How and Why Accounting for a High School or College is Different From Accounting for a Tithe-Based Organization

SunPlus Core Design Implications

Introduction

Thais have a favorite saying for making comparisons. When describing, say, how the roads in Thailand compare to roads in other countries, they say, “Same, same -- but different.”

That is the way School accounting compares with Tithe-based accounting: same, same -- but different. In most ways these are the same. But in the ways that are different, they are different.

I am using the term School to refer to High Schools, Colleges, and Universities. While there may be slight differences among members of that grouping, these organizations are the same for financial management purposes. An organization’s size dictates more changes than whether it is a high school or a college. For example, a large high school can have the same financial picture as a University and a small college can look similar to a high school.

To organize our discussion, I am going to go through the Statement of Net Assets (Balance Sheet) and the Statement of Changes of Net Assets, emphasizing the similarities and discussing the differences.

Statement of Net Assets

The primary difference between the Asset section for a School compared with the Asset section for a Union is the size of things. Each item that appears in the Union’s Asset section will also be present in the School’s Asset section, but the School’s Statement will include many more accounts and the dollar amounts will be much larger. For instance, a Union may have a small inventory, while the School Store and Cafeteria may have a huge inventory. While the Union may have some investments, the School may have a huge number of investments. SunPlus School
implementations require that each aspect of a normal implementation be performed, without slacking on areas that are often considered not too important during Tithe-based implementations. Ample time must be allocated for School implementations, along with the awareness that a college or high school may not present new requirements you don’t know how to handle, but that many things will need to be done.

**Assets**

**Student Receivables**

**Description.** The most notable difference in the School’s Asset section is the presence of a huge volume of student receivable accounts. Let’s say you are implementing a small four-year school with four hundred students. 400 students means this you will have sixteen hundred student accounts -- assuming that everyone pays their bill before graduation. Then imagine a place like Valley View University, which has 4,000 students. An organization of this size would have 16,000 receivable accounts; 16,000 addresses to keep straight; 16,000 bills to print; 16,000 cash collections to provide for, etc. Factor in the many bills which are settled by third party sponsors and the number of people involved can be enormous.

**Implications.** The implications of this can be the giant elephant in the room during an implementation. Careful thought has to be given to such thing as:

1. **How to compile charges for import,**
   a. This includes exporting data from the registration or other student systems and importing it into SunPlus. This will be covered more fully in the revenue part of this document.
   b. It also includes consideration of how to bring in other charges, such as phone, cafeteria, and library charges.
2. **How to print and distribute Student Statements,**
3. **How to handle Collections,**
   a. I will never forget the long line of students waiting to pay their bills at Mission College when we first installed SunPlus. The two-second delay when the JV was being reentered to get a receipt and the two-second delay for Report Manager to open made a real difference when we were trying to process 1,000 receipts in one afternoon. Finally we set up a process where one person entered a receipt, a second person entered the JV number on a second machine, and someone gathered and distributed the actual receipts using a third machine. There was still a line!
4. **How to prepare special receipts for Government Loans, etc.,**
5. **How to update students’ static data records,**
   a. Someone in Student Finance has to be an expert at making Transfer Desk type changes to static data. Not only does this include importing new student accounts, it includes using Transfer Desk to change
addresses, mark accounts as inactive, and change account analysis dimensions.

b. Valley View University accountants were very pleased to learn, on one of my recent trips, that they could easily do all of this using Transfer Desk import. Here-to-fore they thought that Transfer Desk was just for importing new account names; they had been doing everything else by hand.

(6) How to customize Account Analysis Codes.

a. Time must be given to discovering what Account Analysis Codes would be helpful to the School. SunPlus’ Tithe-based Core design does not specify any Account Analysis Codes except the “Class” dimension. However, Account Analysis Codes can be very helpful in School accounting. Here are some possible Account Analysis Code uses:

   i. Graduating Year (assigning a numeric year code serves as a substitute for marking students as Freshmen, Sophomores, Juniors, or Seniors, and is a good strategy because it does not need to be updated each year).
   ii. Religion
   iii. Dorm
   iv. Home Country
   v. Tuition Type

Each of these becomes especially important if there are financial implications such as fees being based on the student’s country of origin or which dorm a student lives in. Again it is important for accountants to know how to set and update these analysis codes using Transfer Desk imports.

