REGENTS - PARTICIPATING (Y = yes / N = no)

<table>
<thead>
<tr>
<th>Name</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Elease Wright, Committee Chair</td>
<td>Y</td>
</tr>
<tr>
<td>Rick Porth</td>
<td>Y</td>
</tr>
<tr>
<td>Ari Santiago</td>
<td>N</td>
</tr>
</tbody>
</table>

CSCU STAFF:
Lloyd Blanchard, VP of Administration / Chief Financial Officer
Rachel Cunningham, Admin Assistant to Lloyd Blanchard
Melinda Cruanes, Controller
Pamela Heleen, Secretary of the Board of Regents

GUESTS:
Chris Bradford, Grant Thornton
Claire Esten, Grant Thornton
Dave Stoffel, Grant Thornton
Shaun Sheridan, Whittlesey Advising
Nicolas Deets, Whittlesey Advising

CALL TO ORDER:
Committee Chair Wright called the meeting to order at 1:00 p.m. Following the roll call, Rachel Cunningham recorded a quorum present.

APPROVAL OF PREVIOUS MEETING MINUTES:
Chair Wright requested a motion to accept the minutes of the December 19, 2023, seconded by Regent Porth, which were approved by a unanimous vote.

DISCUSSION ITEMS:
- APA Update - Melinda Cruanes

The Auditors of Public Accounts (APA) released the Statewide Federal single audit on March 27, 2024, for FY2023. The audit looks at the compliance of federal grants statewide and is performed each year.
This year, there were 8 overall findings related to the CSU system, and all but one were related to student financial aid grants.

- 1 finding was related to a COVID-19 Grant at CT State Norwalk for a lack of approval support for a transaction using a P-card. It was a small purchase, $137, that was charged to the grant. The auditors found that there was not sufficient approval and noted it as a finding.

- 7 findings related to Student Financial Aid grants at CT State Housatonic, SCSU, and ECSU:
  - Two findings related to the college holding on to excess federal funds longer than allowed and where direct loan reconciliations were not being done timely.
  - Two findings related to reporting requirements, enrollment reporting, and disbursement record reporting, which were either incomplete or late.
  - Three findings related to verification of corrected FAFSA which was missing for one student, disbursement notifications that were not sent to 10 students, and return of Title IV funds being incorrect due to using an inaccurate enrollment period in the calculation.

The administration of federal financial aid grants is a coordinated effort between financial aid and the business office, and controls are in place to avoid these or similar findings in the future. In the past, each community college campus was tasked with responding to findings and tracking them; with the college merger, a consolidated tracking mechanism at the System Office is being developed for better monitoring of these findings.

Q: Chair Wright asked if the findings were an effect of the consolidation, if there is a plan in place to ensure compliance consistently across all the institutions, and what contributed to the findings at these 3 specific institutions.

  M. Cruanes noted that at the three institutions, monitoring was done manually and communication was disrupted between departments during the consolidation, retirements, and change in staff.

  CFO Blanchard stated controls and mechanisms are being designed to catch mistakes before they result in audit findings.

Q: Regent Porth asked if the dollar value in these findings was low/minor.

  M. Cruanes responded that the financial aid grant is relatively large, which is why the auditors test it every year, but the dollar amount in the audit finding was very small and highlighted the concern for a controlled compliance issue.

M. Cruanes reported that in accordance with CT General Statute Section 2-90, which outlines the APA required audits, a report for Charter Oak State College was issued after the last meeting in December 2023 as follows:

- There were 5 findings in total (1-fixed assets, 3-purchasing records, and 1-technology and disaster recovery planning). All were focused on the timeliness and completeness of records. There were no findings related to unauthorized purchases, theft, or other related risks. Some of the findings were previously known by management and were due to resource constraints with Charter Oak still navigating the pandemic and employee turnover. Charter Oak management has added additional measures to continue to mitigate these findings and there will also be a separate technology audit report coming
out soon which carries the same focus. The technology team is now fully staffed and has positioned itself to complete the report by calendar year end.

