

## **SECTION 8. FINANCIAL SUPPORT**

*Provide a business plan that includes **all** of the following:*

- a. a description of financial resources to support the change, including a budget for the first year*
- b. projected revenues and expenditures and cash flow*
- c. the amount of resources going to institutions or organizations for contractual or support services*
- d. the operational, management, and physical resources available for the change.*

*Provide contingency plans in case required resources do not materialize.*

*As part of the prospectus, the institution is required to submit financial audit reports and management letters for the two most recent fiscal years, and include its most recent financial aid audit. The most recent year is defined as the fiscal year ending immediately prior to the submission of this prospectus. In instances of consolidations, mergers, change of ownership, or acquisitions, the other participating institution or entity should also provide the audits as described above. In addition, the institution is required to include a statement of financial position of unrestricted net assets, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net assets attributable to operations for the most recent year.*

*Include a copy of the institution's Pre-Acquisition Application submitted to the U.S. Department of Education, if appropriate for the change, and all documents/correspondence from the institution to the DOE and from the DOE to the institution as pertain to the reporting of this change.*

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### **Introduction**

Once consolidated, the University of North Georgia (UNG) will be a vibrant, highly efficient university serving the North Georgia region, providing multiple pathways of excellence to college completion. The financial infrastructure for this new enterprise, while very efficient, maintains adequate reserves and conservative stewardship of its resources to effectively and appropriately provide capital resources to move this new institution to even greater levels of achievement.

Both Gainesville State College (GSC) and North Georgia College & State University (NGCSU) maintain comprehensive networks of internal controls to ensure compliance with federal, state, and local requirements. Procedures are in place to assess risk, deter non-compliance, and detect violations at the earliest opportunity. Key institutional components involved in controlling institutional finances and monitoring compliance include the University System of Georgia Board of Regents and the University System of Georgia Internal Audit function, as well as a university auditor.

The Board of Regents' comprehensive policy manual includes finance and business policies covering topics such as budget, tuition and fees, fund management, and insurance. (See <http://www.usg.edu/policymanual/section7>). This policy manual is supplemented by a detailed Business Procedures Manual enumerating detailed processes to implement the board's fiscal policies. (See [http://www.usg.edu/business\\_procedures\\_manual/](http://www.usg.edu/business_procedures_manual/)).

## **Financial Resources**

The proposed consolidation is expected to have no substantive impact on the total financial resources available to support UNG. The Chancellor of the University System of Georgia has indicated that it is his intention to allow the administrative savings resulting from institutional consolidation to be reallocated within the new university to meet instructional and student support needs for the newly consolidated university.

The University of North Georgia will result from the consolidation of two institutions that individually have demonstrated adaptability and responsiveness in light of severe declines in State support. As a result of the decrease in Georgia revenues, state appropriations to both institutions have decreased 14.6%, (\$7.3 million) from a peak of \$50,233,400 in FY2009 to \$42,913,615 in the FY2013 original budget. Significant tuition increases authorized by the Board of Regents (BOR) and an institutional fee helped partially offset the loss in state appropriation. The BOR-approved balanced budgets for GSC and NGCSU will remain in effect until July 1, 2013, when the two accounting systems will be merged and the consolidated university will undergo the statewide audit. The results of the FY2012 audits will be available October 18, 2012, and sent to SACSCOC directly by the Georgia Department of Audits and Accounts as well as by the institution with any supplemental comments that the audits may suggest.

Recent annual financial reports and state audits for GSC and NGCSU confirm the financial stability of the proposed UNG. Full audits for both institutions are performed by the State auditor every 5 to 7 years. NGCSU's last full audit was FY 2010; GSC's last full audit was FY 2003. Agreed Upon Procedures Audit documents for fiscal year ending June 30, 2011 are contained in Appendices [8.1\(NGCSU\)](#) and [8.2 \(GSC\)](#). There were no audit findings or significant deficiencies reported for FY 2011 or the NGCSU full audit in FY 2010. The audit issues identified in the FY2003 GSC audit were corrected immediately and do not present a risk to the consolidated institution.

