# FORVIS®

# Financial Modeling for Higher Education

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# Meet Your Presenters

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# Agenda

- Definitions/Observations

- Modeling options available

- Important concepts in successful modeling

- Important features of good models

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# Definitions/Observations

| Modeling | Budgeting |
|---|---|
| 1. Uses comprehensive view including all funds, not just operational cash flows | 1. Usually limited to cash & operations. Does not capture the full balance sheet & income statement. |
| 2. Complements budgeting, NOT a replacement | 2. Used mainly for spending control |
| 3. Presented in a more visual manner | 3. Normally presented in detailed line-item reports |
| 4. Flexible, sometimes even allowing for changes on the fly | 4. Hard to "fix" because of upfront investment of time & resources to get the budget together |
| 5. Allows for longer term view (5-10 years) | 5. Usually short term (1 to 3 years) |

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# Options

- Spreadsheets

- Budgeting systems

- ERP system add-on

✓ Too Much Detail
✓ Too much room for error
✓ Inadequate transparency
✓ Not normally the full picture
✓ Most done on a cash basis

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# Avoid Spreadsheet Fail

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Modeling
Inefficient & Risky

Presenting
Siloed & Stale

Analyzing
Clumsy & Limited

Decision-Making
Difficult & Slow

Burden    Angst    Credibility

# Push Further Into the Planning Period
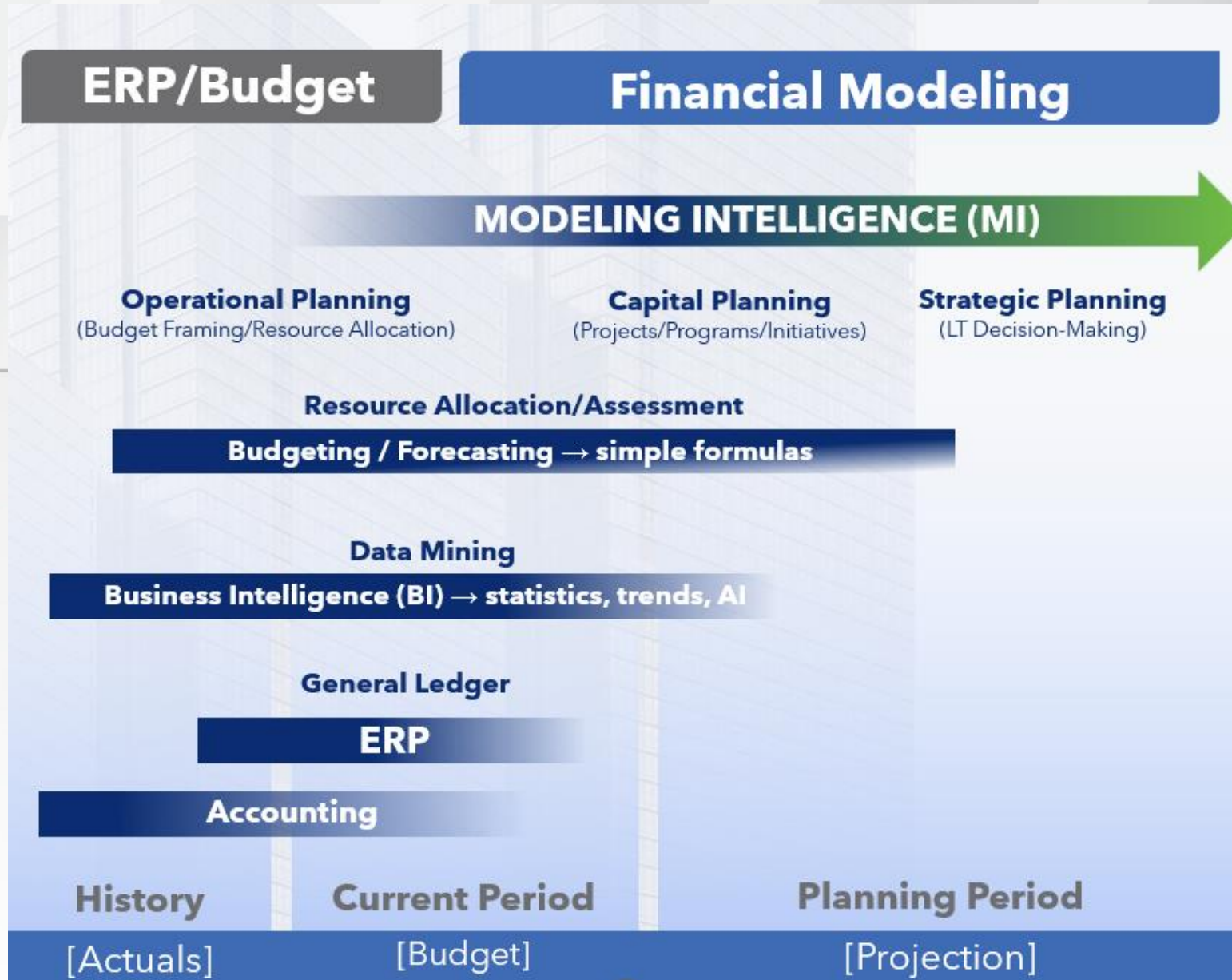
# Key Concepts for Modeling

- **Budgets – Limited normally to cash flows in operational areas**

Consider: University entering public phase of comprehensive campaign

- Campaign for $500 million, amount raised already over $250 million
- Strategic plans involve public-private partnerships
- Enrollment setting records for three straight years

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# Key Concepts for Modeling

- To keep the "big picture" in front of both senior leaders & trustees, it will take more than a cash budget for operations (although that piece is large & critical).

