Financial Budgeting and Accounting Training
Agenda

1. Accounting Review
   • What is Accounting
   • Fund Accounting at FIU
   • FIU Entities
   • Revenues, Expenses and Transfers

2. What is a Budget and General Budget Concepts:
   • What is a Budget
   • Budget by Fund Types
   • Budgeting Approaches
   • Budgeting Categories
   • Budget Cycle
   • Budgeting for E&G and Auxiliaries
   • Breakeven Analysis

3. Budgeting Tips

4. Budgeting Checklist
What is Accounting?

Accounting is a systematic way to identify, measure and communicate the economic impact of events, such as activities that generate inflows and outflows.

Accounting is a self-balancing process which measures:

1. Financial Activity: **REVENUES** and **EXPENSES** for a **period**
   
   Income = Revenues - Expenses

   **AND**

2. Financial Position: **BALANCES** on a cumulative basis at a certain **date**
   - Positive balances which will provide future benefits are **ASSETS**
   - Negative balances which represent future obligations are **LIABILITIES**
What is Accounting?

Example of Economic Event:

*FIU provides educational services to students.*

1. The University has the right to collect fees from students (*Revenues*) but must also pay faculty to render the services (*Expenses*).

   **AND**

2. The University collects the cash from the student and pays cash to the professor, resulting in a net positive cash (*Asset*) balance at the end of the period.
Why “fund” accounting

Activities are segregated by funding source

Each fund:
- is Restricted in its uses by statute
- is Allocated a Budget that cannot be overspent

Currently, within each fund, activities are further segregated by Organizations and Departments that identify which unit/college is responsible for performing the activity and the specific nature of the activity (e.g. College of Business puts on the FIU Online Conference).

http://finance.fiu.edu/controller/Docs/FundRulesMatrix.xls
Which funds does FIU have?

1. **E&G - Educational and General**
   - Includes funds for instruction, academic support, general and administrative activities, and plant operations and maintenance.
   - Sources of funds are appropriated from general revenue, lottery funds and tuition.

2. **AUX - Auxiliary Enterprises**
   - Exists to furnish goods or services primarily to benefit students, faculty and staff.
   - Managed as self-supporting activities through the fees they charge their customers for products or services rendered.

3. **C&G - Contracts and Grants**
   - Supports research, public service, and training. These activities are funded from awards earned on grants, contracts, or cooperative agreements from federal, state, or local government agencies, as well as from nongovernmental organizations and individuals.
Which funds does FIU have (continued)?

4. Agencies
Monies held by an institution acting as custodian or fiscal agent. The funds are deposited with the institution for safe keeping, to be used or withdrawn by the depositor at will. These funds may be held on behalf of students, faculty, staff, organizations, or some other third party.

5. FA /FinAid - Financial Aid/ Scholarships
Provides financial assistance for students in need of financial support. In some cases, the University is holding the money funded by private donors, and state and federal agencies acting as custodian or fiscal agent. In other cases, the Institution itself funds financial aid through collection of a financial aid fee or via education and general monies.
6. **Student-Related Activities**  
   Funded by non-tuition student fees and supports activities such as:  
   - Campus Life and Career Services.  
   - Athletics  
   - Technology Fee  

7. **Concessions**  
   Tracks income from vending operations.
Which Entities does FIU have?

Entities affiliated to the University:

- FCN01 — FIU01 AP Construction
- FIU01 — Florida International University
- FIU02 — FIU Foundation: administers donations for the purpose of the advancement of FIU. Considered a Non-for-profit entity, not a governmental entity.
- FIU03 — Wolfsonian Inc.
- FIU04 — FIU Research Foundation
- FIU05 — FIU Athletic Finance Corp
- FIU06 — FIU Health Care Network
- FIU07 — FD Enterprise Holdings I, LLC.
- FSR01 — Office of Sponsored Research
- FSR04 — FIU Research Foundation
Revenues = Money coming in

Operating Revenues are generated from providing goods or services in the normal course of operations to customers.

Non-Operating Revenues are for incidental activities, such as investment earnings.

