



HIRTLE  
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Chief  
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# Assessing Your College's Financial Condition

Many colleges and universities are still recovering from the Great Financial Crisis of 2008-2009. Now with COVID -19, their operating models have been pushed to the brink, causing them to question their current and future financial condition. It is imperative that trustees take a deep look at their school's financial viability as noted economists have predicted more than 20% of colleges and universities will be forced to shut down in the next decade.

## HOW CAN YOU ENSURE THIS DOES NOT HAPPEN TO YOUR INSTITUTION?

Assessing your college's financial condition is not a straightforward process. It requires a comprehensive analysis that goes well beyond audited financial statements. Colleges and universities need to understand their enrollment trends, peers, operating margins, the conditions of their facilities and their capacity for debt.

At Hirtle Callaghan, we review the financial health of our partners as an essential part of the investment planning process. Understanding an institution's operating and financial risk helps us customize their appropriate asset allocation. In this paper, we share part of our process and outline the questions schools should be asking themselves to assess their financial condition.

# Indicators of Financial Health

There are four fundamental components of a school's financial condition: enrollment, operating results, physical plant and liquidity. To assess the health of your school, you need to evaluate your school in each of these areas.

## ENROLLMENT

Enrollment is the most important component of a school's financial condition. As a critical barometer of student demand, enrollment trends dictate your organization's future. Colleges and universities need to be intimately familiar with how their enrollment metrics have trended over time and project where they will be over the next five years. Key metrics to track include:

- Freshman enrollment
- Net tuition per freshman student
- Total enrollment
- Ratio of accepted students to total applications
- Ratio of enrolled students to total accepted students
- Freshman student retention

## PEER UNIVERSE

To fully understand your enrollment trends and projections, you need to compare your data to your peer universe. Most organizations have a variety of peer groups, but the cross-application peer group (schools where your applicant also applies) is the most relevant when looking at your student trends.

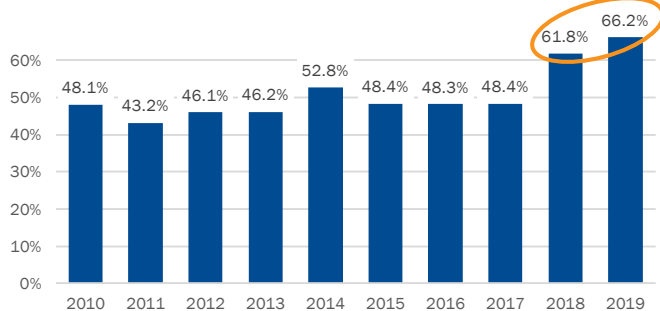
The Integrated Postsecondary Education Data System ("IPEDS") is the best data source for enrollment data. IPEDS gathers information from every college or university that participates in federal student financial aid programs. The data includes information on enrollments, program completions, graduation rates, faculty and staff, finances, institutional prices and student financial aid.<sup>1</sup> The IPEDS dataset is massive with many subsets, and,

as a result, can be difficult to cull through. We have developed a proprietary tool to aggregate competitive data and make the process less cumbersome.

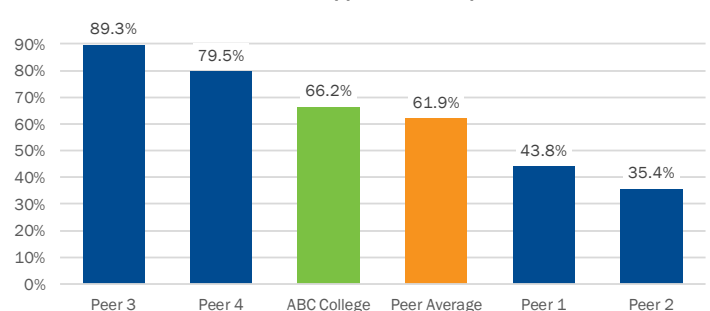
The following charts summarize the output from our IPEDS analysis of a small private college (noted throughout this paper as ABC College) in the Midwest with total enrollment of 2,400 students and an endowment value of just under \$100 million.

ABC College has experienced a dramatic shift in its enrollment profile over the past ten years. The school significantly increased the percentage of admitted students, but it still experienced a steep decline in those who accepted enrollment.

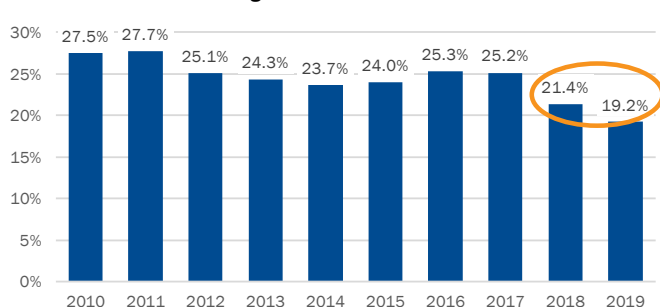
ABC College - % of Applicants Accepted



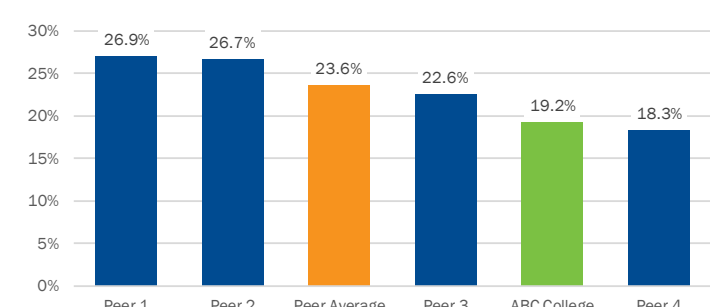
Peer Universe - % of Applicants Accepted



ABC College - % of Admitted Enrolled



Peer Universe - % of Admitted Enrolled



<sup>1</sup> To learn more about IPEDS Survey, visit <https://nces.ed.gov/ipeds/use-the-data/survey-components>. This data lags by a year but still will reveal your competitive position relative to your peers.