

Standard Nine: Financial Resources

Description

Financial Stability

Long-term financial stability, autonomy and viability have been of paramount concern for the Urban College of Boston since 1967 when the original Urban College Program offered its first courses.

Financial stability is a primary goal of the Board of Trustees. The Board's policies are implemented by the Office of the Dean of Administration, who is responsible for the Financial Office and serves as the Chief Financial Officer. The Board adopted six strategic goals (*2005 Strategic Plan*) in November 2005, two of which specifically address financial matters:

- **Goal One** – Development
To increase non-tuition revenue and diversify the College's sources of financial support, to increase the number of individual donors and related contribution income and to strengthen relationships with foundations to secure funding from that source.
- **Goal Five** – Capital Needs
To assess promptly the College's physical plant and educational facilities and to adopt in a timely manner a multi-year plan to better meet current and future needs.

The history of successful planning to attain financial stability dates from its initial *Five-Year Plan of the Urban College (1995-1999)* that projected total revenue would grow to \$1.6 million – a goal that, in fact, the College achieved during 2000, its first year of independent operations and just one year before initial NEASC accreditation in fall 2001. The greatest value of that early plan was as a tool that estimated quite accurately the actual cost of supporting the College's programs and growth. The most significant exception was to under-estimate the role of government grants and to over-estimate the degree to which tuition could support the College. Rather than increasing as a share of total income from 40 percent to 55 percent, then to 60 percent; in reality, tuition grew from 26 percent of income in 2001 to about 40 percent in 2005. Currently, the primary source of support for the College is from government grants, although the financial stability of the College is derived from a diverse base of funding sources.

The financial operations of the College focus sharply on its educational mission, students and their academic programs. While enrollments have grown since 2000-01, financial operations have remained remarkably stable and in balance, resulting in a modest surplus from operations each year. (See Exhibit 9.05: *Audit Reports*.)

Stability depends on continuing to do what has worked in the past – planning carefully, controlling costs and attending to the stewardship of all resources supporting the College. Having sufficient financial resources has been a dominant factor in the development of the College. The College develops in response to growth opportunities that evolve out of successful programs. The Leadership Team, working closely with the President, builds the annual budget based on historical patterns of expense and then will add incremental programs and identifies the funding source(s). The proposed budget is presented to the Finance Committee and presented to the entire Board of Trustees by the Board Treasurer, who serves as Chairman of the Finance Committee, for Board approval. The Board of Trustees makes recommendations for changes to the budget and suggestions for achieving the goals implicit in the budget. The College monitors its finances through an annual budget and monthly reports.

The single largest expense in the College budget is salary and wages. This supports 15.6 FTE's, the full-time equivalent positions filled by the individuals who run the College. These personnel costs represent 67 percent of the total expense of running the College. This number has remained relatively stable, although program changes have required an incremental change (2-3 FTE's) during the past year.

The requests for staff increases, necessary to develop programs to support the student population, originated with the Academic Dean, reviewed by the CFO and together they enlisted the President's support and presented the proposal(s) at joint meetings of the Board's Personnel and Finance committees. Board members focused on available funding but readily recognized the need for more bilingual staff and a full-time faculty member. The Board support for the additional staffing requests was unanimous and enthusiastic.

The College has no debt, a practice we encourage our students to model by offering no student loans. The cost structure of the College is quite stable, e.g. salary and wages are in the 66-68 percent range of expenses.

Financial Resources

At the first Board meeting, following the completion of the annual audit and its review by the Finance Committee and Board, the CFO prepares a year-to-date report regarding the financial condition of the College. The report includes projections of trends and budget goals to year-end. Based upon this review, a preliminary budget for the next fiscal year is prepared, including prioritizing alternative program options, FTE increases and a full listing of anticipated funding sources. This budget receives preliminary approval, subject to further review at the first fall Board meeting and serves as the basis for operation during the next fiscal year that begins in September.

Reserves for the Urban College of Boston consist of net assets accumulated annually since 2001, which are held as near-cash assets in the operating account and provide cash flow to support College operations.