In addition to state appropriations, the institutions rely on partners in their missions to provide quality education by obtaining funds from other sources. Collectively, GSC and NGCSU currently rely on a diverse portfolio of financial resources, including fundraising, endowment giving, grants, contracts, capital funding, and student tuition and fees.

Auxiliary enterprises for the combined university will consist of bookstore operations, food services, student housing (Dahlongega campus), intercollegiate athletics, parking, transportation, copy services, and vending. All of these services are required to provide a full service to the university.

The Division of University Advancement seeks philanthropic support through fundraising events, annual or special solicitation mailings, and individual solicitations of major and planned gifts. NGCSU has just completed its first-ever capital campaign, successfully raising over \$44 million in support for the institution.

## **First-Year Budget**

The effective date of the proposed consolidation in early January 2013 falls in the middle of Georgia's current fiscal year 2013, which runs from July 1, 2012 through June 30, 2013. Although many aspects of the consolidation will go into effect at that time, each of the partner institutions must complete its FY 2013 financials separately and stand for a state audit thereafter. Likewise, the United States Department of Education (DOE) will not change its

allocation methodology mid-year. Consequently, the first half of the first year of consolidation will be handled financially as though the partner institutions were independent. The two sets of financial statements will be combined for presentation purposes at the end of the fiscal years. There will, of course, be budgetary adjustments made in both sets of expenditure accounts to accommodate the new administrative structure's implementation in January 2013. Budget management will be coordinated centrally under the UNG Senior Vice President for Business and Finance to serve other needs of the consolidated operation as well. Fiscal Year 2014, which begins in the summer of 2013, will be the first year that the BOR and DOE establish a single annual budget for the consolidated institution.

As the proposed consolidation will occur when both institutions are midway through the current fiscal year, providing a first-year budget for the consolidated UNG requires reasoned estimation. The budgets provided in [Appendix 8.3](#) illustrate the combining of revenues, expenditures, and net cash flows approved for both partner institutions in FY 2013 and projected for FY 2014 as well as for calendar year 2013. As the tables show, the budgets are balanced as required by BOR policy for both fiscal years.

The BOR has invested significant resources into ensuring the consolidated universities are successful. Specifically the BOR has committed to central funding of the majority of cost related to the PeopleSoft and Banner financial systems. The FY2013 budget assumes that the enrollment projections of both universities will be met, and that enrollment headcounts will increase by 2% in FY2014. This anticipated growth in the student body will result in increased revenue from tuition and fees in FY 2014 and increased state appropriations for formula funding workload gains starting in FY2015. Should revenues not materialize as projected and unexpected state funding cuts occur mid-year, contingency plans will be pursued. Contingency resources include tuition reserve carry-forward balances, public service program reserve balances, and significant auxiliary enterprise reserves. Substantial assets reside with both institutions' philanthropic foundations, and additional funds could be requested from them as needed. The consolidated revenue projections for the University of North Georgia represent conservative, attainable enrollment growth that will provide sufficient revenue to meet current and projected capacity. Continued trends in state and federal funding reductions could serve to limit the growth capacity and service potential for the region.

The capital projects budget is submitted by the President and is categorized as major repair and renovation (MRR) funds under \$1 million, small capital projects over \$1 million, major capital projects over \$5 million, and student fee based public-private ventures. Projects currently recommended by the University System in its FY2014 capital request, but not yet approved by the Governor and the Legislature, include \$1 million for wet lab enhancements for the Gainesville campus. In FY2013, the two institutions were awarded \$850,804 in MRR funding (combined).

Both GSC and NGCSU maintain balanced budgets in accordance with state mandates, as demonstrated by the financial reports. The practice of maintaining a balanced budget, adequate cash reserves, and a positive net asset balance all indicate that the consolidated university's fiscal management will be sound and that the institution has the financial resources to carry out its programs and services in accordance with strategic objectives.

As USG institutions, both universities have employed similar budgeting and accounting systems and processes for complying with the state of Georgia's accounting and procurement policies. These systems are hosted by the USG information technology systems group.

Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, sales and services of educational departments. These resources are used for transactions relating to the educational and general operations of the university, and may be used to meet current expenses for those purposes, except for unexpended state appropriations (surplus). Unexpended state appropriations must be refunded to the Board of Regents of the University System of Georgia, University System Office, for remittance to the Office of the State Treasurer. Auxiliary enterprise funds receive no state appropriation and represent the re-sale operations of the university, including parking, housing, dining, the bookstore and other retail operations. Athletic fee revenue is also categorized in the auxiliary fund group.

Total unrestricted net assets for NGCSU were \$11.6 million as of June 30, 2012, a figure which represents an increase of \$2.6 million over the prior year. Gainesville State College had total unrestricted net assets of \$12.3 million as of June 30, 2012, which is an increase of \$1.7 million over the prior year.

The Georgia State Financing and Investment Commission oversees the proper application of proceeds from general obligation debt and the issuance of all public debt by the State. The Dahlonega Campus is in the final stages of a \$20 million state-funded renovation program. Upon completion in December 2012, the project will have accomplished renovations to the Student Success Center, historic Young Hall, historic Barnes Hall, and the Hoag Student Center. A total of 98,500 SF of space was renovated and the campus implemented its first central cooling plant system through this effort.

The Gainesville Campus completed the State General Obligation Bond funded Martha T. Nesbitt academic building in August 2011. This significant new structure includes 135,000 SF of teaching, lab, and office space. It was constructed with a \$35 million budget.

NGCSU, through its related party organizations (NGCSU Real Estate Foundation and NGCSU Foundation), has ten bond-related debts from three separate public-private ventures (PPV). The first PPV project was issued in February 2007 for \$46,485,000 to cover several projects and three distinct lease obligations. The PPV bond issue was used to refinance a 314-bed university student housing facility, construct a 586-space parking deck and a 58,000 square foot recreation center, acquire 100 acres of undeveloped land and build a road on it, and acquire a 31,000 square foot office building. NGCSU leases these facilities from the NGCSU Foundation. The lease payments are generated by the rental for room occupancy for the student housing, access and use fees for the parking deck and recreation center, and a mixture of 3<sup>rd</sup> party rental income and E&G funds for the office building. The debt will retire in 2037. In FY2012, the debt ratio on this PPV was 1.04 which exceeds the 1.00 debit ratio target set by the Board of Regents Facilities Office. This PPV also carries a couple of reserve balances. As of June 30, 2012, the reserves include a debt service reserve amount of \$3,920,630 and a maintenance reserve of \$427,407.

The second PPV project was issued in August 2009 for \$80,660,000 to construct a 1000-space parking deck, two student housing facilities (352 bed and 596 bed), and a 1086-seat dining facility. There are four separate lease obligations. NGCSU leases these facilities from the NGCSU Real Estate Foundation. The lease payments are generated by the rental for room occupancy for student housing, access fees for the parking deck and meal plans for the dining hall. The debt will retire in 2040. The FY12 debt ratio on this PPV was 1.15 which is much stronger than the 1.00 debt ratio target set by the Board of Regents Facilities Office. This PPV also carries several reserves including a debt service reserve of \$7,100,857 and a maintenance reserve of \$286,918.

The third PPV project was issued in November 2010 for \$30,430,000 to construct a 264-bed student housing facility, renovate a 166 bed student housing facility, and construct a 47,000 square foot mixed use facility to accommodate student health services, campus bookstore, office space, and 3<sup>rd</sup> party retailers. There are three separate lease obligations related to this PPV. NGCSU leases these facilities from the NGCSU Real Estate Foundation. The lease payments are generated by the rental for room occupancy for student housing, rental of retail space to 3<sup>rd</sup> parties, mandatory student health fees, Auxiliary Services operation profits, and E&G funds for office space use. The debt will retire in 2040. The FY12 debt ratio on this PPV was 1.05 which exceeds the 1.00 debt ratio target set by the Board of Regents Facilities Office. This PPV also carries a couple reserve balances. As of June 30, 2012 the reserves include a debt service reserve amount of \$1,963,986, and a maintenance reserve of \$23,252. The completion of these projects is expected in FY13. The total PPV debt burden for NGCSU is 7.72% for FY12.