Q: Regent Porth asked if there is an update on the progress made to bring consistency to all the institutions in the areas of procurement, purchasing, and compliance.

Chair Wright commented that the standardization of practices has been introduced. This didn't exist when the community colleges were independent of one another with different processes for financial and auditing practices.

- **Introduction of Audit Firm, Whittlesey Advising** - Shaun Sheridan / Nicolas Deets

  M. Cruanes introduced the new audit firm, Whittlesey Advising. Their full presentation is included as Attachment A.
  
  S. Sheridan provided an overview of the Engagement Team & Responsibilities.
  
  N. Deets provided an overview of Planning, Risk Assessment & Timeline.

- **Update by Grant Thornton** - Claire Esten, Chris Bradford, Dave Stoffel

  Grant Thorton’s presentation is included as Attachment B. C. Esten provided an overview of audit plan.
  
  C. Bradford reviewed the Audit Timeline & Scope.
  
  D. Stoffel reviewed Areas of Audit Focus, Use of Other Auditors, Auditor Independence & Ethics.
  
  C. Esten shared an overview of General Industry Updates.

  Chair Wright & Regent Porth thanked C. Esten for the general industry updates that help CSCU leadership and the BOR address challenges facing colleges and universities across the country.

Q: Regent Porth asked how the audit will look at the change in the way the state pays for fringe benefits.

CFO Blanchard explained the accountants will be able to look back and see a large shift, but it’s mostly a budgetary issue and shouldn’t be a compliance issue.

M. Cruanes confirmed the recording of the payments will balance and not look different for audit purposes.

**ADJOURNMENT**

Chair Wright requested a motion to adjourn. Regent Porth moved, Chair Wright seconded and following a unanimous vote, the meeting adjourned at 1:49 p.m.
Connecticut State Colleges and Universities
Audit Plan

June 30, 2024
Agenda

• Whittlesey Engagement Team
• Responsibilities
• Audit Approach
  o Planning and Risk Assessment
  o Significant Risks
  o Fraud Considerations
  o Proposed Timeline
# Whittlesey Engagement Team

<table>
<thead>
<tr>
<th>Name</th>
<th>Role</th>
<th>Phone</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shaun Sheridan</td>
<td>Partner</td>
<td>860.524.4474</td>
<td><a href="mailto:ssheridan@WAdvising.com">ssheridan@WAdvising.com</a></td>
</tr>
<tr>
<td>Lisa Wills</td>
<td>Concurring Review Partner</td>
<td>860.524.4412</td>
<td><a href="mailto:lwills@Wadvising.com">lwills@Wadvising.com</a></td>
</tr>
<tr>
<td>Nick Deets</td>
<td>Manager</td>
<td>860.206.5122</td>
<td><a href="mailto:ndeets@WAdvising.com">ndeets@WAdvising.com</a></td>
</tr>
</tbody>
</table>
Responsibilities
Management Responsibilities

• Preparation and fair presentation of the schedule and footnotes in conformity with the cash basis of accounting
• Design, implementation and maintenance of internal control over financial reporting
• Adjusting the schedule to correct material misstatements
• Acknowledging responsibility for fraud prevention and detection
• Disclosing significant deficiencies and material weaknesses
• Providing the auditors with letter confirming certain representations made during the audit
• Providing access to individuals and information to allow for the performance of the audit
Governing Body Responsibilities

- Oversight of the schedule reporting process
- Oversight of the establishment and maintenance of internal controls and programs to prevent and detect fraud
- Setting the proper tone and maintaining a culture of honesty and high ethical standards
- Informing the auditors of any:
  - Known or suspected fraud or other matters that would be of significance to our audit process
  - Noncompliance with laws and regulations, contracts or grant agreements (if any)
Auditor Responsibilities and Opinion

