AGENDA
Audit Committee
Wednesday, May 29, 2024 @ 1:00 p.m.
Conducted Via Remote Participation
Meeting will stream live at:
https://youtube.com/live/uUrlTT4qkeA?feature=share

1. Call to Order and Declaration of Quorum

2. Approval of Previous Audit Meeting Minutes – December 19, 2023 Page 1

3. Discussion Items
   - Management Update
     -- APA Audit Update
   - 2020 Bond Audit Planning Presentation – Whittlesey Page 46
   - CSU, CCC, COSC Financial Statement Audit Planning Presentation– Grant Thornton Page 59

4. Adjournment

Audit Committee members
Elease Wright, Chair
Rick Porth
Ari Santiago
CALL TO ORDER:
Committee Chair Wright called the meeting to order at 10:02 a.m. Following the roll call, Pam Heleen recorded a quorum present.

APPROVAL OF PREVIOUS MEETING MINUTES:
Chair Wright requested a motion to accept the minutes of the May 9, 2023, seconded by Regent Porth, which were approved by a unanimous vote.
DISCUSSION ITEMS:
- Update on Audits of the Auditors of Public Accounts (APA) - Melinda Cruanes

The APA is currently performing the statewide single audit, which looks at compliance of grants including compliance for CSCU federal grants. It is still in process and there is nothing to report at this time.

In accordance with CT General Statute section 2-90, which are the departmental statutory required audits, 2 reports have been issued during calendar 2023 as follows.

Eastern’s financial report had 7 total findings for FY 2021 and FY 2022:
-3 related to payroll and HR recordkeeping
-1 related to the termination of system access after employees left the system
-1 related to the dating of certain receipts
-2 related to inventory of stores and supplies and inventory of software

Eastern management has responded to all the findings and is working to resolve them and avoid them in future audits.

Central was issued 1 finding for an NCAA agreed-upon procedure report from the APA for FY 2021 related to endowment funds in the NCAA database.

For the remaining institutions, the APA is working on FY 2021 and FY 2022 and there is nothing further to report.

-Year-end Audit and Discussion

Grant Thornton shared the results of the audit for FY 2023 ending June 30th which included 3 major events this year - the CT State Community College merger, changes made by the state with the fringe methodology, and the new GASB 2024 accounting standards.

- Management Update

FY2023 financial statements will be the last to be presented as in previous years. Next year for FY2024, the format of the statements will be updated to reflect the community college merger.

- Fringe Changes

State funding of the retirement costs must be recorded on revenue and expenditure statements and will show a net to zero.

- Accounting Standards Update

GASB 96, the newest significant update, is a software subscription-based information technology arrangement that now requires institutions to recognize a software subscription liability and an intangible right to use subscription assets to enhance consistency in compiling data.

In total as of June 30, 2023, CSCU recorded 90 subscription assets of over $5,000, $46 million in net subscription assets, and $31.2 million in subscription liabilities on the balance sheet across the system.
GASB 68 & 75 pension and OPEB liabilities adjustments decreased due to the state contributing a significant surplus to the retirement plan from the state’s budget reserve fund and the general fund surplus, decreasing CSCUs proportionate liability. As a result of the decreased share, a reduction was posted to the fringe benefit expense this year. There will be a large decline in fringe benefits on the financial statements this year due to the change.

There were 2 audit adjustments identified both related to the change in the fringe benefit calculation.

- 1 for Central, the identified adjustment was not booked due to the late timing of the identification and immateriality in the financial statements.
- 1 for Charter Oak, the identified adjustment was booked and is included in the financial statements.

Q: CFO Blanchard asked for clarification on the comment about Central’s identified adjustment and materiality. (Attachment A, slide 9 updated)

M. Cruanes responded that because the audit adjustment was not material to the financial statements for Central it was not required to be booked.

Q: Regent Porth asked if there are any compliance issues with GASB regarding the new instructions with the fringe methodology changed by the state.

M. Cruanes explained that CSCU had to adjust accrual entries and record the gross revenue received and paid on behalf of the system by the state. It will show as a revenue and an expense on the financial statements with no compliance issues.

