New England Conservatory Fiscal Year 2021 Budget Guide

version 9/1/20

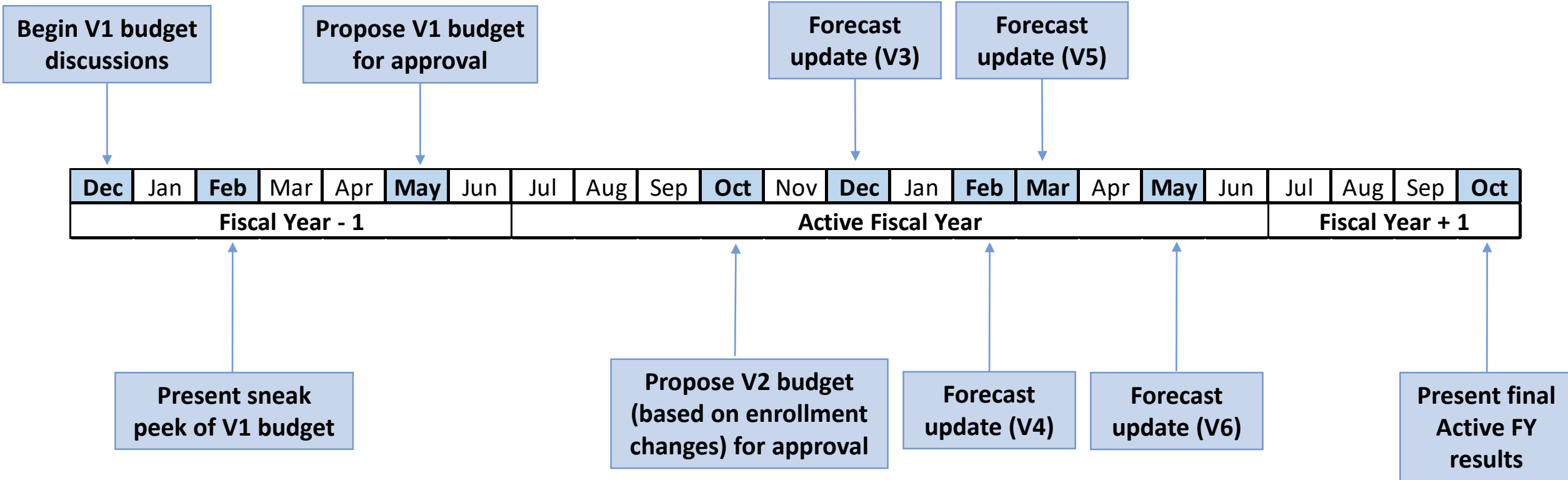# Table of Contents

Budget Timeline and Process

Core definitions – budget versions

- Original budget (V1)
  - Developed in the preceding fiscal year
  - Major enrollment assumptions

- Revised budget (V2)
  - Updated budget based on enrollment information (updates for tuition revenue, scholarships, faculty, program expenses…)
  - Remainder of this budget remains consistent with the original budget unless there are extraordinary circumstances
  - **<u>Budget managers are ultimately responsible for this budget version</u>**

- Forecast (V3, V4, V5…)
  - This is how we communicate our status to the board and manage expectations
  - Maintained purely for informational/forecast purposes – we are still committed to and accountable for the revised budget (V2)

How do we report budget information to our Trustees?

Begin V1 budget discussions

Propose V1 budget for approval

Forecast update (V3)

Forecast update (V5)

Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct

Fiscal Year - 1	Active Fiscal Year	Fiscal Year + 1

Present sneak peek of V1 budget

Propose V2 budget (based on enrollment changes) for approval

Forecast update (V4)

Forecast update (V6)

Present final Active FY results

Note: This standard timeline may be modified slightly for FY21, depending on COVID-19 developments.

5

Quarterly budget signoffs with VPs

- On a quarterly basis, the Finance Office will meet with each VP to review quarterly results and discuss significant budget changes
  - November (Q1 results)
  - January (Q2 results)
  - April (Q3 results)
  - July (Q4 results)

- These discussions will help the Finance Office prepare accurate projections of results for the remainder of the fiscal year (our forecast)

- But budget responsibilities are ongoing… these are just formal check-ins with the Finance Office (communication should happen throughout the year)

Budget Manager Responsibilities

Budget manager responsibilities (the 4 "C"s)

Commitment

- Demonstrate a commitment to meeting the budget.
- Consider how budgetary results impact NEC's mission.
- Evaluate alternatives and serve as a strategist on making things work.