Tuition and Fees

Although incorporated as a private college in Massachusetts, the Urban College has kept its tuition charges low and within the same range as tuition costs at local two-year community colleges. Many of the students fall within or slightly above federal poverty guidelines or are part of the “working poor”. As expressed in the mission statement, the Urban College is *committed to the belief that access to career-related and quality liberal arts education and to an accompanying system of comprehensive support results in the professional and personal success of those who might otherwise remain unemployed, under-employed or unfulfilled*. To fulfill this mission, the College is marketed to students from disadvantaged backgrounds. Therefore, the College continues to keep tuition at the most affordable rates possible. Prior to 2004, tuition was \$100 per semester and student fees were \$10 per semester. With a tuition increase in January 2004, the tuition cost is \$125 per credit hour and the student activity fee is \$10 per semester.

Tuition revenue has increased from \$422,000 in FY2001 to more than \$800,000 in FY2005, an increase of 90 percent. Course registrations increased about 25 percent during the same period. This increase can be attributed to the increase in tuition costs in spring 2005, an increase in new students per semester, increased percentage of returning students and increase in the number of courses taken per semester. In the past five years, tuition has grown from being 26 percent of income to represent 41 percent of income.

Financial Aid

A significant number of UCB students qualify for financial aid, primarily Pell Grants. These are awarded directly to students, on the basis of need and are used for tuition. Funds awarded in excess of tuition are refunded to the students. In 2004-05, 323 students received \$451,992 in Pell Grants; approximately 70 percent was used to pay for tuition with the balance refunded to students. This represents an increase of \$75,000 over the prior year. In addition, 65 students received support from SEOG, Mass Part-Time Grants and MassGrants of \$71,000, an increase from \$68,000 the prior year.

Scholarships, totaling \$12,000, were awarded as honors fellowships to 18 students who met qualifications, increased from 15 the previous year. (See Exhibit 9.06: *Scholarships*.) These scholarships, provided by the Malkin Family Foundation, have been awarded for the past three years.

Approximately 40 percent of tuition comes from Pell Grants, relatively stable from year to year. The two next largest sources of tuition income are from employers (21 percent) and from students themselves (30 percent). Together these categories comprise 91 percent of the budget. It is significant to not that support derived from Pell Grants has increased 200 percent since FY2001.

Urban College’s student body is highly dependent upon financial assistance to attend college. It is important that students take advantage of the grants and scholarships available to provide not only sufficient tuition funds but money for books and other college expenses.

Since 2001, the College has expanded the hours of the Director of Financial Aid from part-time to full-time to meet the increasing enrollment, thereby financial aid requests. Ms. Patricia Harden has over 35 years of experience administering federal financial aid programs. She provides on-going assistance to the students in completing the applications for all financial aid – federal, state and scholarships.

In recognition that not all students will qualify for federal and state financial aid, the College has worked diligently to find additional funding to provide financial aid for those students who are *working poor* with incomes slightly too high to qualify for Pell Grants. This additional funding has occurred through federal and state grants.

Federal and State Grants

The Urban College of Boston operates in an area full of financial growth opportunities. The College is engaged in work related to federal and state initiatives surrounding Early Education and Care, which are advancing the higher standards for professional development requirements of early childcare staff. The College is engaged in work related to such initiatives that is being supported by four federal and state grants that are anticipated to continue for the foreseeable future. In addition, the College has received designation by the U. S. Department of Education, Title V, as a Hispanic Serving Institution and although nothing is guaranteed, the College is completing a grant proposal that will provide additional funding opportunities under this new designation. Since 2004, the College has obtained the following federal and state grants:

- **The Latino/Hispanic Service Partnership:**
In fall 2004, the Urban College received a \$750,000 grant (over five years) from the U.S. Department of Health and Human Services to develop *Classroom Connections: A Teacher Quality Initiative*, the purpose of which is to enable a group of Head Start teachers working at centers in Jamaica Plain and East Boston to complete the program in Early Childhood with an emphasis on enhancing cultural competency – preparing them to work with Latino children and families. A particular advantage of this partnership with the Education Development Center, Inc., of Newton MA, a nationally recognized leader in this field, is that the curriculum materials will be widely disseminated to ensure that the experience from these classrooms can be replicated.
- **Building Careers:**
Funded by the Massachusetts Department of Education, in 2004 and renewed in 2005, the College received *The Building Careers* grant (\$35,000 per year) which funds a continuing program to implement the new Massachusetts requirements for prospective Early Childhood teachers. This program has served as the model for the new statewide initiatives of the new Massachusetts Department of Early Education and Care.