- Draft CSCU 2020 Construction Expenditure Audit

Fieldwork for the audit is completed during the summer, but the report is held until December for review by the Audit Committee. All deliverables were timely and went very well, CohnReznick will provide a detailed report.

All CSCU Foundation statements are a component of the financial statements and will show a balance sheet and income statement with clean unmodified opinions. The total net position for the Foundation as of June 30, 2023, is approximately $277 million across the system.

Q: Chair Wright asked if all the financial statements have been received.

M. Cruanes confirmed all the statements have come in but are currently in draft form.

Report by Grant Thornton - Claire Esten, Chris Bradford, Dave Stoffel

C. Esten provided a summary of the results of the three audits performed.

Results of Procedures/Significant Risks (slides 2-6)
Testing of Adoption of GASB 96 (slides 7-14)
Change in Fringe Accounting (slide 8-10)
Other required communications (slides 11-14)

Chair Wright recognized M. Cruanes for her contributions.
Q: Chair Wright asked if the changes to how the state is handling fringe are common practice.

Q: Regent Porth asked why the CSCU system is being treated differently than other state entities and if other states follow the same practice in their higher education systems.

C. Esten responded she hasn’t seen it in the other areas she works in (NY and NV), but she will find out what other states are doing from her colleagues.

Q: Chair Wright asked if the outlook on the higher education sector has improved in comparison to recent years.

C. Esten stated the challenges continue in the northeast due to declining enrollment, state appropriations, and cost containment of administrative costs and programs.

Q: Regent Porth stated he appreciates the industry info that is reported as a benchmarking tool and asked if it is accurate to state the CSCU system has reported a clean audit with no material findings and in general is an organization that is carefully run.

C. Esten confirmed that CSCU has a clean audit.

Regent Porth emphasized how important it is for the public and elected leaders to understand how transparent and careful the system is in using the funds from the state and tuition dollars.

Chair Wright responded and agreed that it should be shared with the entire BOR and explained that campuses have come up with better ways to run each institution more effectively in a way that is financially responsible and moving in the right direction.

2020 Construction Expenditure Audit by CohnReznick - Carolyn Kurth

C. Kurth echoed the comments of the amazing job by Melinda Cruanes since joining CSCU, all audits have been clean, on target, and very professional.

There were no findings for the 2020 Construction Expenditure Audit ending June 30, 2023. A clean unqualified opinion will be issued; there were no systemic issues noted; no material weaknesses or significant deficiencies were noted; all disclosures are neutral, consistent, and clear; there were no corrected or uncorrected misstatements, no disagreements with management, and no difficulties encountered during the audit. The work was completed over the summer and sits in draft for management review and then presented to the Audit committee. Once accepted, the management representation letter will be presented with a final communication for reports to be issued as of today.

ADJOURNMENT

Chair Wright thanked everyone for their contributions to the clean audit report and made a motion to go into Executive Session for the purposes of discussing security issues, Regent Porth seconded. Committee Chair Wright announced that no votes would be taken in Executive Session. Following a unanimous vote, the Committee moved into Executive Session, and the meeting adjourned at 10:49 a.m.
FY23 Annual Audit Presentation
Connecticut State Colleges and Universities

December 19, 2023
Audit status as of December 12, 2023

Open Items

- Certain support to complete testing (e.g. COSC cash confirmations)
- Final review and tie-out of the financial statements
- Legal letter updates
- Concluding management inquiries
- Signed management representation letter
- Final Manager and Partner Reviews
## Significant risks

The following provides an overview of the areas of significant audit focus based on our risk assessments. Our audit was executed in accordance with the audit plan presented to the Audit Committee in May 2023, unless noted below.

<table>
<thead>
<tr>
<th>Significant risk</th>
<th>Results</th>
</tr>
</thead>
</table>
| Management override of controls – (presumed fraud risk and therefore significant risk in all audits) | • Consider the design and implementation of entity-level controls, including information technology controls, designed to prevent/detect fraud.  
• Assess the ability of each entity to segregate duties in its financial reporting, information technology, and at the activity-level.  
• 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.  
• 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.  

*No exceptions noted.*
Significant risks and other areas of focus (continued)

The following provides an overview of our response to the presumed fraud risk of management override of controls.