Cash and Investments

Cash and Investments are also same, same -- but different. Schools are more likely than Unions to have large bank accounts holding restricted money for long-term purposes; for example, scholarship money. This would be a Long-term Investment, not Cash. Schools will also have investments of permanently restricted donations, which need to be in Long-term (not Short-term) investments.

Inventories

The School Cafeteria and Student Store will have inventory. Some thought needs to be given to deciding how inventory details will be managed. The common process is to expense all of the purchases during the month into an account called “Cost of Goods Sold” and then to write an adjusting entry between Inventory and that account to adjust Inventory to actual at the end of the month. While all of this really
does not affect the system design, be careful not to overburden the accountants with whatever Inventory process you put in place. Getting Inventory right each month is much less important than other areas which we will discuss later where their time is more valuable.

**Liabilities**

Agency Liabilities

There is no difference in the way Schools and Conferences account for Agency Liabilities, except that Schools may have different types of Agency Liabilities. One example of a School Agency Liability is money held on behalf of a Department or Student Club. Schools may also account for Sponsorship money held for a donor who has given the money in advance and who later designates the student they are helping. Tithe-based Church accounting rules work fine in this context.

I should mention that the following erroneous set of entries is still prevalent:

When a Donor gives money to be held in trust until the donor says where it is to go:

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Cash                      10,000
Agency Liability          10,000
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This is a correct entry.

Then, when the donor says 2,000 is to be spent in the Girls Dorm, the organization makes this entry:

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Agency Liability          2,000
Cash                      2,000
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This is an incomplete entry.

The correct complete entry is:

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Agency Liability          2,000
Donation Income           2,000
Dorm Expense             2,000
Cash                      2,000
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The incorrect entry fails to record the income of the donation and the expense of the Dorm. Both are needed for fair reporting and an overall sense of how the organization is thriving.
Deferred Revenue

If a School charges parents for a whole semester of tuition at the start of the semester, all of tuition revenue is coded as Deferred or Unearned Revenue at the start of the semester. As the semester progresses it is moved into Tuition Revenue.

**Implementation Implications.** There are two important points to remember in an implementation training session:

1. The revenue transaction for the semester should be pointed to the Revenue account and not to the Deferred Revenue account, debiting the student accounts and crediting Tuition Revenue.
   a. Then make an entry taking the aggregate unearned portion to be recorded debiting a contra-revenue account and crediting the Deferred Revenue account.
   b. Here is an example that explains why:
      In the Revenue section of this document there is a lot of discussion about tagging revenue so that it can be used to analyze income. Suppose we have 1,000 students and we want to tag their revenue by the department that teaches the course they are taking. The pros and cons of this are discussed in the Revenue part of this document. But for the sake of this illustration, you should be able to see the need for analyzing revenue by department and agree that the credit side of the initial entry to record the revenue might be 2,500 lines long just to capture the various departments in which the student is taking classes.

      Now further assume that the semester is three months long. If we were to credit Deferred Revenue with all 2,500 lines of data at the start of the semester, we would need to write 2,500 lines of entry into the Deferred account and 2,500 lines of entry into the Revenue account for each month. This would hit our Revenue account with 7,500 lines of data. Three of each of those lines would be the same with the exception of the period.

      It is much better to enter all of it into Revenue. Figure out the total and debit the unearned portion to a liability account and credit a contra revenue account. This is one debit and one credit. Then for each subsequent month debit the liability and credit the contra revenue account.

2. The originating entries for the deferred income and the subsequent reversal during the following periods can be made in one JV using different transaction references for the different periods.
Net Assets

The standard ADV setup for Net Assets works great in the School environment.

