



The Basics of the Union College Budget

June 2020

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This document is intended to help the Union College community understand the fundamentals of the College budget. The following pages provide an overview of our budget with detailed explanations of the elements that comprise our revenues and expenses.

Annual Operating Budget Overview

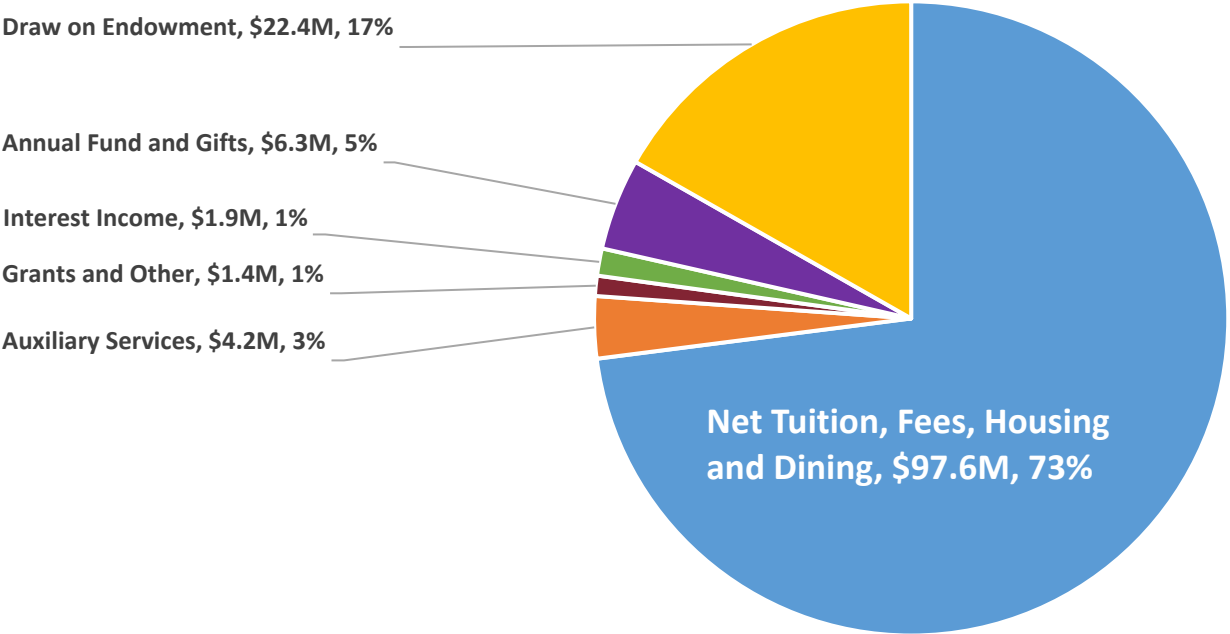
- Each year, Union College presents an annual operating budget to the Board of Trustees for approval. An operating budget sets the revenue and expense levels for the fiscal year. It identifies the level of spending required for the College to operate.
- The budget approved by the Board of Trustees applies to a fiscal year. A fiscal year is a one-year period that the College uses for financial reporting and budgeting. Union's fiscal year runs from July 1 to June 30. For example, Fiscal Year 2020 (FY20) starts July 1, 2019 and ends on June 30, 2020.
- Each budget consists of projected revenues and projected expenses for a particular fiscal year.
- Revenue is any income received by the College from an outside source, such as student tuition and fees, use of the endowment and gifts from donors.
- Expenses are the costs incurred to operate the College, such as wages and salaries, benefits, utilities, insurance, supplies, equipment and maintenance.

What is a balanced budget?