Control

- Provide first line of defense on budgetary control.
- Understand and utilize financial reports to manage financial transactions of their assigned area.
- Review financial data for adherence to NEC policies, donor requirements, and reasonableness.

Communication

- Evaluate priorities and new initiatives with area VP.
- Report variances to the area VP and budget office.
- Communicate budgetary impacts to others.

Confidentiality

- Respect and protect the confidentiality of information acquired through financial oversight responsibilities.

Current-year budget expectations

- Be committed to meeting budgets

- Follow any area directives from your VP

- Communicate to the Finance Office as soon as you're aware of budget adjustments/variances exceeding $5,000 (either individually or multiple in aggregate) – email budget@necmusic.edu and copy connor.fink@necmusic.edu
  - You offer the first line of defense on budget matters – no one knows your area better than you.
  - Please actively monitor results in PowerPlan and confirm things are recorded appropriately
  - The Business Office processes more than 60,000 transactions annually, and will not have the detailed insights you have on things

- Understand the timing of approvals on new budget requests – will likely not be immediate

Helpful hints - questions to ask

- Is the run rate (monthly/quarterly cost) consistent with expectations?
- Any overages anticipated? If so, how will it be funded from within my area?
- Any savings expected?
- Are there new contracts in place?
- Are restricted gifts and gift-funded expenses appropriately recorded?
- Is there anything missing (e.g., missing invoices from vendors)?

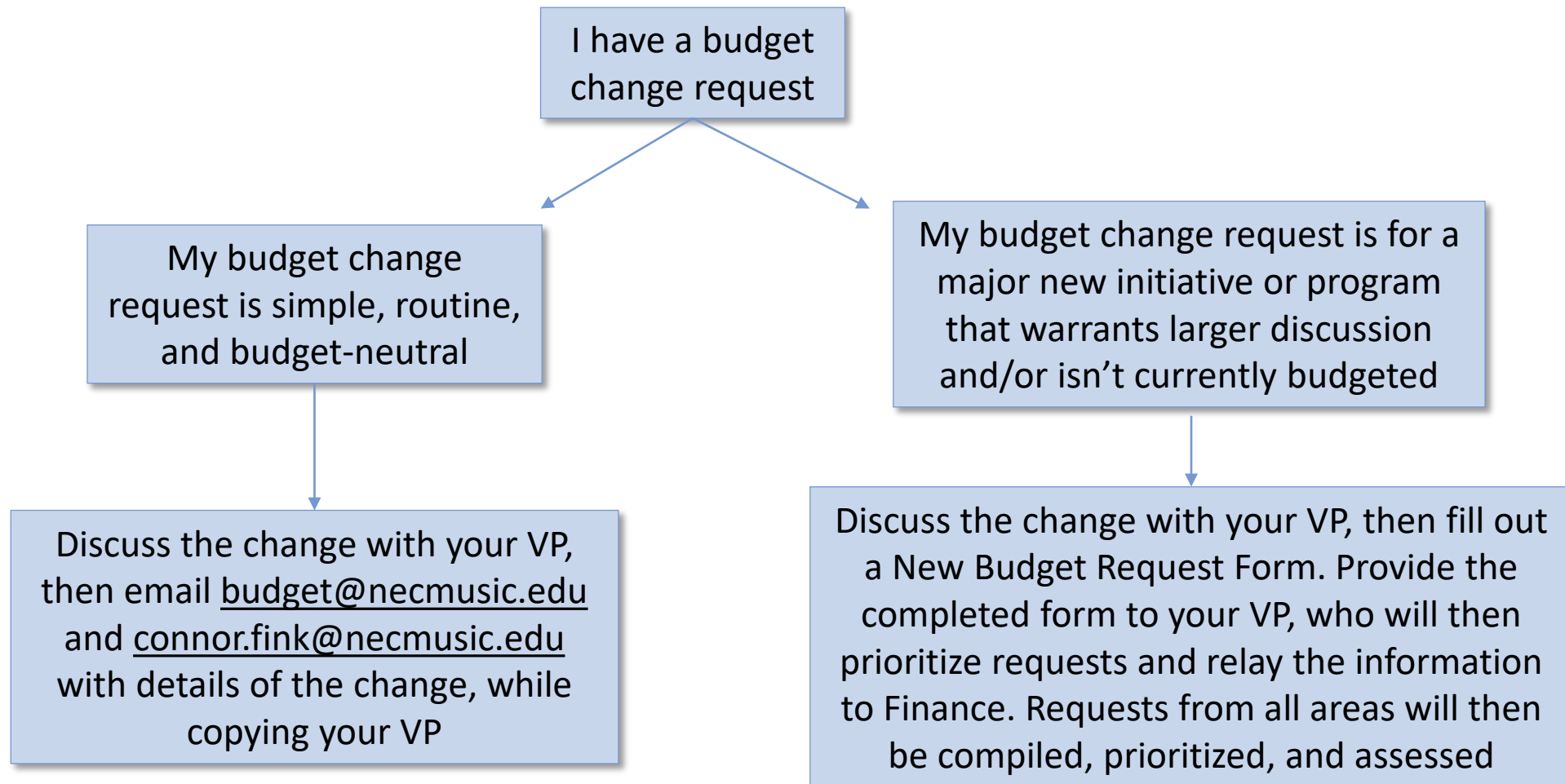# Communicating Budget Changes or New Initiatives

