



# **The State of Higher Education in 2017**

Sixth annual report

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Grant Thornton is a shining star in the industry. While we receive value for fees, what puts Grant Thornton over the top is their commitment to and leadership in our industry. This is demonstrated by the sheer number of higher education clients they serve, as well as their sponsorship of industry conferences and the strong presence of expert speakers.

What also sets Grant Thornton apart is the thought leadership they produce. I look forward to the annual state of higher education report and use it as a tool in meeting with deans and their department chairs. We take the opportunity to discuss what's going on in the industry and how the topics relate to what's happening at Duquesne and in their school.

Our Grant Thornton partner is knowledgeable about the industry. An issue has yet to arise that he was unsure of or had to research. He is accessible and gets to the core of issues very quickly. He tells us why they matter and provides expert guidance and a common sense approach to resolving them. He regularly goes over emerging issues with us and brings us right to the point with top-notch guidance that we can use going forward.

”

**Russell Grunebach**, Associate Vice President for Finance and Business, Duquesne University



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## Introduction

Leaders of colleges and universities have new opportunities, technologies and analytical tools to help them drive their institutions toward greater success. They are mining new revenue sources, gaining access to more in-depth information for improved decision-making, initiating transformative endeavors in academic and administrative areas, and applying advanced techniques to assess institutional and student performance.

Leaders are likewise dealing with such issues as challenges in tuition and enrollment, making effective use of physical assets, competition from both traditional and nontraditional education providers, changes in regulatory requirements, and imperatives to mitigate or at least be prepared to respond to institutional risks.

This is a time of great potential for engaging a diverse constituency, collaborating with other institutions and private industry, and effecting substantial operational change. Innovative thinking will be vital to successfully moving into the future.

In this, our sixth annual *State of Higher Education* report, we offer you our experience-based viewpoints, approaches and solutions that point the way to decision-making that will sustain institutions, positioning them to thrive for the long term. While we will continue throughout the course of this year to provide webcasts, training and articles of interest to leaders in higher education, the editorial purpose of this publication is to cover the trends and issues we expect to emerge in 2017. As a leader in the higher education sector, we believe it is our responsibility to give back to this community we serve by providing these valuable insights.

Within these pages, you will find our guidance on important developments and challenges facing higher education leadership, including redefining business models, practical implementation of enterprise risk management, changing federal regulations regarding endowments and accessibility, campus physical space transformation and funding of deferred maintenance, increased use of data analytics, and many others.

The articles in this report stem from knowledge gained through our professionals' direct interactions with their clients. Rather than theoretical pieces, they are the result of practical, hands-on experience gained by more than 400 Grant Thornton LLP professionals serving over 200 eminent higher education clients. These insights are intended to be used by you — board members, executives, management, and other leaders and stakeholders in higher education.

Our Not-for-Profit and Higher Education practices are committed to helping “organizations that do good” fulfill their missions. We understand that enhancing quality, protecting reputation and maintaining operational sustainability are all essential to colleges' and universities' ability to achieve success and further their cause. Our higher education experience is deep, and we offer it to assist higher education leadership with the challenges and opportunities addressed in this report.

On behalf of the partners and professionals of Grant Thornton's Not-for-Profit and Higher Education practices, I am pleased to present *The State of Higher Education in 2017*. We hope that you find this to be a valuable resource. As always, we welcome your feedback and are available to assist management teams and boards in addressing the challenges discussed in this report, or any other issues you may be facing.

Sincerely,



**Mark Oster**  
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Watch Mark's  
introduction to  
the report.





## Time-Traveling to Higher Education 2050

**Rick Wentzel**, Partner, Audit Services, Not-for-Profit and Higher Education Practices

From the vantage point of 2017, let's look ahead to higher education in 2050, with our view based on current trends and indicators. To set the stage, we make the reasonable assumptions that courses will be delivered differently, students will have new demands and parents will still be paying the major cost of college.

So here we are — with a couple of students taking us with them on the first day of classes in 2050. Here's what they tell us:

In the old system, it would be September of the 2050–51 school year. But that was then. Now our schedules are personalized; we begin and end our sessions when it works for us. This is just one of the differences between college life for us and the one our parents led.

### **Virtual connections are ubiquitous**

Our university operates in a connected world, with information available and coursework possible 24/7, instructors interacting on screen from any country, and teaching and student evaluations happening at a pace many times faster than back in 2017. Higher education, like other traditional industries, had to adapt long ago to these changes and evolving expectations.

At our school, as well as all others, online classes predominate. Our parents tell us this is a big change from when they went to college in the late 2010s. Back then, as higher ed delivery technology got rolling, colleges and universities were losing out to institutions that embraced online learning. The ones still around decided to get onboard (see Grant Thornton LLP's *Maturing from Adolescence into Adulthood: Major Factors Shaping the Sector in 2016*). So, famous experts now will speak to us from any location, and we have teaching-assistant (TA) droids to address our online questions, and we can take courses around the clock — and around the world — to accommodate our schedules and academic interests. With the globalized sharing of knowledge and the TA droids, not as many faculty members are needed, which means instructors teach five or six classes per semester — much different from the three to four classes typical in the 2010s.

Not all classes are online. Like our parents, we can attend on-site courses. Many of our courses are video streamed from other schools. The streams are holograms that allow us to have in-person contact with our instructors and students from throughout the world, while still having the chance to engage with and learn from our on-campus peers. A general education course now required at many schools but not taught online at any of them is *How to Socialize*. Students dread the class projects — actual conversations. A popular elective class that is offered on campus is *Introduction to Cursive Writing*;<sup>1</sup> it fulfills the humanities requirement.



“ Our university operates in a connected world, with information available and coursework possible 24/7, instructors interacting on screen from any country, and teaching and student evaluations happening at a pace many times faster than back in 2017. ”

<sup>1</sup> Masson, Stephanie Reese. "The Death of Cursive Writing," Vitae, *The Chronicle of Higher Education*, Dec. 1, 2016.



### Brick and mortar still has uses

Our campus doesn't look much like the ones our parents lived on. They've told us all about how far they had to bike or walk or bus to their far-flung classes. There's no such problem on our campus, which is a compact set of buildings. Our parents would recognize some of them from the outside, but the insides are entirely different. For example, research labs are outfitted for video or hologram conferencing because worldwide teams work together to create new projects and technology. And like everything else on campus, lab space is available 24/7.

Libraries, often the pride of the early 21st-century institutions, have transformed from repositories for books — no longer needed — to collections of collaboration rooms and individual workstations. Librarians are now technology specialists who guide access to information, troubleshoot video and hologram conferencing programs, solve connectivity issues, get 3-D printers working, etc.

There's just one dorm, which is all that's needed because of telecommuting. We've moved in and already started using the high-quality streaming, video conferencing and super-speed internet. You can imagine that dorms, along with academic buildings, consume a lot of electricity. It's supplied by solar power, and geothermal and biodiesel fuel. That's a big reason we chose this university — its commitment to social responsibility and sustainability (see Grant Thornton's [Achieving, Measuring Social Responsibility, Sustainability](#)).

### Affordability and applicability remain key to college choice

Our parents compared tuition cost and majors with good job and salary prospects. They said their parents did the same, but now the access to information makes the decisions more clear.

It helps that we can trade research time for tuition, with nonprofit and for-profit companies reimbursing our university for results. And we receive class credit for our major-related jobs, volunteer work and internships. Because our university, like most others, is focused on a few majors, our instructors and curriculum are specialized to our interest areas.

It's not all work. Collegiate video gaming is huge; team members are the most popular jocks on campus and sports leagues are international. Traditional sports, like football, are in decline, except for a few self-supporting collegiate teams.

Demand for the top graduates has increased, and companies are looking for any advantage in recruiting talent. The most recent trend is for large companies to not only advertise in video game sports league games or sponsor teams, but to actually sponsor a campus. Admission interviews also serve as job interviews; students are assured of starting their careers at the sponsoring company upon graduation.

Thank you for joining our virtual tour. One last thing — we chose our university for all the features we've described, including its reputation for innovation. We wouldn't have attended one that didn't offer what we need to succeed in the marketplace we'll enter.

For a consideration of changes likely for 2017 and years immediately following, see within this report [Building the Campus of Tomorrow](#).



## Transforming Business Models in Response to Market Shifts

**Larry Ladd**, Director, National Industry Specialist, Not-for-Profit and Higher Education Practices  
**Joseph Mulligan**, Senior Manager, Advisory Services, Not-for-Profit and Higher Education Practices

The educational “business model” is a favorite topic in higher education these days. It’s now passé to say the model is broken; instead, the conversation has moved on to exploring and adopting new operating models and delivery systems to better suit current realities. Cultural, demographic, technological and economic change throughout the world is driving a rethinking of how colleges and universities “do business” — fulfilling the same mission in a different way.

Institutions are updating their business models to demonstrate increased relevance, address competitive threats, and enhance outcomes and sustainability. They are assisted in their efforts by third-party educational organizations, such as The National Association of College and University Business Officers (NACUBO) and their [Economic Models Project](#),<sup>1</sup> in tracking developments, sharing ideas and re-envisioning the future. For one vision of future outcomes, see within this report [Time-Traveling to Higher Education 2050](#).

As institutions consider how to adapt to best serve current and future constituents, such rethinking is prompting many new approaches. We offer these observations about trends and innovations for institutions that are or will be responding to the imperative to re-evaluate and ascertain desired models for the future.

