education is not really a federal business, except for the role the US Department of Education historically plays:

Financial Aid ---------------Research -------------Labor and Civil Rights

The US does not accredit educational institutions or programs but oversees federally recognized accreditors.

- College Scorecard - https://collegescorecard.ed.gov/data
- Gainful Employment/Borrowers Defense

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Who Controls What Aspect of Higher Education: The States

- Public universities and community colleges in all 50 US states, Puerto Rico, American Samoa, Guam, Northern Mariana Islands, and the USVI
- Some are state instrumentalities—a special form of governmental status—which awards them tax-exemption
  - A small number of “public” institutions receive substantial operating support from US states but are not government instrumentalities
  - Michigan public universities are a good example
- Others are 501©3 entities
- State AGs regulate charities in their states – and a license to operate

State approval to operate is not accreditation

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Who Controls What Aspect of Higher Education: Private Nonprofits

- Most private colleges and universities are not-for-profit corporations with 501c3 tax status
- They are exempt from taxes on ordinary business income
  - SOME OF THEIR INCOME MAY BE TAXABLE
- These private 501c3 institutions follow non-profit law in their states and governing boards oversee them
- Some states provide funding to private universities
- States provide them with permission to operate, often passing specific laws for colleges and universities

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Tax-Exemption and Higher Education—IRS

As either public instrumentalities or not-for-profits universities are typically exempt from income taxes on ordinary income.

For-profit universities are taxed as corporations

Two key elements of tax-exemption:

1. Non-profit universities are exempt from income taxes on business related activity.
2. Their tax-exemption allows them to sell tax-exempt bonds for public purposes.

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Current Business Challenges

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Supply and Demand

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Supply: Competitive Risk

- Number of Institutions of Higher Education: approx. 3,900
  - There are approx. 2,600 institutions in the US offer four-year degrees
    - Most are urban -- the rest are suburban or rural
    - Very few are rural—
    - Most are coeducational (only 30 active women's colleges in the US in 2025, down from almost 300 in the 1960's)
    - 100 institutions are historically black colleges and universities (50 public, 50 private)

- US Department of Education: Integrated Postsecondary Education Data System (IPEDS)
  - Data on more than 5,760 schools in 2024-2025

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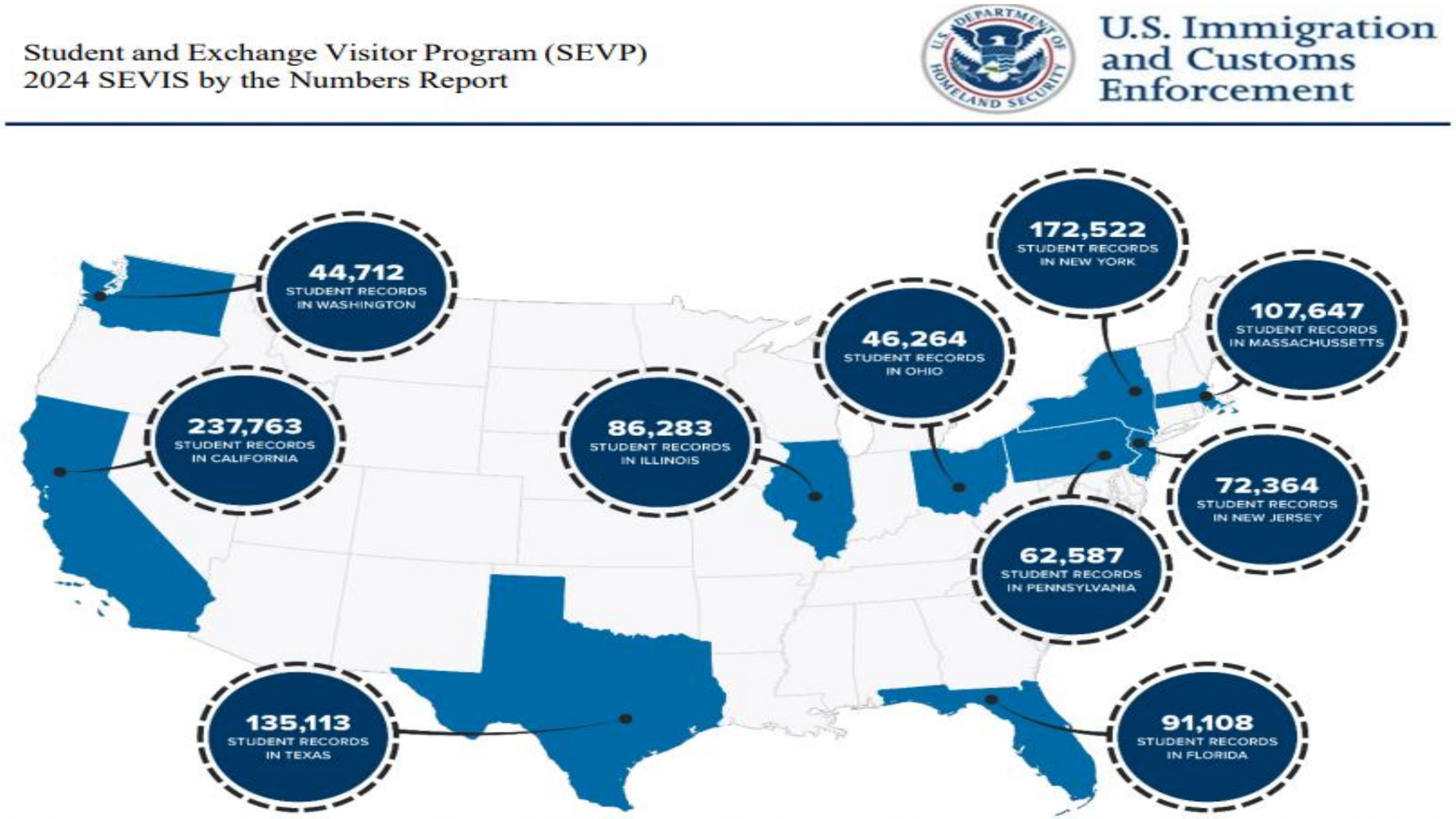
Demand: Demographic Risk

- Currently the US is facing a demographic cliff in the number of college aged students
  - Years of low birth rates; steadily declining birth rates since the 2008 recession
  - Low immigration numbers
  - Declining number of international students coming to study in the US (mostly from China and India)----this was picking up in academic year 2024 but started to fall in 2025.
    - SEVIS shows an 11% decline between 24 and 25
  - College enrollment projections anticipate numbers to plummet by more than 15% after 2025

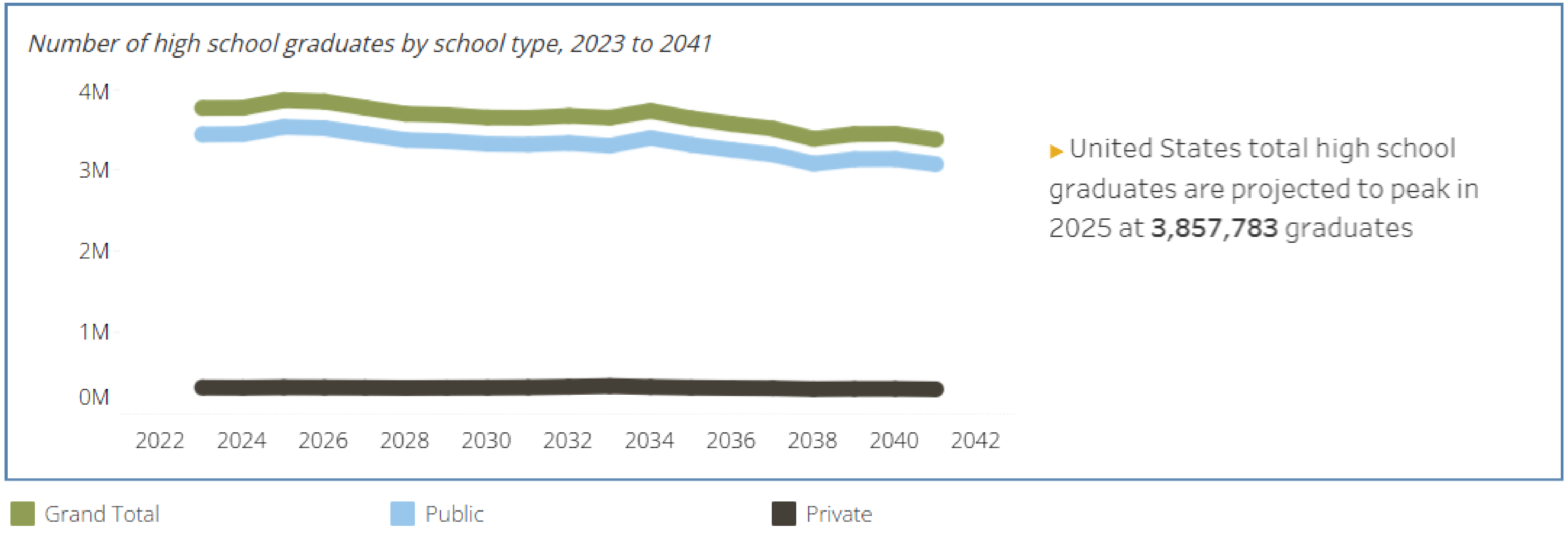
Top 10 States for International Students



The figure above illustrates the top 10 states for foreign students in calendar year 2024, including the total number of foreign student SEVIS records for these states.