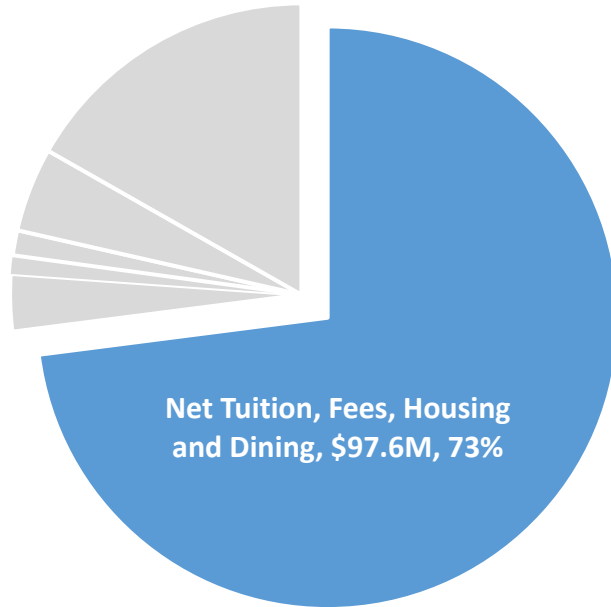
- The operating budget presented to the Board of Trustees must be balanced.
- A balanced budget occurs in a fiscal year when expenses (spending) are equal to revenue.
- If spending exceeds revenue, a deficit (loss of money) occurs.
- If spending is less than revenue, a surplus (excess of money) occurs.

Sources of Operating Revenue, FY20 Budget \$133.7M



All dollars are in millions

Revenue: Net Tuition, Fees, Housing and Dining



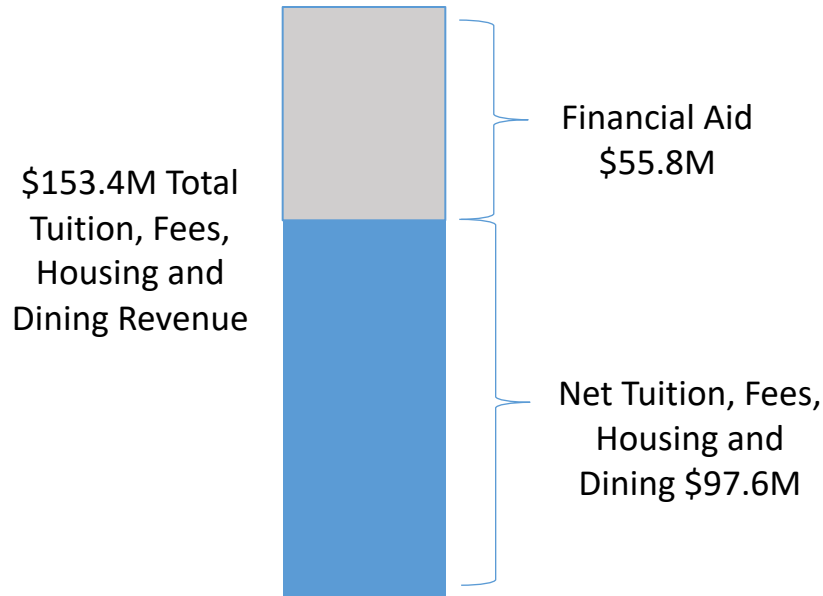
All dollars are in millions

- Net “tuition, fees, housing and dining” is calculated by taking the comprehensive fee and subtracting the financial aid award.
- The comprehensive fee includes tuition, miscellaneous fees, housing and dining. Each year, the Board of Trustees approves our annual comprehensive fee.
- The number of students enrolled, the annual comprehensive fee collected and the financial need of our students all impact our revenue.
- Net tuition, fees, housing and dining are major sources of revenue for a college. At Union it is approximately 73% of all of our revenue.

What is Financial Aid?