- Conduct our audit in accordance with the cash basis of accounting and Generally Accepted Auditing Standards
- Express an opinion on whether schedule is presented fairly, in all material respects, in accordance with the cash basis of accounting
- Design and perform audit procedures to obtain reasonable – not absolute – assurance about whether the schedule is free of material misstatement, whether caused by error or fraud
- Obtain an understanding of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting
- Communicate to the governing body all significant matters over the financial reporting process and significant deficiencies and material weaknesses in internal control of which we are aware
Audit Approach
Planning and Risk Assessment

• Conduct planning meetings with management and the governing body and develop audit timeline
• Identify and assess the risks of material misstatement of the schedule
• Identify significant transaction classes and perform walkthroughs
• Design audit procedures which include examining, on a test basis, evidence regarding the amounts and disclosures in the schedule.
Significant Risks

Key Audit Areas

• Direct costs and expenditures
• Labor costs
• Approved allocation methodologies and budgets
# Fraud Risk Considerations

<table>
<thead>
<tr>
<th>Identification of Fraud Risks</th>
<th>Response to Identified Fraud Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perform risk assessment procedures to identify fraud risks</td>
<td>Evaluate design and implementation of mitigating controls</td>
</tr>
<tr>
<td>Discussion among the audit team regarding the susceptibility to fraud</td>
<td>Test effectiveness of controls</td>
</tr>
<tr>
<td>Inquiries of senior management, governing body and others</td>
<td>Perform specific substantive audit procedures (incorporate elements of unpredictability) including testing of significant unusual transactions</td>
</tr>
<tr>
<td>Evaluate programs/controls that prevent, deter and detect fraud</td>
<td>Address revenue recognition and risk of management override of controls</td>
</tr>
<tr>
<td></td>
<td>Evaluate audit evidence</td>
</tr>
<tr>
<td></td>
<td>Communicate to management and governing body</td>
</tr>
</tbody>
</table>
# Proposed Timeline

<table>
<thead>
<tr>
<th>Event</th>
<th>May</th>
<th>July</th>
<th>Aug</th>
<th>Oct</th>
<th>Dec</th>
<th>Jan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Committee Planning Meeting</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Update understanding of Internal Controls</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Determine Nature and Extent of Testing – Risk Assessment</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conduct Fieldwork</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preparation and Review of Draft Financial Statements</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Committee Meeting at Conclusion</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Release Final Audit Report</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>
2024 Annual Audit Planning Presentation

Connecticut State Colleges and Universities
May 2024

PRESENTATION TO THOSE CHARGED WITH GOVERNANCE

This communication is intended solely for the information and use of management and those charged with governance Connecticut State Colleges and Universities and is not intended to be and should not be used by anyone other than these specified parties.

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Agenda

01 Audit scope
02 Required communications
03 Appendix
Audit timeline & scope

Apr. 2024
- Client continuance
  - Independence
  - Conduct internal client service planning meeting, including coordination with audit support teams (actuaries)

May/June 2024
- Planning
  - Materiality determination
  - Meet with management to confirm expectations and discuss business risks
  - Issue engagement letter
  - Discuss scope of work
  - Initial Audit committee communications

May/June 2024
- Preliminary risk assessment procedures
  - Significant risks identified and audit plan to address risks created
  - Update understanding of internal control environment

June 2024
- Interim fieldwork
  - Perform walkthroughs of controls
  - Perform selective substantive testing on interim balances

Sep. 2024-Dec. 2024
- Final fieldwork
  - Perform year-end fieldwork procedures
  - Meet with management to discuss results, including review draft of FS, misstatements (if any) and completeness/accuracy of disclosures
  - Present results to the Audit committee

Report Issuance date
- Deliverables
  - Financial statements, misstatements, disclosures
Significant risks

The following provides an overview of significant risks based on our risk assessments

