Luther College Finance & Budget Presentation for Departments

Financial Statements

- **Audited annually**
- **Many rely on the information**
  - **Board of Regents**
  - **Cabinet and Audit Committee**
  - **Bond trustees**
  - **Department of Education**
  - **Donors, foundations and granting agencies**

Managing Budgets

- **Budget Center Directors**
    - **Review information monthly**
    - **Verify transactions are valid**
    - **Verify amounts are accurate**
    - **Verify transactions are posted to the appropriate account**
    - **Review budget to actual**

Accurate Reporting

- **Transactions should be posted to the proper account number**
  - **Use the proper general ledger code regardless of where the funding is coming from**
  - **Use the proper code even if there is no budget**
  - **FASB (Financial Accounting Standards Board) will soon require we show expenses by the functional area as well as by type**

Reporting Timing Guidelines

- **Timing of recording expenses**
  - **The purchase of goods should be recorded in the period when they are received**
  - **The purchase of services should be recorded in the period when the services are rendered**
- **Budget Implication**
  - **Goods must be received and services must be rendered in the current year in order to be funded with current year budget**
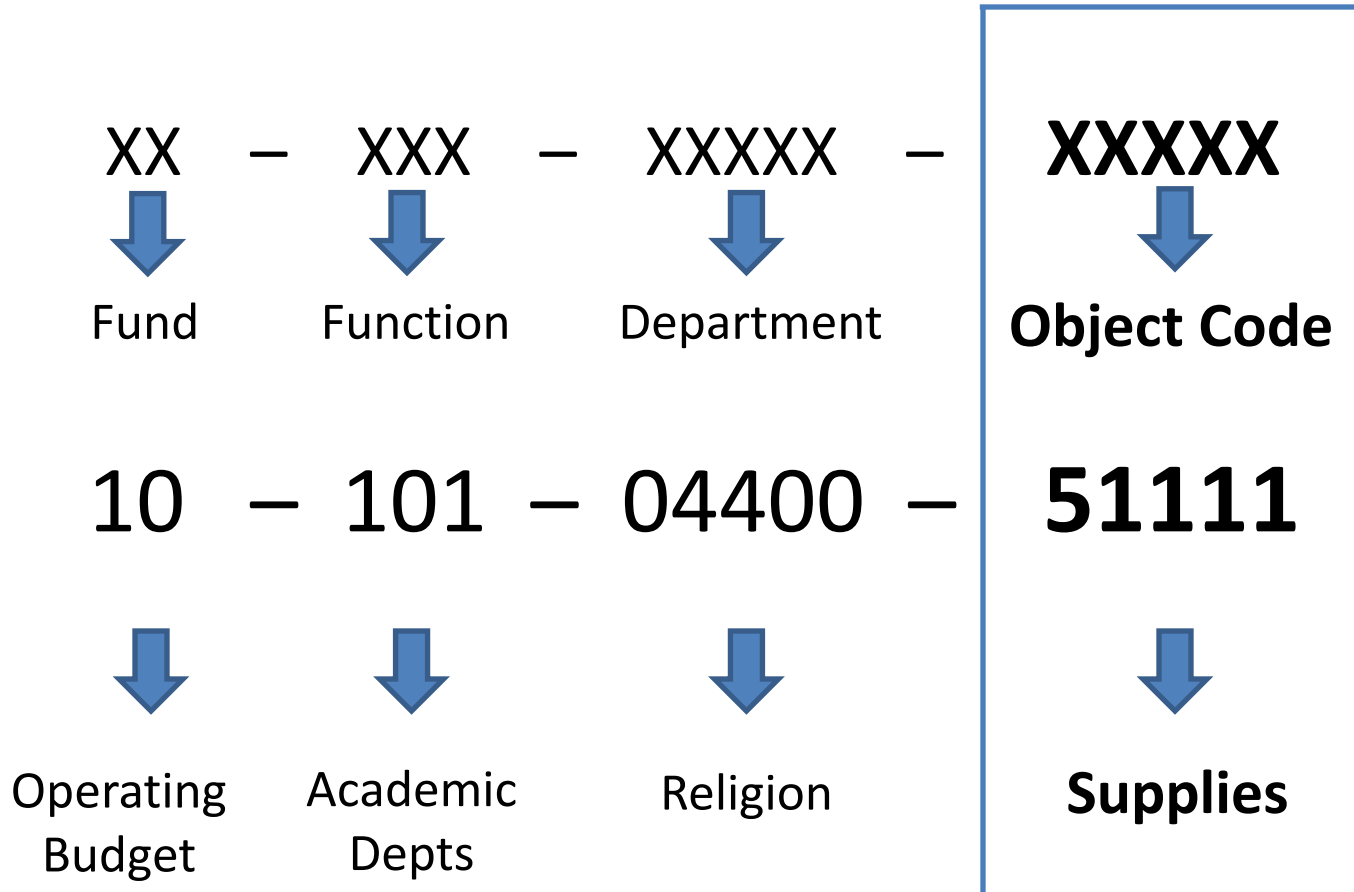
Reporting Timing Guidelines