In November 2011, NGCSU Real Estate Foundation secured financing to construct a 38,000 square foot academic building in the City of Cumming for the use of NGCSU and GSC. The building is master-leased to NGCSU for 11 years, with the lease obligation expiring in 2023. The lease payments are generated by tuition revenue generated by each campus.

GSC has two bond-related debts from two separate PPVs. The first project is a Georgia Higher Education Facilities Authority (GHEFA) project issued in August of 2009 for \$5,367,608 to construct a Parking Deck that would accommodate 382 more parking spaces on campus. Debt Service payments are paid on December 1<sup>st</sup> and June 1<sup>st</sup> of each year to the USG Real Estate Foundation I, LLC. This debt will expire on June 30, 2040.

The second bond PPV is the Athens Center, or the Oconee Campus in Watkinsville, GA. The Oconee Campus was purchased for \$7,660,088 by the Gainesville State College Real Estate Holding LLC and leased to Gainesville State College beginning January 2009. Payments to the Foundation are made monthly and the debt will expire December 2027.

**Contractual and Support Services**

Resources for out-sourced services are listed in the table below.

| Name                                     | Amount    | Description                         |
|--|-----------|-------------------------------------|
| Gainesville State College                |           |                                     |
| Owen-Exley, LLC dba D+S Management, LLC  | \$400,000 | Dining Services                     |
| Williams & Fudge - A/R Loan Collections  | \$157,000 | Overdue Account Collections         |
| UAI (Vending)                            | \$10,000  | Vending                             |
| VEND, Inc.                               | \$37,300  | Vending                             |
|  |           |                                     |
| North Georgia College & State University |           |                                     |
| Williams & Fudge - A/R Loan Collections  | \$40,000  | Overdue Account Collections         |
| Daniel's Charters                        | \$137,000 | Charter Bus Travel                  |
| ThyssenKrupp Elevator Service            | \$26,000  | Elevator Inspection and Maintenance |
| Fire & Life Safety America               | \$38,000  | Fire Safety Systems Inspections     |
| Business Mailing Services                | \$27,000  | Mailings, inc Bulk Mail Handling    |
| Higher One                               | \$24,000  | Student Account Refund Distribution |
| Sign Language Interpretation Specialists | \$59,000  | Sign Language Interpretation        |
| Precision Turf                           | \$25,000  | Athletic Field Maintenance          |
| Fisher/Broyles LLP                       | \$80,000  | Legal Services                      |
| Assessment Technologies Institute        | \$66,000  | Computerized Testing Services       |

### **Operational, Management, and Physical Resources**

Business and financial functions for UNG will be centralized under the Senior Vice President for Business and Finance, who will report directly to the President. The university's statutes will give the Senior Vice President responsibility for all of the institution's fiscal and physical assets, and for the development and administration of the budget. The Senior Vice President will oversee a leadership team of professionals with vast experience in managing and planning university finances, including three associate vice presidents, a comptroller and a budget and financial planning director.

For ongoing financial planning and oversight, sound educational planning goals and objectives are set as part of the university's continuous improvement efforts, and appropriate resources are allocated to accomplish these objectives. The university's strategic plan will provide the basic framework for the overall planning process; however, most of the educational planning is done at the unit level. The institution's education and general budget is based on a combination of state appropriation and projected tuition and fee revenue.

The University of North Georgia will have adequate physical resources to implement the educational, research, and service missions, as discussed in Section 7 (Physical Resources).

### **DOE Correspondence Regarding the Pre-Acquisition Application and Institutional Consolidation**

Contact with the United States Department of Education regarding the proposed consolidation of eight institutions of the University System of Georgia (USG) has been handled by Tonya Lam, USG Assistant Vice Chancellor, Planning and Implementation. [Appendix 8.4](#) contains correspondence from the United States Department of Education to Tonya Lam stating that the Pre-Acquisition Application is not required. Once consolidated in January 2013, UNG officials will notify DOE and begin the process for the switchover of financial aid funding to UNG beginning in summer, 2013.