### Credentials are gaining in appeal

In addition to traditional degrees, many colleges are offering mini- or micro-educational packages that recognize accomplishment through certificates or digital badges — credentialing to acknowledge skill proficiency in specific areas.<sup>2,3</sup> As with a degree program, courses can be online; e.g., the Massachusetts Institute of Technology’s [MicroMasters](#)<sup>4</sup> and various [education-as-a-service models](#), which unbundle traditional degree programs and give students the option of matriculating in and paying only for courses they need.<sup>5</sup>

[The Right Signals Initiative](#), which tracks credentialing emerging in the marketplace — including degrees, certificates, licenses, apprenticeships, digital badges and other microcredentials — has been created to help bring a consistent and relatively uniform meaning of credentials to students, employers and colleges.<sup>6</sup>

### Two freestanding experiments worth watching:

- [Minerva Schools at KGI](#) is an accredited, for-profit institution established to provide global experiences as an elite, but low-cost, university.
- [Western Governors University](#) is a public online, low-cost, competency-based university focusing on working adults.

<sup>1</sup> NACUBO. “Economic Models Project.”

<sup>2</sup> Two examples: Blumenstyk, Goldie. “2 Projects That Promote Alternative Credentials Reach Key Milestones,” *The Chronicle of Higher Education*, Sept. 19, 2016.

<sup>3</sup> Young, Jeffrey. “Online ‘MicroMasters’ Programs Extend Their Reach,” *The Chronicle of Higher Education*, Sept. 20, 2016.

<sup>4</sup> MIT. “MITx MicroMasters: Bringing MIT to You.”

<sup>5</sup> Craig, Ryan. “Education-as-a-Service: 5 Ways Higher Ed Must Adapt to a Changing Market,” *University Ventures*, VB Live, May 11, 2014.

<sup>6</sup> American Association of Community Colleges. “The Right Signals Initiative.”



Institutions are updating their business models to demonstrate increased relevance, address competitive threats, and enhance outcomes and sustainability.

### Revisions to curriculum and delivery models drive business model change

As institutions embrace technology and seek ways to overcome geographic barriers between students and programs, they are creating learning experiences attuned to evolving lifestyles and expectations.

Hybrid teaching styles that are being rapidly adopted blend in-person learning with online information transmission and videoconferencing. This approach takes advantage of both face-to-face connections and digital efficiencies, and in the process offers the potential for lowering instructional costs.

Online coursework is growing, becoming so well-accepted that massive online open courses are beginning to charge tuition and grant credit. The pressure will mount for these course credits to apply to traditional degrees, reducing the coursework required within the student's institution.

Robotic and artificial intelligence teachers are also gaining acceptance. Students interact with these computer-generated personas much the same as they do with human instructors, hearing an actual (synthesized)

voice and receiving answers to questions. One example is Carnegie Mellon University's [Duolingo](#), with more than 80 language courses delivered to over 120 million users.<sup>7</sup> These kinds of programs offer lower price points (Duolingo is free), delivered on demand to expand accessibility, and leverage artificial intelligence to adapt to students' pace of learning and learning styles.

Another innovation is the learning studio, such as [Stanford's d.school](#),<sup>8</sup> that forgoes traditional lecture classrooms and instead focuses on real-world projects as the key learning modality. This is a response to the market's (students and employers) demand for a close equivalency of work experience, with practicality provided through experiential learning, projects and application of classroom theory to real-world situations.

Similarly, adaptive learning, such as that offered by [Knewton](#),<sup>9</sup> molds the educational experience to the preferences, proficiencies and ongoing performance of the student. Students' individual strengths and weaknesses are identified and personalized curriculum modifications are made based on the learner's proficiency and needs.

<sup>7</sup> Duolingo. "Say Hello to the Bots."

<sup>8</sup> Institute of Design at Stanford. "Take a d.school Class."

<sup>9</sup> Knewton. "A Path for Every Student."



### Mergers and partnerships present new potential

The advantages of not going it alone are becoming clearer, with M&A — one aspect of the corporate business model — occurring more frequently in higher education. For information and examples, see Grant Thornton's [\*Synthetic Merger Could Be the Right Elective for Higher Ed\*](#). In the corporate world, economies of scale can be achieved through merger, and entities that may no longer be sustainable transfer their brand and other assets to a financially stronger organization. Recently, several small private colleges have merged or affiliated with larger institutions, and private institutions of roughly comparable size have joined forces. Some high-profile public institutions have also done so — not proactively but rather to satisfy state mandates.

Public/private and/or government partnerships are being formed and expanded for a number of purposes, including work-study collaborations, facility sharing and shared cost savings. NACUBO extolls the [benefits of partnerships](#) in planning physical campuses;<sup>10</sup> as one example, North Carolina State University's Centennial Campus has forged a union of university, industry and government to offer students [business planning and commercial connections](#),<sup>11</sup> and The Georgia Institute of Technology established a [supply chain and logistics arm](#) with university, alumni and corporate participants for projects that create value for all involved.<sup>12</sup>

#### Small colleges that have merged or affiliated with larger institutions

- Berklee College of Music and the Boston Conservatory
- Milligan College and Emmanuel Christian Seminary
- Franklin University and Urbana University
- Boston University and Hebrew College
- Southern New Hampshire University and Daniel Webster College

#### Private institutions of relatively comparable size that have joined forces

- Thomas Jefferson University and Philadelphia University

#### Public institutions that have become affiliated

- Albany State University and Darton State College
- Lyndon State College and Johnson State College
- Georgia State University and Georgia Perimeter College
- Clarkson University and the private Union Graduate College

<sup>10</sup> NACUBO. "Public-Private Partnerships: It's the Right Time."

<sup>11</sup> Centennial Campus. "Strong Partnerships."

<sup>12</sup> Georgia Tech Supply Chain & Logistics Institute. "Corporate Partnerships."



### Infuse your business model with lean thinking

Students and parents are far more price sensitive than in earlier generations, and colleges and universities must adapt. In addition, access to and affordability of higher education is projected to remain in the spotlight with the new presidential administration and Congress. Many institutions are accepting modest or no net revenue growth as the norm.

The implications for the educational business model include adoption of more focused and strategic resource allocation, so that initiatives, funded in the past by new revenues, are supported by reductions in other parts of the budget. These initiatives will be more important than ever in a highly competitive environment, but resistance to the corresponding budget reductions will need to be factored into planning the business model implementation. For an exploration of this concept, see within this report [Learning from Closures: 8 Lessons for Your Institution's Future](#).

Pricing strategy is by necessity moving away from the high-tuition/high-discount model of the past. We will see much experimentation based on the particular market power of various tiers of institutions and the associated means of students or their families. While halting increases in sticker prices has not generated the wide public acclaim that colleges using that approach had hoped, reducing the gap between gross tuition and net price will likely be explored by an increasing number of institutions as they grapple with the trade-offs and complexities related to perceptions about tuition cost and educational value. Differential tuition structures, based on either cost of particular programs or their unique market power, are also beginning to emerge at some universities. Other changes, many not yet known, will also be tried as institutions search for ways to maintain or enhance their revenue.

Seeking cost savings will take institutions in different directions from their pasts. Campuses will evolve into a smaller version of their traditional state; with new learning delivery, there will be less need for the kind of physical infrastructure found today at your typical college. For insights, see within this report [Building the Campus of Tomorrow](#).

As higher education embraces new thinking and implements business models that demonstrate modernization and activate innovation, students will be more appropriately served in a changing world. Institutions that most intentionally and effectively adapt to market needs will inevitably achieve greater success than those that resist change and see comfort in relying on tried-and-true methods that may have served them well in the past.

### Measurement can help determine and validate changes

Data analytics provides the depth of information essential to reshaping your business model by providing additional information that can result in more informed decision-making. Analytics can support more rigorous evaluation of both institutional and student performance, which in turn can better inform and drive decisions regarding resource allocation.

In assessing institutional performance, viable options are college audits<sup>1</sup>, as described by UW Bothell Learning Technologies, and cost/revenue modeling, as reported in HighBeam Business<sup>2</sup> and described within this report at [Implementing Cost/Revenue Modeling for Meaningful Decision-Making](#).

Student performance can be measured, per [Civitas Learning](#)<sup>3</sup> and the [Society for College and University Planning](#)<sup>4</sup> for cognitive behavior, subject mastery, and retention and graduate rates.

<sup>1</sup> UW Bothell Learning Technologies. "Forget Accreditation, Bring on College Audit," Oct. 21, 2016.

<sup>2</sup> Carlson, Scott. "Accounting for Success; Brenau U., a Women's College in Georgia, Is Running Million-Dollar Surpluses. Here's How," *HighBeam Business*, Feb. 7, 2014.

<sup>3</sup> Baer, Linda. "A Call to Action for Student Success Analytics," Civitas Learning, May 18, 2016.

<sup>4</sup> Baer, Linda, and Norris, Donald. "A Call to Action for Student Success Analytics," Society for College and University Planning, *Planning for Higher Education*, July–September 2016.



## Moving Beyond ERM Theory to Real-World Implementation

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**Matt Lerner**, Director, Advisory Services, Not-for-Profit and Higher Education Practices

For as much as colleges and universities have a healthy respect for risk and a desire to implement leading-edge enterprise risk management (ERM) programs, many still struggle with translating the theory they find in literature into a practical and effective program. There is no single correct way to implement ERM, which leaves institutions to their own devices in interpreting ERM concepts as they attempt to adopt risk management protocols. This often leads to suboptimal efforts that fall short of achieving their objectives — or worse, to abandonment of ERM initiatives altogether.

However, effective implementation of ERM can indeed be achieved, and the common pitfalls that institutions face when designing an ERM program from scratch can be overcome. Success comes from utilizing a comprehensive, structured methodology, informed by the experience of others, to identify, evaluate, report and mitigate key risks to your institution. We offer these best-practices strategies — from institutions that have recently successfully deployed ERM or those that are currently in the midst of successful implementation — to overcome the challenges you will face and to translate theory into meaningful, practical action.