**Permanently Restricted Net Assets.** Something in the ADV setup that I have never actually seen used is the Permanently Restricted Restriction. It is my experience that hardly anyone in the SunPlus world knows what that is – at least not in practical terms. But it is something that is fairly commonly used in higher education. Here is a quick review and more:

Suppose a donor gives $100,000 and says this is for your nursing scholarship fund. This would be money held in an allocated function for the purpose of nursing scholarships. It would be tagged as Temporarily Restricted. In the Nursing Scholarship Allocated Function there might be unrestricted resources that the Board allocated to the purpose of nursing scholarships. When the donation was received it was recorded as Donation Income. When it is disbursed it is a scholarship expense. This example of a temporarily restricted donation was given just to get your mind flowing in the right direction.

Now suppose another donor gives $200,000 and says it is to be invested and its earnings are to go to nursing scholarships. This produces non-operating revenue, which is tagged as Permanently Restricted and put in the Nursing Scholarship Allocated Function. To keep things clear, it is possible for the accountant to use a separate allocated function for this $200,000. For those who like to learn to build their vocabulary, this is an endowment. The $200,000 is the principal, or the corpus, of the endowment.

The $200,000 is and always will be tagged as Permanently Restricted. Any earnings will be tagged as Temporarily Restricted.

Let’s expand the example slightly. The donor may have stipulated that one-half of the earnings are to be added back to the principal so the fund can grow. In that case, one-half of the earnings are marked as Permanently Restricted. The other half are marked as Temporarily Restricted.

Statement of Changes in Net Assets

**Accrual Accounting and the Matching Concept**
Departmental Details

Back in the dark ages of our accounting education we learned the importance of matching revenue to expense. In accrual accounting, we focused on recording revenue when it is earned and matching expenses to the same period they produce revenue. Usually this is just a matter of matching revenue to the period in which it is earned and expenses into the period in which something is used up. We do this quite well on the Church side of things.

But there is a uniquely challenging perspective in a School. That is the matter of matching revenue to the departments that produce the revenue. On the Church side, departmental costs are often only slightly important. We see all salaries put to a general function like In House or General Institutional. But in every college and many high schools most departments are in a constant need of justifying their existence.

It is important to capture tuition revenue by department, if that is at all possible, and to capture every cost to some department. I think most business people agree that the first dimension of analysis in School accounting is at the department level.

Many people would assert this does not hold true at the high school level. Even though it may be unlikely for a department to be done away with, the profitability of the department is still interesting when it come to future spending plans. So while a college or high school may not be looking for a department to cut, they are all making spending plans with limited resources. It is useful to know who is producing the gross profit so we don’t accidently hurt something.

There is a limit to this. If the organization is a small high school with very little choice as to the courses that need to taken, there is no value in trying to figure out what department is producing the tuition revenue.

**Implementation Guidance.** Work with the registration system and enrollment spreadsheets to figure out if you can capture or allocate departments’ revenue based on enrollments. While it is important to talk to the client, do not let them talk you out of setting them up to capture this important information. Even if it is going to take an accountant another day or two each semester to compile the information, it is well worth the effort. Also the client may balk at it since they do not know how easy it is to upload a huge spreadsheet. Do not use their hesitation as an excuse to avoid capturing very useful information.

Even if the registration system does not produce the charges by department, it will produce charges by the academic course students are taking. The accountant must sit there with a spreadsheet and separate courses using Excel sorting and filtering and then code the department function. For example, they would sort the
spreadsheet by all the BADM courses on the spreadsheet and list the Business School’s function beside those.

**Academic Program Revenue**

However, this raises an interesting question. Let me assume that it is a bigger institution and there are curriculum choices for the students. Let’s also assume that you agree with me about the need for booking the revenue to the department that produced it. How do you figure which department gets the revenue? The most natural basis is that the department that is teaching a course should get credit for the course’s revenue.