In fund accounting, revenues are recognized when measurable and available to spend, the earlier of:

- When collected in cash using cash basis (e.g. conference registration fees collected now for an event to occur in the future)

  OR

- When earned using accrual method (e.g. student registers for classes now but tuition payment is not due to University until later)

NOTE: Revenues which have not been collected are classified as receivables until they are collected in cash (e.g. the University has a receivable from a student until his/her student account is paid to the University).
Expenditures = Money being spent

Costs incurred in efforts to generate revenues, classified as:

- **Expenses** if the payment provides immediate benefits (e.g. salaries, travel)
- **Capital** if the payment provides long-term benefits (e.g. tangible assets with longer lives such as equipment).

**NOTE:** In fund accounting, all expenditures for goods and services are recorded in the period that they occur using **accrual method** (e.g. salaries are accrued for the days between the last pay period date and month-end).

At the **operating** fund level, expenditures are treated as expenses and those subject to capitalization are accounted for in another fund.

Expenses which have not been paid are classified as **payable** until they are paid in cash (e.g. invoices from vendors with certain number of days to pay).
Cash Transfers

Transfers of cash generated in one department to fund activities of another department:

- FIU Online receives 100% of all distance learning fees received from students registered in online classes. Costs to run online operations are incurred by both FIU Online and academic units. FIU Online transfers out a portion of these fees to academic units to fund their online activities.
- Parking contributes $5.0M in cash to the building of Parking Lot V, and transfers this amount to Facilities Management for the construction.
- Unit creates a new auxiliary activity, temporarily transferring funds in order to cover start-up costs to new department.

Transfers Out of the contributing department are Transfers In to the receiving department and are requested using a Cash Transfer Request Form.
Other Types of Transfers

**Budget Transfers** - This is used to transfer Budget Dollars from one Department or Project ID to another. Departments can initiate a transfer between Departments and Accounts as needed, while Projects are requested through OSRA. Because the PeopleSoft System “Tracks” Budgets, transfers between Accounts are not necessary, however if a transaction becomes stuck in the “**Budget Check**” process within the system, this Budget Transfer Process will correct the problem.

**ID Transfers - Interdepartmental Transfers** - are used to transfers between departments for **Services Rendered** or **Reimbursement of Expenses**. Used for such transactions such as the purchase of software from UTS, small construction work such as painting an office or adding a telephone and/or data drop, or for the Mail Room charges that are applied to departments University wide.
Transfers

Transfers Out are not Expenses AND
Transfers In are not Revenues

Cash Transfer

Department “A”

Department “B”

CASH

CASH

Budget Transfer

Departmental Expense “A”

Departmental Expense “B”

BUDGET → EXPENSE

BUDGET → EXPENSE

OR

Budget Transfer

Department “A”

Department “B”

ID Transfer

Departmental Expense “A”

Departmental Expense “B”

EXPENSE → EXPENSE

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Sources of Revenues and Expenses

Revenues:
- Student Financials (tuition, other student fees)
- Cashiers (cash/credit card deposits)

Expenses
- Payroll (salaries and benefits actual and accruals)
- Voucher (operating and capital expenses)
- Commodity Card (operating expenses)
- Interdepartmental charges with no approval required (phone, printing, overhead)
- Interdepartmental charges with approval required (facilities maintenance)

In both cases, re-classes of revenues and expenses from one department to another or from one account to another should be requested via an Inter-Departmental Transfer Form.
Remember the results of accounting?

1. Income measures net operations earned during the period
   \[ \text{Income} = \text{Revenues} - \text{Expenses} \]

2. Fund Balance is the net financial position at the end of the period. It represents what resources you have left to spend in the short-term:
   \[ \text{Cash} + \text{Receivables} - \text{Payables} = \text{Fund Balance} \]

   \[
   \begin{align*}
   \text{Beginning Fund Balance} & \quad + \quad \text{Income} \\
   + \quad \text{Cash Coming In} & \quad - \quad \text{Cash Going Out} \\
   = \quad \text{Ending Fund Balance}
   \end{align*}
   \]
College creates a new program to begin 7/13/xxxx