- **Timing of recording revenues**
  - **The sale of goods or services should be recorded when the goods or services are delivered, not when cash is received**

- **Budget Implication**
  - **Deposits and/or enrollment fees paid in the spring and related to summer activities will not show up as available funds until the summer**

Account Numbers

XX – XXX – XXXXX – **XXXXX**

Fund   Function   Department   **Object Code**

10 – 101 – 04400 – **51111**

Operating Budget   Academic Depts   Religion   **Supplies**

Assets

- **Object code = 1xxxx**
- **Definition**
  - **Things that we own**
- **Common example**
  - **Deferred expense (object code = 121xx)**
    - **Prepayment for goods not yet received or services not yet rendered**
    - **E.g. plane ticket purchased in spring for summer flight**

Liabilities

- **Object code = 2xxxx**
- **Definition**
  - **Things that we owe**
- **Common example**
  - **Deferred revenue (object code = 22xxx)**
    - **Cash received for services not yet performed**
    - **E.g. payment received in spring for summer camp enrollment**

Fund Balances

- **Object code = 3xxxx**
- **Definition**
  - **Dollars available for spending carried over from a prior year**
- **Common examples**
  - **Gift received in prior year that was not completely spent**
  - **Prior year endowment spending allowances not completely spent**

Revenues

- **Object code = 4xxxx**
- **Definition**
  - **Dollars coming in**
- **Common examples**
  - **Gifts designated for a specific purpose**
  - **Course fees**
  - **Summer camp fees**
  - **Travel reimbursements from external sources**

Expenses

- **Object code = 5xxxx**
- **Definition**
  - **Dollars going out**
- **Common examples**
  - **Travel costs**
  - **Supplies**
  - **Membership dues**
  - **Fees for accepting credit card payments**

Object Code Accuracy

- **The object code used should accurately reflect the nature of the expenditure**

Travel = **College vehicle charge**

Phone = **Teleconference fee**

Supplies ≠ **Pizza for a meeting**

Object Code Consistency

- **General rules of thumb**
  - **Plane tickets are always travel**
  - **Hotels and meals outside of Decorah should be travel**
  - **Hotels and meals in Decorah should be meetings/events**
- **Questions?**
  - **Call Andrew Bailey in the OFS at x1697**

Object Code Unavailable?

- **Appropriate object code not available when allocating credit card charges online?**
  - Call Mary Logsdon at x1534 to add it

- **Appropriate object code not set up (not shown on my.luther)?**
  - Call Andrew at x1697 to create it

Supplies – 511xx

- **51111 = Departmental Supplies**
- **51113 = Recognition Awards**
- **51114 = Office Supplies**
- **51116 = Equipment <$500**
- **51121 = Educational Materials**

Communications - 512xx

- **51211 = Telephone**
- **51216 = Connectivity Fee**
- **51221 = Printing/Copying**
- **51231 = Postage**
- **51241 = Advertising**
- **51251 = Internet Access**

Services/Events – 513xx

- **51311 = Professional Services**
- **51331 = Meetings/Events**
- **51333 = Speakers/Workshops**
- **51334 = Room**
- **51335 = Board**
- **51341 = Dues & Memberships**
- **51351 = Insurance**