It does raise an interesting question. If I run a business program and I recruit and enroll a business major, aren’t I producing revenue when that student signs up for a Math class? There is a school of thought that says the revenue for the Math class should also be credited to the business program.

Both alternatives have their strengths. For example, in the battle for more resources, the folks who are teaching the classes have a claim on being supported. Do not muzzle the ox. On the other hand, in the same battle for resources, we would hate to cut back on a program that is producing a lot of revenue for other departments.

Fortunately for SunPlus we do not have to figure this out. We want to provide the information both ways: by the student’s academic program (e.g. Business major, Fine Arts majors, etc.) and by the academic department offering the course.

There is one additional small point worth noting. A program may not match a department. While it may be the same, there are many differences. The Business Department may have a Bachelors’ Degree in Business and an MBA. These are two different programs. Also there may be cross-departmental programs. For example, the Education Department and the Theology Department may have a joint program called a Major in Religious Education.

If the registration system does not produce a report that shows the student’s academic program and the courses they are enrolled in, there is no way to capture this information. So you just have to forget it.

**Implementation Guidance.** Use the Project/Program Dimension to capture the academic programs in which students are enrolled, if the information is available.
**Revenue by Who**

By now you should see that I consider coding Tuition Revenue as extremely valuable. I have often said there are only two variables in the financial management of schools: Tuition Revenue and Employee Cost. So it is extremely valuable to code Tuition Revenue to the teacher of the course. Please do this if at all possible. That way a very useful income statement can be made with rows showing Tuition Revenue and Cost for each teacher. That way it is very easy to see who is bringing in revenue.

**Implementation Guidance.** Use the Who Dimension to capture the teacher of the course if possible.

**Tuition Revenue by Course**

If the registration system produces a list of courses for which the student is being charged, it is valuable to analyze it by identifying which course is producing the revenue. Since it is a simple matter to export this information from the registration system and just as simple to upload it as a JV, why not?

**Implementation Guidance.** Use the Flag Dimension to capture the name of the course producing the revenue.

**Revenue by Student**

It is also extremely valuable to code the revenue by Student. Since we have this information already for the debit side of the entry into the student accounts, it is a simple matter to use it to populate the TFWW dimension.

**Recap on Revenue**

1. Credit revenue directly.
2. If there is student choice in enrollment and if it is possible:
   - Use Function to capture the Department Teaching the Course
   - Use Project to capture the student’s academic program (only if the information comes easily from the registration system)
   - Use Who to capture the name of the course’s teacher
   - Use Flag to capture the course’s name
Use TFWW to capture the student’s name.
Use the Details to capture the school of advance studies name.

3. If there is little choice in classes taken there is no point in attempting any of this except capturing the student’s name in TFWW. In this scenario, allocating tuition by revenue by anything other than actual enrollment data is not helpful.

So consider these cases:

- A high school charges a flat fee for attending. It charges extra for students taking art courses. The revenue would be put to a catchall departmental function (such as General Institutional) and the art fee could be assigned to the Art Department. The accountant prepares a spreadsheet listing the student’s name and the standard tuition charge, puts the student’s name in TFWW, and sends it into the system.

- A college charges so much for each course taken. The registrar system can produce a listing of every student showing his academic program -- the courses he is taking. A student taking four courses is listed four times. The accountant, a very junior one, sorts the spreadsheet by course, looks it up on the master listing, and inserts the teacher’s name for every student in the class. This has to be done for all the courses. The time it takes to complete the spreadsheet depends on how many courses are offered. The accountant also enters the code for the department offering the course. So BADM courses get the Business Department function. The information this will produce is well worth the couple of days this process will take.

- A college charges so much for a course and a smaller figure if the student is taking more than, say, four courses. For one course a student would pay 200. But if they take five or more courses, they only pay 800. Otherwise the information in the previous case is available. If most people are taking five courses and paying 800, I would give all the courses 160 of the revenue. The excess resulting from people taking individual courses would be posted to the In-house function.