We performed Whole Ledger Analytics on all journal entries (manual and automated) to pinpoint and identify transactions that appear to have a higher risk of management override of controls based on the cumulative risk score. The cumulative risk score is generated based on how the individual transaction performs against 38 routines, which have been designed to identify unusual transactions or those that could indicate fraud (e.g., abnormal size, abnormal volume, unusual account combinations, etc.). We subject entries with high cumulative risk scores to further analysis and isolate a subset of these entries for testing. For entries tested, we obtained underlying support, evaluate for validity in the normal course of business, and obtained evidence of approval.

Whole Ledger Analytics for Connecticut State Colleges and Universities are depicted in this scatterplot, which shows the cumulative risk score on the x-axis and the financial statement impact on the y-axis. Each dot represents a transaction, while the color indicates the individual who posted the transaction.
## Areas of audit focus

<table>
<thead>
<tr>
<th>Areas of focus</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition revenue, auxiliary enterprises and related receivables/deferred revenue</td>
<td>• Perform disaggregated revenue analyses analyzing student tuition, fee, and auxiliary revenue relative to enrollment data&lt;br&gt;• Perform detailed testing of a sample of revenue and aid transactions, agreeing to source documentation&lt;br&gt;• Perform deferred revenue testing to determine proper cut-off.&lt;br&gt;• Tested a sample of student receivable balances by inspecting supporting cash receipt and/or ensuring management’s reserve/collections policy was followed (only at COSC)&lt;br&gt;• Assess management's analysis of allowances for doubtful accounts for reasonableness, consistency with methodology and accuracy of inputs (only at COSC).&lt;br&gt;No exceptions noted.</td>
</tr>
<tr>
<td>Grant revenues</td>
<td>• Performed detailed transaction testing of revenue recognized in the current year</td>
</tr>
<tr>
<td>Net position</td>
<td>• Tested net asset proof to ensure proper classification between net asset categories</td>
</tr>
</tbody>
</table>

No exceptions noted.
## Areas of audit focus (continued)

<table>
<thead>
<tr>
<th>Areas of focus</th>
<th>Results</th>
</tr>
</thead>
</table>
| Capital Assets                                      | • Rolled forward account balances to ensure completeness  
• Sampled current year additions by vouching capitalized amount to supporting invoices / contracts  
• Ensured reasonableness of depreciation expense recorded in the period  
**No exceptions noted.**                                                                 |
| Debt                                                | • Confirmed amounts outstanding  
• Ensured reasonableness of interest expense  
**No exceptions noted.**                                                                 |
| State appropriations                                | • Obtain detail of appropriations received from the state and reconciled to the GL  
• Confirm amounts with the state, agree to revenue recorded in the general ledger  
• Review receivable balance, reconcile the cash received to amounts outstanding based on confirmations  
**See slides 9/10 for auditor identified adjustments.**                                                                 |
| Net pension & OPEB liabilities (and related deferred inflows / outflows and expense) | • Review the analysis of accrued postretirement benefit obligations  
• Assess the reasonableness of actuarial assumptions: discount factor, trend rates and cash flows, amongst others  
• Test participant census data  
**No exceptions noted.**                                                                 |
### Areas of focus (continued)

<table>
<thead>
<tr>
<th>Areas of focus</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and cash equivalents</strong></td>
<td>• Confirmed material balances and tested reconciliations to the GL</td>
</tr>
<tr>
<td></td>
<td><strong>No exceptions noted.</strong></td>
</tr>
<tr>
<td><strong>Adoption of GASB 96 – Subscription-Based Information Technology Arrangements</strong></td>
<td>• Performed detail testing to ensure the completeness of subscriptions considered for implementation</td>
</tr>
<tr>
<td></td>
<td>• Selected a sample of subscriptions in the population to test accuracy of the inputs</td>
</tr>
<tr>
<td></td>
<td>• Reviewed management’s methodology and journal entries to record the GASB 96 adoption entries</td>
</tr>
<tr>
<td></td>
<td>• Compared draft disclosures to disclosure requirements to ensure completeness and accuracy of presentation/disclosure</td>
</tr>
<tr>
<td></td>
<td><strong>No exceptions noted.</strong></td>
</tr>
<tr>
<td><strong>Accounting estimates</strong></td>
<td>• The preparation of the CSCU’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. The most significant estimates relate to the net pension &amp; OPEB liabilities, compensated absences liabilities, useful lives of depreciable assets, allocation of expenses among functional expense classifications, and allowances for student receivables. Our procedures were executed in part, to review these estimates and evaluate their reasonableness.</td>
</tr>
<tr>
<td></td>
<td><strong>No exceptions noted.</strong></td>
</tr>
<tr>
<td><strong>Financial statement disclosures</strong></td>
<td>• Our procedures included an assessment as to the adequacy of the CSCU’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 GAAP.</td>
</tr>
<tr>
<td></td>
<td><strong>No exceptions noted.</strong></td>
</tr>
</tbody>
</table>
Adoption of GASB 96 – Subscription-Based Information Technology Arrangements (SBITAs)