- Union College is committed to meeting the full financial need of every admitted student. Fewer than 100 colleges and universities nationwide make that commitment.
- Financial aid reduces the total cost for a student to attend Union College.
- Financial aid is funded by gifts, endowment and the College's operating budget. In total, 83% of financial aid comes from our operating budget as College scholarships.
- There are two types of aid that students receive: need and/or merit. Need-based aid is determined solely by the student's and family's financial need. Merit aid is based on the student's academic or other accomplishments.
- Sometimes financial aid is expressed as a percentage of total tuition revenue and is referred to as a discount rate. The discount rate is calculated by taking total financial aid and dividing it by total comprehensive fee revenue.

FY20 Budget Net Tuition, Fees, Housing and Dining



All dollars are in millions

- In FY20, Union budgeted \$153.4M in total revenue from tuition, fees, housing and dining charged to our students.
- Total revenue means the full tuition, fees, housing and dining revenue before financial aid is paid.
- In FY20, in order to meet the financial need of admitted students, Union committed to providing \$55.8M in financial aid to students.
- In FY20, Union had an overall discount rate of 36%. Simply put, for every \$1 collected in revenue, Union provided \$0.36 in aid.

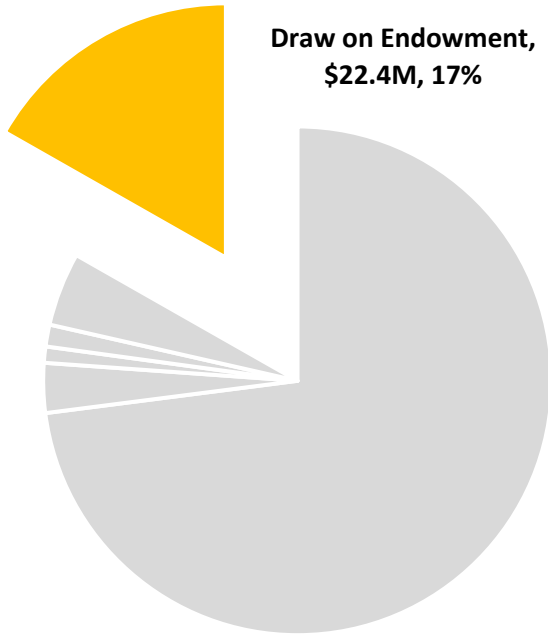
Endowment Overview

- An endowment is an investment portfolio that provides a reliable, steady stream of revenue to support the mission and operations of the College over the long term.
- Union's endowment is made up of more than a thousand individual gifts from donors who specify to the College how the funds should be used.
- The original amount of the gift is invested in perpetuity (forever) and grows over time.

Endowment Overview, Continued

- The Board of Trustees approves the use of a specified amount of the value of the total endowment each year.
- The College has an Investment Committee made up of select members of the Board of Trustees. The committee manages the endowment and determines how it is invested.
- As of June 30, 2019, the value of our endowment was \$470M.

Revenue: Draw on Endowment

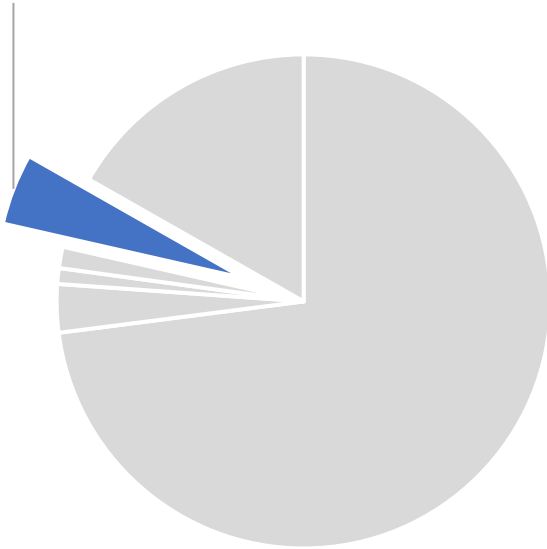


All dollars are in millions

- This use of endowment is commonly referred to as the draw on endowment.
- Colleges use a draw rate (percentage of money that can be taken from the endowment) to determine the dollar amount withdrawn from the endowment each year to be put toward the annual budget.
- The draw rate must be lower than the endowment return so that the endowment can cover commitments plus inflation. Union's current draw rate is 5.7%
- To determine the draw on endowment, the draw rate is applied to the three-year average market value of the endowment.

