

St. Olaf College Budget Guide

St. Olaf College Budget Guide

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BUDGET BASICS

FISCAL YEAR

The fiscal year for St. Olaf College (the College) is June 1 through May 31. When we refer to a fiscal year, it is referring to when the fiscal year ends (e.g., Fiscal Year 2022 is June 1, 2021 – May 31, 2022). Each month is referred to as a period within the fiscal year:

Period 1	June
Period 2	July
Period 3	August
Period 4	September
Period 5	October
Period 6	November
Period 7	December
Period 8	January
Period 9	February
Period 10	March
Period 11	April
Period 12	May

TAX EXEMPT NON-PROFIT

St. Olaf College is a 501(c)(3) non-profit corporation that is a tax-exempt entity in the state of Minnesota. Exemption certificates are available on the Finance Office webpage. If traveling to states other than Minnesota, contact the Accounting Manager in the Business Office at 507-786-3659 to find out if we are exempt in that state.

- Exceptions: We do have to pay tax for airfare, prepared meals, lodging and gas in Minnesota.

GENERAL LEDGER ACCOUNT CODE STRUCTURE

Coding consists of three required fields: Company, Unit, and Account.

- Company: the fund type
 - 010 = Operating (most commonly used)
 - 030 = Endowment
 - 040 = Deferred Gifts
 - 050 = Student Loans
 - 900 = Agency Funds (St. Olaf holds funds for others)
- Unit: the department
 - Operating units = 1XXXX
 - These are the typical departmental budgets. Unrestricted funds for normal operations whose balances do NOT carry forward at the end of a fiscal year
 - Appropriated units = 3XXXX
 - Unrestricted funds appropriated by the College for a specific use. Balances carry forward from year to year.
 - Restricted units = 4XXXX
 - Funds whose use are restricted by donors or other agencies. Balances in restricted units carry over to the next year, but must be used before operating funds are used.


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- Government Grant Units = 5XXXX
 - Government grant funds are tracked in the 5XXXX units. Balances do carry over to the next fiscal year, and expenses are typically reimbursed the next month.
- Capital Units 6XXXX/7XXXX
 - Capital project expenses must be coded in a 6XXXX unit and to account 18100. The only exception is capital funded with restricted funds, which should be coded to the restricted unit 4XXXX and account 83000.
 - Capital gifts are coded to the 7XXXX units by Advancement Services. Expenses should not be coded to the 7XXXX units.
- Student Organization Units and IPAT Units = 9XXXX
 - Student organization balances do carry over to the next fiscal year.
 - IPAT funds are zeroed out at the end of the fiscal year, unless approval is received to carry them over.
- Account: the type of expense (e.g., supplies, travel, wages)
 - List of accounts can be found at: <https://wp.stolaf.edu/finance/frequent-accounts/>
 - 1XXXX accounts = assets (rarely used by budget managers)
 - 2XXXX accounts = liabilities (rarely used by budget managers)
 - 3XXXX accounts = fund balances (never used by budget managers)
 - 4XXXX accounts = REVENUES
 - 5XXXX accounts = WAGE AND BENEFIT EXPENSES
 - 6XXXX-8XXXX accounts = NON-COMPENSATION EXPENSES
 - 9XXXX accounts = TRANSFERS
 - Note: Accounts 82600 and 82700 are also used to transfer restricted funds to operating budgets.

Sub-account is an optional field that departments can use to manage their budgets to another level of detail. The department develops their own key for the sub-accounts, and must use “99” in the category field when using a sub-account. This can be useful if a department wants to track multiple events or activities within a unit.

Company	- Unit	- Account	- Category	- Sub-Account (up to 5 digits)
(3 digits) required	(5 digits) required	(5 digits) required	99 <i>optional</i>	

Example: Business Office - Advertising Expense


010 - 16112 - 66500

BUDGET MANAGEMENT

BUDGET OVERVIEW

A budget is a plan that represents anticipated revenues and expenses for a period. The College’s operating budget is prepared for each fiscal year of June 1 through May 31. The College’s operating budget includes both unrestricted budgets and restricted funds. The unrestricted budgets reflect the

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general revenues and expenses from the College's standard operations. Restricted funds have been designated by a donor to be used for a specific purpose.

Unrestricted Operating Budgets

Each department budget is managed by a budget manager, who is responsible for planning, monitoring, and executing their department budget. The budget manager is responsible for meeting revenue targets and managing expenses within their budget.

Certain budget lines are generally managed by the College and are not managed by department budget managers. These include tuition and financial aid discount, room and board, endowment income allocations, gift revenues, base wages for faculty and staff, benefits, depreciation, and interest.

Student Work – Academic Year and Summer

Budget staff will solicit requests and finalize allocations for student work and summer student work prior to the start of the fiscal year (June 1-May 31). Student work dollars are not interchangeable with the operating budget. However, if a department's student work budget is over at year-end, departments are expected to come in under budget in their operating budget to cover the deficit.

Compensation and Benefits

Base compensation and benefits are generally managed by the College, rather than at the department level. The only compensation managed by departmental budget managers is the "other wages" category, which includes student work, summer student work, overtime, temporary employees and honorariums. Since department budget managers have discretion over student work hours and the usage of overtime and temporary labor, they are responsible for ensuring the expenditures for "other wages" stay within budget.

The faculty wage budget is managed through the Provost Office. The staff budget is managed by the Finance Office in collaboration with Human Resources. The Finance Office and Human Resources will work with departments on hires of new employees or status change requests to ensure departments stay within both their approved FTE and total compensation budget.

Professional Development

Any professional development expenses should be charged to account 67800 Professional Development. This includes conference registration fees, travel, meals, and any other costs associated with the professional development activity.

Restricted Funds (Endowed Funds, Annual Fund, etc.)