- Professional Enrichment in Early Childhood Education (PEECE):**
 In 2004, the Urban College of Boston and ABCD Head Start received \$2,000,000 in funding from the U.S. Department of Education (DOE) over two years. Head Start now requires that all teachers have a B.A. degree by 2007, a schedule promoted by DOE. The PEECE accomplishes this goal by a five-tier professional development continuum that links community volunteers, parents, teacher aides and teachers, some of whom are seeking their master's degree, into a coherent program. Of seven such initiatives funded last year by U. S. Department of Education, PEECE is the *only* direct collaboration between a Head Start program and a college.
- The Department of Early Education and Care (DEEC):**
 In 2005, this newly organized department from the Massachusetts Department of Education was given a budget of \$480 million to assist low-income families and to provide financial assistance for teachers to further their education in the field. With this additional funding, there will be an increased focus and new resources for the professionalism of this important workforce sector. Since the College is consistently the low-cost, high-quality provider of early childhood courses, it is expected that the College will see an increase in student enrollment, therefore an increase in tuition revenue from this new student funding opportunity.

Additional Federal Funding

In addition to direct grant funding above and beyond tuition income, the College receives \$250,000 from Community Service Block Grant (CSBG) funds. Action for Boston Community Development, Inc. is the primary recipient of the CSBG funds for the city of Boston and the College has been a recipient of these designated funds for the past six years as part of a sub-contract to provide services which meet the goals and objectives of CSBG and address the needs of the low-income population in Boston. This funding has been approved for FY2006.

The College has also received Congressional appropriations each year since 2000, for a total of \$5,507,000, averaging slightly more than \$900,000 per year. Urban College spends these funds at a rate significantly lower than the funding level and holds approximately one-third of each grant in reserve for future years. At the end of FY2005, the cumulative balance of these funds available to the College is \$1,867,251. The FY2006 budget will use \$730,000 of those funds, leaving a balance of \$1,137,251, which is significant to support the operations of the College at present levels through the middle of FY2008.

Urban College continues to work diligently in order to ensure that the Department of Education will maintain this level of support in the future.

Corporate and Foundation Grants

A new Director of Institutional Advancement joined UCB in September 2005. As part of its institutional advancement fund-raising strategy, the College hired two freelance higher education and community services grant writing specialists to fill the void when the former Director of Institutional Advancement left in 2004.

The College continues to foster a culture of giving. Gifts received include:

- \$75,000 gift from the Malkin Family Foundation to be used for scholarships;
- \$120,000 gift from the Harold Whitworth Pierce Charitable Trust Fund to fund the Learning Resource Center and the Bilingual Early Childhood Education program;
- \$40,000 from the Agnes M. Lindsey Trust.
- \$10,000 from the Mifflin Foundation to purchase textbooks and supplemental materials for students;
- \$30,000 gift from the Amelia Peabody Charitable Trust for the purchase of computers and additional technology in the Learning Resource Center and Writing Lab;
- \$5,000 gift from the Malkin Family Foundation to begin an Alumni Association; and
- \$2,000 gift from the John F. Welch Foundation.

The College anticipates that with the addition of the new Director for Institutional Advancements, the support from private funding such as Jane's Trust, Mellon Foundation, William and Flora Hewlett Foundation and Yawkey Foundation will yield positive results. Grant applications are being targeted to these organizations and others, for a variety of long- and short-term initiatives aimed at continue the College's financial success.

Financial Planning, Management and Organization

The financial operations reflect the size, organization and focus of the Urban College. The financial staff includes the Staff Accountant, Dean of Administration and Director of Financial Aid. Together they manage to flow of grants, tuition funds and financial aid that support the College. After becoming an independent 501(c)3 corporation in 2000, the College continued to contract for certain services with ABCD, Inc., that included information technology, office services and financial accounting services. The latter has gradually migrated more directly to the College; with the hiring of the Accountant, who became full-time in 2005, this work is now directly managed by the Financial Office. ABCD has continued to provide extremely valuable expertise through the end of FY2005 and continue in a reduced role going forward in FY2006.

These services are detailed under a legal *Memorandum of Agreement* (MOA) between UCB and ABCD, signed in March 2000 and reviewed periodically as the actual relationship between the

parties has evolved. A revision outlining those changes has been drafted and should be approved shortly. (See Exhibit 3.04: *Memorandum of Agreement*.)