Travel – 514xx

- **51409 = Special Project Travel**
- **51411 = Professional Development Travel**
- **51421 = Departmental Travel**
- **51422 = Administrative Travel**
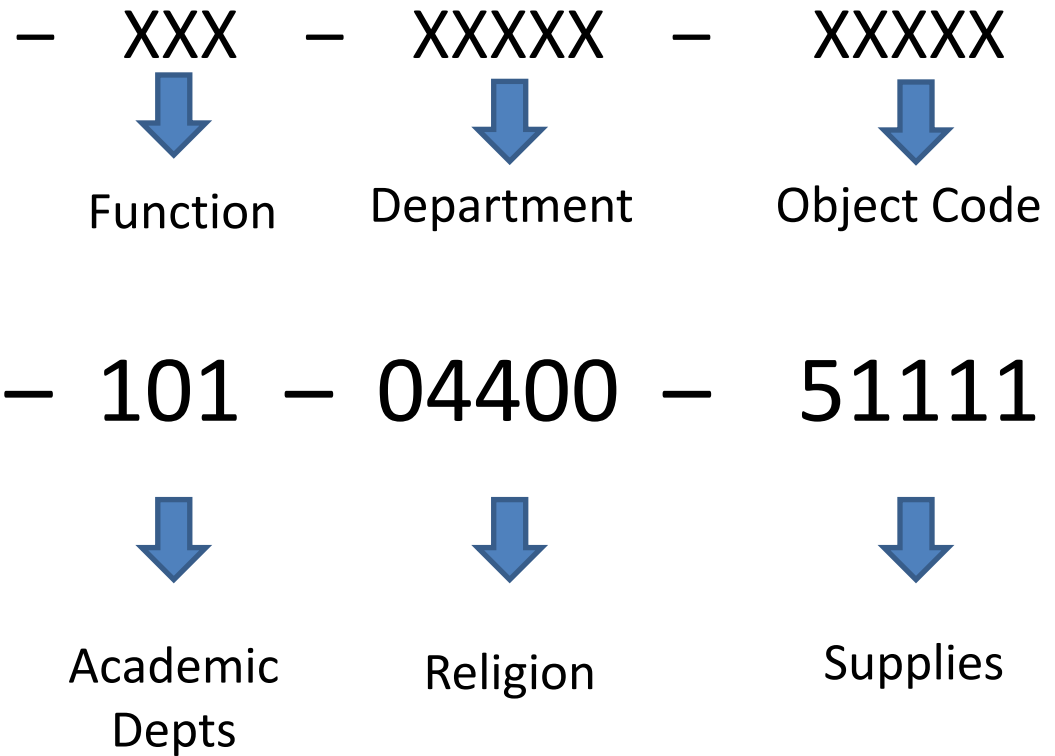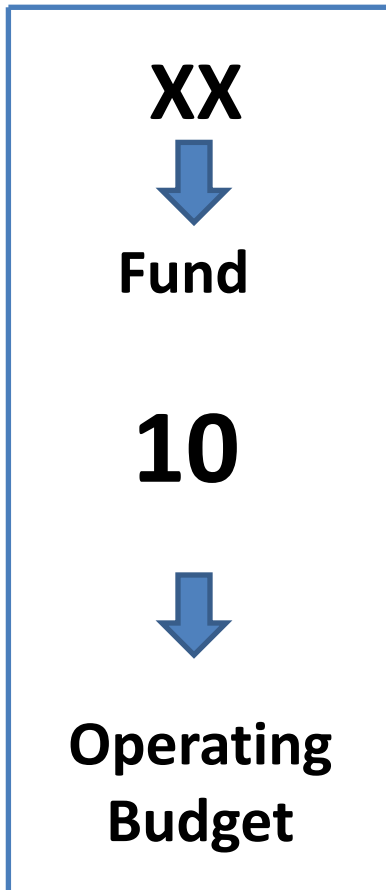- **51431 = Student Travel**