Gifts given to the College to be used for a specific purpose are considered restricted funds. These are the 010-4XXXX operating units and the balances carry-forward from year to year until used. The College has an obligation to ensure the funds are spent timely and accurately, and that expenditures are in line with donor guidelines and intent. Examples of restricted funds are:

- Endowed spending accounts that hold the annual income allocation from endowments that provide on-going support for the operations
- Restricted gifts that provide temporary or one-time support
- Annual fund gifts that are designated to a specific department
- Grants from private foundations

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Annual fund gifts that come in during a calendar year are released for spending the following fiscal year. For example, all gifts that come in between January and December of 2021 will be released to the department as a budget enhancement for the fiscal year that runs from June 2022-May 2023. The reason for the timing of the gift release is because departments are building their budgets in the spring for the upcoming fiscal year, so knowing the amount of annual fund gifts they have available at that time will enable departments to plan and best utilize the gifts to enhance the programming budgets.

Budget Managers should submit budgets reflecting their best estimates for spending of restricted funds. However, even if there is no budget, spending is allowed up to the amount available in the fund, as long as the expenditure meets the donor's specifications.

Capital Budgets

Purchases of individual items that total over \$5,000 with a useful life of five years or more are considered capital assets that are funded through the capital budget, rather than expensed in the College's operating budget. Furthermore, projects that total over \$5,000 that extend the useful life of an asset are also funded through the capital budget. Capital funds are not interchangeable with operating funds. Requests for capital purchases are gathered by budget staff and prioritized by a group consisting of the Facilities Director, the Chief Information Officer for Libraries and IT, the Associate Provost, and Finance/Budget staff.

BUDGET PROCESS AND TIMELINE

The budget development process typically begins in the fall prior to the fiscal year and is finalized four months into the fiscal year at the October board meeting, where the final budget is approved.

- Fall: High-level budget forecasts are reviewed and enrolment assumptions are developed for the upcoming fiscal year.
- Fall Board Meeting – Comprehensive fee increase for the upcoming fiscal year is recommended to the Board of Regents for approval.
- Mid-year: Finance and Provost Office work with budget managers to develop budget detail for the upcoming fiscal year.
- May Board Meeting – Preliminary budget for the upcoming fiscal year is presented to the Board of Regents and wage increases are recommended to the Board of Regents for approval.
- October Board Meeting – Final budget for the year is approved by the Board of Regents, after adjusting the budget to reflect Fall 10th day enrollment.

BUDGET MANAGER RESPONSIBILITIES

Each Lawson unit has a budget manager assigned as the responsible person for the budget. This individual is responsible for planning, monitoring, and executing the budget for that particular unit. The budget manager can grant other individuals access to view their budget on the Lawson web to assist in budget management responsibilities, but the budget manager is ultimately responsible for the budgets assigned to them. Note that the budget manager is not the individual listed as the budget owner on the Lawson web. The budget owner on the Lawson web is typically the Administrative Assistant for each division, who has authority to grant viewing access to units on the Lawson web.

Planning and Budget Development

The Finance Office will send requests to non-academic departments for the upcoming fiscal year budget prior to the start of the fiscal year. The Provost office will send the requests for the academic

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departments. Budget managers will be expected to assess their revenues and expenses for the upcoming year and submit their budgets accordingly. Some helpful points in planning a budget:

- Define any revenue that your department is anticipated to generate. Reviewing past year history for revenues is often helpful in estimating this.
- Define the costs that your department incurs each year. These may include fixed costs that do not change based on participation, such as annual membership or software fees. These may also include variable costs that are based on the number of participants or volume of work involved.
- Consider any additional support you may have from external sources, such as restricted funds or annual funds.
- Determine which events and expenses to pursue based on available resources and by prioritizing and assessing the department's goals and the College's overall goals.

Monitoring

Budget managers are expected to monitor their budgets throughout the year. Financial transactions are updated nightly on the Lawson web to provide current budget information throughout the year to budget managers. Certain transactions such as the VISA card, Department card, post office charges, print center charges, and facilities charges are uploaded monthly by the fifth business day of the following month.

On a quarterly basis, budget reports are emailed to all budget managers. The budget managers are responsible for reviewing their budget-to-actual results, explaining and accounting for any variances, and reviewing all transactions charged to their budget for accuracy.

Transfers/Corrections

Budget managers are responsible for making transfers or corrections within their units, as needed. Transfer requests are used to facilitate the process of transferring funds from one accounting unit or account to another accounting unit or account. Please note that the transfer request is not used to transfer budgets. The form can be found on the St. Olaf website on the Finance Office page or by searching the St. Olaf website for "transfer request".

Year-End

The College is on the accrual basis of accounting. This means that revenues are recognized in the year in which the services are performed, and expenses are generally charged to the fiscal year in which goods or services are performed or received, regardless of when the actual cash disbursement is made or received. It is especially important at year-end to note which fiscal year expenses should be charged to, and to monitor all expenses to make sure they hit the proper year and correct units and accounts. Once the fiscal year has closed, we are unable to make adjustments and post to the prior year, so it is important to review all transactions carefully at year-end to ensure all transactions are posting in the year and accounts intended. Please pay special attention to year-end reminders by the Business Office and review your budgets for any adjustments prior to the communicated deadlines.

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FINANCIAL SOFTWARE: LAWSON

ACCESSING BUDGETS ON THE LAWSON WEB

The Lawson web can be accessed under Administrative Tools on the faculty/staff page of the St. Olaf website or by searching “Lawson web” in the search box of the St. Olaf website. The Lawson web requires a St. Olaf login, and users can only view the budgets for which they have been granted access.

To obtain access to a unit, log into the Lawson web and select “Show Directory of Units and Owners”. The name of the owner is in blue. This is the person who can give access to view the unit online. Email the owner to request access to the units desired. The Administrative Assistant for each division is typically the one who is able to grant access to units within that division.

REVIEWING BUDGET TO ACTUAL VARIANCE REPORTS

By selecting the “Budget Variance” button for any unit and then clicking the “View Reports” button, you can see the budget for any unit, as well as year-to-date expenditures and variances. You can also view previous year budgets and full-year actuals by changing the fiscal year.