### Recognize that risks do not all have the same impact

Even the most introductory primer on ERM will tell you that you have to evaluate the impact of a risk. Put simply, risk impact is the degree to which you will be affected by a risk if it were to happen. However, not all risks will affect an institution in the same way. While senior leaders are typically adept at identifying their institution's top risks, they often perceive the impact of each risk, and what therefore constitutes an appropriate response, quite differently.

**Example:** A CFO might not perceive there to be a significant impact associated with inaccurate collection/reporting of admissions data as it would not cause an appreciable change in revenue or expense. The vice president of communications, on the other hand, would be highly attuned to the consequences of negative press associated with such an incident.



Success comes from utilizing a comprehensive, structured methodology, informed by the experience of others, to identify, evaluate, report and mitigate key risks to your institution.



The key is to recognize that impact has many different facets. In order to align discussions around why risks are significant and what should be done about them, we advocate dividing your analysis into types of impact:

- Strategic — Causes a strategic objective to fail
- Financial — Incurs unanticipated costs or reduces revenues
- Operational — Affects the quality or efficiency of how work gets done
- Reputational — Creates negative media attention
- Environmental, health and safety — Jeopardizes students', faculty's or others' well-being
- Technology — Exposes applications, data, operating systems, network, or infrastructure to inappropriate access/change
- Legal — Triggers arbitration or litigation against your institution

When evaluating risks, you should consider the resulting impact. One risk may have a high financial and technology impact, while another may be more reputational in nature. At times, one or more of the impact types won't apply at all. While these are typical impact categories, management may decide that other types of impact apply.

### Calibrate your discussion

Begin by creating guidelines for your risk evaluation framework. Whether you use a simple high/medium/low scale or a more complex numeric rating, document what qualitatively differentiates one risk rating from another. While business judgment is still an integral part of evaluating risk, setting parameters helps level the discussion and resolve differences of opinion by applying objective criteria.

**Example:** The chief compliance officer is concerned about the risk of failing to comply with a regulation. She argues that it has a high impact on reputation and finances. Her research shows that when fines are imposed, they are usually between \$25,000 and \$50,000. The ERM committee refers to their calibrated risk evaluation framework and sees that they have previously determined that in terms of reputation, a risk would have to be noted on a national scale and/or cause their constituents to distance themselves from the university in order for it to be considered to have a high reputational risk — an unlikely result in this case. They also note that a risk would have to deplete their reserves by \$200,000 or more before they would consider it a high risk. Since there are no other discernible types of impact that would apply, they decide that the risk of this lapse in compliance would have, at most, a medium impact on the university.

### Align your mitigation strategies

Successful ERM programs strive to ensure that the institution's risk management activities directly address the types of impacts expected.

**Example:** A particular risk event may have significant financial, reputational and operational impacts. A comprehensive risk mitigation strategy should address all three areas. Financial impact mitigation may involve obtaining insurance, creating a reserve fund, etc. Reputational impact mitigation may include developing clear communication and media relations plans. Operational impact may be mitigated through creation or revision of disaster recovery and business continuity plans. Other risk management strategies may, of course, apply.

One of the common mistakes institutions make is ending the discussion after identifying a single mitigation strategy. This limits identification of additional mitigation strategies that can further reduce risk impact by addressing other potential outcomes of a risk event.



### Establish your risk tolerance

Risk tolerance, or risk appetite, is the willingness to accept uncertain outcomes. In an attempt to define their risk tolerance, to avoid either taking on too much risk or being unnecessarily cautious, we have found that institutions tend to create broad statements about their attitude toward risk.

While there seems to be very little written about how to define risk tolerance, the practical experience of institutions that are in the process of doing this effectively is that such definitions need to be less broad and more nuanced. It is not helpful to declare, “We are risk avoiders,” or “We are risk takers.”

To get started, we advocate establishing a risk tolerance scale. For example:

- Averse — Low tolerance for uncertainty; prefer the lowest risk option
- Cautious — Prefer to avoid risks but will accept some uncertainty if benefits are significant
- Accepting — Uncertainty is expected; prefer the option that maximizes benefits

There is no single risk posture for an institution to take. Rather, tolerance for risk will vary, depending on the nature of its impact. You can then establish your institutional risk tolerance along each of the types of impact. For example, you may be:

- Cautious about strategic risks
- Accepting of financial risks
- Averse to reputational risks
- Averse to health and safety risks

Assessment of tolerance serves as an important lens to determine if enough is being done when considering risk mitigation strategies. Aligning risk mitigation strategy with risk tolerance can be further informed by gleaning lessons learned when risk events actually happen. You can answer questions like, “Did we accept more risk than we wanted?” and “Were we too conservative in our reaction to risk?” These answers will help you to continually shape and refine your ERM program.



## Foreseeing Legislative Changes Affecting Accessibility and Endowments

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Recent congressional focus has intensified on the largest endowments of private colleges and universities, with a focal point being the significant growth of these endowments over the past 10 years. First, a research report ordered by Congress and published in December 2015 provided recommendations about endowments, including requiring a minimum annual payout percentage, imposing an excise tax on earnings, limiting donors' charitable deductions to institutions with the largest endowments, and modifying the tax treatment of debt-financed investments. Following the report, an inquiry letter — jointly authored in the Senate and House — went out to 56 private colleges and universities with endowments greater than \$1 billion. Then in fall 2016, a House Ways and Means subcommittee held hearings to review tax-exempt college and university endowments as a whole.

Attention seems to be centered on prevailing views of limited accessibility for students at the largest institutions, rising tuition costs, despite little or no growth in inflation, and the seemingly low percentage of endowment spending to offset operating costs and provide financial aid. Contributing to this perception is insufficient communication by colleges and universities in their financial statements and elsewhere about programs and expenditures dedicated to enhancing student accessibility and affordability. In addition, the reporting requirements of IRS Form 990, a primary data source available to the public, are relatively inflexible; the form does not afford institutions the opportunity to explain the ways they are using their endowments to promote accessibility. As a result, there is a widening presumption that these institutions are more interested in endowment growth than in using their assets strategically to broaden channels of affordability and increase scholarships.

Be ready for legislative action. Changes may accelerate in the first year of the new administration, which promised scrutiny of costs, and with both parties in Congress calling for reform.

### Prepare for legislative changes

It is reasonable to expect that the next few years will bring:

- An increased focus on operations, cost, accessibility and endowment spending.
- A more prescriptive definition of what constitutes “endowment spending.” Direction from Congress or the IRS would be helpful (e.g., a statement that investing in high school tutoring, mentoring or enrichment programs is or is not considered to be part of an institution’s endowment spending).
- A tax on endowment earnings over a certain size — perhaps the “billion dollar club” — of up to 2% annually. This tax may be analogous to an excise tax on the net investment income tax presently imposed on private foundations.
- An imposition of a 1% or 2% excise tax on endowments, depending on whether they meet certain spending criteria. Determining the rate of tax would depend on meeting or exceeding certain spending thresholds for specific purposes (e.g., spending 5% of endowment assets on student financial aid over a rolling three- or five-year period). This will be a difficult policy to enact; unlike private foundations, which base the tax calculation on their entire noncharitable-use asset base, there are complexities specific to college and university endowments. For example, would the tax apply only to true endowments (permanently restricted net assets) or to the entire endowment, including quasi-endowment funds (unrestricted net assets functioning as endowments)? And how would the tax laws be interpreted and applied in light of existing state laws regarding endowments (e.g., each state’s version of the Uniform Prudent Management of Institutional Funds Act)?
- Changes to the IRS Form 990. Some of the most useful of the anticipated changes would be enhancing disclosures about how colleges operate and use their resources for scholarships and improving accessibility.



In light of the complicated environment and diverse nature of higher education institutions, putting into place and complying with any proposed new regulations will be a herculean task, requiring much thought and careful planning. For example, will legislation affecting endowment spending entail all scholarships and financial aid, including both funded and unfunded awards? Would donor-restricted gifts that by law must be spent on scholarships be included in the annual spending determination? What provisions would be enacted to maintain the purchasing power of the endowment to ensure it endures?

### Consider change through proactivity

Given likely forthcoming legislative changes, institutions are encouraged to think progressively about utilizing endowment earnings to benefit both the institution and its students. With accessibility as a common central goal, with or without a legislative mandate, your endowment could provide the means to greater access to students by reducing attendance cost without financial loss to your institution. One way would be to dedicate endowment funding to prepare economically and academically disadvantaged high school youths for admission to a college or university, understanding that your institution's mission will be served even if they choose one other than your own.

Many colleges and universities have broadened their charitable reach and have tried to better prepare those in need for the rigors of college, but efforts must be more focused, and additional resources must be invested. Investment can be either directly in the communities and schools where economically disadvantaged students may reside, or through the creation

of partnerships with high schools or corporations to bridge learning and opportunity gaps. Assuming that future tax legislation for higher education institutions mirrors that of private foundations, colleges and universities could increase the use of allowed program-related investments, and dual benefits will be gained — furthering the educational mission and qualifying as a “spend” for purposes of a mandated annual endowment payout. Similarly, your institution would avoid taxation on any related capital gains; a program-related investment can earn income much like other investment instruments, and while investment earnings are taxed, the capital gains on sales are not.

The ability to afford enhanced college preparation exacerbates the gap in the capacity of youths in different income brackets to attend any college or university. With elite institutions becoming more and more selective, youths from families with deeper financial resources have an advantage in being able to attend premier private schools or reside in neighborhoods with better public schools offering intensive education and opportunities to increase their likelihood of admission. They can also complement in-school learning with tutoring and counseling services in order to score higher on standardized tests and be better-positioned for college entry. Those without access to the financial means to secure those additional resources have fewer opportunities to develop the critical skills and experiences needed to differentiate themselves from their peers. Their path to acceptance at elite and highly selective institutions has more obstacles.