Equipment – 52xxx

- **52101 = Equipment >$5,000**
- **52121 = Artwork > $5,000**
- **52131 = Vehicles > $5,000**
- **52141 = Musical Instruments > $5,000**
- **52151 = Library Materials**
- **52601 = Equipment > $500 & < $5,000**
- **52616 = Software**

Account Numbers

XX   –   XXX   –   XXXXX   –   XXXXX

⬇   ⬇   ⬇   ⬇

Fund   Function   Department   Object Code

10   – 101 – 04400 – 51111

⬇   ⬇   ⬇   ⬇

Operating Budget   Academic Depts   Religion   Supplies

Endowment Fund Analysis

Fund	Function	Department	Object Code	Amount
Endowment Fund Year 1				
11	XXX	XXXXX	4XXXX	$ (10,000)
11	XXX	XXXXX	51111	$ 5,000
		Year 1 Balance		$ (5,000)
Endowment Fund Year 2				
11	XXX	XXXXX	3XXXX	$ (5,000)
			Leftover Balance Year 1	
11	XXX	XXXXX	4XXXX	$ (11,000)
11	XXX	XXXXX	51421	$ 6,000
		Year 2 Balance		$ (10,000)

Restricted Fund Analysis

Fund	Function	Department	Object Code	Amount
Restricted Fund Year 1				
12	**XXX**	**XXXXX**	**4XXXX**	**$ (10,000)**
12	**XXX**	**XXXXX**	**51111**	**$ 5,000**
		Year 1 Balance		**$ (5,000)**
Restricted Fund Year 2				
12	**XXX**	**XXXXX**	**3XXXX**	**$ (5,000)**
				Leftover Balance Year 1
12	**XXX**	**XXXXX**	**51421**	**$ 5,000**
		Year 2 Balance		**$ -**

Endowment – my.luther

GL Account	U/P	GL Description	Budgeted	Encumbered	Actual	Funds Available
11-101-00622-31000		Example Department : Designated Fund Balance : Endowed Designated Funds	0.00	0.00	17,756.37-	17,756.37
11-000-00622-41201		Example Department : Private Gifts : Endowed Designated Funds	0.00	0.00	0.00	0.00
11-000-00622-42000		Example Department : Endowment Income : Endowed Designated Funds	0.00	0.00	0.00	0.00
11-000-00622-42002		Example Department : Endowment Income : Endowed Designated Funds	17,756.00-	0.00	0.00	17,756.00-
11-101-00622-51000	**U**	**Example Department : Operating Expenses (pooled budget) : Endowed**	**17,756.00**	**0.00**	**450.00**	**17,306.00**
11-101-00622-51111	P	Example Department : Dept'l Supplies : Endowed Designated Funds		0.00	0.00	
11-101-00622-51212	P	Example Department : Cell Phone : Endowed Designated Funds		0.00	450.00	
11-101-00622-51221	P	Example Department : Printing/Copying : Endowed Designated Funds		0.00	0.00	
11-101-00622-51231	P	Example Department : Postage : Endowed Designated Funds		0.00	0.00	
11-101-00622-51421	P	Example Department : Dept'l Travel : Endowed Designated Funds		0.00	0.00	
11-101-00622-52601	P	Example Department : Equip > $500 and < $5000 : Endowed Designated Funds		0.00	0.00	
		Grand Total	0.00	0.00	17,306.37-	17,306.37
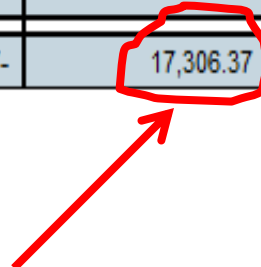
Total Funds Available = unspent prior spending allowances + current year spending allowance – current year expenses