Revenue Discounts

The School may offer discounts for early payment, family enrollment, employee discounts, etc. These should be captured with contra accounts. The Tuition is recorded in full and the discount is recorded, reducing the amount the student actually has to pay. The discount is not charged to the department but to General Institutional. It is not charged to the Who dimension unless you want to charge an employee discount to the employee receiving the benefit. You would not charge the
teacher. The department and the teacher get full credit without regard to discounts individual students may be receiving.

Other Revenue Issues

Rent Income. Set up a separate account for Dorm Rent Income. Do not try to use analysis dimensions to keep Dorm Rent Income separate from Faculty Housing Rent Income and Guest House Rent Income. These last two can be kept in the same account if functions can keep them separate.

Cost of Goods Sold. There is nothing special to do here, but I want to remind you that you need a Cost of Goods Sold account for the Cafeteria and the Bookstore. I would set up a Cost of Goods Sold account and enter all purchases there. Then adjust Inventory to that Cost of Goods Sold account. Having only one Cost of Goods Sold account for both the Bookstore and the Cafeteria works fine, but the accountants had to be coached not to put other department's purchases in this account. That is one reason why I think Cost of Goods Sold is a better account name than Purchases.

Expenses

Bad Debt Expense and Marketing are placed in the Selling Expenses portion of the Chart of Accounts. The thinking when this was done must have been for publishing houses. But Bad Debt Expense and Marketing are not part of Selling Expenses. The selling revenue for a School is Cafeteria Sales, or Bookstore Sales. The Marketing and Bad Debt Expenses have nothing to do with this.

Implementation Guidance. We need to decide where to move these accounts; they are a nuisance when they are isolated away from the other General Expenses by Employee-Related Expenses.

Part-Time Teachers A troublesome account is the Part-Time Teachers account. This is troublesome since it may be an account left to department discretion, so it needs to be included on a departmental budget report, which usually does not have employee expenses. After trying it as an employee expense, then as a general expense, I ended up with it back in employee expense as a type of salary account. I would emphasize that when coding Who to Employee Expenses it is more important to post Employee Expenses for Part-Time Teachers since their cost is more importantly discretionary than the employee cost of the senior teachers.
Analysis Dimensions Recap and Discussion

Account Analysis Dimensions. Core does not specify the use of these dimensions; however, Schools will need to use them to keep student receivables straight. Help them find some to setup so they can get the knack of it.

L1. Resource: The standard ADV core is fine.

L2. TFWW: In addition to Resources, Include Students here. Code them with the S code.

L3. Fund. Core will assume that fund accounting is used. If an organization is not using fund accounting, it will need to hide the Operating and Fund columns in the financial statements, leaving the Totals Column

L4. Function. There is a great deal of flexibility here with the new setup. I would, as closely as possible, follow the process of studying out the school's organizational structure and mirroring that even to the extent of renaming the major groupings if necessary. The example financial statements segment revenue and expenses into operating, auxiliary and industries. To accomplish this using the standard SunPlus Edu Financial Statements you must group all Auxiliary Services with analysis codes that start with “US” and all Industries with analysis codes that start with “NS”.

L5. Restriction No differences.

L6. Org ID No differences.

L7. Who

L8. Flag No differences, and include curse's name.


L10 Details. Include the school of advance studies.
Needed Import Templates designed at implementation.

- Custom-built ledger entry revenue import sheet that addresses the information from the student records system.
- Custom-built student and analysis code import sheet that will import new students and update old ones (including marking accounts as inactive).
- Analysis code import sheet that imports students as analysis codes and also can update their records to mark them as inactive.
- A ledger entry import sheet that can import large lists of student charges from the cafeteria, bookstore, and library.

Business Processes Clearly Worked Out at implementation.

- Revenue booking for tuition
- Revenue booking of other student income such as fees and dorm charges
- Revenue booking from cafeteria
- Revenue booking from bookstore
- Cash collections directly from students
- Cash collections from students through bank transfers
- Payments approvals for departmental purchases