<table>
<thead>
<tr>
<th></th>
<th>Assets</th>
<th>Liabilities</th>
<th>Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash</td>
<td>Receivable</td>
<td>Payable</td>
</tr>
<tr>
<td>Balance at 6/1/xxxx</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Start-up funding</td>
<td>$ 10,000</td>
<td></td>
<td>$</td>
</tr>
<tr>
<td>from another</td>
<td></td>
<td></td>
<td>$ 52,000</td>
</tr>
<tr>
<td>department</td>
<td></td>
<td></td>
<td>$</td>
</tr>
<tr>
<td>26 Students</td>
<td></td>
<td>$ 52,000</td>
<td>$</td>
</tr>
<tr>
<td>register for classes</td>
<td>$</td>
<td></td>
<td>$ (360)</td>
</tr>
<tr>
<td>$2000 each due 7/1</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Program Manager</td>
<td>$ (2,520)</td>
<td>$</td>
<td>$ (2,520)</td>
</tr>
<tr>
<td>is paid for 2 periods</td>
<td></td>
<td></td>
<td>$ (2,520)</td>
</tr>
<tr>
<td>6/1 - 6/14</td>
<td></td>
<td>$ (1,200)</td>
<td>$ (2,520)</td>
</tr>
<tr>
<td>Purchase of laptop</td>
<td>$</td>
<td></td>
<td>$ (2,520)</td>
</tr>
<tr>
<td>for new PM</td>
<td>$ (1,200)</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>New Program Manager</td>
<td>$</td>
<td></td>
<td>$ (1,200)</td>
</tr>
<tr>
<td>is paid for 2 periods</td>
<td>$ (2,520)</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>6/15 - 6/28</td>
<td></td>
<td>$ (2,520)</td>
<td>$ (2,520)</td>
</tr>
<tr>
<td>Payroll accrues</td>
<td>$</td>
<td></td>
<td>$ (2,520)</td>
</tr>
<tr>
<td>2 days in June</td>
<td>$ (2,520)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6/29 - 6/30</td>
<td></td>
<td>$ (360)</td>
<td></td>
</tr>
<tr>
<td>Balance at 6/30/xxxx</td>
<td>$ 3,760</td>
<td>$ 52,000</td>
<td>$ (360)</td>
</tr>
<tr>
<td>Student pays for</td>
<td>$ 52,000</td>
<td></td>
<td>$</td>
</tr>
<tr>
<td>classes</td>
<td>$ (52,000)</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>Program Manager</td>
<td>$ (2,520)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>is paid for period</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6/29 - 7/12</td>
<td>$</td>
<td>$ 360</td>
<td></td>
</tr>
<tr>
<td>Reverse accrual for</td>
<td></td>
<td>$ (4,000)</td>
<td></td>
</tr>
<tr>
<td>2 days in June</td>
<td>$ (2,520)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>liability paid</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buy food for students</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>for July, payment</td>
<td>$ (2,520)</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>not due until 8/5</td>
<td>$ (3,880)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PM paid for period</td>
<td>$ (2,520)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7/13 - 7/27</td>
<td></td>
<td>$ (4,000)</td>
<td></td>
</tr>
<tr>
<td>Faculty paid for</td>
<td>$ (3,880)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>period 7/13 - 7/27</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pay back start-up</td>
<td>$ (10,000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>funding</td>
<td>$</td>
<td>$ (4,000)</td>
<td></td>
</tr>
<tr>
<td>Balance at 7/1/xxxx</td>
<td>$ 36,840</td>
<td>$ -</td>
<td>$ (4,000)</td>
</tr>
</tbody>
</table>
### Example (Continued)

#### June

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Fund Balance</td>
<td>$ -</td>
</tr>
<tr>
<td>Revenues</td>
<td>$ 52,000</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
</tr>
<tr>
<td>Salaries and Benefits</td>
<td>$ 5,400</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>$ -</td>
</tr>
<tr>
<td>Other Capital Outlay</td>
<td>$ 1,200</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>$ 6,600</td>
</tr>
<tr>
<td>Income (Loss)</td>
<td>$ 45,400</td>
</tr>
<tr>
<td>Transfer In</td>
<td>$ 10,000</td>
</tr>
<tr>
<td>Transfer Out</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 55,400</strong></td>
</tr>
</tbody>
</table>