  - Consider collection issues on pledges

  - Consider timing of estate gifts in the $250 million+ & ultimately the $500 million raised

  - Consider the timing of capital expenditure needs & the mismatch between campaign cash collected/available & the price tag on projects needed (which might include facilities conversion/expansion).

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# Key Concepts for Modeling

- Needed:

  - The ability to stress test the income side

  - The ability to play out "what-if" options when the cash flows don't match, *i.e.*, how much do we need to borrow & how much can we afford?

  - The ability to stress the facilities' capital costs (given inflation)

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# Key Concepts for Modeling

- You can't do that with a budgeting tool … at least not efficiently & visually.

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# How Would I Use This?

- **Deliver** Better Board Communication

- **Analyze** Student Revenue Options

- **Consider** Capital Projects & Related Funding Scenarios

- **Determine** Debt Capacity

- **Estimate** Compensation Adjustment Impact

- **Project** New Program Profitability & Overall Financial Impact

- **Plan** Plant Repair & Maintenance Schedule

- **Analyze** Merger & Acquisition Activity (Both before & after)

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Live Platform Demonstration

# New Decision Methodology

## Model

Multi-layered exploration of integrated financial statements.

## Analyze

Provide side-by-side scenario analysis providing collaborative insights to previously siloed data.
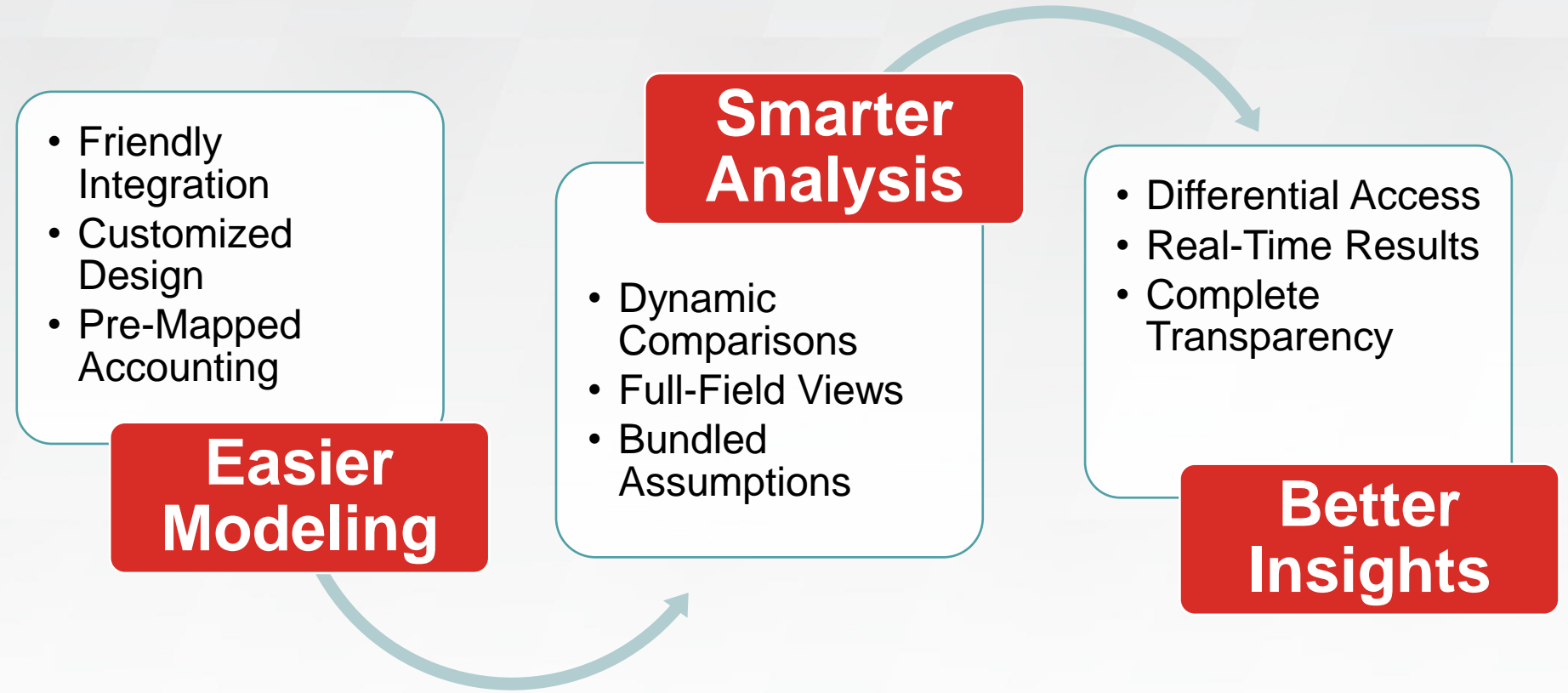
## Decide

Provide dynamic presentations which accelerate decision making in meetings & boardrooms.

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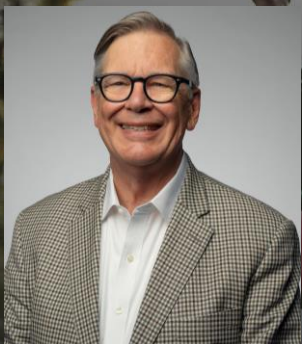
**Financial Modeling Made Smarter**

**Easier Modeling**
- Friendly Integration
- Customized Design
- Pre-Mapped Accounting

**Smarter Analysis**
- Dynamic Comparisons
- Full-Field Views
- Bundled Assumptions

**Better Insights**
- Differential Access
- Real-Time Results
- Complete Transparency

# Questions?

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# Thank You!

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