The screenshot shows the 'St. Olaf Lawson Operating Account Web Access' page in a Microsoft Internet Explorer browser. The page title is 'St. Olaf Lawson Operating Account Web Access' with a 'Help!' link. Below the title, it says 'You have access to the following Operating Account Lawson Reports:'. There is a table with two columns: 'Company/Unit (sorted by account number)' and 'Reports'. The table has two rows: 'All Units' and 'Business Office'. The 'Business Office' row has 'Budget Variance' checked. Below the table, there is a 'Period:' section with checkboxes for months (Jun, Jul, Aug, Sep, Oct, Nov, Dec, Jan, Feb, Mar, Apr, May) and a dropdown menu for fiscal years (FY 1999-2000 to FY 2009-2010). A 'View Reports' button is to the right of the fiscal year dropdown. Annotations with red arrows point to the 'Business Office' row, the fiscal year dropdown, and the 'View Reports' button. Blue callout boxes provide instructions: 'Check the box of the report you would like to view' (pointing to the 'Budget Variance' checkbox), 'Select the fiscal year' (pointing to the fiscal year dropdown), and 'Select the “View Reports” button' (pointing to the 'View Reports' button).

Company/Unit (sorted by account number)	Reports
All Units	<input type="checkbox"/> YTD Transactions <input type="checkbox"/> YTD Transactions (Excel format) <input type="checkbox"/> Budget Variance <input type="checkbox"/> By Period Transactions (select periods below)
Business Office	<input type="checkbox"/> YTD Transactions <input type="checkbox"/> YTD Transactions (Excel format) <input checked="" type="checkbox"/> Budget Variance <input type="checkbox"/> By Period Transactions (select periods below)

Period: ☐ Jun ☐ Jul ☐ Aug ☐ Sep ☐ Oct ☐ Nov
☐ Dec ☐ Jan ☐ Feb ☐ Mar ☐ Apr ☐ May

FY 2008-2009 View Reports

FY 1999-2000
FY 2000-2001
FY 2001-2002
FY 2002-2003
FY 2003-2004
FY 2004-2005
FY 2005-2006
FY 2006-2007
FY 2007-2008
FY 2008-2009
FY 2009-2010

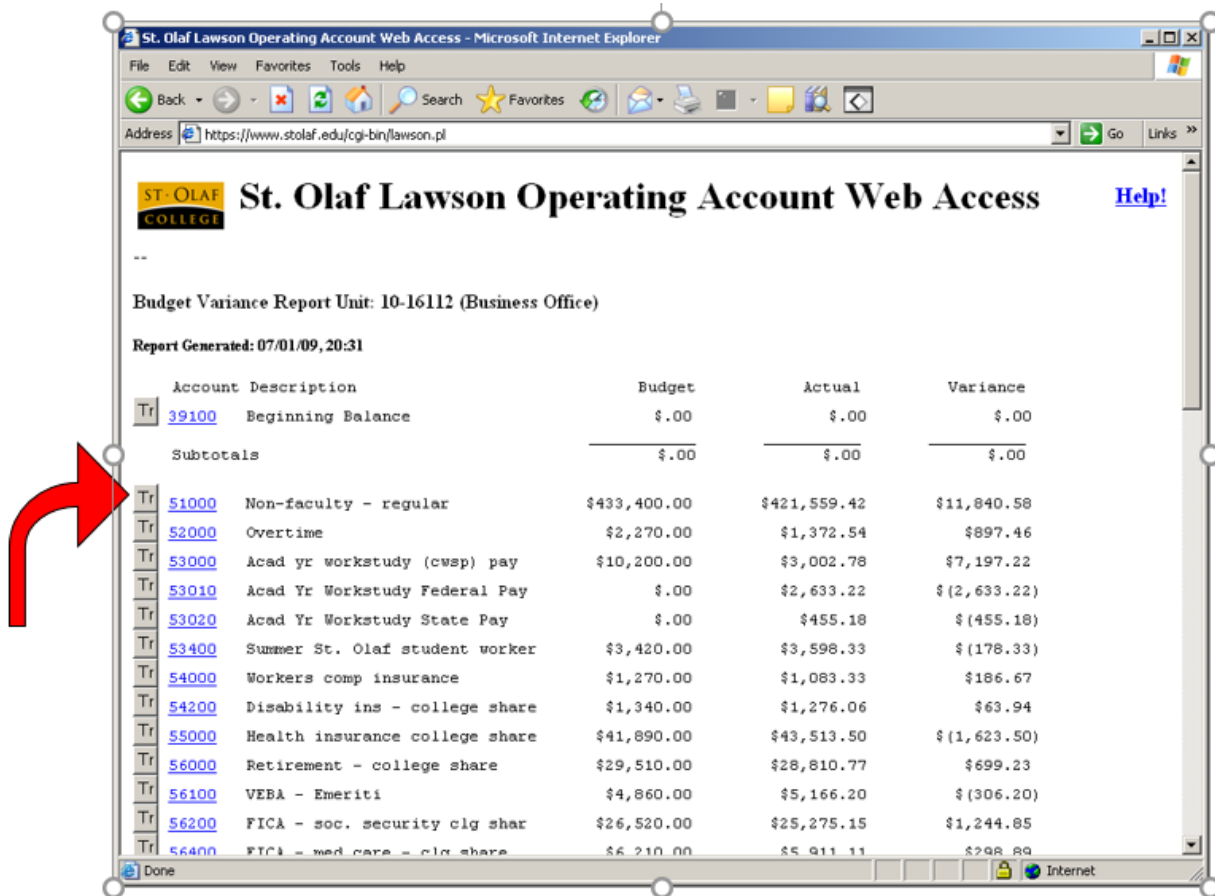
- The “budget” column is the revenue or expenses your unit is anticipated to generate or spend.
- The “actual” column is the amount of revenue and expenses you have actually generated or spent for the year.
- The “variance” column shows the difference between the budgeted amount and actual amount.
 - A positive variance is good, meaning you are under budget and have more budgeted amounts available for expenditures or have brought in more revenue than budgeted.