Demographics—Domestic

High School Graduates by School Type

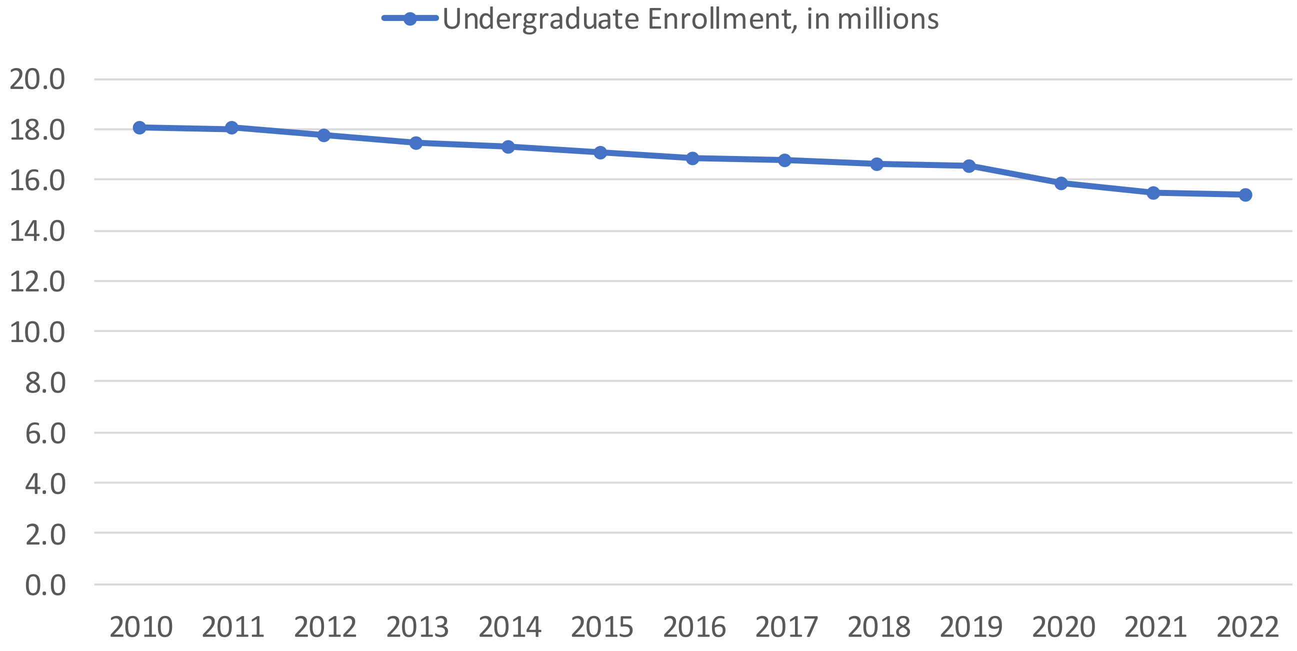


Source: Western Interstate Commission for Higher Education, *Knocking at the College Door, December 2025.*

Undergraduate Enrollment Tapers Off

- Undergraduate Enrollment Decline

Based on data from the “Report on the Condition of Education 2024,” produced by the National Center for Education Statistics, total undergraduate enrollment has decreased by 13% between fall 2012 and fall 2022.



NOTE: Data are for the 50 states and the District of Columbia. Degree-granting institutions grant associate’s or higher degrees and participate in Title IV federal financial aid programs. Projections were calculated after the onset of the coronavirus pandemic and take into account the expected impacts of the pandemic. Some data have been revised from previously published figures.
SOURCE: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), Spring 2011 through Spring 2022, Fall Enrollment component. Enrollment in Degree-Granting Institutions Projection Model, through 2031. See Digest of Education Statistics 2022, table 303.70.

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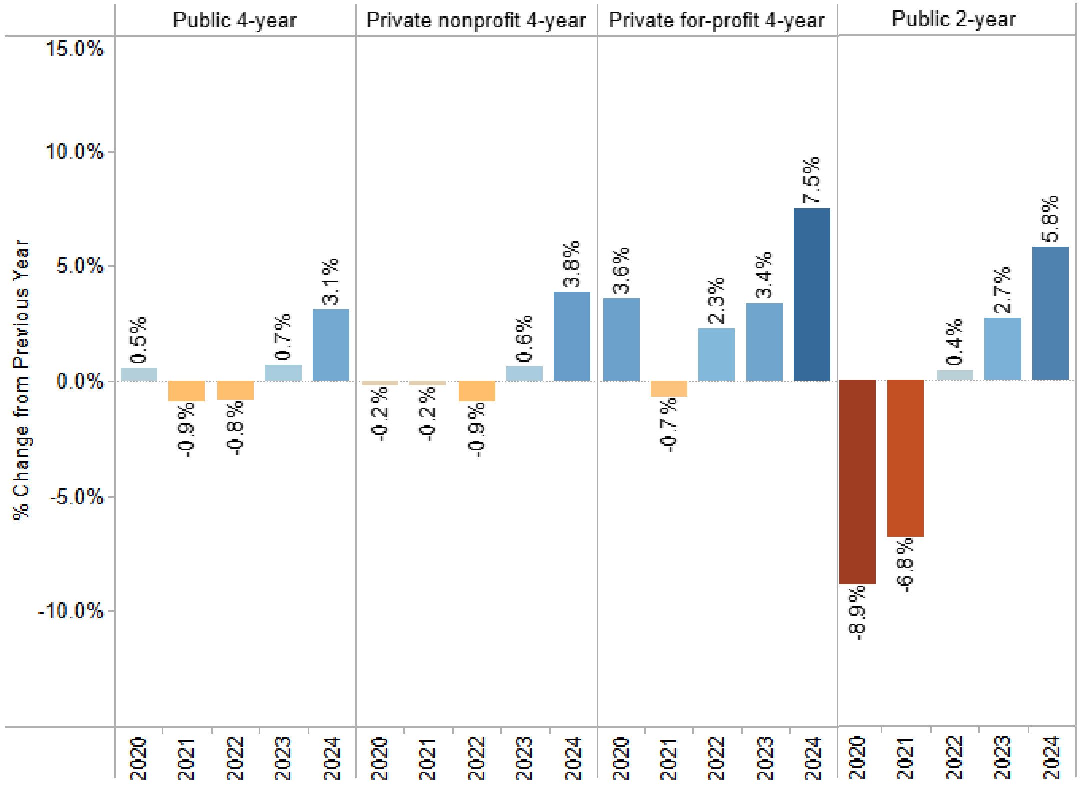
Recent Public and Private Enrollment Trends

- Public & Private Institutions Enrollment 2020-2024

Annual Percent Change in Enrollment from Previous Year by Institutional Sector: 2020 to 2024



Source: https://nscresearchcenter.org/current-term-enrollment-estimates/

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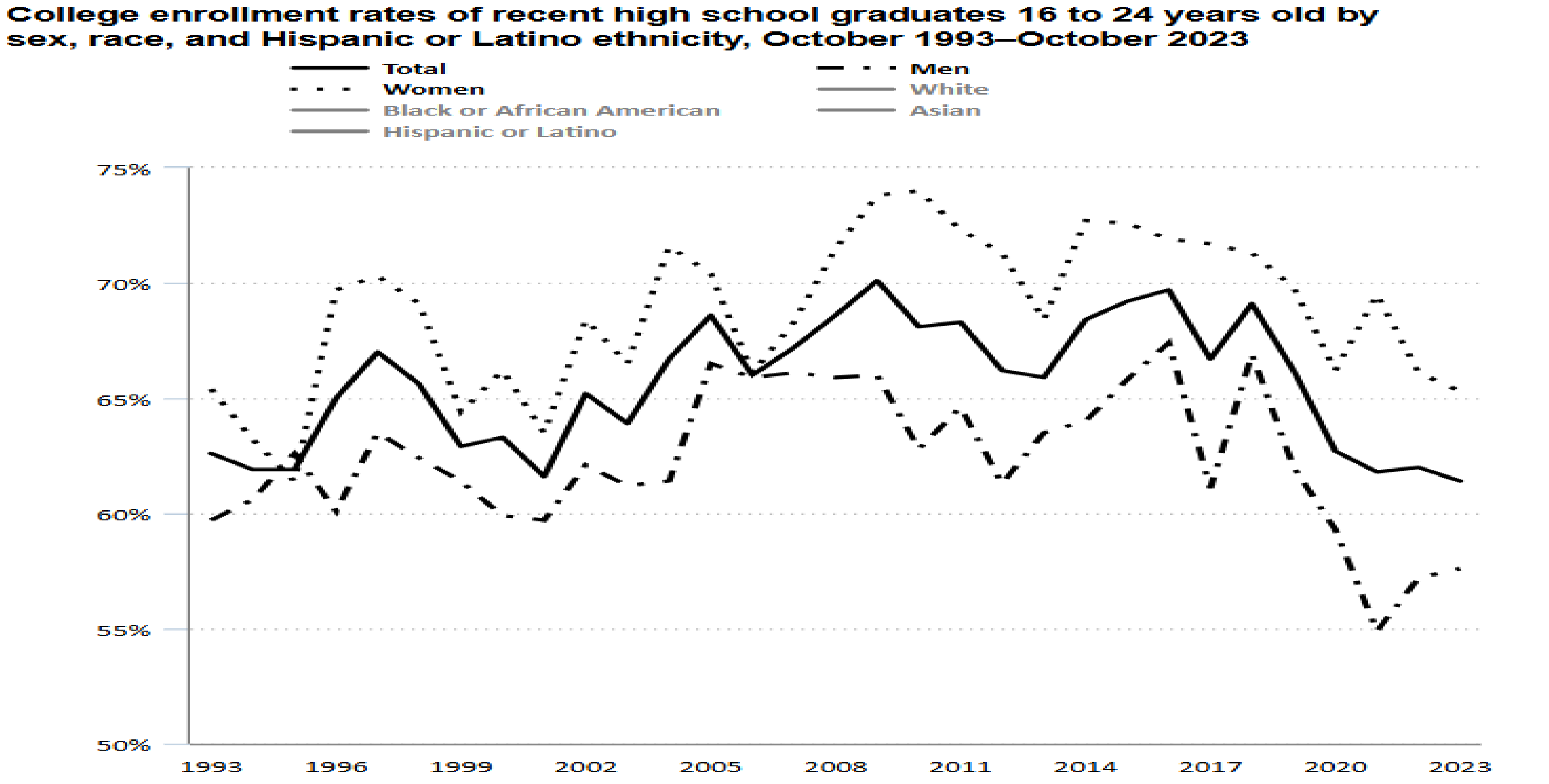
BLS Data on College Enrollment



Click legend items to change data display. Hover over chart to view data.
Data for Asians only available since 2003.
Source: U.S. Bureau of Labor Statistics.