Types of budget changes

1) Simple, routine budget/forecast update

- "I want to transfer $250 from my Travel budget to my Purchase Minor Equipment budget"
- "I want to reduce my Hospitality budget by $100, and reallocate these funds to Office Supplies ($40) and Printing ($60)"

2) Major new initiative or program

- Proposal that cannot be funded from your current budget
- If it can be funded, things that have implications that extend beyond your area
- Requires further discussion with your VP and Finance - one-time or multi-year initiative? Funding source? Are any alternatives available?

How to request budget changes

I have a budget change request

My budget change request is simple, routine, and budget-neutral

My budget change request is for a major new initiative or program that warrants larger discussion and/or isn't currently budgeted

Discuss the change with your VP, then email budget@necmusic.edu and connor.fink@necmusic.edu with details of the change, while copying your VP

Discuss the change with your VP, then fill out a New Budget Request Form. Provide the completed form to your VP, who will then prioritize requests and relay the information to Finance. Requests from all areas will then be compiled, prioritized, and assessed

Accounting Timelines and Policies

Accounting Timeline – Monthly Close Process

N|E|C

- Each month is generally closed 10 business days after the last day of the month (e.g., the September "books" are typically closed on the 10th business day of October)
  - To ensure timely and accurate processing, invoices and payment requests should be submitted as early as possible
  - Staying up to date on submitting invoices and payment requests helps budget managers stay on top of budget vs. actual results

- Plan ahead to allow sufficient time for invoices/requests to be submitted, approved by your supervisor(s), and fully processed by the Business Office before the monthly close date
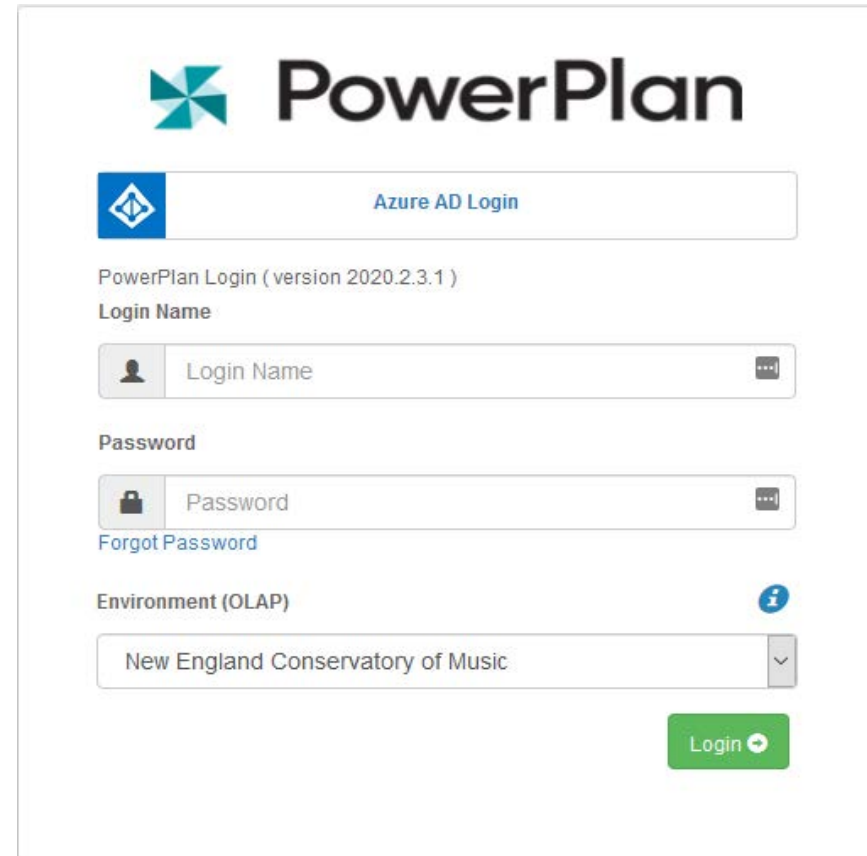
Procurement Policy 101