Revenue: Annual Fund and Restricted Gifts

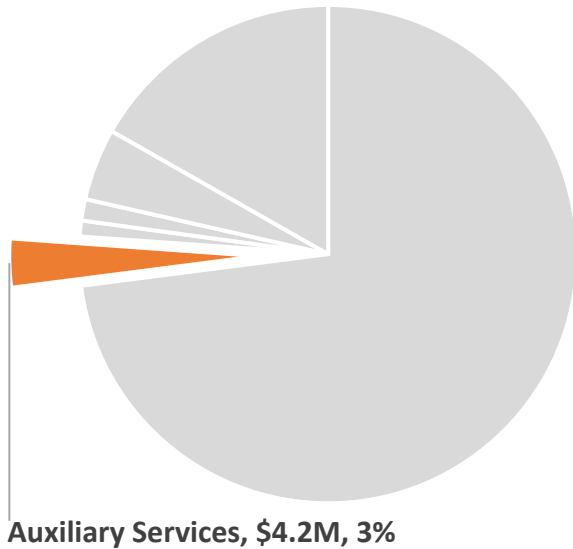
Annual Fund and Restricted Gifts, \$6.3M, 5%



- Gifts help support the College's operating budget.
- If a donor provides a gift for a specific purpose, it is considered restricted and can be used for that purpose only.
- The Annual Fund is sometimes referred to as Unrestricted Gifts. These gifts are able to be used as general funds in our overall budget.
- Approximately 76% of the \$6.3M relates to the Annual Fund and 24% are Restricted Gifts

All dollars are in millions

Revenue: Auxiliary Services

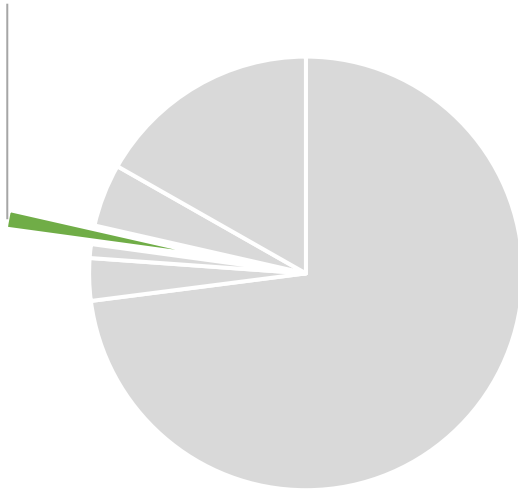


All dollars are in millions

- The College provides additional services that are intended to wholly or in part sustain themselves.
- These self-sustaining activities are often referred to as auxiliary services and include: College Bookstore and Conferences and Events.
- Typically, auxiliary services either charge for services or have a dedicated fee.
- The College Bookstore sells apparel, textbooks, supplies and food to students and the College community.
- The College rents space to outside organizations for youth sports programs, summer camps and conferences.