Cost Structure, ROI and Affordability

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Supply: Fixed Costs vs. Variable Costs

- Colleges and Universities have high fixed costs
- <u>Fixed costs stay the same regardless of enrollment.</u> **
- Variable costs change with activity levels.
    - Food, utilities, supplies and services, insurance, equipment, temporary labor
- The lower the level of fixed costs, the better off an institution will be with enrollment changes and demand
- When costs of doing business rise, it takes more students to break even
- When inflation grows and enrollment drops……

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High Operating Costs

- Largely people expense – salaries and benefits range from 60-70% of a university's operating budget

- Heavy fixed costs: <u>buildings, depreciation, IT and debt service</u>

- Costs are rising

- High degree of faculty specialization of faculty and administration—makes it hard to pivot programs and people when markets change

- Competition from the private sector

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Demand: Pricing Constructs and Constraints

- Public Pricing versus Price Paid—the cost of attendance balanced against financial aid.
- Students often pay a price that is not the stated price of tuition and fees for an institution.
- Colleges and universities call this subsidization—a high percentage of institutions subsidize the costs to students
- You might also see the term “tuition discount” being used

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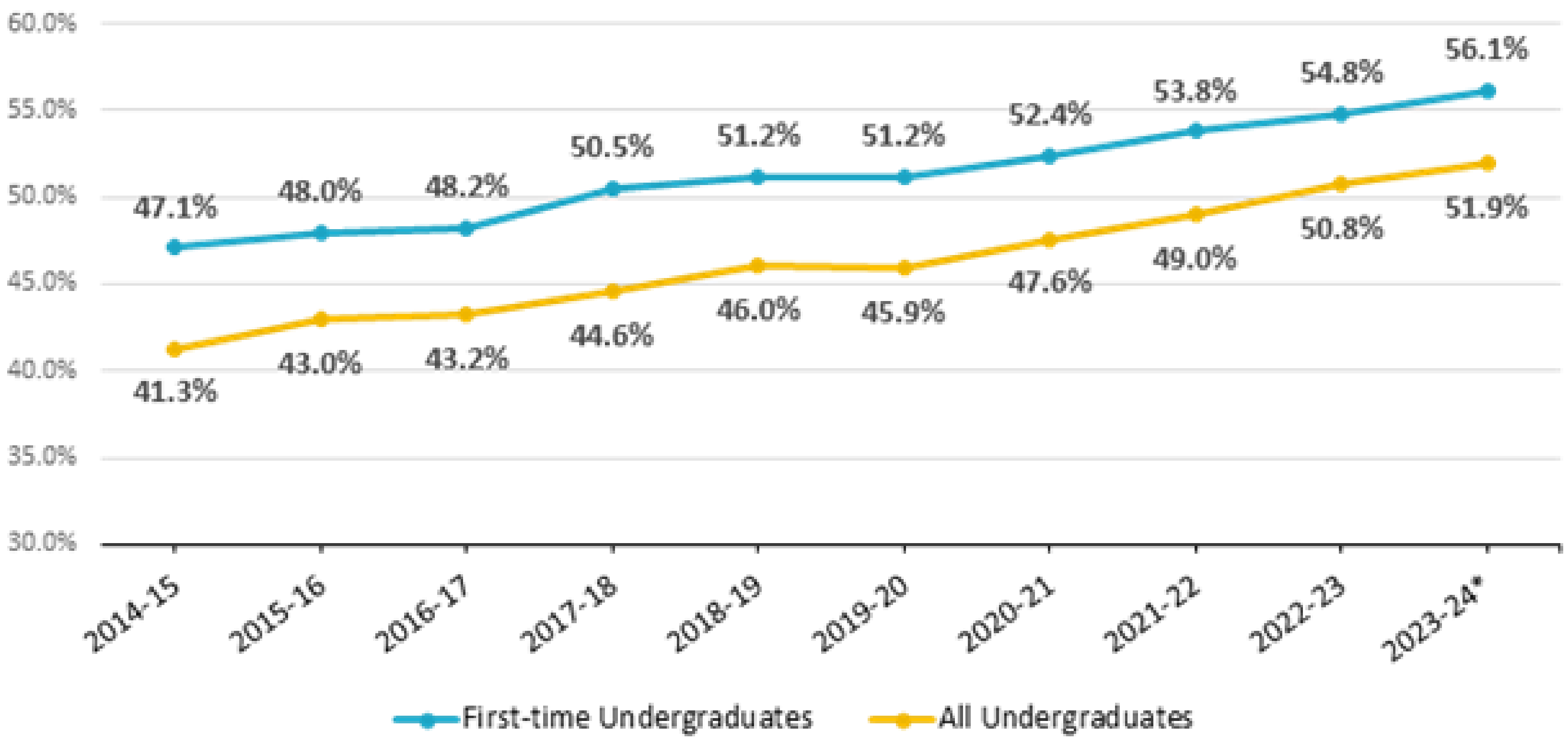
Discounts on Price (Updated May 2026)

- Student Tuition Discount Rate—NACUBO Annual Study



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Discounts on Price – NACUBO May 2026

1. Average tuition discount rates remain historically high in 2025-26.*

First-time Undergraduates
57.1%

All Undergraduates
51.3%

Early projections suggest that the average tuition discount rate rose to **57.1 percent** for first-time undergraduates and to **51.3 percent** for all undergraduates in 2025-26.*

2. The share of students receiving grant aid grew in 2025-26.*

First-time Undergraduates
90.0%

All Undergraduates
84.0%

Between 2024-25 and 2025-26,* a slighly higher proportion of students received institutional grant aid—rising from **89.7 percent** in 2024-25 to **90 percent** for first-time undergraduates in 2025-26.*

Discounts on Price – NACUBO May 2026

4. Enrollment for all undergraduates remained relatively flat between 2024-25 and 2025-26.*

First-time Undergraduates	All Undergraduates
1.7%	-0.4%

Estimated enrollment decreased, on average, by **0.4 percent** for all undergraduates between 2024-25 and 2025-26.*

5. After adjusting for inflation, net tuition revenue per first-time undergraduate fell between 2023-24 and 2024-25.

First-time Undergraduates	All Undergraduates
-2.2%	-1.9%

Between 2023-24 and 2024-25, net tuition and fee revenue per first-time undergraduate fell by **2.2 percent** in inflation-adjusted dollars.

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ROI Calculations*

Georgetown Center on Education and the Workforce… ranked Colleges and Universities by ROI. Here were their top ten by 40-year NPV on ROI

1. University of Health Sciences and Pharmacy in St. Louis
2. Albany College of Pharmacy and Health Sciences
3. MCPHS University
4.* Massachusetts Institute of Technology
4.* California Institute of Technology
6. Charles R Drew University of Medicine and Science
7. Harvey Mudd College
8. Bentley University
9. Babson College
10. University of Pennsylvania

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Value of a College Degree

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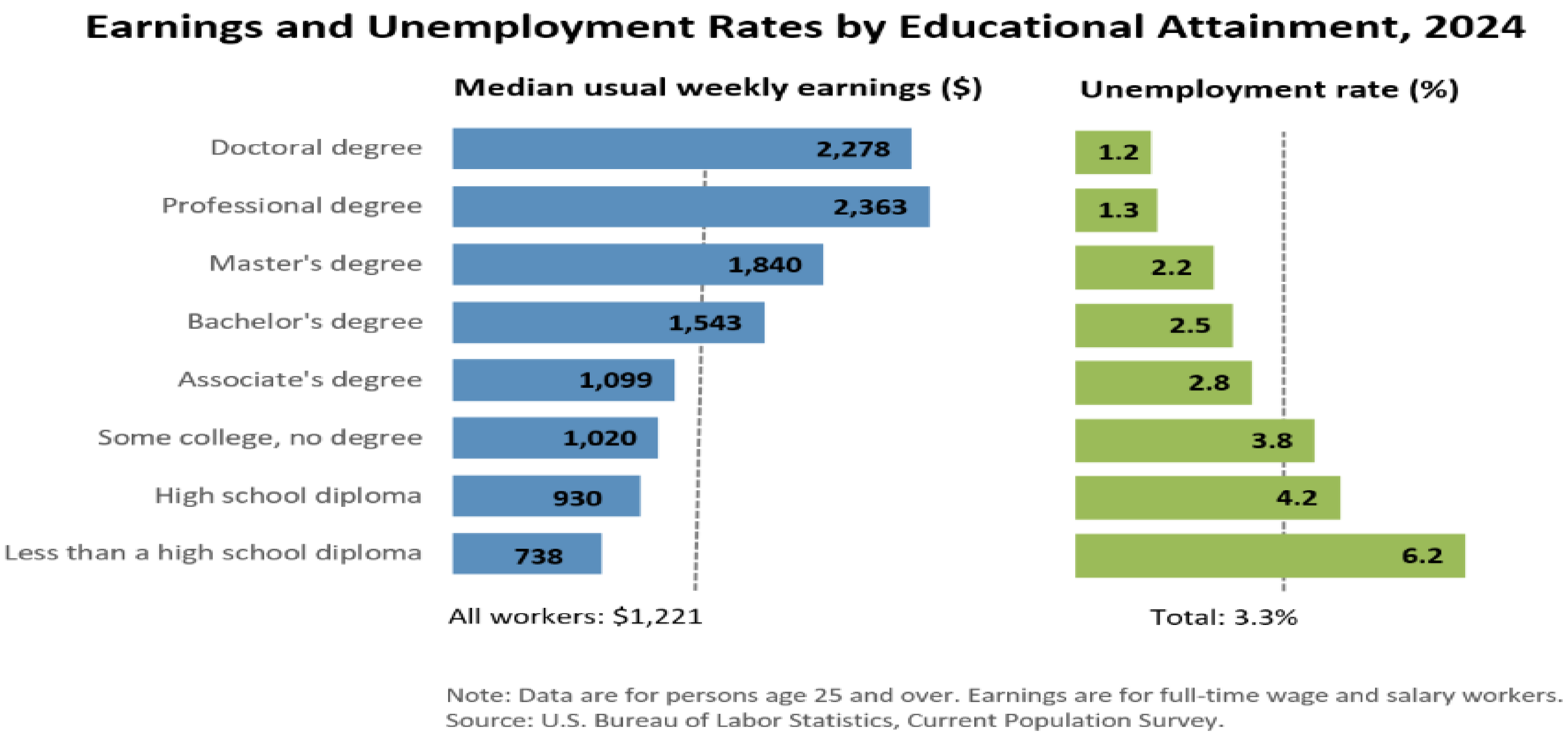
- US News, 4/16/26: "**Insider Information: College Degrees Are Still Worth the Investment".** College graduates continue to earn more than those without a degree.

- The college going rate has been dropping over time, but still has year to year swings depending on economic conditions
- Preliminary indications are that enrollment *for fall 2025 rose slightly* from the prior year—an estimated 290,000 students-or 19.57 million.
- 62% of high school grads ages 16-24 enrolled in postsecondary education--in 2010 it was 68 percent

Education Pays



Note: Data are for persons ages 25 and over. Earnings are for full-time wage and salary workers.

Source: U.S. Bureau of Labor Statistics, Current Population Survey.