<table>
<thead>
<tr>
<th>Significant risk area</th>
<th>Planned Procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management override of internal controls</td>
<td>• Consider the design and implementation of entity-level controls, including information technology controls, designed to prevent/detect fraud.</td>
</tr>
<tr>
<td>Presumed fraud risk and therefore significant risk in all audits.</td>
<td>• Assess the ability of the University to segregate duties in its financial reporting, information technology, and at the activity-level.</td>
</tr>
<tr>
<td></td>
<td>• Conduct interviews of individuals involved in the financial reporting process to understand (1) whether they were requested to make unusual entries during the period and (2) whether they are aware of the possibility of accounting misstatements resulting from adjusting or other entries made during the period.</td>
</tr>
<tr>
<td></td>
<td>• Perform risk assessment for journal entries and detail test a sample of journal entries based on our risk assessments to ensure propriety of the entries.</td>
</tr>
</tbody>
</table>
# Areas of audit focus

The following provides an overview of the areas of significant audit focus based on our risk assessments.

<table>
<thead>
<tr>
<th>Areas of focus</th>
<th>Planned Procedures</th>
</tr>
</thead>
</table>
| Tuition revenue, auxiliary enterprises and related receivables/deferred revenue | • Perform reasonableness test on tuition and fees, student aid and auxiliary revenue amounts  
• Perform detailed testing of a sample of transactions, agreeing to source documentation  |
| Net Pension and OPEB Liabilities (and related deferred inflows/outflows and pension/OPEB expense) | • Review management’s methodology and journal entries to record pension/OPEB liability and related accounting  
• Review the reports issued by the Auditors of Public Accounts  
• Perform testing over the census data used by the actuary |
## Areas of audit focus

The following provides an overview of the areas of significant audit focus based on our risk assessments.

<table>
<thead>
<tr>
<th>Areas of focus</th>
<th>Planned Procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Appropriations</td>
<td>• Reconcile amounts to the GL, including confirmation of certain amounts with the state</td>
</tr>
<tr>
<td>Capital Assets</td>
<td>• Test a rollforward of capital asset balances</td>
</tr>
<tr>
<td></td>
<td>• Test additions on a sample basis (if material)</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>• Confirm all material cash balances and reconcile confirmed balances to the GL</td>
</tr>
<tr>
<td>Grant revenue and related receivables/deferred revenue</td>
<td>• Perform detailed transaction testing over grant revenue</td>
</tr>
</tbody>
</table>
Areas of audit focus

The following provides an overview of the areas of significant audit focus based on our risk assessments.

<table>
<thead>
<tr>
<th>Areas of focus</th>
<th>Planned Procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting estimates</td>
<td>The preparation of the University’s financial statements requires management to make multiple estimates and assumptions that affect the reported amounts of assets and liabilities as well as the amounts presented in certain required disclosures in the notes to those financial statements. Our procedures have been designed in part, to review these estimates and evaluate their reasonableness.</td>
</tr>
<tr>
<td>Financial statement disclosures</td>
<td>Our procedures will also include an assessment as to the adequacy of the University’s financial statement disclosures to ensure they are complete, accurate and appropriately describe the significant accounting policies employed in the preparation of the financial statements and provide a detail of all significant commitments, estimates and concentrations of risk, amongst other relevant disclosures required by US GASB.</td>
</tr>
</tbody>
</table>
# Use of other auditors

<table>
<thead>
<tr>
<th>Component</th>
<th>Nature of work performed*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foundation</td>
<td>Each of the Foundations has a separate auditor. In our auditor’s report on each entity’s financial statements, we make reference to the audits performed by the other unaffiliated auditors.</td>
</tr>
<tr>
<td>Net pension and OPEB Liabilities and related accounts</td>
<td>The State engages the State Auditor of Connecticut to perform the audit of the valuation prepared by independent actuaries as part of recording the Net Pension and OPEB Liabilities and related deferred inflows/outflows and pension/OPEB expense. Grant Thornton assesses the qualifications of the APA and takes responsibility for their work.</td>
</tr>
</tbody>
</table>
Auditor independence

Our firm maintains a robust quality control system supported by comprehensive policies and procedures that meets or exceeds regulatory requirements. Our system enables us to evaluate and maintain our independence and serve audit clients with requisite integrity, objectivity, and independence. As you exercise your oversight responsibilities, you should understand the more significant aspects of this system:

Accumulating and communicating relevant information, including a restricted-entity list and use of a tracking system to monitor the financial interests of our worldwide personnel

Obtaining annual written confirmations of compliance from personnel and member firms

Monitoring individual compliance, including periodic audits and disciplinary mechanisms

Conducting a domestic or international relationship check through a robust Relationship Checking System

Evaluating relationships and circumstances that create threats to independence, including relationships identified through a domestic or international check

Monitoring independence for new opportunities

Only permitted nonaudit services or business relationships are cleared, and such services or relationships are monitored for scope creep. As necessary, our firm applies appropriate safeguards to eliminate or mitigate independence threat(s) to an acceptable level. As necessary, or as required by a regulator, the engagement partner will discuss with management and/or the audit committee any potential independence threats or where additional input is needed in relation to our firm’s independence evaluation.
Commitment to promote ethical and professional excellence

We are committed to promoting ethical and professional excellence. To advance this commitment, we have put in place a phone and internet-based hotline system.

The Ethics Hotline
[1.866.739.4134] provides individuals a means to call and report ethical concerns.

The EthicsPoint URL
Link can be accessed from our external website or through this link:

Disclaimer: EthicsPoint is not intended to act as a substitute for a company's "whistleblower" obligations.
Industry Updates
Insights from industry luminaries
Current higher education environment and emerging issues for consideration

- Organization in transition
  - Key leaders retiring
  - Losing institutional knowledge
  - Learning how to do more with smaller teams

- Looking for liquidity options - selling non-financial assets

- How the finance organization can better use AI

- Lack of prioritization of long-term initiatives

We believe institutions will always operate best as a community of in-person students and faculty learning and collaborating in immersive campus environments. These changing times require that institutions be introspective to ensure they are adapting to the evolving expectations of stakeholders.

- Looking for cost cutting options.
  - Rationalization of use of shared services.

- Legislative oversight - how to best prepare

- IT/ERP - Replacing full systems, going through implementations, what to consider during a transition

- Strategic planning - better internal reporting, re-evaluation of our core-business, full understanding of risk profile

Relevant articles: (click to read)

- 5 steps to effective fundraising
- In higher education, Form 990 is a critical test
- 3 challenges put higher education leaders to the test
- Deconstructing 5 myths about academic tenure

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Higher education sector has “mixed outlooks” from the three credit rating agencies

Rating agencies cite common factors driving 2024 expectations:
- Improved macroeconomic conditions
- Stabilization of labor costs
- Generally soft enrollment trends
- Relatively inflated interest rates affecting the cost of capital
- Some continued strength in balance sheets
- Limited impact of cost reduction efforts now that most “low hanging fruit” has been gathered

Bottom line → The “big question” is whether higher education is stabilizing at the bottom of the trough or is it in a trajectory of decline that will continue albeit at a slower pace than 2023.

Source: Kaufman Hall: Takeaways from Our Conversation with the Rating Agencies on the Outlook for Higher Education
S&P’s 2024* outlook remained “bifurcated”

General bifurcation trends in higher education

- Growing enrollment
- Increasing net tuition revenue
- Surplus operations
- Significant fundraising abilities
- Larger balance sheets
- Prominent research opportunities
- Declining enrollment
- Weakening net tuition revenue
- Pressured operations
- Limited fundraising capability
- Growing discount rate
- Minimal revenue diversity

**Bottom line** Sector view is mixed. Competition for students is intensifying, operating expenses are rising, and schools are facing budget pressures, but these hurdles aren’t affecting all colleges and universities equally.