#### July

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Fund Balance</td>
<td>$ 55,400</td>
</tr>
<tr>
<td>Revenues</td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
</tr>
<tr>
<td>Salaries and Benefits</td>
<td>$ 8,560</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>$ 4,000</td>
</tr>
<tr>
<td>Other Capital Outlay</td>
<td>$ -</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>$ 12,560</td>
</tr>
<tr>
<td>Income (Loss)</td>
<td>$ 42,840</td>
</tr>
<tr>
<td>Transfer In</td>
<td></td>
</tr>
<tr>
<td>Transfer Out</td>
<td>$ (10,000)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 32,840</strong></td>
</tr>
</tbody>
</table>

#### Tuition

- 26* $2000
- $2520
- $2520
- $360
- $5400

#### Food

- $2520
- $2520
- $3880
- $360
- $8560

#### Laptop
- $1200

#### Departmental Loan

#### Loan Payback

- $2520
- $2520
- $3880
- $360
- $8560
Agenda

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   • What is Accounting
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   • FIU Entities
   • Revenues, Expenses and Transfers

2. What is a Budget and General Budget Concepts:
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   • Budgeting Categories
   • Budget Cycle
   • Budgeting for E&G and Auxiliaries
   • Breakeven Analysis

3. Budgeting Tips

4. Budgeting Checklist
What is a Budget?

- Management *plan* for meeting probable revenues and expenses for a given period of time
- Serves as a *control mechanism* to match anticipated and actual revenues and expenditures
What is Budgeting at FIU?

- How much **money** your department will have to use during the **fiscal year** (Jul 1 to Jun30)
- **Is based on your control total or revenues generated** and it is broken-down by **revenue and expense categories**
- **Using a planning tool that is methodical, based on sound assumptions and ...**

  **Realistic - Flexible - Consistent**
Budget authority differs by type of fund

<table>
<thead>
<tr>
<th>General Funds</th>
<th>Self-supporting Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget = authority to spend based on appropriation</td>
<td>Budget = authority to spend based on estimated revenue earned</td>
</tr>
<tr>
<td>• E&amp;G</td>
<td>• Auxiliary Enterprises</td>
</tr>
<tr>
<td></td>
<td>• Contracts &amp; Grants</td>
</tr>
</tbody>
</table>
# Traditional Budgets and Alternative Approaches

<table>
<thead>
<tr>
<th>Approach</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Incremental budget</strong></td>
<td>The previous period’s budget adjusted for:</td>
</tr>
<tr>
<td></td>
<td>• recurring/non-recurring legislative line items</td>
</tr>
<tr>
<td></td>
<td>• budget cuts</td>
</tr>
<tr>
<td></td>
<td>• adjustments for critical investments</td>
</tr>
<tr>
<td><strong>Zero-based budgeting</strong></td>
<td>Budget process begins from the ground up</td>
</tr>
<tr>
<td>• Auxiliary Enterprises</td>
<td></td>
</tr>
<tr>
<td>• Contracts &amp; Grants</td>
<td></td>
</tr>
<tr>
<td>• Technology Fee</td>
<td></td>
</tr>
</tbody>
</table>
Traditional Budgets and Alternative Approaches - History from 2 Years back

- Prior Year Actual
- Current Year Actual
- Straight Line Projection
- Trend Projection
Traditional Budgets and Alternative Approaches - History from Last Year

![Graph showing quarterly budget projections for the current year compared to prior year actuals and trend projections.](image-url)
Traditional Budgets and Alternative Approaches - Avoid Temptations
Traditional Budgets and Alternative Approaches - Closer to reality
Traditional Budgets and Alternative Approaches - DoR Method