Summary

- In fiscal year 2023, the CSCU adopted GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA).
- Subscription liabilities represent CSUS’s obligation to make future payments to a third party for SBITAs (for example, a Blackboard or Ellucian license), measured at the present value of subscription payments over the remaining term. Subscription liabilities are recognized at the SBITA commencement date (contract start date). Short term subscription liabilities, those with a maximum period of 12 months (or less), are expensed as incurred.
- As a result of this adoption, each entity recorded the following assets and liabilities as of July 1, 2022 (adoption date):

<table>
<thead>
<tr>
<th>Entity</th>
<th>Right of Use Subscription Asset</th>
<th>Subscription Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSUS</td>
<td>$20.2M</td>
<td>$20.2M</td>
</tr>
<tr>
<td>CCC</td>
<td>$25.3M</td>
<td>$25.3M</td>
</tr>
<tr>
<td>COSC</td>
<td>$300K</td>
<td>$300K</td>
</tr>
</tbody>
</table>
Change in Fringe Accounting Policy

Summary

- In June 2023, the Connecticut General Assembly passed a state budget for the 2024 and 2025 biennium. The new budget changes the way fringe is paid for institutions of public higher education in CT, and ultimately, CSCU’s employee benefit retirement costs will be paid by the state Comptroller’s Office effective July 1, 2023. This change in methodology results in the State of CT funding employee retirement costs and CSCU funding all non-retirement fringe costs. Although the change is effective in fiscal 2024, because the State reports payroll costs on a cash basis, the final payroll accrual and accrual for accumulated compensated absences as of June 30, 2023 are reduced (and therefore so are the fringe benefit expenses for that final pay period) by the amount the State of CT paid in the first pay period of fiscal year 2024.

- In fiscal year 2024 and future periods, as a result of the change in funding of fringe by the State of CT, CSCU will report “on-behalf payments” related to the amount of fringe for retirement benefits that the State pays on behalf of CSCU. This will be presented as a revenue and offsetting expense in the Statement of Revenues, Expenses and Changes in Net Position.
Summary of misstatements (CSU)

<table>
<thead>
<tr>
<th>Description</th>
<th>Change in Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Material, corrected misstatements</strong></td>
<td></td>
</tr>
<tr>
<td>None noted</td>
<td></td>
</tr>
<tr>
<td><strong>Uncorrected misstatements</strong></td>
<td></td>
</tr>
<tr>
<td>To update CCSU’s Due From State Calculation for the change in fringe reimbursement methodology by the State.</td>
<td></td>
</tr>
<tr>
<td>Increase: Due from State- Salary</td>
<td>$ (1,387,195)</td>
</tr>
<tr>
<td>Increase: Due from State- Fringe</td>
<td>$ (542,158)</td>
</tr>
<tr>
<td><strong>Net impact</strong></td>
<td>$ (1,929,353)</td>
</tr>
<tr>
<td>Financial Statement line item</td>
<td>1,924,208,490</td>
</tr>
<tr>
<td>% Impact</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>213,031,392</td>
</tr>
<tr>
<td></td>
<td>-1%</td>
</tr>
</tbody>
</table>

Management believes the uncorrected misstatement is immaterial to the financial statements of CSUS. Uncorrected misstatements could be potentially material to future financial statements.
Summary of misstatements (COSC)

Corrected misstatements
To update COSC’s fringe expense and State appropriation revenues to agree with balances per the State
Increase: State Appropriations revenue $137,279
Increase: Fringe Expenses $(137,279)
Net impact $-

Financial Statement line item 10,224,505
% Impact 0%

Uncorrected misstatements
None noted

Disclosure misstatements
Material, corrected
• None noted
Uncorrected
• None noted

Management believes the corrected misstatement is immaterial to the financial statements of COSC. Uncorrected misstatements could be potentially material to future financial statements. As such, we agree with the decision to correct the misstatement.
Other required communications

Professional standards require that we communicate the following matters to you, as applicable.