Significant Stress: Mergers and Acquisitions and Closures

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NACUBO Business Officers Survey

- Each year NACUBO surveys CFOs to determine the key challenges facing their institutions
- From the 2025 survey--a new sense of urgency and unpredictability.

Mergers and Acquisitions in Higher Education

- In higher education, a merger is an assumption of assets and liabilities and consolidation of administration and academic programs.
- Very different from corporate mergers and acquisitions (transactions when an asset is sold), and shareholders are compensated.
- When you read that a campus is purchased, it is often real estate holdings.
  - Endowment transfers may be transferred or go to a different non-profit.
  - For restricted endowment, the restriction stays in place.

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Mergers and Acquisitions in Higher Education

Elon University, Queens University of Charlotte announce merger plans to expand access, opportunity and educational impact in Charlotte
By Elon University News Bureau, staff
September 16, 2025

These things take time…

https://www.youtube.com/watch
https://www.youtube.com/watch?v=4IFPRfqedeE

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Mergers and Acquisitions in Higher Education

- AGs have the power to regulate charities and endowments, protecting donors' interests.
  - Many states have specific non-profit law that defines, regulates the authority, and oversees the approvals—but its often standardized
  - UPMIFA is an example of how laws can be uniform across states
  - Other state agencies and the US Department of Education, Accreditors and Investors may all play a role in approving consolidation.
- Process
  - Usually begins with an Intent to Merge Agreement, a period of study and preparation
  - A merger plan is often required by the State Regulators
  - Accreditors and US Department of Education approval

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Recent Announcements: Mergers or Acquisitions -

1. Rosemont College (2027)

Rosemont, a private college, to merge with Villanova in 2027.

2. Elon University and Queen's College campus in Charlotte, NC (2028)

3. Gannon University and Ursuline College, PA

4. Pacific University and Willamette University

5. Vanderbilt and California College of the Arts

Typically, academic departments and administrative functions are consolidated to save money. Recent mergers in higher education usually involve a financially stronger institution acquiring a weaker one. "

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Recent Announcements: Closures and Reasons

Siena Heights University, Michigan
Financial

Martin University, Indiana
Financial, low enrollment

Hampshire College, MA
Financial and Declining Enrollment

Eastern Nazarene, MA
Financial

Lourdes University, Ohio
Financial, Enrollment;

Birmingham Southern, AL
Financial and debt

A Research Paper Published by the Philadelphia Fed:

Predicting College Closures and Financial Distress

By Robert Kelchen, Dubravka Ritter & Douglas Webber, December 2024

"One key challenge is (sic) declines in enrollment, as the number of students enrolled in degree-granting colleges and universities fell by 15 percent from 2010 to 2021 (National Center for Education Statistics, 2023)."

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Other Recent Announcements: Closures

Birmingham-Southern, AL

Failure to obtain a loan from the Alabama Legislature, after aggressive overbuilding and worsening operating deficits.

https://www.wvtm13.com/article/coast-guard-birmingham-southern-campus-sale-final/71186442

Fontbonne, MO

Closed this fiscal year and campus sold to WUSTL for $39 million

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Significant Stress: Changing Regulations and Policies

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Changing Federal Environment

US DOE "The U.S. Department of Education's Office for Civil Rights (OCR) has opened national origin discrimination investigations into the University of Louisville, the University of Nebraska Omaha, the University of Miami, the University of Michigan, and Western Michigan University." July 2025

US DOE "U.S. Department of Education's Office for Civil Rights Sends Letters to 60 Universities Under Investigation for Antisemitic Discrimination and Harassment" March 25

Chemical and Engineering News, "A huge rupture in everything': US science faced major upheaval in 2025." December 2025

Newsweek, "Student Financial Aid: Trump Admin Making Major Change to Pell Grants", May 2026

Science, "Trump fires every member of the U.S. NSF's governing body", April 2026

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Higher Education Operations

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Management and Governance

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Governance—The Big Picture

- Generally, a board of trustees, regents, directors appoint a president/CEO
- Private university boards tend to be larger than public university boards (*Wikipedia says the average is 29 members*) , with self perpetuating bodies of members
- Public university boards are often political appointees, with limited terms, and they are generally smaller boards than private universities boards (*Wikipedia says the average is 12 members*)
- A board should be big enough to staff required committees (Audit and Finance, Governance, Academic Affairs) and oversee policy framework
- “Advisory boards” often exist particularly for professional schools

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Management-Day to Day Operations

- Cabinet (President/Chancellor, Provost, CFO, and various Vice Presidents)
  - Finance and Administration
    - Could be….HR, Finance, Facilities, Real Estate, Campus Auxiliaries, Risk Management and Public Safety..
  - Academic Affairs
  - Student Affairs
  - Advancement/Communications/Development
  - Research
  - General Counsel

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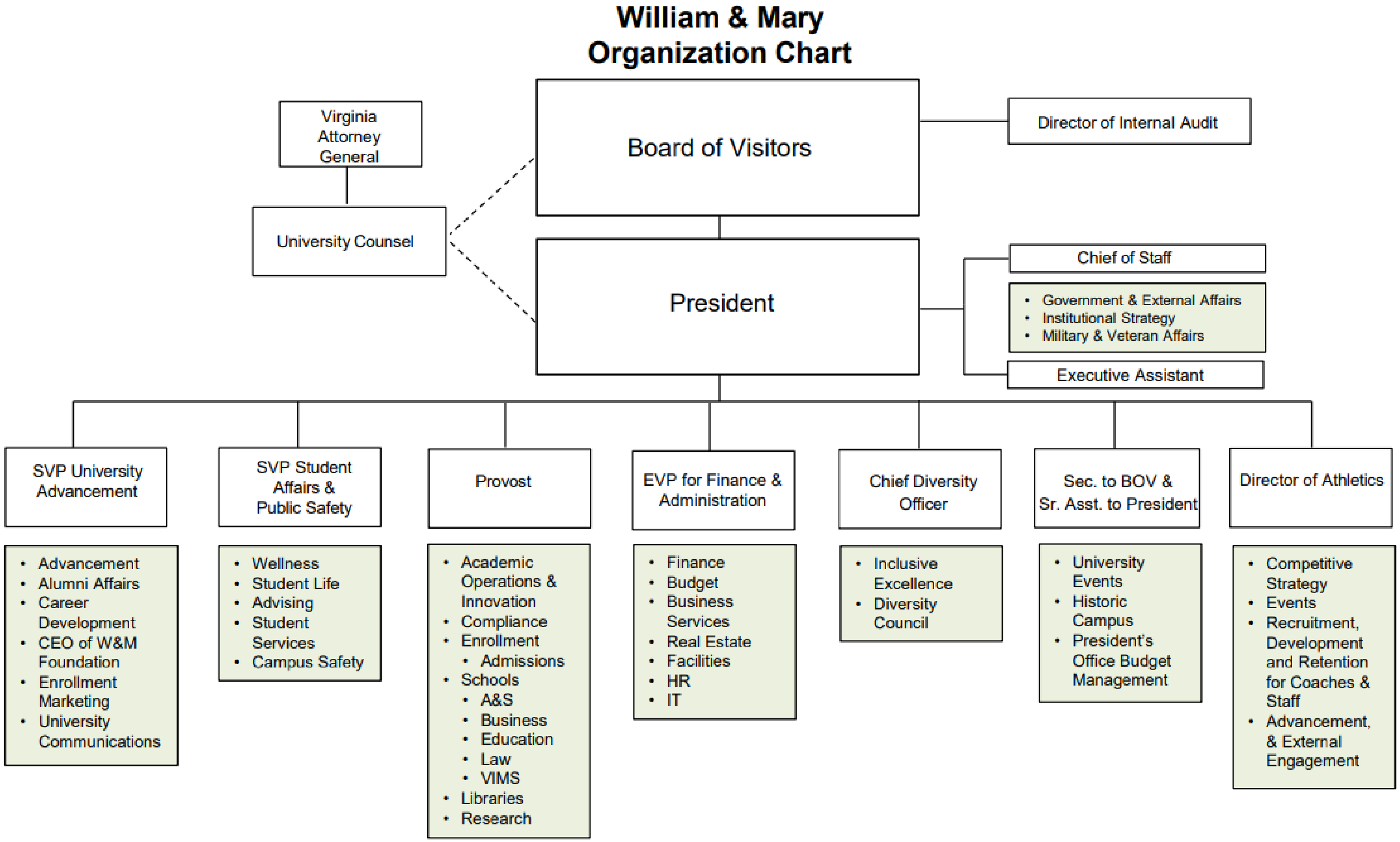
Understanding Organizational Structure