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- A credit variance is bad, meaning you are over budget, or have not brought in the full budgeted revenue or have spent more than your budgeted expenditures.
- Pay close attention to the grand total, as it shows how the overall unit is performing.

REVIEWING TRANSACTIONS

You can view the transactions that make up the total of any line on your budget to actual variance report by clicking on the “Tr” button next to the account line. Questions regarding a transaction can be directed to the Controller.



St. Olaf Lawson Operating Account Web Access - Microsoft Internet Explorer

Address: <https://www.stolaf.edu/cgi-bin/lawson.pl>

St. Olaf Lawson Operating Account Web Access [Help!](#)

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Budget Variance Report Unit: 10-16112 (Business Office)

Report Generated: 07/01/09, 20:31

Account Description	Budget	Actual	Variance
Tr 39100 Beginning Balance	\$.00	\$.00	\$.00
Subtotals	\$.00	\$.00	\$.00
Tr 51000 Non-faculty - regular	\$433,400.00	\$421,559.42	\$11,840.58
Tr 52000 Overtime	\$2,270.00	\$1,372.54	\$897.46
Tr 53000 Acad yr workstudy (cwsp) pay	\$10,200.00	\$3,002.78	\$7,197.22
Tr 53010 Acad Yr Workstudy Federal Pay	\$.00	\$2,633.22	\$ (2,633.22)
Tr 53020 Acad Yr Workstudy State Pay	\$.00	\$455.18	\$ (455.18)
Tr 53400 Summer St. Olaf student worker	\$3,420.00	\$3,598.33	\$ (178.33)
Tr 54000 Workers comp insurance	\$1,270.00	\$1,083.33	\$186.67
Tr 54200 Disability ins - college share	\$1,340.00	\$1,276.06	\$63.94
Tr 55000 Health insurance college share	\$41,890.00	\$43,513.50	\$ (1,623.50)
Tr 56000 Retirement - college share	\$29,510.00	\$28,810.77	\$699.23
Tr 56100 VEBA - Emeriti	\$4,860.00	\$5,166.20	\$ (306.20)
Tr 56200 FICA - soc. security clg shar	\$26,520.00	\$25,275.15	\$1,244.85
Tr 56400 FICA - med care - clg share	\$6,210.00	\$5,911.11	\$298.89

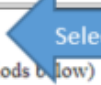
You can also download all transactions to review by clicking on “YTD Transactions” from the main Lawson web screen, selecting the months under “Period”, and then clicking “View Reports”. Many users find it helpful to download the transactions into excel on a monthly basis to sort, filter, subtotal, and make notes.

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St. Olaf Lawson Operating Account Web Access

You have access to the following Operating Account Lawson Reports:

[Logout](#)

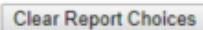
Company/Unit (sorted by account number)	Reports
All Units	<input type="checkbox"/> YTD Transactions <input type="checkbox"/> YTD Transactions (Excel format) <input type="checkbox"/> Budget Variance <input type="checkbox"/> By Period Transactions (select periods below)
10-15118 Post Office and Mail Services	<input type="checkbox"/> YTD Transactions <input checked="" type="checkbox"/> YTD Transactions (Excel format)  <input type="checkbox"/> Budget Variance <input type="checkbox"/> By Period Transactions (select periods below)

Period: ☐ Jun ☐ Jul ☐ Aug ☐ Sep ☐ Oct ☐ Nov
☐ Dec ☐ Jan ☐ Feb ☐ Mar ☐ Apr ☐ May

NOTE: Period selection only
applies to "by Period Transactions"

FY 2018-2019 

Click "View
Reports"





[Maintain Lawson Ownership and Access Lists](#)







CHECKING THE BALANCE OF A FUND

Endowed and restricted funds (010-4XXXX), appropriated funds (010-3XXXX), and Student Organization Funds (010-9XXXX) have fund balances that carry forward from year-to-year.

The grand total in the "actual" column is the current balance of the unit.

- (Credit) balance = available balance
- Debit balance = overspent

Endowment earnings are allocated over 12 months, but the entire annual allocation can be spent at any point during the year. Thus, when determining how much can be spent from an endowed fund, one should look at the current balance (grand total in "actual" column) + any remaining endowment income that has not yet been allocated for the year.

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Report Generated: 11/01/18, 19:02

Account Description	Budget	Actual	Variance
Tr 39100 Beginning Balance	\$.00	\$(10,337.03)	\$10,337.03
Subtotals	\$.00	\$(10,337.03)	\$10,337.03
Tr 45800 Endow income & gains allocated	\$(2,280.00)	\$(950.00)	\$(1,330.00)
Subtotals	\$(2,280.00)	\$(950.00)	\$(1,330.00)
Tr 62000 General Supplies & Materials	\$1,200.00	\$331.47	\$868.53
Tr 62500 Non-capitalized equipment	\$.00	\$458.19	\$(458.19)
Tr 63000 Printing - off-campus service	\$.00	\$85.25	\$(85.25)
Tr 64000 Postage - off-campus service	\$.00	\$27.35	\$(27.35)
Tr 73200 Equipment repair services	\$.00	\$3,975.00	\$(3,975.00)
Tr 73500 R&M-facility service - labor	\$900.00	\$.00	\$900.00
Tr 78600 Gifts flowers hospitality	\$2,000.00	\$.00	\$2,000.00
Subtotals	\$4,100.00	\$4,877.26	\$(777.26)
Grand Total	\$1,820.00	\$(6,409.77)	\$8,229.77

Remaining
Endowment

\$55K
available
to spend

Current Available Fund Balance	\$ 6,409.77
+ Remaining Endowment Allocation	\$ 1,330.00
= Total that can be spent this year	\$7,739.77
<i>(Less any future committed expenses, including wages)</i>	

Current
Balance

CASH MANAGEMENT

DEPARTMENTAL REVENUE

Revenue generated in the normal course of business must be brought to the Business Office to be deposited.