As a recipient of federal funds, the College segregates the duties of authorization, financial aid awards, the actual crediting of student accounts and check signing between four individuals. In addition, checks over \$500 require two signatures. These practices, and others, are adapted from federal guidelines and are reviewed during the annual audit.

Given the size of the organization, these controls have proven sufficient for the College such that more formal policies and guidelines have not been required.

Continuing contractual obligations (such as insurance) are reviewed and approved by the Board as part of the budget process. Any new contract(s) for consulting, or other services, would have a separate independent review in addition to the budget approval.

Appraisal

Financial Stability

Within the constraints of obviously limited resources, and receiving no direct unrestricted the funding from the Commonwealth of Massachusetts, the Urban College has been able to strengthen significantly several program areas. Indeed, the basic business proposition of the College has been to focus on general studies (liberal arts), human services, especially through courses and concentrations in early childhood education, and specifically investing in language development that includes speaking, reading and writing courses for students for whom English is a Second Language. Facilitating the professional development of this target population is one way that the College adds value to the urban community where these students live and which the College serves.

UCB programs, and tuition, compare favorably with other two-year institutions in Boston. For the foreseeable future, the College will continue to occupy leased space, but will require additional space in the next two-three years if programs are to meet anticipated demand.

Financial projections shown elsewhere assume that space does constrain growth and that additional funding from new sources will be required to support further growth. Rent is fixed for the initial lease period, but subject to increase upon renewals.

UCB has set a pattern of raising tuition every three years, rather than annually, in order to provide some stability for students. The last increase was 25 percent in FY2004, from \$100/credit-hour, equal to \$300 per three credit course, to \$125, equal to \$375 per course. The next increase would likely be in 2007 and is reflected in the CIHE Form 2.1 projections for two years forward.

At the same time, costs increase annually. Staff have received a three percent salary increase each year since 2000 through 2006. Most staff salaries are within the range of comparison with competing local colleges. However, it is also the case that salaries for adjunct faculty have

increased more substantially in order for the College to attract and retain loyal and qualified teachers. In 2003 the increase was in the 14-16 percent range, and in spring 2006 will be in the 12.5 to 14 percent range.

The only budget cost item to increase this year more rapidly than other more directly controlled expenses has been healthcare. Premiums for coverage provided by Tufts HMO have been relatively stable for the last three years, but increased for FY2006 by 22 percent. The annual impact of this is over \$12,000. While this is a one-time increase, the potential longer-time impact could be substantial since the College pays 75 percent of the premium for enrolled employees. Were funds needed for other priorities, the policy could be reviewed and changed with Board approval; however that is not presently under consideration. The good news is that on balance, fringe benefit costs (depending on employee choices and salary level) still average just above 31 percent.

Complete financial data are available in Exhibit 9.4: *Financial Data* for the three years FY2002-2004. The CIHE Data Form 1, located in Appendix A, provides additional information about the FY2005 budget, as well as for FY2006. The audit for the FY2005 is presently underway.

Certificates of insurance coverage are included in Appendix B.

The budget review and financial planning cycles for the Urban College have been very stable for the last five years. This has proven to be a major asset for UCB. Faculty and staff realize there are limited funds available for new initiatives and programs, unless funded by new sources of money, and so have been quite diligent at developing those sources to support these programs and courses. There is little likelihood of overspending since costs are clearly estimated, controlled and there have been few surprises. Limited options do exist for alternate funding, including approval for a \$100,000 line-of-credit with Citizens Bank that has never been used.

Fundraising Initiatives

An important foundation for successful fundraising activities is a broad-based annual fund program. In the past, the Urban College of Boston has conducted an annual fund appeal but has depended significantly upon employees of ABCD and UCB for the majority of its donors. Nearly 90 percent of revenue in FY2005 came from these two donor segments. While we are grateful for the staff support that this exhibits, this sort of unilateral donor mix does not provide the kind of healthy diversity that will lead to the expanded support and outreach necessary to build a strong financial future for the UCB.

In order to create this healthy funding foundation, a new strategy will concentrate on building an annual fund program in a well-considered, if initially conservative, fashion. We have engaged professional fundraising counsel to write and design our appeal letters that will be mailed to staff, past donors, and new prospects on a regular, ongoing schedule.