<table>
<thead>
<tr>
<th>Going concern matters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fraud and noncompliance with laws and regulations</td>
</tr>
<tr>
<td>Significant deficiencies and material weaknesses in internal control over financial reporting</td>
</tr>
<tr>
<td>Use of other auditors</td>
</tr>
<tr>
<td>Use of internal audit</td>
</tr>
<tr>
<td>Related parties and related party transactions</td>
</tr>
<tr>
<td>Significant unusual transactions</td>
</tr>
<tr>
<td>Disagreements with management</td>
</tr>
<tr>
<td>Management's consultations with other accountants</td>
</tr>
<tr>
<td>Significant issues discussed with management</td>
</tr>
<tr>
<td>Significant difficulties encountered during the audit</td>
</tr>
<tr>
<td>Other significant findings or issues that are relevant to you and your oversight responsibilities</td>
</tr>
</tbody>
</table>

Modifications to the auditor’s report

We have added an emphasis of matter paragraph related to the adoption of GASB 96 for CCC due to the materiality of the impact of the adoption. No emphasis of matter was included for CSUS or COSC due to the relative immateriality of the impact.

Other information in documents containing audited financial statements
# Quality of accounting practices

<table>
<thead>
<tr>
<th>Accounting policies</th>
<th>Other than the adoption of GASB 96 and the change in fringe methodology, there were no significant changes to accounting policies during the period.</th>
</tr>
</thead>
</table>
| Accounting estimates| Significant estimates include:  
  • Net pension and OPEB liability, and related deferred inflows / outflows  
  • Liability for compensated absences  
  • Useful lives of depreciable assets  
  • Allocation of expenses among functional expense classifications  
  • Allowance for student receivables  
  • Term of certain leases and subscription based IT arrangements with option periods to be exercised at a future date |
| Disclosures          | Disclosures within the financial statements are materially complete and accurate.                                                                                                                  |
| Other related matters| None noted                                                                                                                                                                                        |
### Use of the work of other auditors

<table>
<thead>
<tr>
<th>Component</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foundations</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>
Other information in the University’s annual report

Management responsibilities

Management is responsible for the other information included in the annual report. The other information comprises Management’s Discussion and Analysis, Required Supplementary Information, and Supplementary Schedules.

Auditor responsibilities

Our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Procedures performed

We read the other information and compared selected amounts or other items in the other information with such amounts or other items in the financial statements.

Results

We did not identify any material inconsistency between the other information and the financial information.
Appendix

1) GASB pronouncements effective in FY24 and beyond
2) Industry updates
3) Management representation letter (draft)
Technical updates - GASB
**GASB Statement 101, Compensated Absences**

**Summary**

- This Statement updates the recognition and measurement guidance for compensated absences to better meet the needs of financial statement users.
- Requires recognition of a liability for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means.
- Liability should be recognized for leave attributable to services already rendered, if the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.
- Amends existing requirements to disclose the gross increases and decreases in a liability for compensated absences to allow disclosure of only the net change in the liability.
- Effective for fiscal years beginning after December 15, 2023, with early application encouraged. CSCU intends to adopt this new standard in FY24.

**Potential Impact**

- This guidance will have a significant impact on the recognition of compensated absences. Universities should start early on to inventory all compensated absence programs, including the following examples:
  - vacation and sick leave
  - PTO
  - holidays
  - parental leave and
  - sabbatical leave

These programs should be evaluated against the updated recognition criteria, exceptions to general recognition, and measurement provisions.
Industry updates
Insights from industry luminaries
Current higher education environment and emerging issues for consideration

Institutions of higher education are considering how the tenets of ESG will impact operations, delivery of mission and governance structures.