- Accompany each deposit with a completed "Business Office Deposit Form" (found on website).
- Please bring deposits to the Business Office daily to ensure the safeguarding of funds.
- Do not put large checks or deposits in campus mail.
- A deposit drop-box is located in the hall near the Business Office window.
- Departments should discuss with the Business Office before selling items to discuss implications such as requirements to collect and remit sales tax or internal controls necessary to handle payments.

CREDIT CARD ACCEPTANCE

The Business Office must first approve acceptance of credit cards. Time and cost considerations, as well as PCI compliance, are considered when determining if a department can accept credit card payments.

FUNDRAISING AND GIFTS

- All fundraising must go through the Development Office. Student groups must be pre-approved through the Student Activities Office and follow established guidelines. Offices are not allowed to fundraise on their own, and should work with the Development Office.

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- Any gifts received must be routed to Advancement Data Services to be gift receipted. Advancement Data Services will then bring the funds to the Business Office for depositing.
- No raffles, because raffles are subject to gambling laws.

CHARGES TO STUDENTS

- In general, departments are not allowed to charge on a student's tuition account.
- St. Olaf strives to minimize fees that are charged to students in excess of normal tuition charges.
- Departments should not be collecting payments, unless pre-approved by the Business Office.
- Sales of certain items may be subject to sales tax.

PURCHASING AND CASH DISBURSEMENTS

GENERAL PURCHASING GUIDELINES

All College funds should be handled in a manner to ensure the greatest ultimate value per dollar expended.

Preferred Vendors and Consortiums

Finding the best value is often achieved by using preferred vendors and by utilizing the purchasing consortiums to which the College belongs. The College is a member of the ACTC Joint Purchasing Consortium, Amazon Business, E&I Cooperative Services, and Staples. More information regarding these memberships can be found on the "Purchasing" page of the Finance Office website.

Contractual Agreements

All contractual agreements must go through the Finance Office for review. Only those individuals listed on the Corporate Resolution are allowed to sign a contract on behalf of the College.

PAYMENT METHODS

There are three primary payment methods utilized by the College: Utilizing a purchase card (Wells Fargo VISA credit card), using a Department OleCard for on-campus purchases, or submitting a request to Accounts Payable to issue a payment.

Purchase Card – Wells Fargo VISA

Employees making expenditures can request a (VISA) purchase card that can be used to pay business expenses. Employees should read the purchase card policy and then complete the "Cardholder enrollment data form" found on the Business Office webpage, and then submit to Accounts Payable.

- This is our preferred method of paying vendors off-campus, since it eliminates the labor and costs of invoice entry and processing payments.
- The Purchase Card should not be used on campus, because the Department receiving the payment (Bookstore, BonAppetit, etc.) will be assessed credit card acceptance fees. Please use your Department OleCard for on-campus transactions.
- Purchase card policies can be found on the Business Office website.

Department Ole Card

Departments can request a Department Ole Card that can be used to make purchases on campus at any area that accepts an Ole Card (e.g., Bookstore, BonAppetit, Post Office, Print Center, etc.). To request a

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Department Card, please contact olecard@stolaf.edu or call 507-786-3298, and the Business Office will assist with the request.

Accounts Payable Payments

Payments can be requested by submitting an invoice to Accounts Payable with the general ledger coding noted on the invoice, as well as the Budget Manager's signature for approval. If no invoice is provided, an "Accounts Payable Payment Request" form should be completed to request the payment.

- All vendors must have a W-9 on file to be paid.
- Accounts Payable processes payments weekly on Fridays. Payment requests are due by Tuesday at 5:00 in order to be included on the Friday payment.
- Accounts Payable will determine the most efficient manner of payment with the vendor, which may include payment by credit card, payment by direct deposit/ACH, or payment by check.

Employee Expense Reimbursements

Employees can be reimbursed for business expenses by providing original and itemized receipts. Please note that sales tax is not reimbursed, as the College is exempt from sales tax. Mileage is reimbursed at the IRS standard mileage rate. There are three ways to be reimbursed for business expenses:

- If you have a purchase card, you can use the out-of-pocket reimbursement on the Wells Fargo site. Once a month when the approver approves the statement, they approve any out-of-pocket expenses and the amount will be direct deposited into your bank account (preferred reimbursement method).
- The "Expense Reimbursement Form" can be filled out and turned into Accounts Payable. Direct deposit is encouraged for all employees.
- If under \$50, the expense reimbursement form can be submitted at the Business Office window for cash.

BUDGET RESOURCES

FINANCIAL STATEMENTS AND TAX RETURNS

The audited financial statements of St. Olaf College, as well as the College's tax returns can be found on the Finance Office webpage.

POLICIES AND FORMS

All business and finance related policies and procedures are found on the Finance Office website under the "Policies and Procedures" page. To effectively manage a budget, it is critical for budget managers to be familiar with the "Travel and Business Expense Policy."

The majority of forms used for the College's financial business are found on the "Business Office Forms" page on the Finance Office website. This includes cash deposit forms, payment request forms, expense reimbursement forms, and a link to the transfer request form, among many others.

BUDGET TRAINING RESOURCES

General budget training: There are numerous generic budget training resources available on lynda.com, available on the Human Resources webpage.

Higher education financial training: The Associated Colleges of the Midwest (ACM) Institute on College Futures provides insight into the financial challenges facing liberal arts colleges. They have a set of free

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online resources available for those who would like to expand their higher education financial knowledge.