Revenue: Interest Income

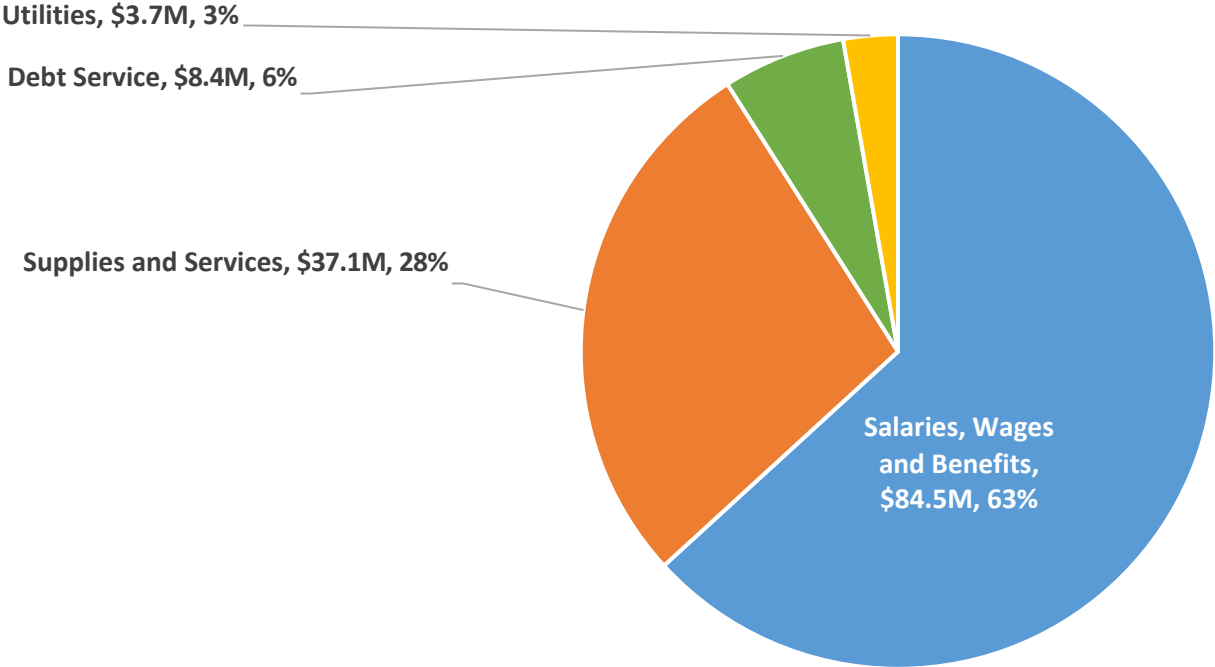
Interest Income, \$1.9M, 1%



- As part of routine business, the College has a cash account to cover operating expenses (e.g. payroll, invoices for goods and services).
- Our cash account earns interest.