Flexibility in terms of working remotely will be critical to retaining employees looking for hybrid options.

One stark reality of the pandemic is that it has significantly affected the mental well-being of students and employees.

Now is the time for all institutions to earnestly re-evaluate the "completeness" of their ERM risk registers.

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.

The propensity of donors to give has endured (and grown).

A greater emphasis should be placed on process re-engineering and innovation to drive economies of scale.

An increased focus on student retention combined with creating different channels to attract new student cohorts is crucial.

Long-term strategic plans are being reviewed to ensure relevancy in a changing world.

Currently released Grant Thornton articles include:

- Rethinking revenues, preserving resources in higher education
- Budget cuts alone won’t amount to financial stability
- Staff and program reviews inform expense decisions
- Operational and real estate choices aid smart budgeting
S&P’s 2023* outlook for the Higher Education sector has changed to “mixed” from “stable” in the prior year

“As Pandemic Risks Abate, Enrollment Pressures Persist”

Positive Developments

• Moving past the pandemic with generally positive fiscal 2022 financial performance mainly due to federal emergency funding
• After fiscal 2022 market volatility, fiscal 2023 market return are strong
• Highly selective institutions are in a very strong financial position with high demand

Risks to Monitor

• 2023 operating margins suffer from inflation and related increased salary costs
• Borrowing costs are rising making new borrowing more costly for institutions after a long period of low interest rates
• Enrollment challenges exist with “demographic cliff” on the horizon and competition for students increasing discounts and decreasing net tuition

Bottom line ➔ Higher education sector is facing significant risks regarding future enrollment levels, rising costs with lower rated institutions at risk to close or merge contrasted with highly selective institutions in as strong of a financial position as they have ever had.

* Outlook as of January 2023 and re-affirmed in July 2023

Of their over 400 rated institutions they rate 8% as having speculative graded debt, however, 85% of outlooks are stable.

Source: S&P Global Ratings. Copyright © 2023 by Standard & Poor's Financial Services LLC. All rights reserved.
Highest rated institutions (AAA) saw fiscal 2021 applications and enrollments dip 10% but fully rebounded and more with 15% increase in enrollment in fiscal 2022.

Sector-wide, fiscal 2021 declines have yet to fully rebound.
While enrollment by sector shows a wide range of variance in enrollment changes, when the sectors are combined enrollment had a small (0.5%) decrease from Spring 2022 to Spring 2023, smaller than the past 3 years declines.

* PABs are “primarily associate degree granting baccalaureate institutions“
As of 6/30/2023 there is over $1.774 trillion estimated in outstanding federal student debt*.

Figure 30 shows the percent of adults who at one time acquired debt by age and education.

Figure 28 shows opinion on the benefits of education exceeding costs declines by age group and education obtained.

*Per data posted by the Board of Governors of the U.S. Federal Reserve System
Discount rates continue their steady climb to record highs projected for 2022-23.
The impact comes from the record high projected first-time undergraduate discounts up nearly 10 percentage points from 2013-14.

Trends in tuition discounting

Average tuition discount rates continued to reach new highs in 2022-23.*

First-time Undergraduates
56.2%

All Undergraduates
50.9%

Early projections suggest that the average tuition discount rate for first-time undergraduates rose to 56.2 percent in 2022-23,* up 9.8 percentage points from 2013-14.

Source: NACUBO Tuition Discounting Study, data as of April 2023.
*Preliminary estimates.
### What presidents are saying:

"Confident my institution will be financially **stable**"

<table>
<thead>
<tr>
<th></th>
<th>Over five years</th>
<th>Over ten years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>83%</strong></td>
<td><strong>81%</strong></td>
<td><strong>85%</strong></td>
</tr>
<tr>
<td>All institutions</td>
<td>Public universities</td>
<td>Nonprofit private colleges</td>
</tr>
<tr>
<td>&quot;agree&quot; or &quot;strongly agree&quot;</td>
<td>&quot;agree&quot; or &quot;strongly agree&quot;</td>
<td>&quot;agree&quot; or &quot;strongly agree&quot;</td>
</tr>
</tbody>
</table>

Over five years:
- 83% of all institutions agree or strongly agree.
- 81% of public universities agree or strongly agree.
- 85% of nonprofit private colleges agree or strongly agree.