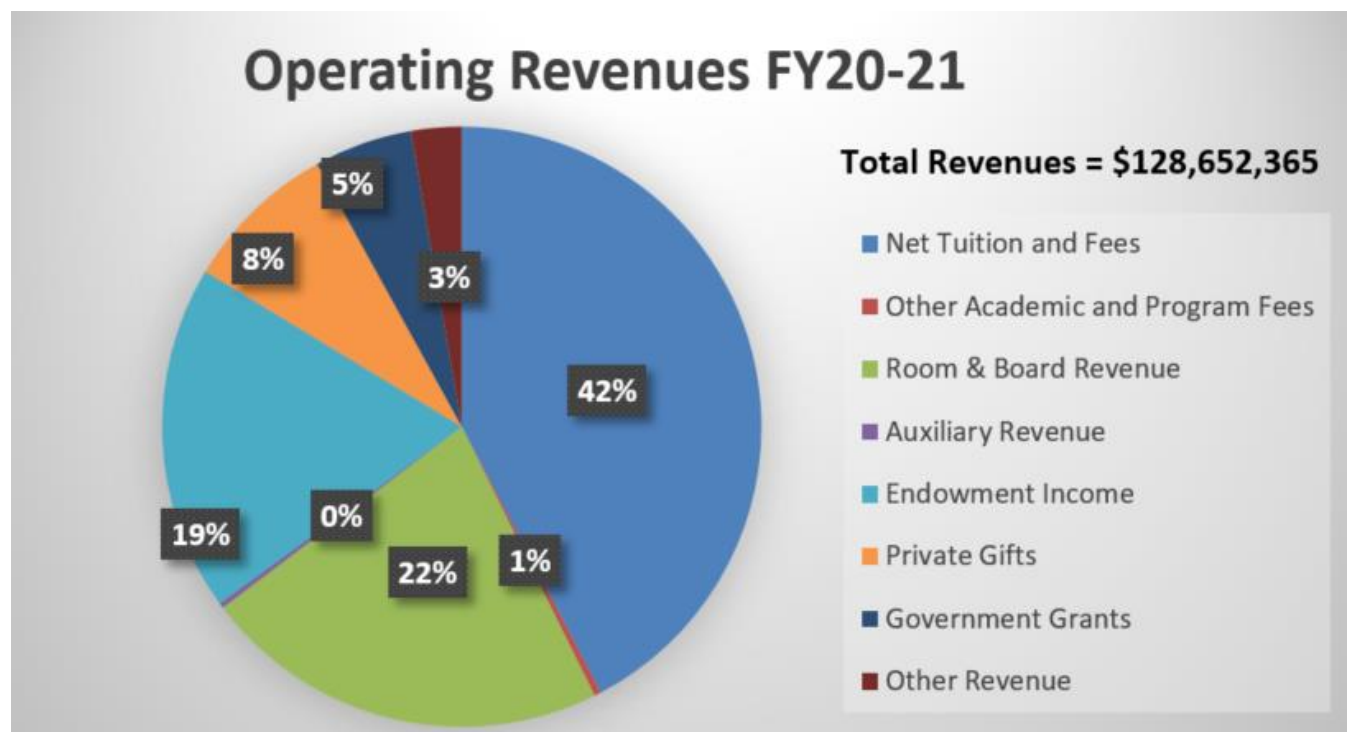
St. Olaf specific budget training: The AVP for Budgets, Angie Mathews, is happy to meet with any budget managers, or other interested employees who would like to learn more about the budget process at St. Olaf, or who would like assistance managing St. Olaf budgets.

UNDERSTANDING THE COLLEGE'S FINANCES

This section is intended to provide a greater understanding of St. Olaf's overall financial picture and is also intended to provide greater insight into financial areas that are specific to higher education. The amounts and percentages shown in this section are for fiscal year 2019, although the revenue and expense amounts in each category tend to remain fairly consistent from year to year.

Overall College Revenues

St. Olaf, like most liberal arts colleges, is often described as a "tuition dependent" institution. That is because the biggest source of revenues we use to fund our day-to-day expenses – almost half- consists of tuition payments.



Net tuition revenue – 42% (~\$54m) This amount is what we *actually collect* from students and families, which is different from the tuition we advertise. Most students pay less than the full amount of tuition, either because of “funded discounts” - scholarships and other forms of aid paid for by private gifts, external grants, or designated endowments (and those sources are “counted” in the other categories of revenue), or because of “unfunded discounts” – aid provided directly by the College without support from any alternative revenue source.

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Room and board revenue – 22% (~\$28m) This category primarily consists of the amount we collect from students for their housing and meal plans. It also includes bookstore revenues.

Auxiliary revenue – .5% (~\$400k) This category includes operations such as conferences and the bookstore. This is usually around 1% or \$1.5m, but was lower in FY20-21 due to COVID.

Endowment income – 19% (~\$24m) The endowment consists of funds donated to the College that are to be invested rather than spent outright. A portion of the interest earned by the endowment (the “income” produced by the endowment principal) is used as a source of revenue to pay for our operating expenses. The larger our endowment, the more interest income it generates, and the less tuition we have to collect from our students.

Private gifts and grants – 8% (~\$11m) – This category includes contributions to the College’s Annual Fund, other gifts given for designated purposes, and grants obtained from private foundations to support teaching and research.