Organizational Chart-Public University



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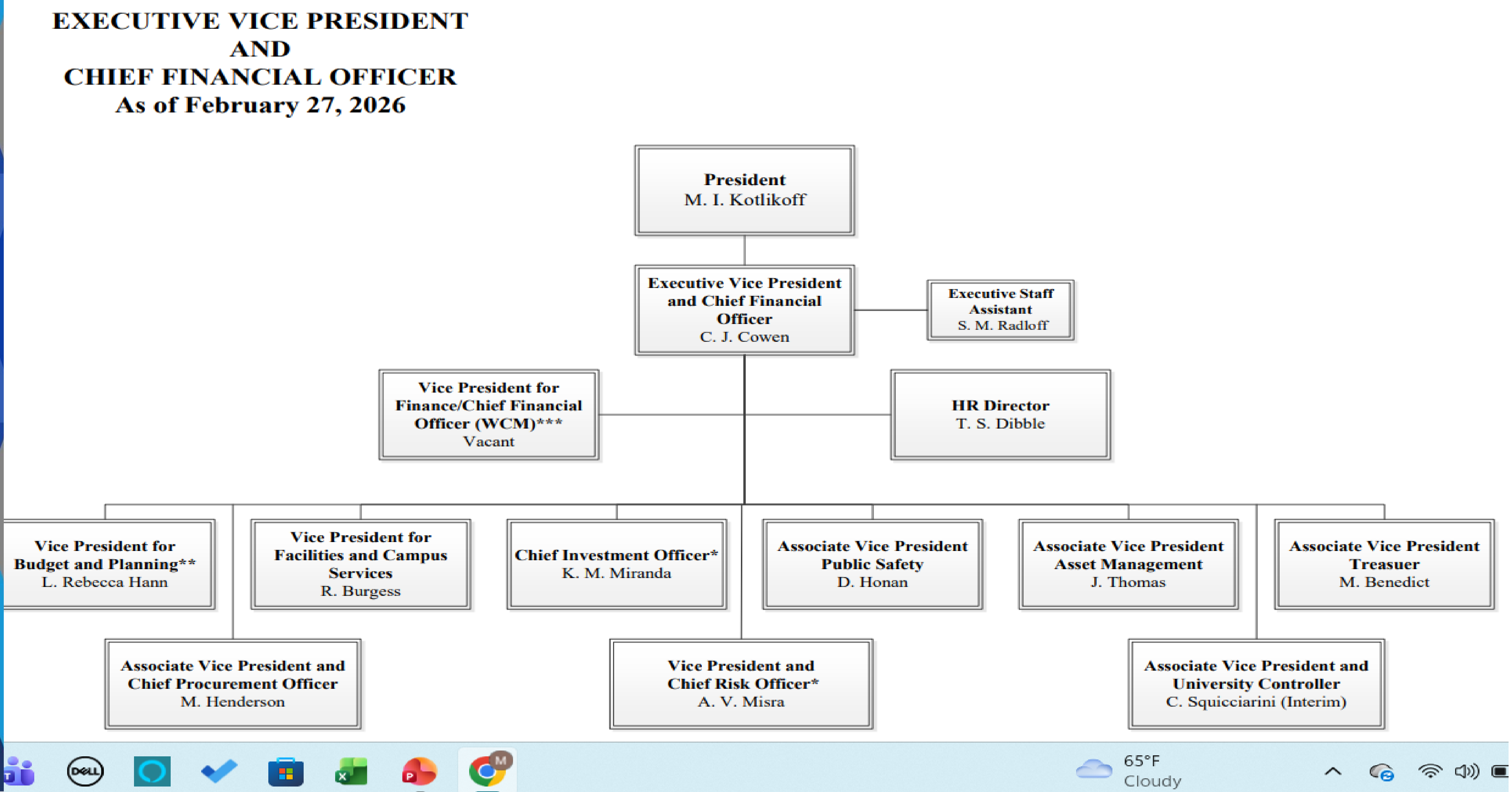
Organizational Chart—Private/Public University - Cornell



5-minute break

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Revenue, Sales and Services

Any Business Needs Income to Survive

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A. Tuition and Fees, Room and Board

- Tuition for:
  - Undergrads, Grad Students, and Professional degrees –
  - Certificate and Non-Degree
- Room and Board
- Mandatory and nonmandatory fees
- Tuition is usually set in the fall for late winter guidance to prospective students and fin aid
- On Campus Tuition Advisory Committees provide guidance

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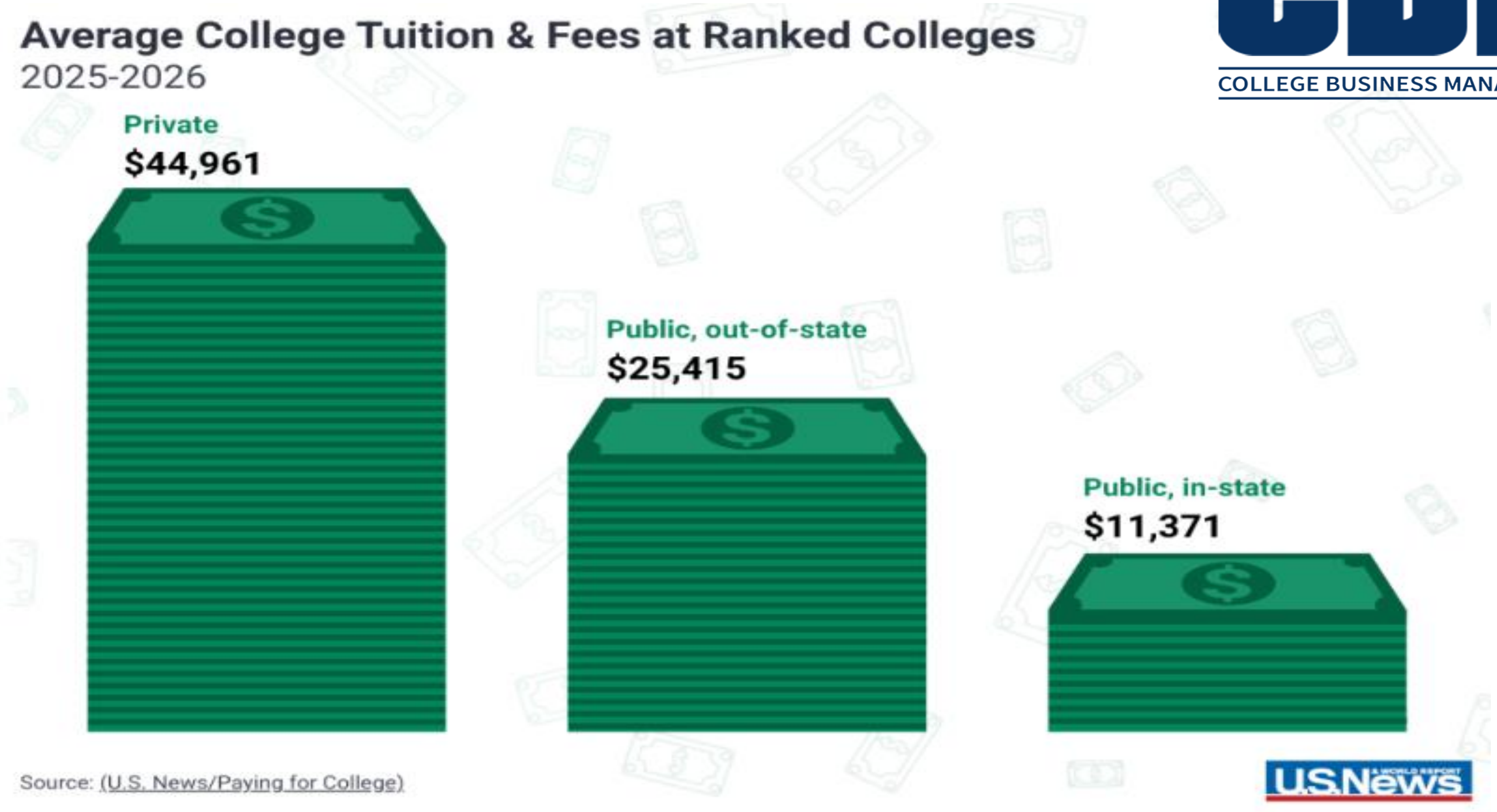
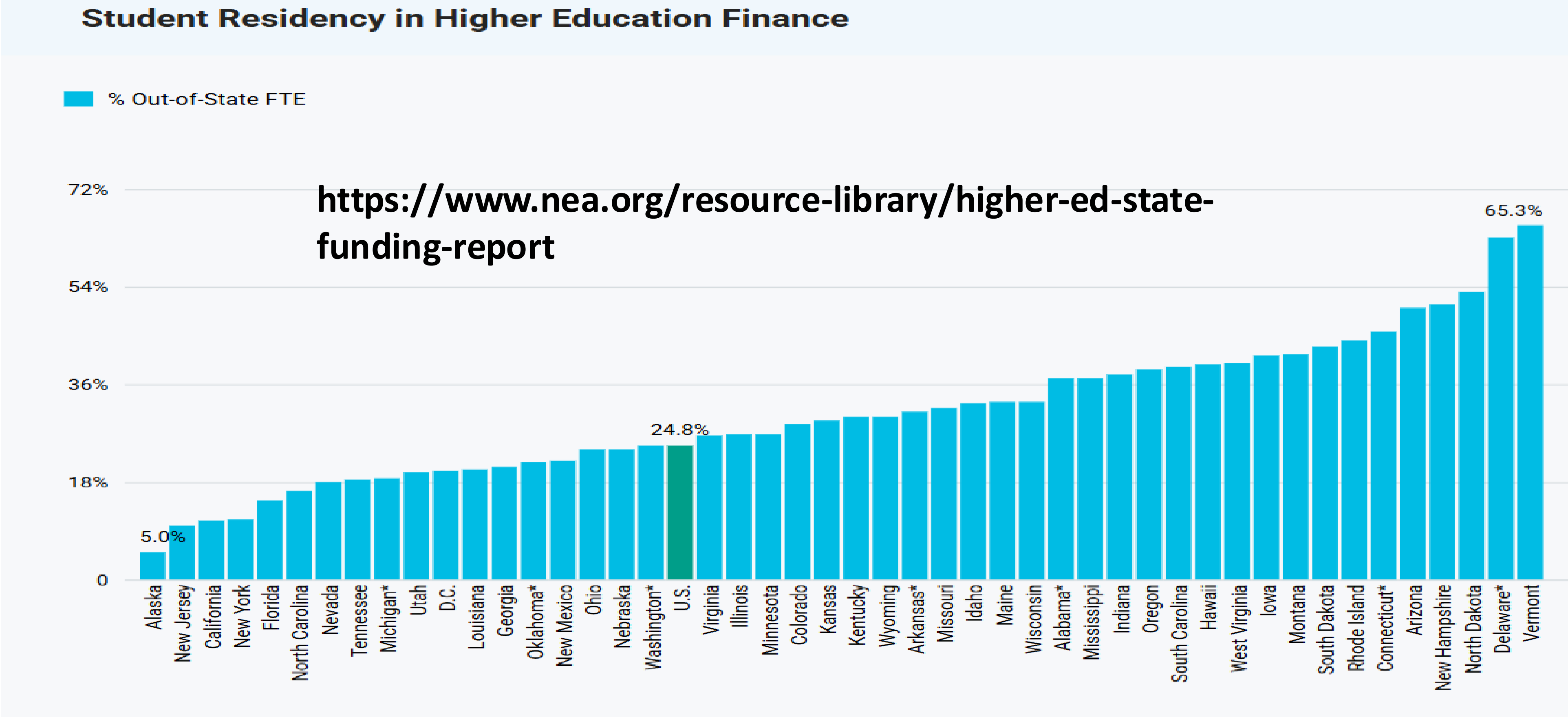
Average Tuition and Fees 25-26



Nonresidents by State—Higher Tuition



Average Tuition and Fees 25-26

https://research.collegeboard.org/media/pdf/Trends-in-College-Pricing-and-Student-Aid-2025-final

TABLE CP-1 Average Published Prices (Enrollment-Weighted)

	Sector			
	Public Two-Year In-District	Public Four-Year In-State	Public Four-Year Out-of-State	Private Nonprofit Four-Year
Tuition and Fees				
2025-26	$4,150	$11,950	$31,880	$45,000
2024-25	$4,040	$11,610	$30,820	$43,250
$ Change	$110	$340	$1,060	$1,750
% Change	2.7%	2.9%	3.4%	4.0%
Housing and Food (Room and Board)				
2025-26	$10,850	$13,900	$13,900	$15,920
2024-25	$10,390	$13,310	$13,310	$15,250
Tuition and Fees and Housing and Food				
2025-26	$15,000	$25,850	$45,780	$60,920
2024-25	$14,430	$24,920	$44,130	$58,500
Percentage of Undergraduates Enrolled Full Time				
Fall 2023	33%	81%		81%

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Medical School Enrollment is Increasing

" Medical School Enrollment Reaches 100,000 Students for the First Time" AAMC reported in December 2025

There are about 200 US medical schools – 162 offer the MD degree and 47 an osteopathic degree (D.O.)