The goal will be to create an appeal plan that will obtain donations through multiple solicitations. Ultimately, this will be composed of mailings that will be designed to renew past donors as well as prospect for new supporters between three and five times per year.

A comprehensive plan has been created to solicit appropriate foundations for grant support. Twenty potential foundations and trusts have been identified and a systematic, prioritized communication and proposal strategy is underway.

Other funding initiatives that have been created or are in the process of being implemented include a car donation program, a monthly “sustainer” mechanism whereby donors can make regular contributions via a bank draft or credit card, an in-honor or in-memory tribute giving program, and the ability for the College to provide charitable gift annuities or bequest opportunities.

A detailed fundraising strategic plan is being crafted so that all important past donors and new prospective donors will be identified and contacted. The newly launched Alumni Association will be encouraged to provide financial and logistical support for the College.

Opportunities to leverage partnerships with corporations, media outlets and other institutions that could benefit the Urban College will be identified and pursued.

Auditing and Evaluation of Financial Records

Since choosing the SONIS student information and its adoption in 1999, the administration has become aware of the need to expand and upgrade the College’s financial reporting capacity. As recommended, and in consultation with the auditors since 2002, there has been extensive screening and field interviews, as part of a selection process. The conversion and upgrade will occur in 2006, with a two-stage conversion from having what really constitutes three separate systems: SONIS for student records, Excel based financial tracking and budgeting system, and QuickBooks for accounting. Duplicate data entry will end, along with the possibility of errors, and more rapid, and far more accurate reporting, will be possible. The SONIS-Web, a web-based program, will link directly with *Financial Edge*, a more robust and flexible set of financial applications that has been extensively tested at institutions larger than, and equal in size to, UCB. *Financial Edge* is a product of Blackbaud, Inc., a recognized industry leader.

Institutional Effectiveness

Since 2001, Urban College of Boston has substantially increased its income from federal and state grants, Department of Education appropriations and corporate and foundation grants. In addition, there has been a significant increase in dollars generated through tuition. With the formation of the alumni association and the addition of the Director of Institutional Advancement, the College anticipates a greater income from annual giving, major gift identification, as well as corporate and foundation gifts.

The *Community Survey* question for the Standard on Financial Resources hypothetically asked, *If I were in charge of spending, I would put money into ...*, then listed one item representing each of the other ten standards. The alumni cohort was most interested in increasing financial aid (96 percent), academic support (89 percent) and full-time faculty (89 percent). Current students listed student services (85 percent) and financial aid (84 percent). Both student cohorts were least interested in funding physical and technological resources. Faculty respondents, on the other hand, were most interested in physical and technological improvements (87 percent) and in hiring full-time faculty (82 percent); they were least interested in improving spending money on improving publications. The administrator/staff cohort agreed with faculty on increased physical/technological funding (100 percent) and with students on improved student services (91 percent), while full library services were the lowest on their funding priority list.

It is not surprising to the College that the results of the *Community Survey* are distributed in this manner. While the College currently provides adequate student services, and based on information from the *Community Survey* in regard to faculty, the College does not jeopardize its academic programs by the reliance on part-time faculty, however, the College does recognize the need to continue to find funding to support academic support services, full-time faculty and to establish additional scholarships.

Projection

- The College will continue to seek diversity of revenue. The number and types of funding sources will continue to expand.
- Consistent with the mission, the College will continue to offer tuition and fees at the most affordable rates possible.
- Through additional sources of funding, including the federal appropriations, the College will be able to expand its infrastructure while achieving a balanced budget.
- The development efforts will continue to increase in order to generate the necessary funds to meet the operating costs of the College.
- The formation of the Development Committee of the Board of Trustees and their active role in promoting the College will result in increased development efforts and public visibility.
- With the addition of the Director of Academic Grants, the College will seek additional academic grants to support on-going and new academic support services.
- The College will monitor the growing demands on the Financial Aid Office and expand the financial aid staff as needed.

- The College will act upon the recommendations of the accounting firm KPMG for improvements in operations and internal controls.
- The College will continue to expand its giving opportunities based on the 2005 Strategic Plan and 2006 goals established under the leadership of the Director of Institutional Advancement.