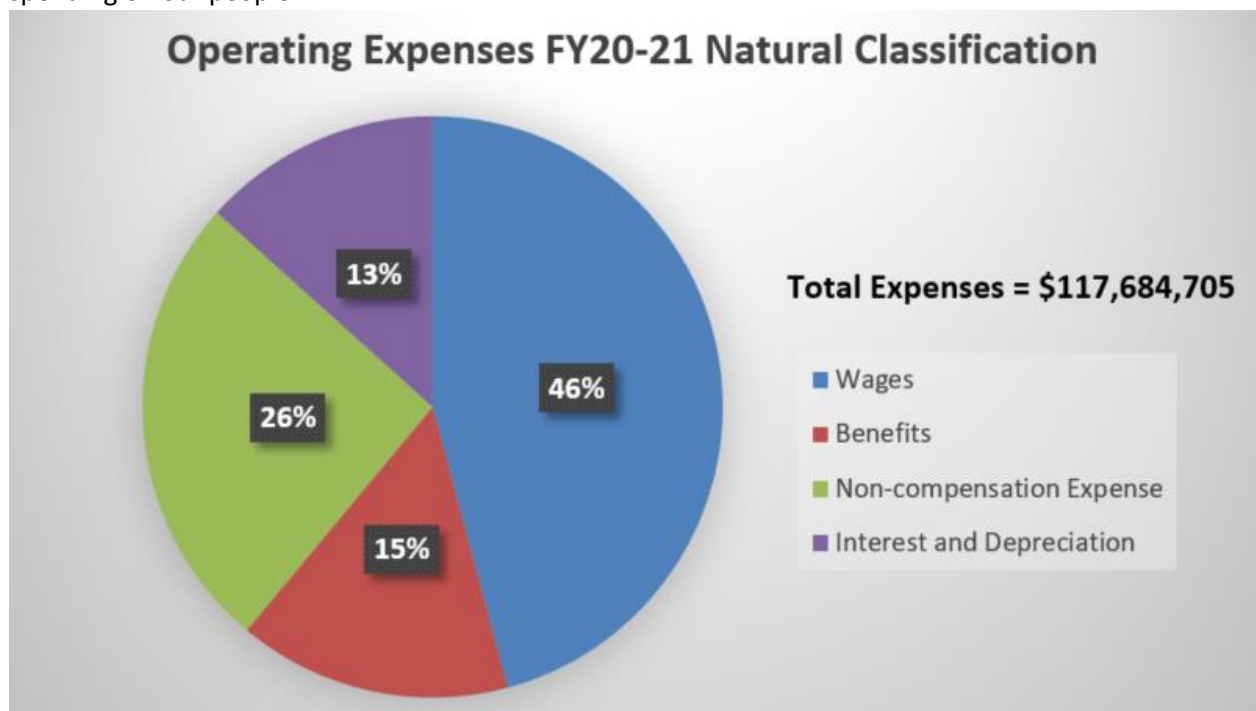
Other revenues – 3% (~\$4m) – This category includes items such as fees for study travel programs for alumni and friends of the College, student organization revenues, athletic revenues, music tour revenues, revenue from alumni events, and other miscellaneous revenues.

Other academic/program fees – .5% (~\$500k) – This includes other academic and program fees charged for programs or academic expenses not covered by tuition, such as off-campus study and lab fees. This is usually around 3% or \$4m, but was lower in FY20-21 due to COVID.

Government grants – 5% (~\$7m) – This includes grants for teaching, research, student support, and programming provided by state and federal agencies.

Overall College Expenses

As is the case across all of higher education, more than half of our operating expenses involves spending on our people:



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Salaries – 46% (~\$54m) – This includes salaries not only for faculty and staff, but also for our student employees and temporary employees, and for overtime as well.

Benefits – 13% (~\$18m) – Health insurance, dental insurance, life insurance, retirement, etc.

Non-compensation – 26% (~\$30m) – Office, classroom, and lab supplies; travel; professional development; guest speaker honoraria; consulting fees; catering for meeting and events; legal fees; utility bills; routine building repairs and maintenance; etc.

Interest and depreciation – 15% (~\$16m) – This includes interest on loans for long-term capital projects like building renovations, and the annual loss in the value of our long-term capital assets (they are worth less each year as a result of aging and wear and tear, and we account for that as an expense line in our operating budget).

Tuition and Discount Definitions and Trends

The College's primary source of revenue is tuition revenue from students. The following terms are often used when discussing tuition and financial aid:

- Gross Tuition revenue = the sticker price for tuition that we charge to students.
- Discount = the amount of scholarships or other aid the College provides to students to apply against the gross tuition amount.
 - Funded discount = discounts that are funded by a revenue source
 - Unfunded discount = discounts provided to student without a specific revenue source (expense to the College without revenue to offset it).
- Net tuition revenue = the amount of tuition students actually pay after their discount is applied (tuition – discount).
- Net comprehensive fee revenue = the total amount we collect from students, including room and board (tuition – discount + room + board).

The College's principal revenue source – net tuition revenue – has been declining over time, without enough of an increase in the other sources of revenue to make up for this decline. Net tuition revenue is the amount of money St. Olaf actually receives in tuition payments from students and families, which is always lower than our total “list price” because of financial aid awards (also referred to as “tuition discounts”). The amount of net tuition revenue received by the College has steadily decreased since fiscal year 2014.

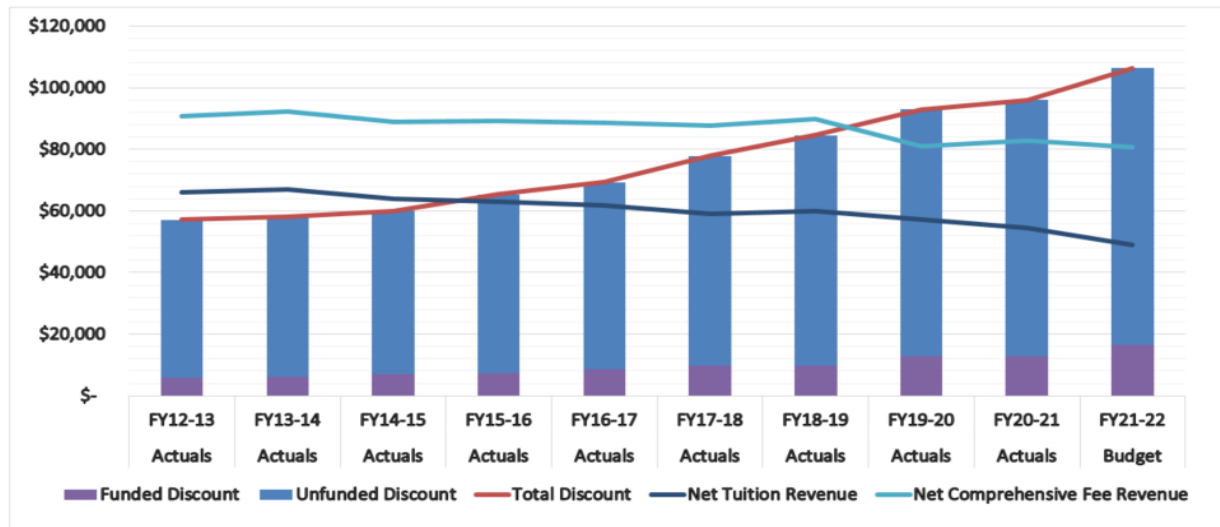
This raises another question: *How can our net tuition revenue be declining when we raise the comprehensive fee (tuition + room + board) every year?* The answer is that the tuition discounts funded by the College have been increasing at a faster rate than our “sticker price.” In other words, even though we are charging more, we are actually collecting less. Here is why: St. Olaf has long been committed to meeting the full-demonstrated need of all admitted students, and the vast majority of Oles – 94% - receive financial assistance (i.e., tuition discounts). Some tuition discounts are offset by other sources of revenue, such as external scholarships, federal grants, or designated endowment earnings. That is our “funded discount,” and those amounts are included in the appropriate categories in our operating revenue reports. However, our funded discount only accounts for 15% of the total financial aid Oles receive. The remaining 85% is provided by St. Olaf, and constitutes our “unfunded discount.” In fiscal year 2013, the total amount of unfunded (St. Olaf-provided) discount was \$51.3 million; in fiscal year 2022, it was \$89.8 million, an increase of 75% in nine years. These trends are being reinforced by our additional commitment to reducing student indebtedness by decreasing the amount