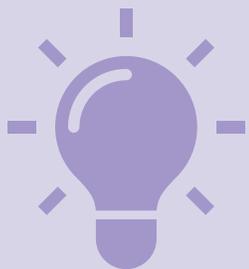


### Communicate reality vs. perception

An additional, and equally valuable, effort is communicating to legislators and the public regarding the good work being done.

It is clear that the congressional report will prompt judgments and legislative change, or even overhaul, to improve channels for accessibility. But it should be noted that at the largest institutions, financial aid as a percentage of total tuition continues to increase. In addition, these institutions have broadened the definition of low-income families, thus providing additional scholarships and financial aid. Because of these actions, the proportion of institutional costs paid by endowment gains has continued to grow, running counter to the prevailing view. Further, most of these institutions are need-blind and accept any student who qualifies, regardless of ability to pay the full cost. Through all possible means — including reports to Congress, social media, ads, published articles and highlights on their website — institutions should convey these types of accessibility activities.

Correcting an erroneous view of endowment protection and continuing efforts on the part of colleges and universities to increase the use of endowments to facilitate accessibility will help shape future legislation directed toward endowment management, and open and accessible higher education.



Congressional attention seems to be centered on prevailing views of limited accessibility for students at the largest institutions, rising tuition costs, despite little or no growth in inflation, and the seemingly low percentage of endowment spending to offset operating costs and provide financial aid.



## Building the Campus of Tomorrow

Larry Ladd, Director, National Industry Specialist, Not-for-Profit and Higher Education Practices

The word “campus” conjures up a fairly consistent image. It’s a set of charming, well-appointed buildings clustered around a lush green park of trees and grass. It’s where faculty teach and hold office hours, committees meet, and students live and attend classes.

The future will force us to change that mental image. Traditional campuses will still be with us, but there will be far fewer of them. One reason is that colleges not able to make the necessary changes will have closed, but the primary reason will be a redefinition of what the “business of higher education” is all about (see within this report [Transforming Business Models in Response to Market Shifts](#)).

Higher education is not immune to the digital revolution or the evolution of just about every service activity in our economy. Colleges and universities have responded by becoming more multidimensional, with a greater variety of teaching styles and content, incorporation of learning technologies, and use of data analytics for administrative operations and services. But while considerable attention has been given to how pedagogy and management are changing, little attention has been paid to how physical dimensions will transform.

Innovations in physical space must be made to accommodate demands for accessibility, flexibility and affordability. Changes in infrastructure are being driven by the following trends:

- Digital technology is decoupling access to the classroom and information from any specific geographic location.
- Learning is becoming more “modular,” credentialing specific competencies (i.e., certificates and badges, rather than degrees only) with flexible timing (access based on convenience), rather than with the lockstep of four years to a degree and fixed-class schedules. This will require a less broad range of academic buildings on campus.
- Students will engage with their coursework at their own time and pace, as they do in every other aspect of their lives. They will not necessarily live on campus, so multiple dorms will be unnecessary.
- Price pressure on colleges will create incentives for cost efficiencies, discouraging the fixed-cost commitment embodied in physical structures. The additional cost of new buildings will be far less attractive if you can’t raise tuition to pay for them, and the ongoing cost of current facilities will begin to look like a savings opportunity as they are utilized less.
- Deferred maintenance is a problem so large that it can’t be solved by most colleges within their available resources; the result may be reducing the physical plant footprint or just letting it deteriorate further. See within this report [Planning Ahead for Deferred Campus Maintenance](#) for guidance on this issue.



Innovations in physical space must be made to accommodate demands for accessibility, flexibility and affordability.



Physical space transformation is a logical consequence of these developments. In a nutshell — different space and less of it. For all institutions, master planning must become an essential activity at a level we haven't seen since the building booms of the 1950s and 1960s, although with very different outcomes. The results of this activity, based on projections of current trends, can be fairly well-predicted:

- **Classrooms will be housed on our digital devices.** Think about how meeting technology has changed the need for individuals to gather in a physical space to engage with each other on important topics. That's the way much of our learning will be conducted. We are already beginning to see meeting technologies used in courses that previously met face-to-face, and we expect that to increase over time as learning opportunities will increasingly be available at any time and from any place, with instruction and information available through digital portals, rather than in fixed buildings and preset class times. In some cases, those meeting technologies will only replace some of the class sessions — sometimes for convenience, but sometimes because it will become apparent that video can be more engaging for some topics and learning styles. In other cases the class sessions will all be virtual, appealing especially to faculty and students unable to be present together. As we have already seen with massive open online courses, virtual classes will allow faculty to reach new populations (and tuition payers). As fewer faculty come to campus to teach classes, shared office space will become more common, reducing the number of offices needed.

There will still be physical structures for some purposes — research-intensive institutions, especially, cannot downsize the space needed for research, particularly in science and engineering, which require laboratories. While digital simulations may replace many laboratories over time, it is hard to imagine that physical laboratory space will entirely disappear. So at research institutions, we will continue to see additional and upgraded research space, while other activities, over time, will become virtual. However, for the rest of the sector, the industry norm will be that most classes are conducted electronically.

Acknowledging that keeping up with technology is no hedge against continual outdating, Cornell Tech Dean Dan Huttenlocher is leading his institution's [technological innovation](#), with emphasis on flexibility and repurposing.<sup>1</sup> The first of the forward-looking buildings will be ready for use in 2017. It will have few classrooms and no faculty offices. There will be workstations, as well as work and meeting spaces. The last buildings will be completed 20 years later. The intervening years — the future — will guide their structure and use.

<sup>1</sup> Wolfman-Arent, Avi. "How Do You Plan the Campus of the Future? Try Not To," *The Chronicle of Higher Education*, July 18, 2014.

- **Services will largely be outsourced, including to the cloud.** As a consequence of outsourcing, the need for office and physical service desk space will be radically reduced. In the short run, it's possible to see "counter" services provided by student financial services transitioning almost entirely to online delivery, in the same way that we now use banking services primarily online. Furthermore, libraries will focus on making digital connections between researchers and information sources. Libraries will be "virtual intermediaries," rather than physical repositories.
- **Physical space will be available primarily for occasional face-to-face purposes.** Facilities might be used in a multipurpose way for either classroom activities or administrative meetings. We see such space used often in "satellite" facilities, but its convenience is becoming obvious for main campus purposes. There may well be little space "owned" by the college; instead, it will be leased to flex with needs as they arise — a concept pioneered by the for-profit sector. Leasing creates the flexibility for more physical class or meeting rooms to be added for just the period of time needed.



- **The size and number of physical campuses will shrink, as will their related costs.** The need to reduce costs will be a key driver, because many colleges will not be able to raise revenue sufficient to subsidize current amounts of square feet — much less to build new facilities — and those colleges will be competing with institutions that can base their pricing on lowered facilities costs. We already see campuses where buildings are deteriorating, and often no longer used, because of short-term budget decisions. There will be many challenging issues about shuttering, rather than “repurposing,” those physical spaces. If you keep your existing campus, do you close buildings, but let them continue to stand (and decay)? Do you sell portions of your campus or — if you can find a buyer — leave altogether and relocate?
- **Access to education and information will expand and prestigious institutions will dominate** when no longer constrained by physical limitations. Students will be able to obtain instruction and conduct research from any location. We are already seeing the power of edX courses offered by the best brands in the industry, and soon we will see requests for transfer credits for those courses. Since physical proximity has been a strength for many institutions that draw their students from their region, these institutions will be particularly challenged as stronger brand names begin to compete for students who would otherwise pick a physically proximate college.

There will be exceptions, some because of inertia, but others for strategic intent, keeping the campus as it has been known and loved by longtime supporters. At least one college president plans to retain “Old Main,” the original and central campus building, primarily so that it can be pictured on the institution’s internet portal.

Change involves loss. As we gain accessibility, flexibility and affordability, we’ll lose some of the human dimension of personal, direct interface unobstructed by a computer screen. However, as long as campuses exist, there will still be plenty of opportunities for the kind of socialization that is so valued in the college experience. But the fact is that the core competencies of colleges and universities are teaching and research, not the management of ancillary activities like facilities planning. The mission of institutions is education, and their strategy must be to deliver on that mission by the most appropriate means. We will see more and more universities wanting to get out of the real estate business and instead sharpen their focus on educating students.

Cast your mind forward to a vision of midcentury higher education; see within this report [Time-Traveling to Higher Education 2050](#).

Struggling with deficits, the Andover Newton Theological School in Newton Centre, Mass., announced plans to sell its campus and develop a partnership elsewhere or change to a [“lean, cooperative-learning model,”](#) with a smaller faculty, fewer courses and students placed in churches for their training.<sup>1</sup> Other seminaries will follow, said Daniel Aleshire, executive director of the Association of Theological Schools. High cost and inability to shift to meet changing needs are two main causes in losing sustainability.

<sup>1</sup> MacDonald, G. Jeffrey. “Andover Newton Seminary to Sell Campus,” *Christian Century*, Nov. 16, 2015.



## Taking Steps Toward an ERP System Change

**Natesh Ganesan**, Manager, Advisory Services, Not-for-Profit and Higher Education Practices

With ever-rising levels of data coming from every corner of the institution, increasing scrutiny of costs due to shrinking budgets, higher demand for expanded curriculum and online courses, expectations for proof of student outcomes, and greater focus on operating efficiencies, a boost in technology assistance is imperative to meet these challenges and stay competitive.

The overarching challenge is utilizing the right data to gain meaningful insights that will guide decision-making. Difficulty in collecting data because of information siloed in schools, departments and programs leads to incomplete analysis, making it impossible to produce useful insights for the enterprise. Solving the conundrum requires the collaboration of management and the IT department, and due respect for properly outfitting an enterprise resource planning (ERP) system.