Over ten years:
- 77% of all institutions agree or strongly agree.
- 76% of public universities agree or strongly agree.
- 81% of nonprofit private colleges agree or strongly agree.

This most recent survey was completed in **April 2023**.
What presidents were saying in **2019, pre-pandemic:**

"Confident my institution will be financially **stable**"

**Over five years...**

- **66%**
  - All institutions "agree or "strongly agree"

- **66%**
  - Public universities "agree or "strongly agree"

- **66%**
  - Nonprofit private colleges "agree or "strongly agree"

**Over ten years...**

- **57%**
  - All institutions "agree or "strongly agree"

- **52%**
  - Public universities "agree or "strongly agree"

- **60%**
  - Nonprofit private colleges "agree or "strongly agree"
Two-thirds of surveyed presidents said their institution was more financially stable than in 2019.

These responses provide context for the basis of that sentiment.
What chief business officers say overall:

"Confident my institution will be financially stable over ten years"

65% in 2023
65% in 2022
73% in 2021

This most recent survey was completed in July 2023
What chief business officers said in 2019, pre-pandemic:

"Confident my institution will be financially stable over ten years"

50% in 2019
50% in 2018
48% in 2017
What chief business officers say overall:

The top 2 concerns of CBOs are around rising costs of labor and non-labor.

The 3rd and 4th concerns are around enrollment and declines in net tuition.
What chief business officers say on understanding financial challenges:

- Senior administrators are aware of and understand the financial challenges confronting my institution. (n=212)
- Trustees are aware of and understand the financial challenges confronting my institution. (n=212)
- At my college, we have the right tools and processes to respond quickly to needed changes. (n=212)
- At my college, we have the right mindset to respond quickly to needed changes. (n=212)
- Faculty members are aware of and understand the financial challenges confronting my institution. (n=212)
- Our current governance structure is a significant obstacle to a sustainable financial future for my institution. (n=209)
- A lack of adequate data and analytic capacity is a significant obstacle to a sustainable financial future for my institution. (n=212)
What chief business officers say on mergers:

How likely is your institution to merge into or be acquired by another college or university in the next five years? (n=212)

- Not likely at all: 66%
- Not too likely: 27%
- Somewhat likely: 5%
- Very likely: 2%

Do you think your institution should consider merging with another college or university in the next five years? (n=214)

- Yes: 25%
- No: 71%
- Don’t Know/Does Not Apply: 5%
What chief business officers say on shared services:

**How likely is your institution to share administrative functions with another college or university in the next five years? (n=210)**

- Not likely at all: 28%
- Not too likely: 28%
- Somewhat likely: 32%
- Very likely: 14%

**Do you think your institution should share administrative functions with another college or university in the next five years? (n=214)**

- Yes: 61%
- No: 34%
- Don't Know/Does Not Apply: 5%
What chief business officers said in 2019 on mergers and shared services:

On mergers (next five years)...

12% Institution had serious talks with another
18% Believe their institution should merge with another
1% Institution likely to merge with another

On shared services or programs (next three years)...

43% Likely to share administrative services with another
62% Should share administrative services with another
66% Should combine academic programs with another
Thought Leadership for Higher Education Institutions
Governance IQ – Strengthen your board and audit committee

Addressing today’s not-for-profit and higher education governance challenges to effectively advance your mission

• Monthly governance insights
• Comprehensive board guidebooks
• Dedicated to serving our clients

Sign up at: https://www.grantthornton.com/industries/nfp-higher-education/governance-iq
Additional Higher Education resources

ARTICLE
6 actions to take to avoid conflicts of interest

ARTICLE
3 challenges put higher education leaders to the test

ARTICLE
3 legal duties every board member must follow

ARTICLE
How higher education can weather endowment declines

Find all of these articles and more at: https://grantthornton.com/nfp
Management representation letter (draft)
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:
  o Known or suspected fraud or other matters that would be of significance to our audit process
  o 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

- Management override of controls
- Improper recognition of and reporting of project costs and budgets