Month 1
Month 2
Month 3
Month 4
Two Parts to Every Budget

<table>
<thead>
<tr>
<th>Revenue (Inflows)</th>
<th>Expenses (Outflows)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• State Appropriations</td>
<td>• Salaries and Benefits</td>
</tr>
<tr>
<td>• Student Tuition and Fees</td>
<td>• Operating Expenses</td>
</tr>
<tr>
<td>• Self-Generated Revenue</td>
<td>• Travel Expenses</td>
</tr>
<tr>
<td>• Cash Transfers-in</td>
<td>• Cash Transfers-out</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Category</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>• Sales of Goods or Services</td>
</tr>
<tr>
<td></td>
<td>• Rental Income</td>
</tr>
<tr>
<td></td>
<td>• Sponsorship Revenues</td>
</tr>
<tr>
<td>Permanent Salaries and Benefits</td>
<td>• Faculty, Staff, Administrative Salaries</td>
</tr>
<tr>
<td></td>
<td>• Benefits</td>
</tr>
<tr>
<td>Other Personal Services (OPS)</td>
<td>• Temporary Employees</td>
</tr>
<tr>
<td></td>
<td>• Student and Graduate Assistants</td>
</tr>
<tr>
<td></td>
<td>• Adjunct Faculty</td>
</tr>
<tr>
<td>Other Operating Expenses</td>
<td>• Travel Expenses</td>
</tr>
<tr>
<td></td>
<td>• Office Supplies</td>
</tr>
<tr>
<td></td>
<td>• Repair and Maintenance</td>
</tr>
<tr>
<td>Operating Capital Outlay (Assets ≥ $5000)</td>
<td>• Personal Computers</td>
</tr>
<tr>
<td></td>
<td>• Furniture</td>
</tr>
<tr>
<td></td>
<td>• Repair and Maintenance</td>
</tr>
<tr>
<td>Cash Transfers In &amp; Out</td>
<td>• Transfers to Construction</td>
</tr>
<tr>
<td></td>
<td>• Start-up Costs for other departments</td>
</tr>
</tbody>
</table>
Budget Cycle for FIU

Preliminary Phase
Planning/Development-(July -February)

**PROCESS**
- Refine the strategic direction of the University
- Enrollment/degree plans are developed
- Funding needs for operation of current/new facilities are determined
- Funding needs for salary and benefits are determined
- Develop state and tuition assumptions, assess core infrastructure needs and determine available funding for critical investments and strategic initiatives
- Budget Kick-Off

**PARTICIPANTS**
- President
- Executive Team
- OFP/AE
- OPIR
- Facilities Management
- Human Resources
- Units
Budget Cycle for FIU

Implementation Phase
(February - April)

**Process**
- Budget Training sessions are delivered
- Current year forecasts and next year’s operating plans are prepared and presented for review and approval
- Critical Investments are simultaneously developed and consolidated
- Stakeholder meetings, including VPs, are held throughout the process in order to refine strategic roles and prioritize resources needs
- University-wide plan is consolidated and presented to the Operations and Executive Committees for reviews

**Participants**
- Units
- OFP/AE
- Operations Committee
- Executive Team

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Budget Cycle for FIU

Review Phase
(April - May)

- Revenue assumptions are refined based on legislative session outcomes
- Final adjustments & recommendations to critical investments are made and final operating budgets are established University-wide
- Develop Legislative Budget Requests and present to FIU’s BOT for approval
- Final budget is approved by BOT
- Budget is submitted to BOG (Aug)

Participants:
- President
- Executive Team
- OFP/AE
- BOT
Budget Cycle for FIU

Posting Phase

(June)

- Final budget is approved by BOT
- Budget is posted and reviewed to Departments
- Budgets are put on hold until July 1

Participants:
- OFP/AE
Budget Cycle for FIU

**Prior Year**
- **Preliminary Phase**: July - February
- **Implementation Phase**: February - April
- **Review Phase**: April - May
- **Budget Posted**: End of June