However, with academic technology support, security concerns, and financial and regulatory reporting always on the front burner, IT can find itself low on capacity and skill to take on ERP. In addition, these competing priorities, further described in the [2016 Campus Computing Survey](#),<sup>1</sup> can leave little room in the budget for an ERP initiative.

Demand for technology enablement will continue to climb. Drivers will include [effective administrative modules](#), as described in a study by MarketsandMarkets, which projects a significant growth in education ERP at a compound annual growth rate of 15.9% between 2016 and 2021.<sup>2</sup> Enhanced capabilities are particularly vital now to enrich the student experience and engagement, and improve outcomes through delivery of more complete information to drive better-informed decision-making.

### Today's ERP systems offer true technology assistance

With increasing numbers of uses and users, there is a need to move to a more datacentric, user-focused, social, collaborative and mobile-friendly processing environment. Institutional leaders are both challenged by and inspired to leverage the technology at their disposal to meet expectations to measure — and, as necessary, improve — curriculum delivery models, course offerings, learning outcomes and operational efficiency. Fortunately, ERP's emerging functionality can help meet expectations. One new and valuable contribution is an integrated view of student life cycle from recruitment through enrollment, adaptive curriculum and learning solutions, and student and alumnus data management, as well as data analysis tools.

Leaders are taking advantage of the benefits of agile software development methodologies; advances in data integration, analysis and reporting techniques — and cloud computing.

### Take these steps in considering an ERP investment or reinvestment:

#### 1. Align your technology trajectory with institutional strategic goals and objectives.

Work with your IT organization to review your current technology, and confirm that the IT strategic plan is aligned to the institution's mission, strategy and priorities. The plan should provide an overall vision and consistent direction for future technology initiatives, including ERP implementations and mapping of IT goals to institutional goals. Utilize technology to enable strategy, and align technology investment accordingly. For a greater focus on using technology to serve the institution's mission, invite the CIO to join the president's cabinet, and develop an IT governance structure to include institutional leaders for support of investments and changes.

<sup>1</sup> The Campus Computing Project. *Campus Computing Survey*, October 2016.

<sup>2</sup> MarketsandMarkets. *Education ERP Market by Component Solution (SIS, Financial Management, HR/Payroll, Enrollment & Admission, Placement Management), Service, Deployment Type (Cloud, On-Premise), User Type (K-12, Higher Education), Region - Global Forecast to 2021*, October 2016.



## 2. Collaborate with your IT organization on assessment and research.

According to an Educause survey, [IT functions are expected to shift](#) from managing infrastructure and technical resources to managing vendors, services and outside contracts by 2020.<sup>3</sup> Begin now to prepare your IT organization for this shift to a focus on marketplace resources, and how that will affect existing and future ERP system development and maintenance. Management, including the CFO and technology leadership, must work together closely to choose between upgrading and replacement, insourcing and outsourcing, and use of cloud platforms versus institutional resources.

Include in the assessment and research:

- **Current ERP system utilization versus future-state needs to identify potential gaps and opportunities for generating additional value**
- **Suitable ERP solutions in the market and how those solutions can help realize the results outlined in the IT strategic plan**
- **Cost of maintaining legacy ERP systems and disparate systems compared to the cost of upgrading to a fully integrated environment**  
Analyze this from a total cost of ownership perspective.
- **Advantages of disruption in the higher education ERP market**  
Traditionally, higher education ERP has been dominated by a small group of monolithic solutions — such as Banner, Colleague, Jenzabar and PeopleSoft — that are installed on premises or, in recent years, hosted remotely. With an evolution in ERP systems, choices in systems and implementations have widened to include cloud computing and software as a service (SaaS) offerings.

## • A wave of best-of-breed ERP solutions — and the rise of the cloud

As opposed to the historically limited flexibility and significant implementation cost and complexity of ERP systems, the emergence of middleware (software that connects enterprise applications) and enhanced integration methods, techniques and tool sets have led to modular solutions. Cloud computing options now include either moving entirely to a native ERP solution or integrating existing on-premise/hosted ERP systems (i.e., hybrid cloud architecture). This solution combines modern cloud-based SaaS solutions with on-premise core ERP systems or applications for a flexible, mobile and user-friendly solution. Hybrid ERP is a natural solution for institutions; legacy ERP, student information and other systems can be combined with cloud-based solutions to minimize cost and accelerate implementation.

## 3. Develop an ERP strategy and an implementation roadmap.

Build consensus within your community by engaging and inspiring faculty, staff, students, researchers, senior leadership and the board in this institutionwide initiative. Based on factors such as future trends, in-house competencies and skills, business process maturity level (i.e., how defined your business processes are), IT support model, security considerations, and tolerance for risk and change, choose your path forward in collaboration with IT.

In accordance with the IT strategic plan and assessment and research results, develop an appropriate strategy and implementation roadmap. A collaborative approach will help to ensure that your ERP system is embraced institution-wide as valuable in making improvements and delivering on mission.

<sup>3</sup> Brooks, D. Christopher. *The Changing Face of IT Service Delivery in Higher Education*, Educause, August 2015.



## Implementing Cost/Revenue Modeling for Meaningful Decision-Making

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**Matt Unterman**, Principal, Advisory Services, Not-for-Profit and Higher Education Practices

Economic pressures caused by lower revenues and higher costs are placing increasing strain on higher education institutions. Revenue provided by governments to public institutions is not keeping pace with rapidly rising costs, including those related to greater technology needs. Further, for both public and private institutions, raising tuition and fees has become difficult for students, parents and other stakeholders to accept since they are experiencing their own economic pressures.

The institutions most likely to succeed will be ones that can effectively assess how their use of resources — facilities, class size, academic workloads, etc. — contribute to the financial sustainability of the mission, and right-size those resources accordingly. Institutions are beginning to leverage cost/revenue modeling to proactively make changes from within.

At issue is what academic programs really cost — not just program delivery's direct (mainly instructional) costs, which often result in a positive margin, but also indirect costs — and how these total costs relate to an institution's revenue. It is possible to gain this more informed understanding of your business operations — the relationship among costs, revenues, activities, courses, programs, etc. — through an activity-based model. This article summarizes the modeling initiatives that first-adopter institutions have been undertaking and the best practices that they have learned and employed.

### Why activity-based costing? Why not something simple like cost allocations?

While conventional cost accounting and cost-allocation methods can yield results more quickly than activity-based modeling, they do not incorporate the same level of detail as activity-based models, nor do they allocate overhead as accurately, rendering decision-making more difficult.

Activity-based models describe how resources are applied to particular activities in sufficient detail to allow in-depth understanding of what efforts are being undertaken and at what cost. Further, activity-based modeling links activities to outputs (courses and programs) to make it possible to define the causal relationship between the resources used and outputs produced. This relationship is defined for direct and indirect resources (e.g., finance and administration, HR and IT) and ultimately facilitates the what-if analysis of what might be done to make improvements.

For further insights into how a model can support a true management information system, see Grant Thornton's [\*University Cost Management Modeling: Moving Beyond Spreadsheets\*](#).



At issue is what academic programs really cost — not just program delivery's direct (mainly instructional) costs, which often result in a positive margin, but also indirect costs — and how these total costs relate to an institution's revenue.

#### **An activity-based model facilitates realistic decision-making**

To fully understand the cost-revenue relationship, it is necessary to go beyond conventional cost accounting and allocation, and financial statements. Institutions that utilize an activity-based model gain robust analytical capabilities to assess course and program economics, evaluating both instructional and noninstructional elements.

Building an activity-based model is a journey; it is no trivial exercise, but the efforts lead to greater understanding of institutional economics and scenarios to help improve financial and mission performance. Activity-based models provide:

- **Course and program margin analysis.** By assigning cost and revenue to courses and programs, margins can be analyzed at a granular level. The purpose is to assess whether sufficient revenue is being generated to cover fixed and variable costs, and a sufficiently robust operating margin to allow investment in new programs, pedagogical methods and markets.
- **Understanding the impact of indirect costs on course and program profitability.** Quantifying the drivers of overhead costs and how they are allocated to schools/departments is key to reducing overall indirect costs and using centralized resources more efficiently.
- **Budgeting and planning support.** Linkage of resources to outputs makes it possible to analyze how resources are contributing to outputs (e.g., resulting academic achievements and graduation rates of professors vs. adjuncts). The data can be used to develop scenarios and optimization models for budgeting and planning (e.g., alternative enrollment numbers and tuition discounting by program, as well as their resulting direct and indirect investments required).
- **Performance measurement.** A model is a powerful analytical tool that correlates cost and revenue to data from across the institution — from graduation and dropout rates to room utilization. The metrics produced provide guidance to faculty, staff and governing boards to make better decisions and fulfill their responsibilities more effectively.



### An activity-based model supports decisions in all areas

Activity-based models can be used to support academic decision-making — in every department, program, course, building and classroom — and administrative decision-making — in admissions, tuition and financial aid, athletics, etc.

#### How institutions have put their activity-based model to use

- Demonstrating through program analysis how both enrollment and margin associated with the computer engineering program were extremely positive, prompting a re-evaluation of program priorities and investments, and an emphasis on increasing computer engineering admissions.
- Gaining information about classroom utilization and margins associated with online versus face-to-face teaching led to changes in the offering mix of online and hybrid courses.
- Analyzing graduate programs and how different levels of financial aid affected the programs' contribution to institutional sustainability, combined with data on the strategic importance of each program, provided new insights into the total value of each program. Case-by-case decisions were then made to continue, improve or discontinue graduate programs.