- Review new vendor agreements/contracts with your VP

- Only VP of Finance or President can sign contracts unless authority is delegated beyond

- Competitive bids:
  - Required for anything over $25,000 unless sole source has been approved by the CFO
  - Good idea for other contracts as well

- Consider use of consortium agreements – E&I or MHEC
  - NEC website → Business Office → Payables, Reimbursements, and AMEX

- All contracts must be filed with the Business/Finance Office to ensure proper accounting and payment

- Include relevant contract details/reference in WebInvoicing entry

PowerPlan Budget Software

Accessing PowerPlan

- Go to the PowerPlan web portal: https://necmusic.questica.com. The web portal can be accessed from outside the NEC network

- Click Azure AD Login. You will be redirected to the Microsoft login page, then to the NEC ADFS login page. Enter your NEC email and password to sign in

PowerPlan Home Screen

Planbook (Budget)
- Line-by-line breakout of budget lines

- Fixed view of a single fiscal year, single budget/forecast version, and single department/entity

- Should only be used to update budget/forecast figures (suboptimal for day-to-day budget tracking)
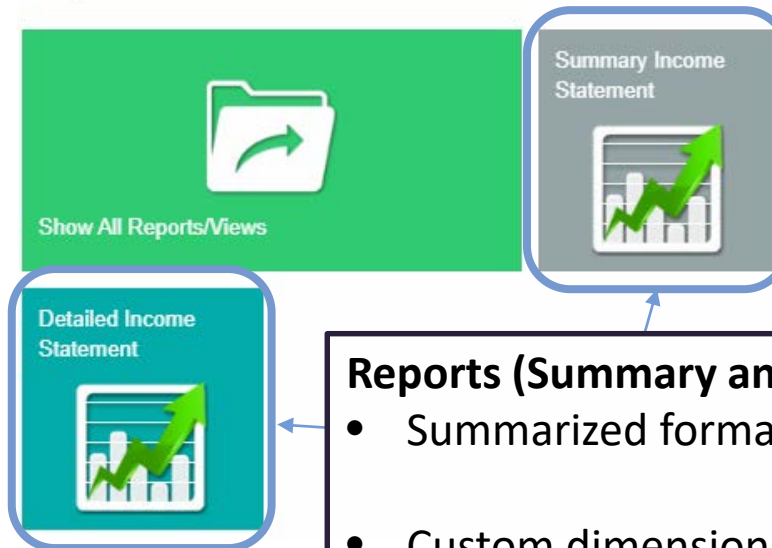
Reports (Summary and Detailed)
- Summarized format of budget/actual data

- Custom dimensions to compare data from different budget/forecast versions, fiscal years, departments/entities

- Best resource for day-to-day budget tracking

19

Reports (Summary and Detailed)

Summary Income Statement (left)
- Summarized data based on income statement category (e.g., Tuition and Fees, Gifts and Grants, Supplies and Equipment, Employee Benefits…)

- Ideal for "big picture" view of budget or actual results

Detailed Income Statement (right)
- More granular breakout of Summary Income Statement data (e.g., Tuition and Fees category includes Tuition, Academic Fees, Audition Fees…)

- Ideal for detailed budget vs. actual analysis by account line

Detailed Income Statement:

Description	2020 V2
4000 Tuition	44,986,363
4010 Student Health Insurance	1,011,398
4011 Academic Fees	202,564
4012 Health Center Service Fees	440,720
4013 Non-Academic Fees	841,660
4014 Audition Fees	330,000
Tuition and Fees	47,812,706
4093 Student Aid-Federal Match	-40,667
4095 Scholarship General	-16,507,414
4096 Special Scholarship Fund	-473,924
4098 Tuition Discounts	-151,664
Less - Student Aid	-17,173,669
Net Tuition and Fees	30,639,036
4100 Dormitory & Dining Income	4,631,258
4199 Dormitory Discount/Scholarship	-199,000
Dormitory and Dining Service	4,432,258
4800 Rent Income	37,915
Rental Income	37,915

Summary Income Statement:

Description	2020 V2
Tuition and Fees	47,812,706
Less - Student Aid	-17,173,669
Net Tuition and Fees	30,639,036
Dormitory and Dining Service	4,432,258
Rental Income	37,915

Reports – Report Types

N|E|C

- There are four general report types to choose from. These reports can be run for any department/entity:

  1) FY20 Budget Tracking
  - Budget vs. actual tracking for the current fiscal year
  - Contains actual results to date, V1 and/or V2 budget figures, and latest forecast figures (V3, V4…)
  - Once we move on from FY20, this will be "FY21 Budget Tracking" and so on

  2) FY21 Budget Prep
  - Preliminary and/or V1 budget data for next fiscal year

  3) Historical Data – V1, V2, Actuals
  - Shows V1 Budget, V2 Budget, and actual results for recent fiscal years

  4) Specific Period Results
  - Allows you to view results for a specific fiscal year and budget scenario (e.g., Actual, V1, V2…)

File ▾   Planbook ▾   Reports/Views ▾   Admin ▾   Select ▾   Payroll ▾   Options ▾   Help ▾

| Year: | Fy2020 ▾ | Scenario: | V2 ▾ | Entity |
| Period: | MAY ▾ | Format: | Specific Period Re.. ▾ | Accou |

Description

FY20 Budget Tracking - Actual, V2, V5, V6
FY21 Budget Prep - Plan 1 vs Plan 2
Historical Data - V1, V2, Actuals
Specific Period Results

↓ Tuition and Fees
↓ Less - Student Aid
↓ Net Tuition and Fees

Reports – View Historical Totals

- Click the Layout dropdown and select History to show actual results from the past three years (below). The History pane can be brought up in any report format

Reports – View Transaction Details

Detailed Income Statement only: After you bring up the History panel:

1) Select a line from the Detailed Income Statement (e.g. 4000 Tuition)

2) Select an intersecting fiscal year + period for which you want to view transaction details (e.g., 2019 – AUG; 2020 – TOTAL)

3) Click Options → Transaction Details to view the transactions that make up the total. Here, you can view the post date, project/fund, amount, and description for each transaction

Reports – View and Modify Budget Notes

1) The yellow flag signifies that someone has added a note to this budget line

3) The Notes pane will open on the right side of your screen, as shown below. You can add text to the Notes field or add a PDF or Excel attachment to support the budget/forecast amount.

2) To see the note, click the budget total, then click the blue arrow and select "Notes" from the dropdown

Planbook (Budget) View

- The Planbook (Budget) View should only be used for updating budget/forecast figures. The Reports View is much more optimal for day-to-day budget vs. actual tracking

- Within the Planbook view, individual budget cells are either yellow or white
  - **Yellow** = Budget/Forecast Scenario is **locked** and **cannot be edited**
  - **White** = Budget/Forecast Scenario is **unlocked** and **can be edited**

	Budget 1-800-0 Fy2021	Annual Fy2021	JUL Fy2021
4902	Service Fees	0	0
4930	Rental Income Parking	0	0
4950	Concessions Income	0	0

	Budget 1-800-0 Fy2021	Annual Fy2021	JUL Fy2021
4902	Service Fees	0	0
4930	Rental Income Parking	0	0
4950	Concessions Income	0	0

- As stated in the Communicating Budget Changes and New Initiatives section, any budget-neutral budget/forecast adjustments should be communicated to your VP and the Finance Office. Budget managers should complete a New Budget Request Form for any significant adjustments that are not budget-neutral