**Current Year**
- **Monitoring Phase**: July 1 - June 30

**Process**
- Compare Budget to Actuals
- Investigate Variances
- Take corrective actions

**Participants**
- Units
- OFP
- CFO

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# Budgeting for FIU

<table>
<thead>
<tr>
<th>Ledger Group</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CC_DEP (Department Child)</td>
<td>Expense budgets, expenses, encumbrances &amp; pre-encumbrances for Departments* or Activity Numbers by detail Budget Account</td>
</tr>
<tr>
<td>CC_PRD (Department Parent)</td>
<td>Expense budgets, expenses, encumbrances &amp; pre-encumbrances for Departments* or Activity Numbers by Parent Department</td>
</tr>
<tr>
<td>CC_REV</td>
<td>Budgeted, collected and recognized revenues</td>
</tr>
<tr>
<td>CC_PG (Project Child)</td>
<td>Expense budgets, expenses, encumbrances &amp; pre-encumbrances for project by detail Budget Account</td>
</tr>
<tr>
<td>CC_PID</td>
<td>Expense budgets, expenses, encumbrances &amp; pre-encumbrances for Departments* or Activity Numbers by detail Faculty Allocation</td>
</tr>
<tr>
<td>CC_PRP (Project Parent)</td>
<td>Expense budgets, expenses, encumbrances &amp; pre-encumbrances for projects by Parent Project ID</td>
</tr>
</tbody>
</table>

* Organizational Unit

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Budgeting for E&G at FIU

- OFP determines total E&G funds available
- Control Totals are communicated to each Executive Area Budget Manager (EABM) using the incremental budget approach:
  - Based on Prior Fiscal Year final budget, adjusted for
    - Recurring/non-recurring legislative line items
    - Cuts for New Fiscal Year, as approved in the 3-year budget reduction plans
    - Changes for critical investments
- EABM’s distributes unit/college-level budgets to Finance Director/Manager
- Finance Director and Manager work with Directors, Dept Chairs and/or Deans to allocate control total budget to budgetary accounts and months
Budgeting for Auxiliaries at FIU

- Auxiliary enterprises generate revenues, unlike E&G.
- They are managed as business and as such, their fund balances accumulate from year to year.
- Appropriate uses of revenues are limited by statute, refer to Auxiliary Guidelines located in Auxiliary & Enterprise Development website - http://aed.fiu.edu.
Budgeting for Auxiliaries with a Strategic Focus

For existing auxiliaries with minimal expected growth

Revenues:

- Obtain historical performance from prior years
- Adjust based on strategic goals or expected changes in market conditions (e.g. citation revenue generated by Parking decreased when PG-V opened)

Expenses:

- Obtain historical performance from prior years
- Consider changes in resources required to operate activity, such as
  - Hiring additional personnel
  - Effects of inflation or contractual price changes
  - Capital purchases

- In both cases, do not forget to determine timing of revenues and expenses (effect of *seasonality*)
Budgeting for Auxiliaries with a Strategic Focus

For new auxiliaries or those with significant expected growth

Revenues:

- Gauge demand for new services/programs
  - How large is the readily available pool of customers?
- Adjust Research the market/competitors
  - What are they doing?
  - What are they charging?
  - What is our competitive advantage?
  - Why would someone come here?
- Do we have the resources to provide services?
- Will other services suffer?
- Do we have the facilities to provide services?
- What can we charge for the service?
Budgeting for Auxiliaries with a Strategic Focus

For new auxiliaries or those with significant expected growth

Expenditures:

- What are the fixed costs, those that do not change with the number of customers?
  - Salaries and Benefits
  - Office expenses
  - Space and Facility costs

- What are the variable costs, those that increase with the number of customers?
  - Food
  - Software licenses
  - Duplicating and Textbooks

- What are the indirect costs, those that are shared by multiple units?
  - Auxiliary management fee
  - Dean’s cost or Academic Affairs

- How much reserve do I need for working capital and future capital outlay requirements?