When considering only direct costs, courses and programs can be found to have a positive margin. However, sometimes when indirect and overhead costs are added, margins turn negative. With the situation made clear, remedial action can be taken. For a program recouping its direct costs but not its indirect costs, targeting increased enrollment could be a solution. But for a program whose revenue does not cover direct costs, it might be necessary to examine the program, evaluate its importance to the mission and restructure or make other changes. Similarly, confirmation of a strong positive margin might lead to decisions for greater expansion/investment.

A well-constructed activity-based model evaluates facilities — assigned to courses based on usage — allowing analysis of room capacity and deployment. With data about theoretical room capacity and student numbers, the model calculates room capacity utilization overall and for each course. This analysis provides valuable information for facilities master planning and course/program scheduling and redesign.

An understanding of the cost to educate student cohorts (e.g., in-state, out-of-state and international) and the revenue from each cohort supports pricing analyses. Especially in lean economic times, this type of analysis is essential to informed decision-making about tuition rates and discounting for different cohorts. Additionally, the data facilitates analysis to help determine the best cohort mix for sustainability.

Significant side benefits of an activity-based model are forcing conversations about institutional data and data cleanup. Building a model requires discussion about how similar data contained in multiple systems can be normalized and then linked to provide coherent information. These conversations often remove silos as data owners realize the interrelated nature of their data. As for cleanup, making data viewable to other stakeholders is motivation to scrub it, causing data to be much more valuable.

#### Change management

Change management is a structured approach to managing the transition during periods of change. By managing change effectively during an activity-based model build, an institution increases engagement, minimizes resistance and increases the likelihood of successful adoption.



### An activity-based model's value relies on acceptance through change management

Cost/revenue modeling operates differently from conventional information gathering. Its very newness — providing relationship data not historically available in such a cohesive form — can cause results to be met with skepticism. As with any other innovation, change management is a vital component of a modeling project.

Institutions that have adopted cost/revenue modeling have identified factors for a successful implementation. Recognizing that gaining acceptance and adoption is critical, these institutions have found it is important to:

- **Communicate.** Explain in writing the objectives, desired outcomes and uses of the model, and facilitate feedback from stakeholders on their questions and desired objectives. Communicating often and transparently will avert surprises and increase the likelihood of acceptance.
- **Include faculty and staff in development.** Work with a variety of stakeholders to determine their needs, which will affect model design and methodology, and report development. Take advantage of institutional knowledge and experience, and incorporate the input to build a more useful model. Engagement is also critical in creating eventual acceptance and buy-in. The process that is followed will vary by institution and culture.
- **Control perceptions.** If model results are immediately used to cut budgets and radically change the way business is done, the model will be seen as a weapon for change. Instead, begin by showing how the model can be used to identify opportunities and make acceptable modifications.

- **Allow time to kick the tires.** Decision-makers and other stakeholders need to become familiar with the model before it starts to be used for decision-making in order to understand the costing methodology and trust the results and its outputs.
- **Use effective visualization tools.** Demonstration of model data through the use of business intelligence tools is vital to explaining the model and increasing the rate of adoption. These tools show model outcomes through reports and dashboards to provide meaningful information to university administration and leadership.
- **Make use meaningful.** Leverage the model to achieve defined financial and nonfinancial objectives, and make it clear that you are committed to doing so. Resist attempts to simply nuance or tinker around the edges (e.g., slightly altering enrollment numbers in underperforming programs); rather, utilize the model to its full power to achieve the desired results by transforming your institution's programs and delivery.

The value of an activity-based model depends not only on how it is used, but also how well the institutional community adapts to a new way of looking at data and making decisions, and its willingness to adopt and act on results from the model.

Understanding the economics of your institution is critical to effective management, even in the calmest of economic environments, and certainly in these changing times. A clearly defined, well-constructed, institution-wide activity-based model will provide information and insights not previously available to your institution.



## Attracting, Retaining and Gaining the Most from Millennials

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In the competition for a dominant workforce generation — millennials — not-for-profit organizations and higher education institutions are uniquely poised to be victors. With *Harvard Business Review* citing 21% of millennials switching jobs in the past year (three times higher than nonmillennials),<sup>1</sup> and many drawn to careers and organizations that make a positive impact in the world, your institution has a natural head start. To win their hearts and minds, and gain an advantage over competing organizations, it is critical to pay attention to the characteristics that define the millennial generation. If millennials are engaged properly, your institution can not only attract them to work for you, but also capitalize on the skills and passions that make millennials well-qualified to help your institution succeed.

### Millennials are a force worthy of engagement

These young people — born sometime between 1980 and 2000, depending on your source — currently make up about [34% of the workforce](#) in the United States, surpassing baby boomers and Gen Xers to take the largest share, according to Pew Research Center's *Fact Tank*, and their percentage of the workforce will only continue to grow.<sup>2</sup>

### Millennials value contributing to well-being

It is extremely important to millennials that they work for an organization whose purpose is to do good in the world. They will pledge their allegiance to an employer with whom they see an alignment between their personal

sense of mission and the organizational or institutional mission. Because they are committed to social issues and making a positive impact, "... [nonprofit jobs](#) give them the chance to champion a cause they care about," according to Nonprofit HR.<sup>3</sup>

### Millennials are mobile

Because corporate giants and the majority of financial institutions generally cannot compete with higher education's social responsibility and mission-driven focus, your institution can attract and retain millennials in a way that for-profits can't. Press this advantage during recruitment by demonstrating the connection between employees' work and achievement of mission. To employees, report frequently about how their contributions affect the campus as a whole and the community; use data about student outcomes and success stories — graduation rates, job placement, volunteerism and community activism.

Make this a purposeful retention activity; employees leave for any number of reasons, but millennials are more likely than others to do so, especially if it is not made clear to them that their contributions to furthering the mission are valued. If they become disillusioned, millennials are not hesitant to move on; [two in three expect to leave their jobs](#) by 2020, according to a Forbes contributor.<sup>4</sup> Research by the *Harvard Business Review* found that between 2015 and 2016, [three times as many millennials](#) as other workforce groups quit to do something else, and 60% — higher than any other workforce generation — said they were open to taking other jobs.<sup>5</sup>

<sup>1</sup> Rigoni, Brandon and Adkins, Amy. "What Millennials Want From a New Job," *Harvard Business Review*, May 11, 2016.

<sup>2</sup> Fry, Richard. "Millennials Surpass Gen Xers as the Largest Generation in U.S. Labor Force," *Fact Tank*, May 11, 2015.

<sup>3</sup> Alexander, Lisa Brown. *Why Millennials Are Not the Leaders of Tomorrow*, Nonprofit HR, Jan. 28, 2016.

<sup>4</sup> Arvai, Peter. "How to Retain and Inspire Millennial Workers," *Forbes*, June 14, 2016.

<sup>5</sup> Rigoni, Brandon and Adkins, Amy. "What Millennials Want from a New Job," *Harvard Business Review*, May 11, 2016.



### Millennials are technology savvy, and social media use is essential to them

In the job itself, this generation [raised on technology](#) expects to be granted ongoing digital access. Having grown up through the development of the internet, personal computers, mobile devices and social media, millennials have a sense of technological entitlement unmatched by previous generations. They are supremely sociable, and their desire to be in constant contact with colleagues is often perceived in a negative light. However, their networking skills can be utilized for unprecedented collaboration. Promote their interaction through technology, and provide technology — screen sharing and chat services — for the option to work remotely.<sup>6</sup> Many higher education institutions are in a position to offer this flexibility to employees because they already have the technology to support online and remote access learning for students.

Beginning with recruitment and continuing on after employment, be socially interactive, communicating via millennial-preferred channels in [social media](#). This is still a challenge for many higher education institutions, with the not-for-profit sector generally delayed in sophisticated use of social media to engage with potential and current employees.<sup>7</sup> Break from the pack by working with your millennial employees or consultants to make effective use of technology-based networking. The investment pays off in employee satisfaction and retention, and in their promotion of your institution through tweets and posts.

### Millennials have leadership drive

A value prized by millennials, according to the *Harvard Business Review*, is the [“opportunity to learn and grow.”](#)<sup>8</sup> Millennials ranked this quality highest in evaluating a job or role change, and they ranked it higher than did other generations surveyed. This puts higher education institutions — their culture steeped in learning — at great advantage.

Dedicate efforts to supporting millennials’ drive to be [“transformational”](#) leaders and their desire for mentors.<sup>9</sup> Your institution can embrace these emerging managers, directors and executives by investing in retention through ongoing training, and providing leadership opportunities and mentorship. With the right attention to their needs, this generation can become an influential group within your institution.

### Millennials weigh student debt in job choices

As a group, millennials are saddled with more [student debt](#) than are their older co-workers.<sup>10</sup> Service and altruism aside, salary still ranks high on their priority list. While your institution’s mission is important to them, they also need the chance to earn more. If your institution can’t match market salary levels of for-profit organizations, perhaps you can offer a stronger compensation and benefits package. One option being used by some colleges and universities is offering free or reduced-tuition classes toward an additional degree or certificate, which of course has no cash impact on the institution.

Additionally, you should provide information about personal finance classes and programs such as the [Public Service Loan Forgiveness Program](#),<sup>11</sup> which can forgive the remaining balance on federal Direct Loans after a specified number of payments are made by a full-time employee of a qualifying not-for-profit.

To secure a millennial workforce, provide an informal and flexible environment, including, if possible, the option to be remote, meaningful and challenging work, engagement through technology, non-salary-based benefits, and encouragement to channel social media on behalf of institutional initiatives. Direct the power of these current and future employees and leaders to embrace and deliver mission results for a cause to which they are committed personally and professionally.

<sup>6</sup> La Duke, Phil. “5 Ways to Attract and Retain Millennials,” *Entrepreneur*, July 5, 2016.

<sup>7</sup> Alexander, Lisa Brown. *Why Millennials Are Not the Leaders of Tomorrow*, Nonprofit HR, Jan. 28, 2016.