Restricted Fund – my.luther

GL Account	U/P	GL Description	Budgeted	Encumbered	Actual	Funds Available
12-102-01838-31000		Example Department : Designated Fund Balance : Non-endowed Designated Funds	0.00	0.00	390.72-	390.72
12-000-01838-41103		Example Department : Federal Grants : Non-endowed Designated Funds	0.00	0.00	0.00	0.00
12-000-01838-41201		Example Department : Private Gifts : Non-endowed Designated Funds	0.00	0.00	2,910.00-	2,910.00
12-000-01838-45900		Example Department : Sales of Ed Act. - Other : Non-endowed Designated Funds	0.00	0.00	0.00	0.00
12-102-01838-51111		Example Department : Dept'l Supplies : Non-endowed Designated Funds	0.00	0.00	985.72	985.72-
12-102-01838-51221		Example Department : Printing/Copying : Non-endowed Designated Funds	0.00	0.00	0.00	0.00
12-102-01838-51231		Example Department : Postage : Non-endowed Designated Funds	0.00	0.00	0.00	0.00
12-102-01838-51331		Example Department : Meetings/Events : Non-endowed Designated Funds	0.00	0.00	121.46	121.46-
12-102-01838-51333		Example Department : Speakers/Workshops : Non-endowed Designated Funds	0.00	0.00	0.00	0.00
12-102-01838-51421		Example Department : Dept'l Travel : Non-endowed Designated Funds	0.00	0.00	0.00	0.00
		Grand Total	0.00	0.00	2,193.54-	2,193.54

Total Funds Available = unspent prior year gifts + current year gifts – current year expenses

Funding Unexpected (Emergency) Expenditures

- **Where do I go?**
  1) **Department head – is there budget available in my department?**

  2) **Other funds – are there endowment funds or restricted gifts available?**

  3) **Appropriate VP – does my VP have funds available?**

  4) **CFO's office – are there contingency dollars available?**

Budget Pooling

GL Account	U/P	GL Description	Budgeted	Encumbered	Actual	Funds Available
10-101-01200-50210	U	Example Department : Stdt Work - Acad Yr : General Funds	3,630.00	0.00	1,595.02	2,034.98
10-101-01200-50211	P	Example Department : Luther Workstudy : General Funds		0.00	351.63	
10-101-01200-50212	P	Example Department : Federal Workstudy : General Funds		0.00	1,243.39	
10-101-01200-51000	U	Example Department : Operating Expenses (pooled budget)	4,675.00	0.00	1,099.84	3,575.16
10-101-01200-51112	P	Example Department : Resource Materials : General Funds		0.00	346.63	
10-101-01200-51114	P	Example Department : Office Supplies : General Funds		0.00	195.59	
10-101-01200-51211	P	Example Department : Telephone : General Funds		0.00	0.00	
10-101-01200-51221	P	Example Department : Printing/Copying : General Funds		0.00	476.94	
10-101-01200-51231	P	Example Department : Postage : General Funds		0.00	2.32	
10-101-01200-51331	P	Example Department : Meetings/Events : General Funds		0.00	78.36	
10-101-01200-51421	P	Example Department : Dept'l Travel : General Funds		0.00	0.00	
		Grand Total	8,305.00	0.00	2,694.86	5,610.14

Budget pooling involves establishing one umbrella account (U) that contains budget to be used in any of the designated pooled accounts (P)

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Revenue/Expense Budget Adjustments

- **What happens when my department collects cash or sells something?**
  - **Cash or checks should be taken to the Office for Financial Services as soon as possible**
    - **Make sure the deposit is marked with a department account number with a revenue object code (e.g. 10-000-56200-45001)**
  - **An expense account budget will increase by the amount of the revenue as a one-time budget adjustment**
  - **Revenue Deposit Examples**
    - **Dorian selling t-shirts to participants**
    - **A department collects money from students to purchase tickets to attend a special event**
    - **A Luther fleet vehicle is sold at auction**

Revenue/Expense Budget Adjustments

- **What if my department shows a budgeted amount in a revenue account number?**
    - **The total budget for expenses relies on the budgeted revenue**
    - **Until the revenue budget is met, the revenue account will show a negative amount as available for spending**
    - **If the revenue budget will not be met, the total budget for expenses should be underspent accordingly**