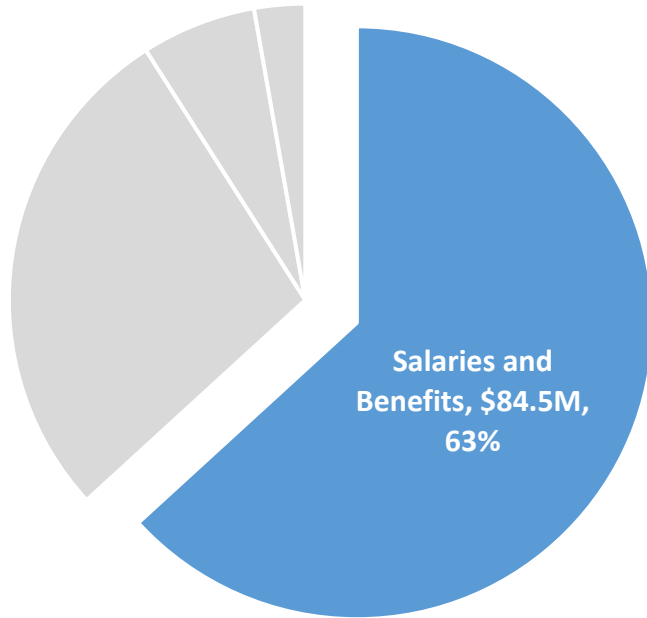
All dollars are in millions

Operating Expenditures FY20 Budget, \$133.7M



All dollars are in millions

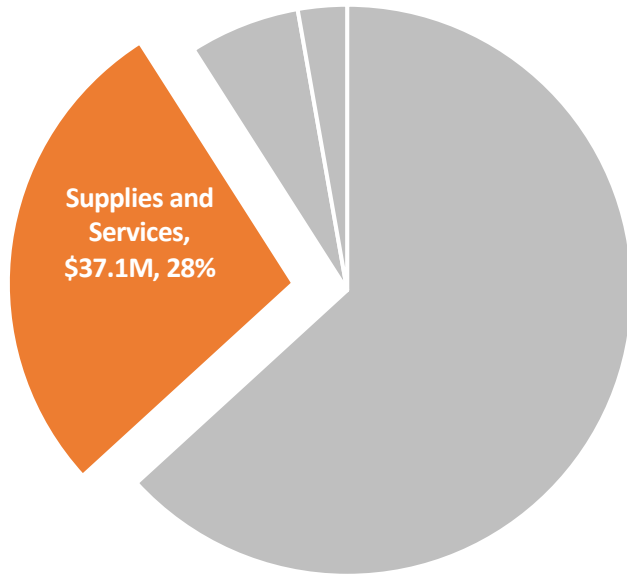
Operating Expenditures: Salaries and Benefits



All dollars are in millions

- This expense category includes the payroll for all employees of the College including faculty, staff and administration.
- Also included are the benefits provided to each employee including retirement contribution, tuition remission, medical insurance, and employer coverage of retiree benefits.
- This accounts for the largest spend at Union – 63% of all expenses.
- The \$84.5M of total compensation expense can be broken down as follows:
 - total salaries and wages - \$60.3M
 - total employee benefits - \$24.2M

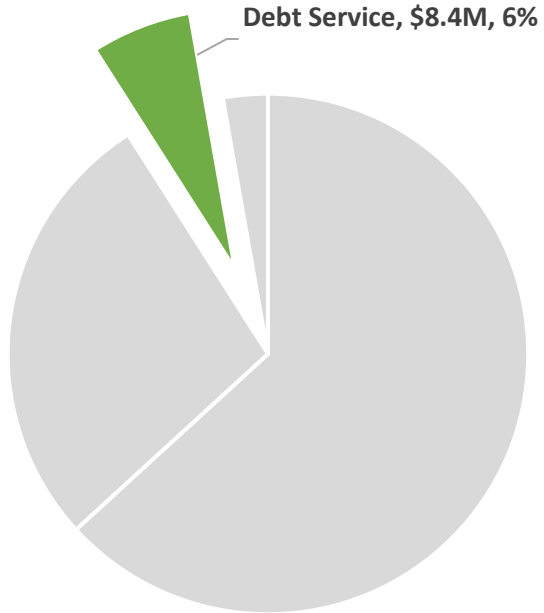
Operating Expenditures: Supplies and Services



- In order to operate the campus, a variety of services and supplies must be purchased. These purchases include: repairs, maintenance, insurance, office supplies, vehicles, waste, library acquisitions, computers, telecommunications and professional services.
- These purchases are made across all departments and functional areas of the College.

All dollars are in millions

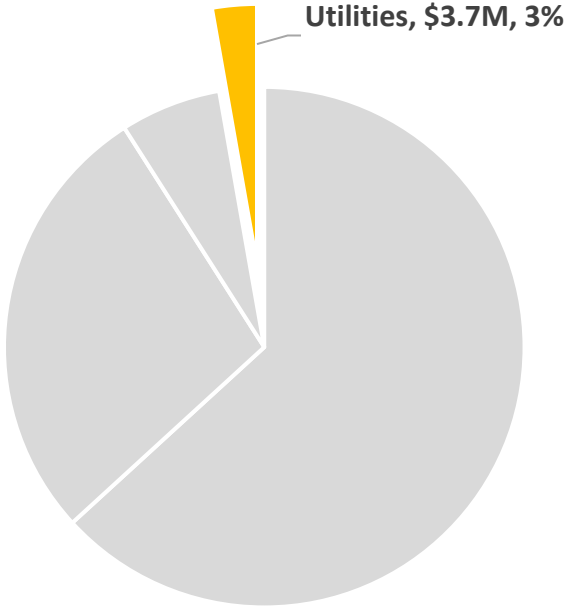
Operating Expenditures: Debt Service



- To support expansion and maintain infrastructure improvements, sometimes the College must obtain funding from lending institutions, which is categorized as debt.
- Repayment of this debt and any accumulated interest expense owed are recorded as Debt Service.