### **Student Financial Aid**

At both GSC and NGCSU, the student financial aid offices provide guidance and assistance to help ease the financial burdens associated with students' education. Both offices are in compliance with all state and federal regulations pertaining to the awarding of financial aid to students.

Approximately 67% of GSC students and 93% of NGCSU students received aid from federal, state, institutional, or outside sources in FY2012, for a total of \$124 million in aid awarded. As indicated in the table on the next page, the financial aid departments awarded and paid a combined \$61.8 million in Title IV Federal Aid in 2011-2012.

| <b>Title IV Federal Aid, 2011-2012</b> |                     |                         |  |                     |                         |                         |               |
|--|---------------------|-------------------------|--|---------------------|-------------------------|-------------------------|---------------|
|  | <b>NGCSU</b>        |                         |  | <b>GSC</b>          |                         |                         |               |
| <b>Federal Aid Program</b>             | <b>Total Paid</b>   | <b>Total Recipients</b> |  | <b>Total Paid</b>   | <b>Total Recipients</b> | <b>Combined</b>         |               |
|  |                     |                         |  |                     |                         | <b>Total Paid</b>       |               |
|  |                     |                         |  |                     |                         | <b>Total Recipients</b> |               |
| Federal Pell Grant                     | \$7,786,142         | 2,183                   |  | \$14,515,635        | 4,401                   | \$22,301,777            | 6,584         |
| Federal Supplemental Opportunity Grant | \$79,468            | 184                     |  | \$116,981           | 172                     | \$196,449               | 356           |
| Federal Work Study                     | \$466,255           | 91                      |  | \$188,578           | 103                     | \$654,833               | 194           |
| Federal Perkins Loans                  | \$91,792            | 50                      |  | \$0                 | 0                       | \$91,792                | 50            |
| Federal Stafford Loans                 | \$24,201,003        | 5,850                   |  | \$14,168,067        | 3,332                   | \$38,369,070            | 9,182         |
| Federal Teach                          | \$206,000           | 61                      |  | \$0                 | 0                       | \$206,000               | 61            |
| <b>TOTAL</b>                           | <b>\$32,830,660</b> | <b>8,419</b>            |  | <b>\$28,989,261</b> | <b>8,008</b>            | <b>\$61,819,921</b>     | <b>16,427</b> |

Both GSC and NGCSU meet the audit requirements for Title IV administration in accordance with their current U.S. Department of Education Program Participation Agreements (contained in Appendices [8.5](#) and [8.6](#)) and the U.S. Department of Education Eligibility and Certification Approval Reports (contained in Appendices [8.7](#) and [8.8](#)). The Student Financial Aid offices at NGCSU and GSC have not received any limitations, suspensions, or termination by the U. S. Department of Education in regard to student financial aid or other financial aid programs during the previous 3 years. [Appendix 8.9](#) contains the most recent federal audit letter, and Appendices [8.10](#) and [8.11](#) contain the most recent audit letters from Georgia Student Finance Commission.

### **Links to Section 8 Appendices**

[Appendix 8.1 FY2011 Audit – North Georgia College & State University](#)

[Appendix 8.2 FY2011 Audit – Gainesville State College](#)

[Appendix 8.3 Combined Revenues, Expenditures, and Net Cash Flows](#)

[Appendix 8.4 Correspondence with US Department of Education](#)

[Appendix 8.5 DoE Program Participation Agreement – NGCSU](#)

[Appendix 8.6 DoE Program Participation Agreement – GSC](#)

[Appendix 8.7 DoE Eligibility and Certification Approval Report – NGCSU](#)

[Appendix 8.8 DoE Eligibility and Certification Approval Report – GSC](#)

[Appendix 8.9 DoE Audit Letter](#)

[Appendix 8.10 Georgia Student Finance Commission Audit Closure Letter – NGCSU](#)

[Appendix 8.11 Georgia Student Finance Commission Audit Closure Letter - GSC](#)

*If you need this document in another format, please contact the Office of Institutional Research at 706-867-3032 or [ie@ung.edu](mailto:ie@ung.edu)*