Tuition Income: Tracking Components Leads to Greater Understanding

By this time of year, your school budget has most likely been completed. Revenues and expenditures have been scrutinized and balanced. Expenditures have been reviewed line by line and projected for the next year. Normally, spending projections can be forecast with a degree of certainty not attainable when projecting revenues. For example, it is almost always easier to forecast next year's insurance premium increase than to know how many children will arrive for school in September.

Despite the inherent difficulties in determining accurate revenue forecasts, it is precisely these figures that govern school operating budget limits. Everything from staffing and academic programming to facility operations must fit into anticipated revenue levels.

Typically, tuition income is the most significant and complex revenue source for a school, but forecasting tuition income is both an art and a science. Budgeted tuition income represents the result of many layers of analysis and policy decisions. Below is a partial list of factors to be considered by school and parish leadership when forecasting tuition income:

- detailed studies of enrollment and demographics
- student financial aid needs and availability of school aid dollars
- sensitivity of school families to tuition increases
- scholarships
- discount policies
- registration and other fees
- parish investment dollars
- competitive tuition rates
- uncollectable tuition write-off policies

While tuition income is comprised of many moving pieces, this revenue is often disclosed as one summary number on the income statement: Collected Tuition.

Collected Tuition (also often called Net Tuition) represents actual tuition dollars received from student families. The figure encapsulates all components of tuition income and aggregates many revenue elements into one number.

To increase the usefulness of school financial statements, Catholic Finance Corporation recommends separate disclosure of Net Tuition Income components. The starting point for disclosure is Stated or Gross Tuition. This figure is calculated by multiplying the non-discounted/published tuition rate by the number of enrolled students. Next, Parishioner Discounts, Tuition Assistance dollars, Scholarships and Uncollectable Tuition estimates are subtracted from Stated Tuition. The result of this calculation is a figure called Net Tuition Income.

The following table illustrates a typical Net Tuition Income calculation:

Sample Net Tuition Calculation

Gross/Stated Tuition
    Less: Parishioner Discount
    Less: Multiple Child Discount/Other Discounts
    Less: Financial Aid Discounts
    Less: Tuition Scholarships
    Less: Uncollectible Tuition
Equals: Net Tuition Income

With separate line-item disclosure of Net Tuition Income components, the financial statement reader is able to understand the level of discounts, financial aid, scholarships and write-offs included in school operations. These components represent policy decisions and funding commitments that materially affect the parish and school. Budgeting and measuring actual results of each component is critical to understanding the school's performance.

UPDATE

Tuition Income: Tracking Components
Leads to Greater Understanding (continued)

The mechanics of first-time implementation of Net Tuition Income tracking will vary depending on the accounting system and tuition collection process in use. To begin tracking, new financial system accounts will likely be required to track each line item. Additionally, tuition collection and reporting processes may have to be adapted to capture new information.

In the first year, it may be difficult to compare current results to the prior year. However, budgets for each line item can be established and tracked each month. Beginning with the second year, trend analysis with the prior year will be possible. Any inconvenience encountered in getting started is typically justified by the resulting benefits of better understanding and clearer disclosure of tuition income components such comparisons support .

A Fond Farewell to a Valued Colleague

Longtime CFC consultant Mike Kratochvil has decided to start collecting his social security checks before the federal government changes its mind and tells him there is no money left to distribute. Mike will be heading into retirement - and the welcoming embrace of much more family time - after June 30th. Mike has been with CFC for over nine years, after devoting 34 years to St. Odilia parish in Shoreview. During Mike's tenure with us, we have come to appreciate his wit, wisdom and friendship. CFC certainly could not have accomplished all we have over these past years without Mike's dedicated service. Thanks, Mike, for a fantastic career.

A Hearty Welcome
to a New Team Member

Filling Mike Kratochvil's considerable shoes will be Mike Laughery, who recently joined CFC as a financial consultant. Mike has 20 years of experience working for for-profit companies including subsidiaries of John Deere and Pioneer, and for non-profit companies including the National Pork Board ("the other white meat") and the Church of St. Michael in Prior Lake. His specialized expertise in financial management, church management, sales and marketing, technology utilization, and building and leading teams will be invaluable to CFC and the parishes we serve. For the past three years, he has been the business administrator for the Church of St. Michael in Prior Lake. Mike lives with his family in Prior Lake, where he plays "hobby farmer" at night and works with his wife, Renee, to raise his most valuable crop: his five children.

Welcome, Mike.

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