- What start-up funds do I need?
Budgeting for Auxiliaries: Breakeven Pricing Analysis

For cost-recovery type auxiliary activities (e.g. tuition-plus program)

<table>
<thead>
<tr>
<th></th>
<th>Annual Costs</th>
<th>Cost Per Student</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated number of students</td>
<td>80</td>
<td></td>
</tr>
<tr>
<td><strong>FIXED COSTS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary and Benefits for Faculty &amp; Program Manager</td>
<td>$115,000</td>
<td></td>
</tr>
<tr>
<td>Operating expenses (travel, supplies, marketing, etc.)</td>
<td>$13,000</td>
<td></td>
</tr>
<tr>
<td><strong>Estimated FIXED costs</strong></td>
<td>$128,000</td>
<td>$1,600</td>
</tr>
<tr>
<td><strong>VARIABLE COSTS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food costs</td>
<td>$120,000</td>
<td></td>
</tr>
<tr>
<td>Software license</td>
<td>$4,000</td>
<td></td>
</tr>
<tr>
<td><strong>Estimated VARIABLE costs</strong></td>
<td>$124,000</td>
<td>$1,550</td>
</tr>
<tr>
<td>Auxiliary management fee (6.5%)</td>
<td>$16,380</td>
<td>$205</td>
</tr>
<tr>
<td><strong>BREAKEVEN price per student</strong></td>
<td>$3,355</td>
<td></td>
</tr>
<tr>
<td>Additional 5% for working capital &amp; OCO reserve</td>
<td>$168</td>
<td></td>
</tr>
<tr>
<td>Graduate tuition and fees ($400 per Credit * 30 credits)</td>
<td>$12,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL PROGRAM PRICE</strong></td>
<td>$12,168</td>
<td></td>
</tr>
</tbody>
</table>
### Budgeting for Auxiliaries: Breakeven Pricing Analysis

For unrestricted auxiliaries or external services (e.g. review course):

<table>
<thead>
<tr>
<th>Costs</th>
<th>Cost Per Student</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit selling price (based on market)</td>
<td>$250</td>
</tr>
<tr>
<td>VARIABLE COSTS: Class materials</td>
<td>$ (75)</td>
</tr>
<tr>
<td>Contribution per student</td>
<td>$175</td>
</tr>
<tr>
<td>FIXED COSTS: Salary and Benefits for Adjunct Professor</td>
<td>$4,500</td>
</tr>
</tbody>
</table>

\[ \text{BREAKEVEN number of student} = \frac{\text{Fixed Costs}}{\text{Contribution per student}} \]

\[ = \frac{4,500}{175} = 26 \]
Agenda

1. Accounting Review
   - What is Accounting
   - Fund Accounting at FIU
   - FIU Entities
   - Revenues, Expenses and Transfers

2. What is a Budget and General Budget Concepts:
   - What is a Budget
   - Budget by Fund Types
   - Budgeting Approaches
   - Budgeting Categories
   - Budget Cycle
   - Budgeting for E&G and Auxiliaries
   - Breakeven Analysis

3. Budgeting Tips

4. Budgeting Checklist
General Tips on Budgeting and Forecasting

- Revenue ≥ Expenses
- Check the bottom-line for each entity
- Compare the budget or forecast to actual data
- Budget monthly and pay attention to timing. Forgetting to do so will result in:
  - Having to explain variance to budget
  - Missing opportunity to reallocate savings for other uses
- Budget at the appropriate level of detail (e.g. stay away from “miscellaneous” categories)
- Budget at the same account as Actuals
- On-going vs. One-time
- On-going and base are not necessarily the same
- Not sure which costs can be paid by each fund? Refer to the Expenditure Guidelines
General Tips on Budgeting and Forecasting

- Understand how your operation really works
- Allow for enough time
- Make sure it makes sense
- Trust your judgment
- Document assumptions
- Print a summary
- Check one more time

\textbf{Don’t hesitate to ask for help!!}
Agenda

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3. Budgeting Tips

4. Budgeting Checklist
Annual Budgeting and Forecasting Checklist

- Determine timeline
- Obtain assumptions (e.g. Control Totals for E&G, operating plans for auxiliaries)
- Agree on a budget approach
- Develop draft revenue budget
- Develop draft expense budget
- Review comprehensive draft budget
- Obtain budget approval
- Input budget in PeopleSoft
Questions?