All dollars are in millions

Operating Expenditures: Utilities

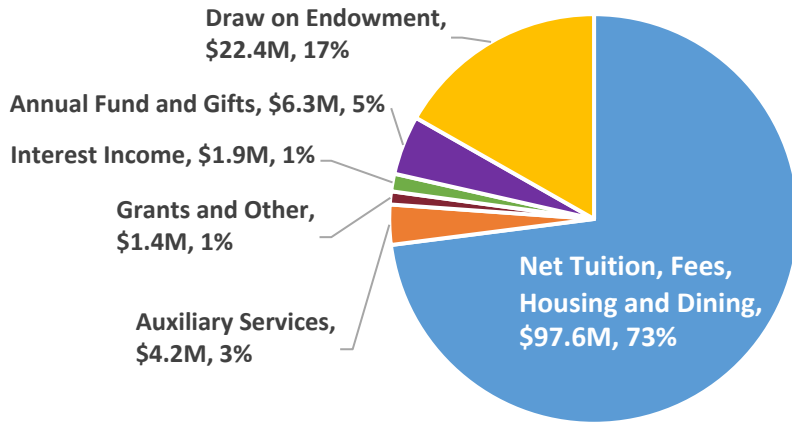


- The College must provide adequate utility services for our buildings and grounds. This expense includes natural gas, electricity, and the fee to use municipal water and sewer systems.

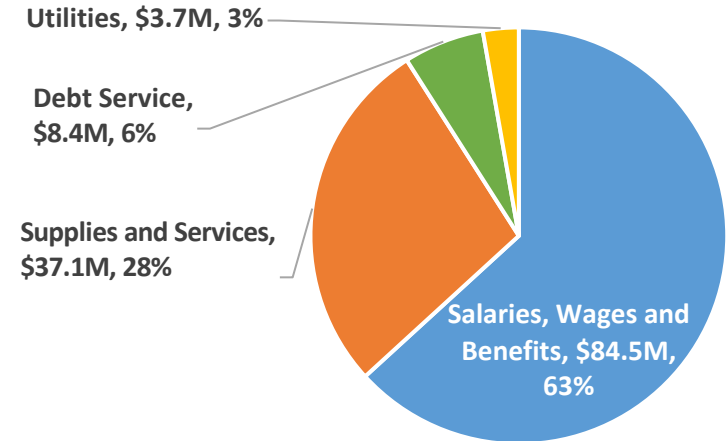
All dollars are in millions

Review: Operating Revenue and Expenditures, FY20 Budget – \$133.7M

Operating Revenue



Operating Expenditures



All dollars are in millions

FAQs

Q: What does comprehensive fee mean?

A: Many colleges charge one fee that is the total of the cost of tuition, miscellaneous fees, housing and dining. This single fee is often referred to as a comprehensive fee.

Q: What does discount rate mean?

A: All colleges provide financial aid. The discount rate is the amount a college provides in financial aid divided by total comprehensive fee revenue.

Q: What are the types of financial aid?

A: There are two primary types of financial aid. Need-based aid is determined solely by a student and family's assets and income. Merit aid is awarded to students based on their academic achievements. Union College's financial aid is primarily need-based.

Q: What does the College do if it has a deficit?

A: If the College is anticipating a deficit, it can take actions to increase revenue, reduce operating expenses, use reserves or with approval from the Board of Trustees, increase the draw rate on endowment.

Thank you for reviewing this Union College budget overview. If you have questions, please email Janice Butler butlerj@union.edu.