Key Audit Areas

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

## Identification of Fraud Risks

- Perform risk assessment procedures to identify fraud risks
- Discussion among the audit team regarding the susceptibility to fraud
- Inquiries of senior management, governing body and others
- Evaluate programs/controls that prevent, deter and detect fraud

## Response to Identified Fraud Risks

- Evaluate design and implementation of mitigating controls
- Test effectiveness of controls
- Perform specific substantive audit procedures (incorporate elements of unpredictability) including testing of significant unusual transactions
- Address revenue recognition and risk of management override of controls
- Evaluate audit evidence
- Communicate to management and governing body
## Proposed Timeline

<table>
<thead>
<tr>
<th>Task</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>
</table>
| Management override of internal controls | • Consider the design and implementation of entity-level controls, including information technology controls, designed to prevent/detect fraud.  
• Assess the ability of the University to segregate duties in its financial reporting, information technology, and at the activity-level.  
• 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.  
• 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. |

Presumed fraud risk and therefore significant risk in all audits.
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</td>
</tr>
<tr>
<td></td>
<td>financial statements, we make reference to the audits performed by the other unaffiliated</td>
</tr>
<tr>
<td></td>
<td>auditors.</td>
</tr>
<tr>
<td>Net pension and OPEB Liabilities and related</td>
<td>The State engages the State Auditor of Connecticut to perform the audit of the valuation</td>
</tr>
<tr>
<td>accounts</td>
<td>prepared by independent actuaries as part of recording the Net Pension and OPEB Liabilities</td>
</tr>
<tr>
<td></td>
<td>and related deferred inflows/outflows and pension/OPEB expense. Grant Thornton assesses</td>
</tr>
<tr>
<td></td>
<td>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
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**

<table>
<thead>
<tr>
<th>Rating Category Distribution</th>
<th>Outlook Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>Negative: 100%</td>
</tr>
<tr>
<td>A</td>
<td>Stable: 91%, Positive: 8%</td>
</tr>
<tr>
<td>BBB</td>
<td>Negative: 18%, Stable: 77%, Positive: 5%</td>
</tr>
<tr>
<td>SG</td>
<td>Negative: 33%, Stable: 63%, Positive: 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.*

### 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.
S&P Outlook, continued

“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
Moody’s outlook, continued

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

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

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

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

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

- **Public Two-Year In-District Commuter**
  - Tuition and Fees: $3,990
  - Housing and Food: $9,970
  - Books and Supplies: $2,500
  - Transportation: $1,330
  - Other Expenses: $1,470

- **Public Four-Year In-State On-Campus**
  - Tuition and Fees: $11,260
  - Housing and Food: $12,770
  - Books and Supplies: $2,270
  - Transportation: $1,290
  - Other Expenses: $1,250

- **Public Four-Year Out-of-State On-Campus**
  - Tuition and Fees: $29,150
  - Housing and Food: $12,770
  - Books and Supplies: $22,70
  - Transportation: $1,290
  - Other Expenses: $1,250

- **Private Nonprofit Four-Year On-Campus**
  - Tuition and Fees: $41,540
  - Housing and Food: $14,650
  - Books and Supplies: $60,420

*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>March – When FAFSA information is now expected to be received by colleges and universities</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 1 – National College Decision Day</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)

- **2024**: 700,000
- **2023**: 1.5 mil.

$111.6 bil.

Amount the U.S. Department of Education awarded in federal grants, loans, and work-study funds in fiscal 2022

Maximum Federal Pell Grant for 2023–2024 award year (July 1, 2023 - June 30, 2024)

$7,395

3.6 million+

FAFSA forms (including both current and incoming students) submitted in January 2024

* 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 85
Enrollment Changes – by sector

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

Average Annual Effective Spending Rates

<table>
<thead>
<tr>
<th>Year</th>
<th>Spending Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY22</td>
<td>4.0%</td>
</tr>
<tr>
<td>FY23</td>
<td>4.7%</td>
</tr>
</tbody>
</table>

Total Withdrawals ($ billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Withdrawals</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY22</td>
<td>$26.2</td>
</tr>
<tr>
<td>FY23</td>
<td>$28.4</td>
</tr>
</tbody>
</table>

*Source: 2023 NACUBO-Commonfund study of Endowments.*
Endowment asset allocations

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.

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

* Source: Educause.edu
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