<sup>8</sup> Rigoni, Brandon and Adkins, Amy. “What Millennials Want from a New Job,” *Harvard Business Review*, May 11, 2016.

<sup>9</sup> Alexander, Lisa Brown. *Why Millennials Are Not the Leaders of Tomorrow*, Nonprofit HR, Jan. 28, 2016.

<sup>10</sup> La Duke, Phil. “5 Ways to Attract and Retain Millennials,” *Entrepreneur*, July 5, 2016.

<sup>11</sup> U.S. Department of Education. Public Service Loan Forgiveness Program webpage, accessed Jan. 30, 2017.



## Learning from Closures: 8 Lessons for Your Institution's Future

Larry Ladd, Director, National Industry Specialist, Not-for-Profit and Higher Education Practices

"Canary in the coal mine." "A shot across the bow." "Raising a red flag." Whatever metaphor you use, the closings of colleges and universities, as well as many close calls, are sending a message to other institutions that their future is not necessarily secure. As responsible stewards of their institutions' mission, trustees and senior administrators can reflect on the lessons that these unfortunate events might teach us.

The two greatest enemies of every college or university are **complacency** and **nostalgia**. Many closed or struggling institutions have failed to recognize and combat these mindsets. Follow these key principles to achieve a thriving, successful future:

### No. 1

**Stick to your mission, but not necessarily to the specific way you currently achieve it.** Programs may need to change. Methods of delivery and services may need to be radically transformed. Location and use of physical plant might need to become very different. When the distinction between mission and method is lost, mission achievement is seriously impeded.

### An *Inside Higher Ed* article about the higher education sector outlook from Moody's Investor Services reports:

- Smaller and regional institutions will probably struggle more.
- Having strong brands and value statements will serve institutions well.
- Major risks are weak investment market performance and the potential for changes in federal policy or funding.
- Growth rate in state funding for higher education will drop by about half between 2017 and 2018.<sup>1</sup>

<sup>1</sup> Seltzer, Rick. "Moody's Sees Stable Outlook for Higher Ed in 2017," *Inside Higher Ed*, Dec. 7, 2016.



The closings of colleges and universities, as well as many close calls, are sending a message to other institutions that their future is not necessarily secure.



### No. 2

**Be integrated with the higher education community.** Isolation can be very risky. Attend professional and trade gatherings. Stay in relationships with professionals at other colleges and universities to learn from their successes and failures. Seek programmatic synergies between institutions wherever possible. Share services to lower costs and avoid duplication.

### No. 3

**Keep the full board informed and actively engaged in the major issues facing the institution.** Trustees need to understand not only strategy and operational challenges, but also trends in higher education as a whole. Use their experience and perspective to obtain high-level guidance (not micromanagement) regarding core strategic and resource issues.

### No. 4

**Educate stakeholders about the realistic prospects for your institution, essentially making the case for change.** Alumni, faculty, staff and students all need to understand that the status quo is not sustainable — and why. You may not be completely successful in convincing stakeholders (keep in mind the enduring power of nostalgia), but make a good faith effort.

However, one-way communication isn't in your institution's best interest. A two-way exchange forms trust, the glue that holds a college or university community together. Institutional stress will test the concept of shared governance, which can only be sustained and enhanced if administrations and boards deliberately and thoughtfully engage with faculty, students and alumni about the issues they face. That doesn't mean everyone will agree on the assessment of the situation or potential solutions, but it does mean that everyone's views will be taken seriously — people want to feel that they have a measure of input/control and that change is being done with them, not to them. For more information, see Grant Thornton's [Enhancing Stakeholder Communications, Transparency](#).

#### Publicly reported Under stress in 2016:

- Bard College
- College of New Rochelle
- Hampshire College
- Sweet Briar College
- Paine College
- Colorado Heights University

#### Closed in 2016:

- Burlington College
- Dowling College
- St. Catherine College

#### Partnering with a larger institution:

- Andover Newton Theological School
- Hebrew College
- Daniel Webster College
- Shimer College



### No. 5

**Aggressively seek new revenue.** Successful institutions will focus intensively on retention, based on the principle that it's less expensive to keep a customer than win a new one, and because every percentage improvement in retention rate directly increases net tuition revenue by an equivalent amount. For ideas, see within this report [Attracting, Retaining and Gaining the Most from Millennials](#). As you perceive the warning signs of student attrition, quickly intervene. Furthermore, lead in changing your institution's internal culture to be more welcoming to and supportive of low-income and first-generation students who are most at risk of failure.

Equally important is developing alternative sources of revenue. For example, consider continuing education programs to reach additional constituencies, and online and hybrid courses for otherwise unobtainable students. Offer an array of credentials, such as certificates and badges, which may attract students who are not interested in obtaining a full degree. Seek public-private partnerships for construction, and relationships with retirement villages for cross-generational learning that will also generate new revenue streams.

- In a [NACUBO survey](#), one in four university business officers complained about resistance to change on their campus.<sup>1</sup>
- According to an [Inside Higher Ed survey](#), only 54% of university business officers are confident in their institution's financial stability over the next 10 years.<sup>2</sup>

<sup>1</sup> National Association of College and University Business Officers. *2016 National Profile of Higher Education Chief Business Officers*, p. 20, July 7, 2016.

<sup>2</sup> Seltzer, Rick. "Foundering Finances, the Faculty Role: A Survey of Business Officers," *Inside Higher Ed*, July 15, 2016.

### No. 6

**If yours is a niche<sup>1</sup> college, emphasize or reposition your specialty if attendance is declining.** It may be that the niche has played itself out in its current form and no longer has a sufficient market from which to draw. At that point, supplant loyalty to past success with business realism.

But if evidence shows that interest remains strong, emphasizing your niche may be the most effective way to differentiate yourself in a crowded and increasingly competitive marketplace.

<sup>1</sup> "Niche" is defined by colleges in their marketing material, e.g., predominantly or entirely women, historically black, freestanding art colleges and law schools, and educational style either progressive or conservative.



**No. 7**

**Understand your internal operations based on fact and analysis, rather than anecdote and unexamined beliefs.** Every individual and organization has a culture buttressed by story and myth, binding together stakeholders, but causing distress when flying in the face of changing circumstances.

Data analytics opens opportunities to better understand revenues, costs, efficiencies and behaviors. Tools are now readily available to allow institutions to analyze their revenues and costs so they can make better decisions regarding sustainability based on the level of financial contribution each program makes — or needs to start making. See within this report [\*Implementing Cost/Revenue Modeling for Meaningful Decision-Making\*](#). Service efficiencies and student behavior can likewise be tracked and measured. Faculty productivity can also be thoroughly examined. Institutions can't afford to make decisions without such information at hand. See Grant Thornton's [\*Utilizing Data Analytics to Improve Performance\*](#) for insights.

**No. 8**

**Base budgets on substitution rather than on incrementalism.**

Incremental budgeting adds new programs or shaves those on the margins, but doesn't address changes that would improve overall resource allocation. In contrast, budgeting by substitution cuts less attractive programs and redirects the savings to new programs more consistent with the institution's evolving mission-based needs. This is harder to do, as long-standing programs will have their staunch defenders who cling to the status quo — significant change always attracts resistance — but is essential to success for most colleges and universities. Find details in Grant Thornton's [\*Taking Budgeting to the Next Level: Integrating the Strategic Plan\*](#).

Overall, lessons for a thriving future can be summed up this way: Be flexible, focus on communication and collaboration, don't be afraid to break from the past, be undeterred by those rooted in complacency and nostalgia, and ensure that your efforts are fully aligned with the financial sustainability and achievement of your institution's mission.



## Planning Ahead for Deferred Campus Maintenance

**Dennis Morrone**, National Partner-in-Charge, Audit Services, Not-for-Profit and Higher Education Practices  
**Elizabeth Ireland**, Partner, Audit Services, Not-for-Profit and Higher Education Practices

Planning for deferred maintenance is a lot like saving for retirement — we know we should put money aside from the beginning. But the time for which it will be needed seems so far off that we dedicate the funds to more immediate concerns. Financing might become more available in the future, so why worry now? But then, in an aging research lab, a water pipe bursts, flooding the entire building, and options are few.

Competition for donor dollars continues to intensify, along with pressure to control tuition costs and rising student debt, increasing salaries and benefits, debt service costs, and technology expenditures. Setting aside monies for future maintenance may not be top of mind for boards, presidents and donors, but it must be done. The concept of saving for deferred maintenance is not new, but in recent years, attention to this matter has waned in light of more pressing issues. However, we are seeing progressively minded leadership now starting to take up this cause at leading colleges and universities. Aging buildings, along with a focus on more energy-efficient uses, have brought this issue to the forefront.

### Think long term

Bear in mind that even the newest facilities will begin almost immediately to incur costs associated with age. Like diligent recent graduates who begin saving for retirement in their very first job, establish your institution's facility maintenance plans with a long-term view — granted the greatest of such expenses might not arise for 10, 20 or 30 years and will burden the budgets of the next generation of fiscal officers (and trustees) who will have shorter-term needs to address. But responsibility for sustainability extends to buildings, as well as to academic rigor and other hallmarks of the institution. Be disciplined in creating a plan that will stand the test of time and vicissitudes of priorities.

### Collaborate and communicate

A campus-wide inventory of maintenance needs for all facilities is a good starting point. Work with the campus community to identify facilities that may need more immediate attention (e.g., leaky ceilings in a research lab). By soliciting input from across the campus community and communicating how projects and their related costs fit into the institutional strategy, health and safety laws, and master campus goals, the community understands the totality of projects and how limited resources must be allocated and projects prioritized.