* Outlook as of January 2024
S&P Outlook, continued

What We’re Watching | Not-for-Profit Higher Education

With the large number of potential risks to monitor, 2024 is a good time to be evaluating enterprise risk management plans.
S&P Outlook, continued

U.S. Higher Education | By The Numbers

U.S. not-for-profit higher education: by the numbers

**Rating category distribution**

<table>
<thead>
<tr>
<th>Rating</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>(7%)</td>
</tr>
<tr>
<td>AA</td>
<td>(4%)</td>
</tr>
<tr>
<td>A</td>
<td>(22%)</td>
</tr>
<tr>
<td>BBB</td>
<td>(29%)</td>
</tr>
<tr>
<td>SG</td>
<td>(37%)</td>
</tr>
</tbody>
</table>

**Outlook distribution**

<table>
<thead>
<tr>
<th>Outlook</th>
<th>Negative</th>
<th>Stable</th>
<th>Positive</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>0%</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>AA</td>
<td>1%</td>
<td>91%</td>
<td>8%</td>
</tr>
<tr>
<td>A</td>
<td>5%</td>
<td>84%</td>
<td>11%</td>
</tr>
<tr>
<td>BBB</td>
<td>18%</td>
<td>77%</td>
<td>5%</td>
</tr>
<tr>
<td>SG</td>
<td>33%</td>
<td>63%</td>
<td>3%</td>
</tr>
</tbody>
</table>

**Median tuition increase in FY22**

- +3.0% for rated privates
- +2.5% for rated publics

3.2% annual inflation rate for U.S.*

**6 new public ratings in 2023**

- Average investment gain
  - -10.2% in fiscal 2022, versus
  - +8.7% in fiscal 2023

**Rating and outlook actions**

- Downgrades to upgrades: 1.9 : 1
- Favorable to unfavorable outlook revisions: 1.1 : 1

---

*For 12 months ended December 2023. §Does not include developing outlooks, Ratings data as of Dec. 31, 2023. Inflation data: U.S. Labor Department. SG—Speculative grade. Source: Investment return data per Wilshire Trust. Copyright © 2023 by Standard & Poor’s Financial Services LLC. All rights reserved.
“Event risks”

Event risks can reduce financial resources in times of operating stress.

**Management & Governance**
- High management turnover
- Shorter tenures
- Succession planning

**Cyber Security Risk**
- Cyber attacks are increasing globally
- Insurance costs are up 40-60%
- Over 1,600 cyber attacks annually on education and research

**Artificial Intelligence (AI)**
- Realize administrative and enrollment management efficiencies
- Improve student success
- Possible credit implications
Moody’s 2024* outlook revised to “stable” from “negative”

Positive Developments

• Revenue growth will accelerate as gains materialize across multiple sources
• Moderating expense growth will prevent a material erosion in operating margins
• Reserves will remain sounds as investment returns rebound and gift revenue grows
• Adjusted debt will fall as high interest rates discourage borrowing and alleviate pension liabilities
• As inflation cools, expense growth will moderate
• Overall projected revenue growth of 4%
• Institutions with strongest financial position continue to get stronger

Risks to Monitor

• Faculty tenure continues to be a sector risk which can limit budget and operating flexibility
• Labor shortages continue in IT, Finance and admissions
• Increased union activity (faculty, admin and students)

* Outlook as of December 2023
Operating margins will continue to be squeezed with continued pressure on tuition discounts and federal funding during the pandemic runs dry.

*Source: Moody’s Investor Services 2024 higher education outlook*
Fitch’s 2024* outlook remained “deteriorating”

Core credit drivers for deteriorating outlook

- Limited increases in tuition are unlikely to be sufficient to mitigate elevated operating costs
- Improving but still unfavorable macroeconomic conditions (labor and wage pressure and elevated interest rates along with a mild and uneven recovery in enrollment)
- Net tuition revenue pressure due to accessibility and affordability are likely to suppress meaningful growth prospects
- Overall undergraduate enrollment remains 15% below Fall 2021 levels (most recent peak), reflecting evolving consumer sentiment and some relaxing of employer degree requirements
- Resumption of student loan payments, together with continued tight labor conditions, are expected to dampen overall enrollment prospects in 2024

**Bottom line** → Sector bifurcation will continue to widen the credit gap between larger, more selective institutions versus their smaller, less selective and more tuition-dependent counterparts.