Enrollment this past fall (2025) broke 100,000 students for the first time.

Effective July 1, 2026, changes in the OBBB Act limit the amount that students can borrow for medical school.. And the Federal Grad Plus Program is no longer available

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Law School Enrollment is Increasing—LSAC Reports …

“2025 (fall semester 2025) Law Classes were the biggest since 2011”

“2025 -- 80% of law schools had their biggest classes in years”
2026

“Too Soon for Predictions, but the 2026 Admission Cycle Is Starting Strong”
October 13, 2025

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B. Research Revenues Can Be Substantial

- Historical stable funding and recent growth
- Research rarely pays for itself
- The application process is competitive
- Internal control of policy, personnel, and the method and scope of the research are left to the institutions

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Research Revenues Can Be Substantial

- NSF Survey of Federal Funds for Research and Development annual census is a primary source of information about federal funding
- Actual data are collected for the fiscal year just completed; estimates are obtained for the current fiscal year.
- Research costs are reimbursed by the Sponsor
- Indirect costs are those that are difficult to tie to only one project.
- Other funding arrangements exist

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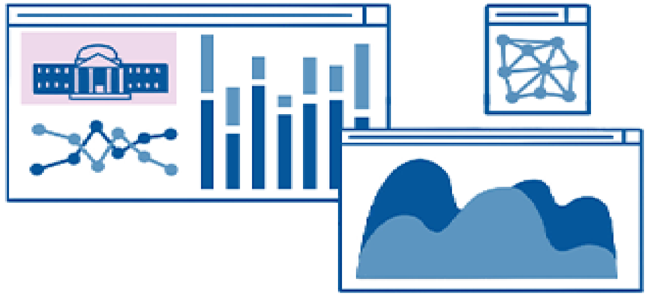
The Herd Survey Published February 2026

National Center for Science and Engineering Statistics

Measuring Research and Development at Colleges and Universities in the United States



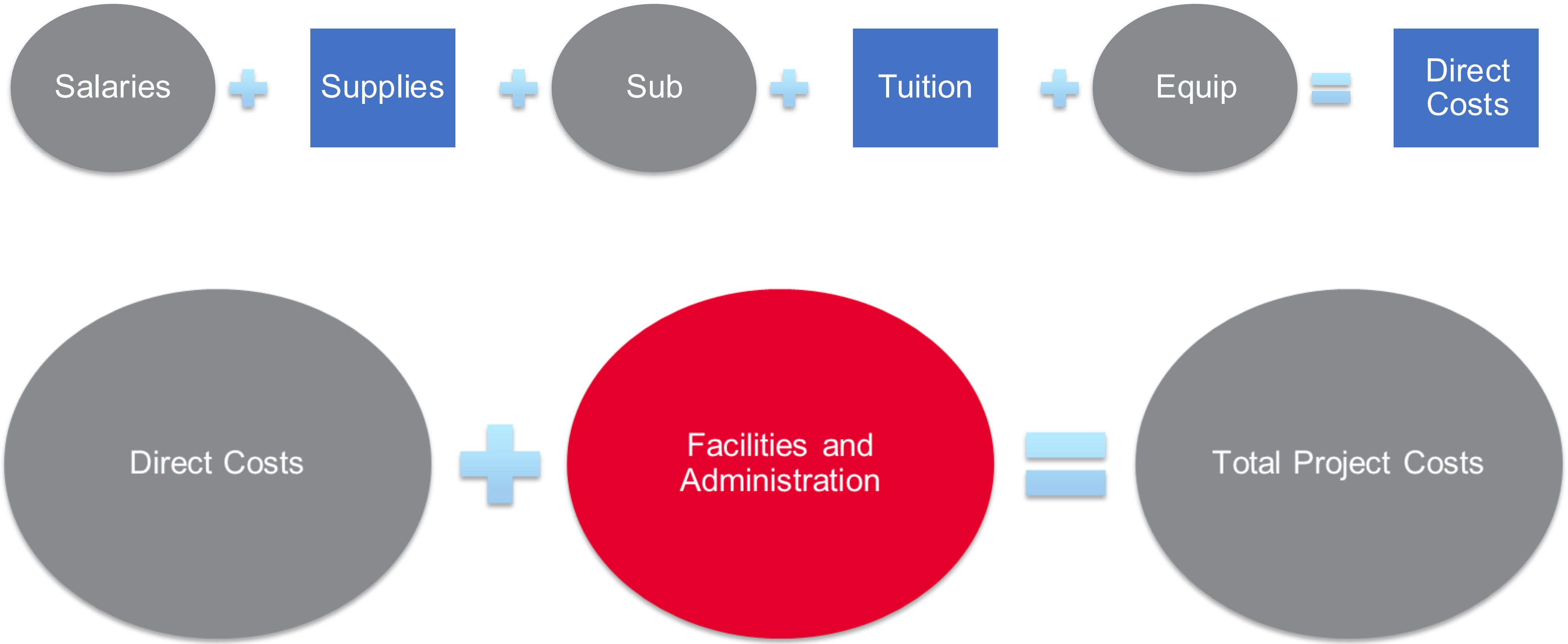
The Higher Education Research and Development Survey

Higher education institutions in the United States serve as a key component to the U.S. R&D system, helping drive innovation, as well as scientific and technological breakthroughs. R&D activity and funding can demonstrate the United States' investment in expanding knowledge and economic growth.

What is the HERD Survey?

The Higher Education Research and Development (HERD) Survey collects information from U.S. colleges and universities that have spent at least $150,000 for R&D that has been separately accounted for in the past fiscal year. It is conducted by the National Center for Science and Engineering Statistics (NCSES) within the National Science Foundation.

Understanding Facilities and Administrative Costs—The Current Framework



Federal Research Agreements Are Often Public Documents-UCLA Example

COLLEGES AND UNIVERSITIES RATE AGREEMENT

EIN: 956006143
ORGANIZATION:
University of California, Los Angeles (UCLA)
10920 Wilshire Blvd., Suite 600,
Los Angeles, CA 90024

Date: 04/24/2026
FILING REF: The preceding agreement was dated 04/22/2024

The rates approved in this agreement are for use on grants, contracts, and other agreeements with the Federal Government, subject to the conditions in Section III.

SECTION I: Facilities And Administrative Cost Rates

RATE TYPES: FIXED FINAL PROV.(PROVISIONAL) PRED.(PREDETERMINED)

	EFFECTIVE PERIOD				
TYPE	FROM	TO	RATE(%)	LOCATION	APPLICABLE TO
PRED.	07/01/2019	06/30/2023	56.00	On-Campus	Organized Research
PRED.	07/01/2023	06/30/2024	57.00	On-Campus	Organized Research
PRED.	07/01/2024	06/30/2025	57.50	On-Campus	Organized Research
PRED.	07/01/2019	06/30/2025	26.00	Off-Campus	Organized Research
PRED.	07/01/2019	06/30/2023	40.00	On-Campus	Instruction
PRED.	07/01/2023	06/30/2025	42.00	On-Campus	Instruction
PRED.	07/01/2019	06/30/2025	26.00	Off-Campus	Instruction
PRED.	07/01/2019	06/30/2023	38.00	On-Campus	Other Sponsored Activities
PRED.	07/01/2023	06/30/2025	39.00	On-Campus	Other Sponsored Activities
PRED.	07/01/2019	06/30/2025	26.00	Off-Campus	Other Sponsored Activities
PRED.	07/01/2019	06/30/2025	8.00	Off-Campus	IPA (1)
PROV.	07/01/2025	Until Amended			Use same rates and conditions as those cited for fiscal year ending lune 30.2025.

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C. Auxiliary Enterprises on Campus

- Campus businesses offered by colleges and universities were the original source of surplus for many institution (especially during good times)

- Often these enterprises pay overhead or admin assessments to the university.

- Price pressure in recent years has cut into margins and led to greater outsourcing—which in turn reduces institutional liquidity and surplus

- Demographics and market competition affect activity levels and recent inflation, and competitive pressures have led to reduced performance.