Educate the board, faculty, students and potential funders about deferred maintenance obligations and how an institution's financial statements provide little in terms of understanding the extent and costs of anticipated future renovations. This can go far in allaying objections to reserving funds for the future when there are needs for them today. For example, explain how a building that cost \$10 million to construct 10 years ago is presented in your financial statements as net of accumulated depreciation, what it costs annually to maintain the building, its insured value and the cost of replacement. Disclosing such information will provide the rationale for deferred maintenance plans and be particularly helpful to those who are not familiar with the extent of costs to both operate and maintain a building.

Because rating and accreditation agencies are acutely interested in the aging nature of campus facilities and the significant cost of addressing infrastructure upkeep, disclose funds held in reserve for building improvements, either parenthetically on the balance sheet or in notes to the financial statements. Even if these unrecorded obligations are not included in your financial statement disclosures, include them in the management/board dashboard that is reviewed throughout the year.



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#### **Practice funded depreciation**

A maintenance reserve should be incorporated into the budget as a nondiscretionary item. It takes commitment to set aside cash flows and make a case for holding them in reserve through changes in administration, institutional focus, governance and unpredictable financial demands. When the need arises for a building upgrade, replacement or capital project, priority judgments can then be made about how much will be covered by funded depreciation reserves. This kind of planning helps avoid burdening operating cash or lines of credit, or forcing special appropriations from quasi-endowments.

#### **Expand resource planning**

An innovative way to deal with facilities maintenance and upgrade projects is to establish an internal revolving loan fund (at a specified level, funded with operating or quasi-endowment funds) in support of energy-efficient repairs and other improvement projects. The fund can be used to pay for qualifying energy-related projects. The associated annual energy cost savings are used to replenish the fund in support of future energy-efficiency projects and upgrades. This approach requires great discipline, and possibly a board resolution, to fend off attempts to funnel the funds in other directions. It also requires engagement and agreement with stakeholders beyond finance and facilities, including institutional leadership and faculty who might not fully understand the purpose of this funding mechanism and how the set-aside funds are intended to be used/preserved.

#### **Work creatively with funders**

From the perspective of a donor, it might be less than satisfying to gift funds for repairs or upgrades, or for a to-be-determined plant renovation project in the distant future. Consider an approach often used in debt issuance. Incorporate a maintenance reserve goal into a capital campaign — e.g., a building's construction cost is estimated at \$10 million; set the fundraising goal at \$10.5 million to start a maintenance fund at the outset. Invest the fund modestly to grow throughout the building's life. The goal of the fund is to provide funding to draw from when maintenance needs arise.

Another option is to appeal to donors' sense of loyalty to the historic nature of a building, explaining that modernizing it will make it more accessible and preserve it for future generations.

Sticking to a well-thought-out deferred maintenance plan requires a degree of short-term sacrifice, but it certainly pays off in the long run. Plan early, check in often, and communicate concerns and goals.



## Aligning Education to Health Care Change and Innovation

**Brian Page**, Partner, Audit Services, Not-for-Profit and Higher Education Practices

Technological and scientific advancements, operating margin pressures, and the uncertainty of research funding and legislative policy associated with a new Congress and administration — they add up to a disquieting environment for academic medical center executives who must identify the changes most likely to emerge from this state of flux. In accordance, they should make changes to their institution's strategic priorities, operational plans and educational offerings.

Developments in health care mean exciting opportunities in education. These are key trends to track as they gain momentum in 2017:

### Connected health is changing care delivery models ... and educational offerings

Connected health, or telehealth, broadly represents health care services delivered remotely, supported by technology. It is designed to be patient-centered by providing care where the patient is and when needed, and for interactivity among medical professionals to arrive at best solutions. Medical exams are conducted remotely, and information for consultation is disseminated through interactive audio/visual (telemedicine). Monitoring and diagnostics are accomplished through the use of mobile devices, smartwatches and other wearable devices (mhealth).

Major goals of connected health are increasing patient engagement and lowering cost of care. Benefits include greater access to health services for patients living in rural areas, real-time monitoring of individuals with chronic medical conditions, and improved outcomes and timeliness of diagnosis. Connected health will have widespread ramifications to health care delivery as consumer appetite for this grows, technological innovations develop, and insurers and payors recognize its advantages. Analysts forecast a global compound annual growth rate between 24% and 27%, resulting in a multibillion-dollar market.

In response to this trend, consider modifying operations to ensure staying with or ahead of the curve:

- Adapt course offerings to the unique aspects of telehealth, and keep tabs on innovations to ensure students are appropriately educated.
- Invest in technology and facilities, including equipment such as wireless monitors and two-way video/data carts, demonstration rooms, training labs and applied research labs.
- Proactively address barriers to program expansion. Referring to an American Medical Association survey, *Modern Healthcare* reported that 85% of physician respondents see a definite or likely [potential for digital tools](#), but only 25% were enthusiastic about telemedicine.<sup>1</sup> To facilitate buy-in, actively engage professors in programmatic decision-making.
- Re-examine data security policies and controls to ensure that as more personally identifiable information is transmitted and exchanged outside of the institution's firewalls, information security risk can be adequately managed.

### Legislative and policy changes could significantly affect funding and physician shortages

Legislative activities in 2016 ended with mixed results for potential increases in research funding by the National Institutes of Health (NIH). One piece of legislation — the 21st Century Cures Act — gained easy passage in December 2016 with overwhelming bipartisan approval. The act, which increases NIH funding by \$4.8 billion over 10 years, is intended to spur innovative research in certain high-risk, high-reward areas, including the Cancer Moonshot program, brain diseases such as Alzheimer's and Parkinson's, and the Precision Medicine Initiative exploration of customized health care services. As a result of this act, institutions are examining their research activities to determine how programs can be structured to justify grant applications.

<sup>1</sup> Livingston, Shelby. "Physicians enthusiastic about digital health, AMA survey finds," *Modern Healthcare*, Sept. 26, 2016.



Despite the relatively easy passage of the 21st Century Cures Act, colleges and universities still have concerns about levels of research funding under the new administration. Setting institutional strategy will depend on final funding levels in NIH base appropriations, as well as possible policy changes, and any major alterations to the Affordable Care Act. These changes will greatly shape how your institution prepares its students for practicing within America's health care system.

Other industry concerns are outlined for the administration by the Association of American Medical Colleges in its [Policy Priorities to Improve the Nation's Health](#).<sup>2</sup> Among the issues cited are a predicted shortage of approximately 62,000 to 95,000 physicians, partly due to the growth of an aging population, the preservation of Medicare's indirect medical education payments, and required changes to Medicare's quality control programs given academic medical centers' focus on complex and vulnerable patients.

Your institution must be prepared to respond quickly and appropriately to these uncertainties. Designate a team to track legislative and regulatory changes. Use this information to modify your educational models and research strategies, but most importantly, stay agile until further legislative clarity exists.

### **Industry consolidation continues to be prevalent**

Faced with the need to manage operational expenses, access greater capital for technology investments, mitigate anticipated legislated funding cuts, and subsidize the cost of medical research, some institutions are turning to M&A for collaboration and more financial stability. (For further M&A insights, see within this report [Transforming Business Models in Response to Market Shifts](#).) Merger trends will be influenced by such health care industry factors as momentum in the move from fee-for-service medicine to value-based payment, and increased collaborations between payors and providers, as hospitals and their related academic medical centers evaluate their capital investment needs and ability to manage funding changes.

The rapid shifts in health care require rethinking and revamping medical education. By proactively adapting to these shifts, your students will be prepared for the real-world challenges in caring for patients.

<sup>2</sup> Association of American Medical Colleges. *Policy Priorities to Improve the Nation's Health*.



## About Grant Thornton's Services to Higher Education

Grant Thornton LLP has a well-earned reputation for understanding the needs of colleges and universities, providing them with in-depth knowledge to improve their operations, seize opportunities, address challenges and mitigate risks. In so doing, we help these institutions fulfill the promise of their missions, and when we assist them to become more effective at what they do, the benefits cascade through all the communities they serve.

More than 400 dedicated industry professionals serve the audit, tax and advisory needs of over 200 public and private higher education institutions — community colleges, liberal arts colleges, universities, research institutions, graduate schools and multicampus state systems. While this statistic is notable, what is more important is the prestige of our higher education clientele — we serve a notable 25% of the top-ranked institutions listed among *U.S. News and World Report's* [best national universities for 2017](#).<sup>1</sup>

The higher education sector is a strategic industry segment for our firm. Our commitment to this sector is reflected not only in the number of clients we serve, but also in our active support of and leadership in key industry associations and conferences aimed at strengthening higher education institutional effectiveness and execution. We also demonstrate our industry leadership through our dedication to giving back to this community, by sharing our best-practice experience via forward-looking thought leadership, including publications, articles, presentations, webcasts and training.

Our clients rely on us, and we respond to that trust by making continuous investments in our people so that we can provide our college and university clients with the highest level of service. We are the only leading accounting firm to have fully dedicated professionals from staff to partner who work exclusively with higher education and not-for-profit clients. Our higher education professionals provide our college and university clients with information about relevant industry trends; accounting and regulatory pronouncements; practical insights and value-added recommendations; personal attention with timely, authoritative feedback and quick responses; and high-quality service with measurable results. When we support our clients to deliver on their missions, we deliver on ours.

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<sup>1</sup> "National Universities Rankings," *U.S. News & World Report*.



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Five webcasts in the 2017 series are reserved exclusively as a benefit for our clients, in appreciation to those institutions that have chosen Grant Thornton

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I value our partner, who's communicative, patient and understanding, and the team's willingness and interest in providing thoughts and guidance to improve our processes. Selecting Grant Thornton turned out to be a blessing — we wound up where we should have been had we hired them earlier.

”

**Erika Steiner**, CFO, Connecticut State University System

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