*Outlook as of December 2023
Forbes 2024 trends in higher education

1. The changing admissions landscape - look for more legal challenges, less legacy admissions, more direct and guaranteed admissions programs.

2. More legislative oversight - Congress is gearing up to wage an aggressive federal campaign against higher education, particularly elite institutions.

3. Artificial intelligence expands - all aspects of higher education from recruiting to research to student testing to personalized learning to program expansion and others will be impacted by this technology.

4. Curricular innovations - colleges will experiment with curricular alternatives like skills-oriented courses, reduce credit hour requirements and graduate online programs.

5. Campus budget woes continue - 2024 will likely see more of the same cuts as the recent past, and expect more consolidations, closures and declarations of financial exigency.

*Source: Forbes.com
Trends in college pricing

Average Estimated Full-Time Undergraduate Budgets (Enrollment-Weighted) by Sector, 2023-24

*Source: CollegeBoard Trends in College Pricing 2023*
Trends in college pricing

Ten-Year Percentage Changes in Inflation-Adjusted Published Prices by Decade, 1993-94 to 2023-24

*Source: CollegeBoard Trends in College Pricing 2023
Financial Aid Delay Is The Latest Hurdle For U.S. Higher Education

1. Dept of Ed decided to overhaul the Free Application for Federal Student Aid (FASFA) to simplify the application for students and their families.

2. There have been issues with the application which are causing delays to provide the applications to colleges and universities.

3. The delayed rollout for the FAFSA for the 2023-24 academic cycle will effectively reduce the decision-making timeline for aid awards and acceptance decisions and could have residual effects on enrollment.

4. Dept of ED recently announced FAFSA applications for AY2024-25 will not be available for colleges and universities to review until at least March 2024.

5. The current expected timing will leave students less than a month before they’re typically expected to commit to a college (May 1), as a result, many schools are extending deposit deadlines.

6. Potential delay in financial aid offerings to students could affect college and university matriculations, as well as fiscal 2025 operating budgets if fall 2024 institutional financial aid ends up being materially higher than anticipated.

*Source: S&Pglobal.com*
# Financial Aid Delay Is The Latest Hurdle For U.S. Higher Education

## By the numbers - Financial aid in higher education

<table>
<thead>
<tr>
<th>Event</th>
<th>Description</th>
<th>2024</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>March</td>
<td>March – When FAFSA information is now expected to be received by colleges and universities</td>
<td>700,000</td>
<td>1.5 mil.</td>
</tr>
<tr>
<td>May 1</td>
<td>May 1 – National College Decision Day</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- As of late January, 700,000 high school seniors had completed applications, down from 1.5 million applicants at the same time last year. 53% decrease.

<table>
<thead>
<tr>
<th>Amount</th>
<th>Description</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>$111.6 bil.</td>
<td>Amount the U.S. Department of Education awarded in federal grants, loans, and work-study funds in fiscal 2022</td>
<td></td>
</tr>
<tr>
<td>$7,395</td>
<td>Maximum Federal Pell Grant for 2023–2024 award year (July 1, 2023 - June 30, 2024)</td>
<td></td>
</tr>
<tr>
<td>3.6 million+</td>
<td>FAFSA forms (including both current and incoming students) submitted in January 2024</td>
<td></td>
</tr>
</tbody>
</table>

* Source: National College Attainment Network analysis of Dept of ED

* Source: S&P global ratings
President Biden’s FY24 Budget Requests>

- Proposes raising the maximum Pell Grant award to $8,215 for the 2024-2025 academic year.
- Significant funding increases at several agencies that typically support research and other programs at colleges and universities:

<table>
<thead>
<tr>
<th>Federal agency</th>
<th>Increase in funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dept of Energy</td>
<td>$35m to stand up new national lab at an HBCU or MSI (minority-serving institution)</td>
</tr>
<tr>
<td>NSF</td>
<td>18.6% increase</td>
</tr>
<tr>
<td>Dept of Agriculture</td>
<td>$95m increase to Agriculture and Food Research Initiative</td>
</tr>
<tr>
<td>HHS</td>
<td>11.5% increase</td>
</tr>
<tr>
<td>NASA</td>
<td>7% increase</td>
</tr>
</tbody>
</table>