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of need met through student loans. However, decreasing student loans has meant increasing unfunded (St. Olaf-provided) tuition discounts.

Net Tuition Revenue History

(Shown in thousands)



REVENUE GROWTH VS. EXPENSE GROWTH

The College has worked hard, and successfully, to hold down many of its day-to-day non-compensation expenses, such as general supplies and travel. However, we are seeing a steady growth in our compensation and benefit expenses, particularly for health care, as well as in meal plan expenses and contracts and professional services. In addition, like other colleges, St. Olaf has experienced increased expenditures resulting from emerging federal Title IX, Affordable Care Act, and Fair Labor Standards Act regulations. These upward trends are likely to continue, because many of these costs are necessary, but not necessarily negotiable.

This increase in expenses, coupled with the decline in tuition revenue is causing a decrease in operating margins. If the expenses continue to grow at a pace faster than the revenues, and that trend is not corrected, we will be facing operating deficits in the near future that will only continue to grow, depriving us of the opportunity to make thoughtful and strategically focused decisions. It is the responsibility of all of us at the College to be good stewards of the funds and to contribute and look for opportunities to right the balance into the future.

St. Olaf is not unique in this situation. The increase in expenses with declines in revenue has been a common financial pressure in higher education in recent years, as families are unable or unwilling to pay more for tuition, while costs continue to rise. Many higher education institutions are feeling this financial pressure and are looking for ways to become more financially sustainable into the future.

UNDERSTANDING ENDOWMENTS

An endowment is an asset donated for the perpetual benefit of a non-profit institution. The donation is usually made with the requirement that the principal (original donation) remain intact, with earnings on the donation being used to support a specific purpose. St. Olaf's endowment had a value of \$702 million as of May 31, 2021 and provided \$24.0 million of earnings to support operations in fiscal year 2021, contributing 19% of our total operating revenues.

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Unitized Endowment Pool

The market value of each individual endowment fund is based on the number of units owned (units are similar to shares of stock in the stock market). When a new fund is established, the fund “purchases” units based on the prevailing market value per unit, which is calculated monthly (similar to a stock trading price). Subsequent additions and/or re-invested spending also purchase units at the then-prevailing market value per unit.

Endowment Spending Policy

Based on market conditions and expected returns, the Investment Committee shall annually recommend the spending rate on the endowment to the Finance Committee. In recent years, the board has appropriated for distribution during each fiscal year an amount per endowment unit calculated at a rate of 4.7% of the average endowment market value per endowment unit from the preceding sixteen-quarters (four years) as of the end of the calendar year prior to the beginning of the fiscal year.

Endowment Investment Policy

St. Olaf’s investment policy and objectives for endowment assets can be found on the St. Olaf website. This includes information on how the endowment assets are invested and managed.

Managing Endowed Spending Accounts

Budget managers who are responsible for endowment funds should be familiar with the donor guidelines and make sure all expenditures are in line with the donor’s intent. The Finance Office or Stewardship Office can provide copies of the endowment agreement to budget managers, if they do not already have copies.

The endowment earnings are allocated to the spending account on a monthly basis throughout the fiscal year. The allocations for the upcoming fiscal year are typically calculated after the December endowment reports have been finalized. The spending allocations tends to remain steady from year-to-year since the College uses a 4-year market average to minimize fluctuations from market changes. The budgeted amount will typically not change unless the endowment receives more gifts or re-investments, which would result in an increased spending allocation.

Why it is Important to Grow the Endowment

The bigger the endowment, the more it earns and the more we have available as operating revenue, thereby reducing the percentage of our operating revenues that come from tuition payments. The percentage of endowment earnings funding operations has been growing consistently every year. In fiscal year 2011, the endowment contributed \$12.2 million or 10% of total operating revenues, where in fiscal year 2021 the endowment contributed \$24.0 million or 19% of total operating revenues. Since fiscal year 2013, the College has made a conscious decision to grow the endowment by contributing a portion of the year-end surpluses to the endowment, when able. The Board’s goal is to “bake in” ongoing endowment growth, so that even if interest rates decline or gifts to the College slow down (both of which happened in the aftermath of the 2008 financial crisis), the College will not have to turn to students and their families to make up any deficits. The decision to re-invest for the future rather than spend now is complex, but guided by a consideration of both long-term and short-term benefits that resembles the College’s decisions concerning capital expenditures. Backing off our commitment to re-investing a portion of endowment earnings would simply postpone and, eventually, aggravate our operational challenges.