GL Account	U/P	GL Description	Budgeted	Encumbered	Actual	Funds Available
10-000-03041-45001		Sample Account : Dept'l Sales : General Funds	14,000.00–	0.00	90.00–	13,910.00–
10-105-03041-51000	**U**	**Sample Account : Operating Expenses (pc**	**14,000.00**	**0.00**	**430.02**	**13,569.98**
10-105-03041-51111	P	Sample Account : Dept'l Supplies : General Fun		0.00	105.00	
10-105-03041-51112	P	Sample Account : Resource Materials : General		0.00	0.00	
10-105-03041-51211	P	Sample Account : Telephone : General Funds		0.00	0.00	
10-105-03041-51221	P	Sample Account : Printing/Copying : General Fu		0.00	56.37	
10-105-03041-51231	P	Sample Account : Postage : General Funds		0.00	99.50	
10-105-03041-51311	P	Sample Account : Professional Services : Gene		0.00	0.00	
10-105-03041-51331	P	Sample Account : Meetings/Events : General Fu		0.00	169.15	
10-105-03041-51421	P	Sample Account : Dept'l Travel : General Funds		0.00	0.00	
		Grand Total	0.00	0.00	340.02	340.02–

2014-15 Budget

	Operations	Endowment Spend	Consolidated
Revenues			
Tuition & Fees	$ 89,059,020	-	$ 89,059,020
Less: Financial Aid	(40,642,071)	(5,808,727)	(46,450,798)
Net Tuition Revenue	$ 48,416,949	$ (5,808,727)	$ 42,608,222
Auxiliary Services (Room, Board and Book Shop)	19,090,660	-	19,090,660
Endowment Spending Allowance	791,012	6,651,917	7,442,929
Gifts, Grants and Contracts	1,954,500	2,743,519	4,698,019
Educational Activities	556,250	-	556,250
Draw from Operating Reserves	163,225	-	163,225
Other Sources	964,075	-	964,075
Total Revenues	$ 71,936,671	$ 3,586,709	$ 75,523,380
Expenditures			
Faculty Salaries	$ 14,221,730	$ 438,151	$ 14,659,881
Staff Salaries	14,805,379	174,058	14,979,437
Student Work	2,610,127	436,440	3,046,567
Fringe Benefits	12,302,954	91,051	12,394,005
Total Compensation	$ 43,940,190	$ 1,139,700	$ 45,079,890
Supplies & Expenses*	22,000,488	2,445,009	24,445,497
Equipment	1,636,148	2,000	1,638,148
Deferred Maintenance	1,200,000	-	1,200,000
Debt Service	2,731,250	-	2,731,250
Contingency	250,000	-	250,000
Miscellaneous Expense	175,595	-	175,595
Total Expenses	$ 71,933,671	$ 3,586,709	$ 75,520,380
Margin for Mission	$ 3,000	$ -	$ 3,000

How Does a Surplus Happen?

- **Dollars coming in were more than expected**
  - **Additional gifts & grants**
  - **Increase in student account late fees**
  - **Transcript fees increased**
  - **Insurance proceeds from claims**

- **Expenses were less than expected**
  - **Utilities savings**
  - **Underspent Financial Aid**
  - **Unspent contingency budget**
  - **Underspent student work**
  - **Employee vacancies, unspent overtime, etc.**
    - **Note: in 2013-14, over $720,000 of unspent compensation budget contributed to the surplus**

Where Does the Surplus Go?

- **President and CFO present recommendations to Institutional Planning and Board Affairs**
- **Surplus (Margin for Mission) is typically allocated to quasi-endowment for Operating or Strategic Reserves and/or building projects**

Financial Questions?

- **Credit Card Questions**
  - **Mary Logsdon: logsdoma@luther.edu   x1534**

- **Payment Voucher Questions**
  - **Karen Dallenbach: dallenka@luther.edu   x1533**

- **Account Number Questions**
  - **Andrew Bailey: bailan01@luther.edu   x1697**

- **Payroll Questions**
  - **Korrine Jackson: jackko01@luther.edu   x1135**

- **Budget Questions**
  - **Amy Wrightsman: wrigam01@luther.edu   x1532**

- **Endowment Questions**
  - **Peggy Lensing: lensinpe@luther.edu   x1531**

The End