* Source: NACUBO Washington Update November 2023
Higher Education inflation trends below CPI

FIGURE 1: THE HIGHER EDUCATION PRICE INDEX, FISCAL YEARS 2019 – 2023

Numbers in percent

* Source: 2023 Commonfund Higher Education Price Index Report
While enrollment by sector shows a wide range of variance in enrollment changes, when the sectors are combined enrollment had a small (1.2%) increase from Fall 2022 to Fall 2023, increasing for the first time in the past 3 years.

* PABs are "primarily associate degree granting baccalaureate institutions"
Endowment returns

The positive returns endowments generated in FY23 led to an increase in longer-term annualized returns across nearly all time periods. Asset allocation was the major factor behind return differences across the seven size cohorts in the NACUBO/Commonfund study.

*Source: 2023 NACUBO-Commonfund study of Endowments.*
Both endowment spending and spending rates increased in FY23

Spending rates and withdrawals survey respondents

*Source: 2023 NACUBO-Commonfund study of Endowments.
Asset allocation has long been recognized as the primary factor behind investment returns.

*Source: 2023 NACUBO-Commonfund study of Endowments.*
The percentage of endowments reporting that their institution had a formal policy addressing diversity, equity, and inclusion (DEI) related to investment manager selection saw increases and decreases across all size cohorts in FY23.

*Source: 2023 NACUBO-Commonfund study of Endowments.*
### Trends in IT - Educause says “Institutional resilience”

The 2024 EDUCAUSE Top 10 describes the contributions that technology, data, and the workforce will make to advance three dimensions of institutional resilience: mission resilience, operational resilience, and financial resilience.

| #1. Cybersecurity as a Core Competency: | Balancing cost and risk |
| #2. Driving to Better Decisions: | Improving data quality and governance |
| #3. The Enrollment Crisis: | Harnessing data to empower decision-makers |
| #4. Diving Deep into Data: | Leveraging analytics for actionable insights to improve learning and student success |
| #5. Administrative Cost Reduction: | Streamlining processes, data, and technologies |
| #6. Meeting Students Where They Are: | Providing universal access to institutional services |
| #7. Hiring Resilience: | Recruiting and retaining IT talent under adverse circumstances |
| #8. Financial Keys to the Future: | Using technology and data to help make tough choices |
| #9. Balancing Budgets: | Taking control of IT cost and vendor management |
| #10. Adapting to the Future: | Cultivating institutional agility |

* Source: Educause.edu
Thought leadership for Higher Education Institutions
Governance IQ – Strengthen your board and audit committee

Addressing today’s higher education governance challenges to effectively advance your mission

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• Comprehensive board guidebooks
• Dedicated to serving our clients

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Our methodology helps you keep the right amount in reserve.

ARTICLE
5 ways not-for-profit audit committees can use ERM
Find out how audit committees can help manage risks.

ARTICLE
In higher education, Form 990 is a critical test
Your answers need more scrutiny in three key areas.

Find all of these articles and more at: https://grantthornton.com/nfp
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GUIDEBOOK
Higher Education Audit Committee Guidebook
Get an overview of the structure and duties of an audit committee at a higher education institution.

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Each year, we provide learning and CPE opportunities through our webcast series on a variety of trending topics and regulatory updates relevant to not-for-profit and higher education management and trustees.

On demand webcasts

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Today’s Not-for-Profit & Higher Education Landscape: Aligning Your Operations with Strategy and Mission

Not-for-Profit Accounting and Uniform Guidance Compliance Update

Best Practices for Effective Board & Audit Committee Governance

The Right Reserves Level for Your Not-for-Profit

On demand and Registrations at: https://www.grantthornton.com/industries/nfp-higher-education#events-and-webcasts