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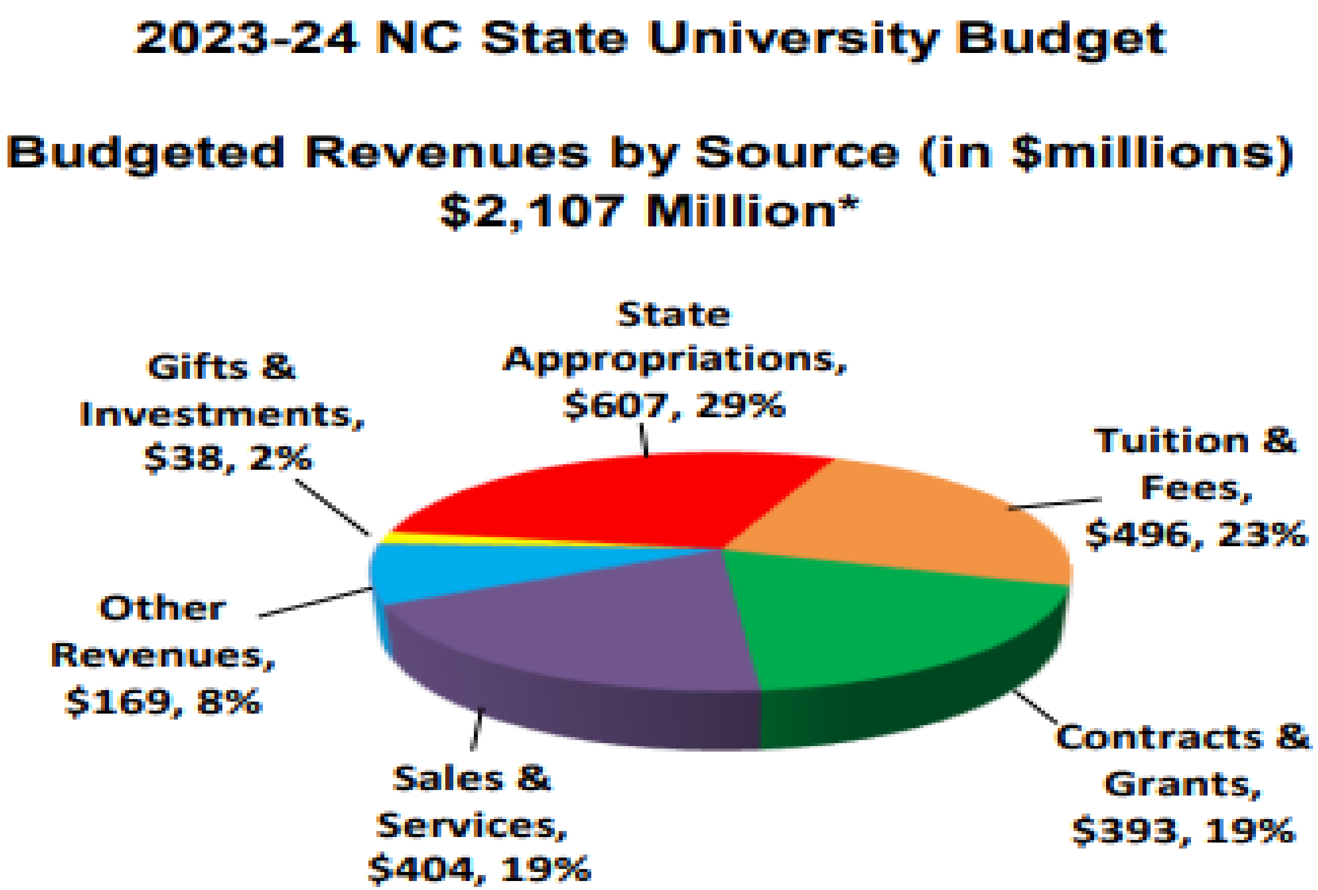
Auxiliaries at 20% of Operating Budget



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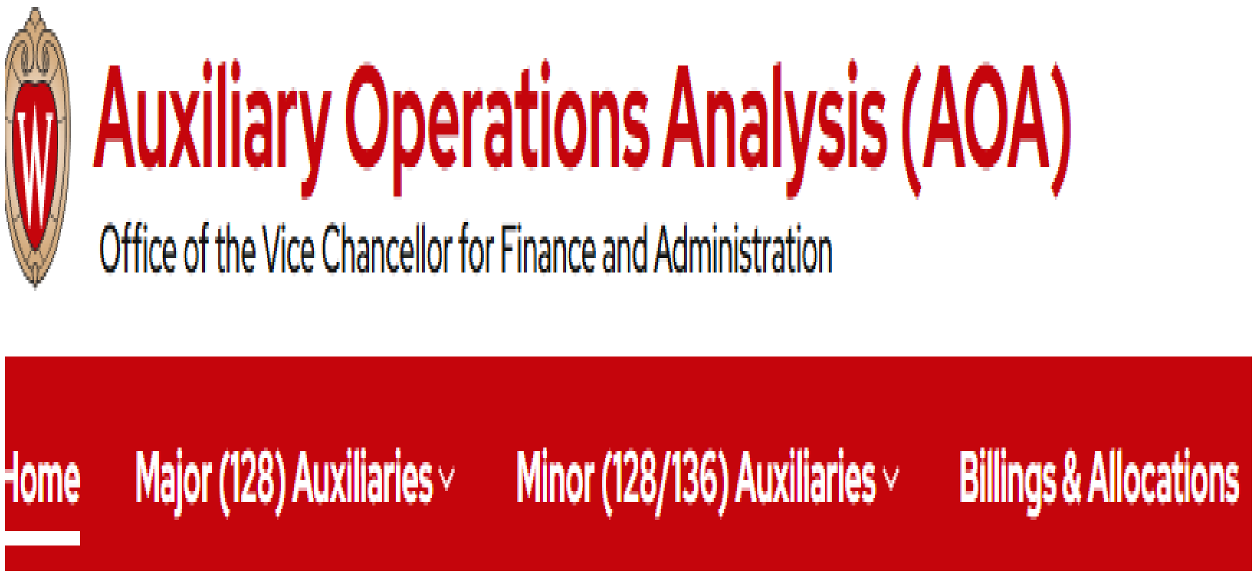
University of Wisconsin Madison: Campus Enterprises



- University Housing
- Intercollegiate Athletics
- Wisconsin Union
- Recreational Sports
- University Health Services (UHS)
- Child Care Tuition Assistance Program (CCTAP)
- Allocable segregated fee funded activities in the Division of Student Life
- Student print

UW-Madison Unions

UW-Madison Unions

Winter Wonderland Skate Night with Outdoor UW

Outdoor UW & Hoofers

Saturday, January 24, 2026

5 - 7pm

Memorial Union

Free event

Kid friendly

Free Event, Pay for Equipment Rentals

Come ice skate on the frozen lake while listening to wintery tunes for Winter Wonderland night!

Register

D. Business Issues in Athletics

1. House Vs NCAA

Three antitrust cases result in a settlement of pay to current and former athletes (they became similar to paid employees)

2. Name Image and Likeness (NIL) payments for student athletes

    Can be direct payments from the university (limited to a certain %)

    Or third-party sponsorships and collectives

thbbdurham 140w

UNC Gamedays call for Drake Maye's Red Zone Bacon Cheeseburger! Check out this behind the scenes look of Drake cooking up his masterpiece! 🍔🏈

3. Conference Changes and Realignment

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Common Athletic Revenues- NCAA

1. Ticket sales
2. NCAA member and conference distributions
3. Alumni and Friends Contributions
4. Guarantees and options (playing an out of conference team and bowls)
5. Third-party support
6. Concessions
   https://www.tiktok.com/@joepompliano/video/7488110122254781726
7. Broadcast rights
8. Royalties/advertising/sponsorships

And Summer sports camps and Endowment/investment income

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Athletics Median 2025 D1 Finances

https://www.ncaa.org/sports/2013/11/19/finances-of-intercollegiate-athletics.aspx

- In 2025 the average D1 FBS school generated an average deficit of $15.2M
- In 2025 the average D1 FCS school generated an average deficit of $16.8M (because the program itself generated little revenue).
- "Why UNC athletics ran a significant deficit in 2025, despite record revenue", By Shelby Swanson February 20, 2026: https://www.newsobserver.com/sports/college/acc/unc/article314749119.html#storylink=cpy

- " Several Big Ten Universities Bleed Red Ink In Their Athletics Budgets"
  By Michael T. Nietzel, Forbes, Jan 28, 2025

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NCAA/Athletics

A membership organization separate from universities, …its own board and its own financials.

Members are colleges and universities who participate in intercollegiate sports.

Its board is mostly College and University Presidents with other athletics constituents.

NCAA sets the ground rules for sports programs at D1, D2, and D3 member institutions.

It was founded in 1906..In 1904 there were 18 deaths, and 159 football injuries

D1 and D2 institutions are required to submit annual audits to the NCAA.

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https://www.nytimes.com/athletic/7326982/2026/06/03/notre-dame-roster-budget-revenue-sharing/

Notre Dame's $40 million question: How much does a 2026 national title contender cost?

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E. Endowments 2026 NACUBO Survey

- NACUBO conducts an annual survey of endowments - 657 responses for 2025 survey
- 10.9% return for fiscal ‘2025 and 11.2% for fiscal 2024
- $944 billion (up from $874B in 2024) endowment assets reported
- Endowments funded 15.2% of average annual expenses in fiscal 2025
- Most institutions spend a pre-set percentage each year
- The largest endowments already pay an excise tax on their investment income each year, but the percentage increased this year

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Endowment Management

- Different models of management, often vary by size
  - Consultant-driven model
    - Used with smaller institutions to support staff
  - Outsourced Chief Investment Officer (OCIO) model
    - Implementation of asset allocation and day-to-day management of portfolio delegated to external service provider
  - In-house staff model (Biggest)

    Includes Treasurer/Chief Investment Officer and supporting staff
- Endowments may be restricted or unrestricted—a small portion is allocated for spending each year = spending policy

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F. Gifts and Philanthropy

- In addition to endowment spending
- Schools raise additional money for scholarships, annual operations, facilities, professorships and programs.
- *"WASHINGTON, D.C. —* "Giving to U.S. higher education institutions exceeded $78 billion in the fiscal year ending June 30, 2025—a 4% increase over the previous year"
- Revenues may be restricted (typical for larger gifts) or unrestricted (typical for annual gifts)
- CASE is a good source of fundraising information

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G. Academic Medical Centers and Hospitals

- Despite their large size, they are not always profitable
- Revenues are constrained by reimbursement caps and restrictions.
- Heavily impacted by NIH funding – down $4 billion from FY 24-26
- There are over 160academic medical centers in the country that provide a major share of the most complex care.
- There is significant revenue at these entities but also significant expense, and very strong competition for business.
- They are capital-intensive entities, and technology is always changing.
- Mergers with community hospitals are frequent.

https://www.definitivehc.com/resources/healthcare-insights/academic-medical-centers-us

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G. Academic Medical Centers and Hospitals

Their bond ratings are often lower than their associated universities: high debt loads, strong competition, modest margins and reimbursement constraints.

S&P Global:

“Vanderbilt University Medical Center, TN Series 2026B-C Revenue Bonds Assigned 'A' Rating”, 18-Mar-2026 | 15:14 EDT

“Vanderbilt University, TN Debt Rating Affirmed At 'AAA’, 06-May-2026 | 11:48 EDT

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ASSESSING FINANCIAL PERFORMANCE

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Who Cares About Financial Performance

- Employees of organizations (Faculty and Staff)
- Governing boards
- Regulators and Key Funding Agencies
- Accreditors –both institutional and program specific accreditors
- Rating Agencies and Investors
- Donors and Alumni, Students and Parents
- Community members and local vendors

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Why Financial Performance Matters

- Viability/Survivability during periods of stress
- Economic cycles are inevitable
- Access to capital markets (banks, public markets)
- Money follows money—improved fundraising
- Ability to provide more than classes—research, athletics, community, public service, economic development

Financial Sustainability: To thrive now and in the future

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Tools for Assessing Financial Performance

1. External Ratings—Rating Agency reports
2. Audited Financial Statements – generally always posted online
3. Current Year Budgets—Prior Year Budgets
4. IPEDS Information—US Department of Education
5. Institutionally provided reports (Finance Committee meetings)
6. IRS Form 990 Tax Returns

FASB-Private Schools
GASB – Public Schools

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1. Credit Rating Outlooks on the Higher Education Sector- 2025

• Moody's Ratings	Negative
• S&P Global	Bifurcated
• Fitch Investors	Deteriorating

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Credit Ratings

- There are many rating agencies in the US.
- Moody's, S&P Global, and Fitch are common, but others are approved by the SEC as Nationally Recognized Statistical Rating Organizations (NRSROs).
- All generally all look at key enterprise and financial factors that comprise *demand, management, finances, and debt*.
- How they assess the key factors, and their methodology differs by agency, which means ratings can be different too
- The rate of interest on a university's debt instruments reflects, in large part, its underlying credit quality.

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Credit Ratings – ex. Stanford University

Stanford University

Rating Agency	Long-Term	Short-Term		Updated
		Variable-Rate Demand Notes	Commercial Paper	
Moody's	Aaa	Aaa/VMIG 1	P1	July 2025
Standard & Poor's	AAA	AAA/A1+	A1+	July 2025
Fitch	AAA	AAA/F1+	AAA/F1+	July 2025

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2. Audits (Financial Statements) are a Key source of Financial Information for External Users and Regulators

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Important Income Statement Questions:

Revenues

- Do revenues exceed expenses?
- Are revenues growing?
- Is there revenue diversity?
- Is there a heavy reliance on one-time revenues?

Expenses

- Natural vs functional classification—do we need both?
- How much have expenses grown?
- How much of our costs are fixed from year to year?
- What portion of costs are salaries and benefits? How do our expenses compare with broader inflation?

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Income Statements

Revenues

- Revenue concentration
- Are revenues growing faster than expenses?
- Do revenues cover operating expenses?
  - Payment of debt service
  - Reliance on one-time infusions of cash

Expenses

- Has inflation had any impact on expense growth
- Are there economies of scale--is the institution big enough to spread its costs around a high number of customers?
- Are there any trouble spots on the expense side?

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Balance Sheets

Assets

- What's in the Balance Sheet – what are the assets we own?
- Does cash cover short-term accounts payable?
- Do Assets Exceed Liabilities?
- How Liquid are our Institution's Assets?
- Is Physical Plant our largest asset?
- Are the Assets Restricted or are they Available for Multiple Purposes?

Liabilities

- What is the composition of liabilities?
- Are the liabilities growing from year to year?
- Assets Less Liabilities = Equity (retained earnings for the institution)
- What liabilities are not disclosed?
- How much debt exists and what form?

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Other Financial Statement Components

Cash Flow Statement –

- How does our institution generate cash – business operations, investments, or property sales

Auditors Opinion –

- Is there Unqualified (clean), or Unmodified Opinion Language

Notes to the Financial Statements

- The notes of an audited financial statement document are a fantastic source of both qualitative and quantitative information about your university.

Management Letters and Auditor's Opinions

- Watch for specific references to things you need to improve

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2. Budget Development—Usually Starts in Fall Example from UNC-Chapel Hill- New FY July 1

BUDGET PROCESS TIMELINE

Oct. 25, 2023

Instructions for FY 2024-25 budget development sent to campus units.

Nov. 17 - Dec. 8 2023

Budget submissions delivered.

Compilation of budget requests completed.

Dec. 2023 - Jan. 2024

Budget discussions between campus units, provost, vice chancellor for Finance and Operations and associate vice chancellor for Budget and Data Analysis

Feb. 2024

Final budget recommendations for chancellor.

Final budget documents completed.

Mar. 27-28, 2024

Board of Trustees reviews budget.

May 13, 2024

Board of Trustees approves budget.

May 22-23, 2024

Board of Governors reviews budget.

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2. Budgets to Actuals

Many schools do not use GAAP accounting principles to prepare or track their budgets.

Budget documents are not always comparable to the audited financial statements

Different Budget Approaches

1. Incremental/Base budget model
2. Zero Based/Strategically Focused and Driven
3. Responsibility Centered Budgeting
4. Performance based Budgets

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Remember:

- Revenues should equal or exceed expenses to achieve financial sustainability
- Not all cash and investments are available for any use. Color of Money!
- Inflation affects the price of nearly all inputs, goods, and services including purchases for higher education
- The last three decades were a period of low inflation and low interest rates—golden years for colleges and university budgets
- No money = no mission
- Surpluses are ok

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Becoming the CFO

UK Auxiliary Services

SACUBO
SOUTHERN ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICERS

What Can You Do Now?

“There are no rules here -- we're trying to accomplish something.”
— Thomas A. Edison

- https://www.charlesedisonfund.org/edison-quotes-images

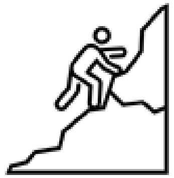
- President Jonathan Levin, June 14, 2026 Commencement Address, Stanford University

“Universities are designed to bring together people with a vast array of expertise and different ways of looking at, and thinking about, the world.”

Fortunately, you’ve just met another CFO sitting in the next seat!!

Your First Day Checklist

1. ___What are the macro forces facing higher education?
2. ___How is my institution organized?
3. ___What are current stressors for the staff—the institution?
4. ___What is our institutional condition?
5. ___SWOT Analysis
6. ___Professional skills for now and the future
7. ___Action Items and Takeaways



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1. Understanding the Macro Forces Facing Higher Education

1. Population forces and demographic changes
2. Wealth indicators
3. Labor force dynamics
4. Supply AND Demand
5. Product pricing and subsidy
6. Return on Investment—the value of higher education
7. Inflation and interest rates
8. Technological change

2. Understanding How My Institution is Organized

1. The organizational framework – the board, the cabinet, departments
2. What products and services does our institution offer?
3. Do we have multiple departments offering the same services?
4. Are we a centrally run university or one with greater decentralized authority?
5. How well do I understand the programs and degrees offered by my institution?
6. Business Officers are embedded across the school

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3. Current Stressors for Campus

- **Remote work/ Staffing/Inadequate Staffing Levels**—lack of raises and flexibility, not enough staff
- **A cultural divide—**faculty and staff
- **Cyber Risk**
  - Ransomware and Phishing attacks
  - Business Email Compromise (BEC)
- **Innovation/ FinTech**
  - Digital Modernization—how much paper processing is still occurring?
  - **Artificial Intelligence—Policies to govern standardized use and is it helpful?**
- **Political (and Financial) Risk**

  -- Loss of Research Dollars

  ---Departure of Campus Leadership

  -- Change in operating activity
- **Regulatory Issues**
  - Compliance with Federal laws/regulations/ State laws
  - Various security laws/regs & standards

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3. What are the Most Pressing Issues on My Campuses—How is my Institution Affected?

What are the key challenges in higher education affecting my institution? Which ones are affecting my job?

1. ____
2. ____
3. ____
4. ____
5. ____
6. ____
7. ____

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4. Understanding Institutional Condition

1. Stable financial operations or deficit
2. Composition of endowment -- Heavily restricted endowment or some quasi—asset allocation and performance
3. Status of personnel and hiring conditions – freeze or wage freeze
4. Institutional fixed costs –especially debt and contractual obligations—cost structure
5. Spending and budget controls
6. Adherence to compliance standards and timetables
7. Board and senior leadership concerns

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5. Developing a SWOT Analysis

1. With demographic changes on the horizon, how will your institution perform?

2. Are you already experiencing financial distress?

3. What are the unique attributes of your institution—how are you different than other institutions with whom you compete. What do you offer that others do not?

4. Is your institution changing, and in what ways?

5. Given that conditions and costs are already challenging, brainstorm the ways in which your institution could become more efficient?

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5. Preparing a SWOT Analysis

1. Strengths

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2. Weaknesses

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5. Preparing a SWOT Analysis

3. Opportunities

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4. Threats

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6. Getting to the CFO Role in the Future

- Focus on Key Professional skills
  - Listen and Analyze
  - Interpersonal and written communication skills
  - Tailored approach to communication—
    - Email protocol: Wait a bit before sending that incendiary email
    - Meeting protocol: (https://www.youtube.com/watch?v=EM6YT2prUO8)
  - Collegial innovation—ask the question “How can I help you?”
  - Giving credit and recognizing others
  - Understanding business processes and systems
  - Be creative when you can be—you’ll stand out for solutions!

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6. Action Items and Takeaways

- Focus on Being an Asset to the Institution:
  - Be Seen and Develop an Opportunity for Recognition
    - Volunteer for committees
    - Participate in work groups
    - Develop a Reputation
    - Being careful and detail oriented, while not getting lost in the weeds
  - Be Positive
  - Learn a new system or technology—or lead a system change
  - Understand that you work in a slow-to-change, but dynamic industry subject to strong macro forces
  - Understand trends and technology

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In 1975 the Future Looked Bleak

A Focus On Cost-cutting Saved BC From Bankruptcy, Financial Woes In The 1970s

- Juan Olavarria • November 2, 2014

Financial Difficulties Prompt Columbia Report on Merger

- By Anemona Hartocollis
- September 24, 1975
- A proposal to merge Columbia College with Barnard College is one of several alternatives being considered to alleviate Columbia's steadily worsening financial problems, officials of Columbia College said yesterday.
- Columbia University is suffering from a projected deficit of almost $6 million for the academic year beginning this fall.
- The dean of Columbia College, Peter Pouncey, will propose that the two schools merge in a report being distributed to the faculties of the schools this week

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Change is Constant

Dolly Parton: "If you don't like the road you're walking, start paving another one." — Dolly Parton

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Can Technology Lead Higher Education to a More Promising Future

From Arizona State University,

https://news.asu.edu/20250924-university-news-william-teach-asu-class-agentic-ai

- will.i.am to teach ASU class on agentic AI
- Also, university joins UN coalition to close global AI skills gap, master's degree in AI in business expands to LA

From Boston Consulting Group:

https://www.bcg.com/publications/2026/how-ai-can-help-universities-capture-opportunity

"Four institutions—Arizona State University (ASU), The Ohio State University (Ohio State), California Community Colleges (CCC), and Illinois Institute of Technology (Illinois Tech)—have made progress or scored early wins in the five domains."

One of the five domains is administrative optimization

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Are AI Tools Already Changing How You Work?

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